

HEDGE FUND PERFORMANCE

Monthly Summary Report

July 2014

Release Date: August 7, 2014

Rising Short Exposures Benefit Hedge Funds in July's Volatile Environment



Hedge funds outpace global equity exposures in July, non-directional equity and credit outperform

Hedge Fund Performance through July 2014

Aggregate Performance	JUL	Last 3Mo	YTD 2014	2013
Hedge Fund Aggregate	-0.35%	1.65%	2.58%	8.95%
S&P 500 Total Return	-1.38%	3.03%	5.66%	32.40%
Large Funds (>\$1b)	-0.94%	0.76%	1.69%	7.67%
Mid-size Funds (<\$1b, >\$250m)	-0.17%	1.68%	2.95%	8.78%
Small Funds (<\$250m)	-0.07%	2.10%	3.02%	8.78%

Primary Markets	JUL	Last 3Mo	YTD 2014	2013
Broad Financial Derivatives	1.10%	2.27%	0.74%	-0.72%
Commodity Strategies	1.09%	1.04%	3.12%	-2.53%
Broad Multi-Market	0.15%	1.83%	2.45%	5.35%
FX Strategies	-0.32%	-1.16%	-2.33%	-2.25%
Equity Strategies	-0.48%	2.10%	2.74%	14.13%
Credit Strategies	-0.64%	0.76%	3.60%	6.52%
Volatility/Options Strategies	-1.08%	1.16%	3.68%	4.73%

Primary Strategy	JUL	Last 3Mo	YTD 2014	2013
Market Neutral Equity	0.59%	0.68%	2.15%	6.62%
Multi-Strategy	0.37%	2.06%	2.79%	6.38%
Relative Value Credit	0.22%	1.38%	4.39%	5.26%
Convertible Arbitrage	0.19%	1.61%	4.29%	6.22%
Managed Futures	0.07%	0.63%	0.97%	-1.01%
Distressed	-0.44%	1.91%	5.78%	14.63%
Directional Credit	-0.68%	0.74%	3.67%	6.26%
Long/Short Equity	-0.68%	2.29%	2.69%	15.62%
Macro	-0.75%	0.62%	0.12%	2.90%
Event Driven	-0.78%	1.63%	4.20%	12.96%
Event Driven - Activist	-0.88%	2.51%	2.98%	18.00%

Sub-Sector Exposure	JUL	Last 3Mo	YTD 2014	2013
Securitized - Mortgages	0.61%	2.59%	6.72%	10.02%
Financials	-0.04%	2.18%	0.86%	18.03%
Sm/micro Cap	-1.22%	1.06%	2.94%	19.41%
Energy	-1.55%	2.82%	9.58%	13.40%
Healthcare	-1.82%	1.70%	6.30%	29.75%
Technology	-1.96%	0.46%	-3.41%	11.55%

Regional Exposure	JUL	Last 3Mo	YTD 2014	2013
Emerging Markets	0.67%	4.70%	3.96%	5.73%
Developed Markets	-0.72%	1.17%	2.94%	12.97%
China	4.00%	7.28%	0.66%	15.89%
Africa/Middle East	3.53%	3.40%	8.81%	20.50%
Japan	0.02%	4.02%	-1.74%	34.33%
India	-0.39%	19.69%	32.24%	-7.75%
Emerging Europe	-0.69%	10.09%	-2.39%	0.14%
Brazil	-1.32%	1.60%	0.34%	-3.97%
Russia	-4.57%	9.80%	-8.42%	2.55%

Approach	JUL	Last 3Mo	YTD 2014	2013
Systematic	0.42%	1.67%	0.97%	1.80%
Discretionary	-0.31%	2.10%	3.24%	11.34%

Updated Assets & Investor Flows through June 2014

Data in USD Billion	JUN	Q2 14	H1 14	2013	Est. AUM
All Hedge Funds	\$3.80	\$45.88	\$97.35	\$61.66	\$3,032.28
Equity Strategies	\$8.70	\$23.76	\$65.74	\$15.50	\$997.78
Fixed Income/Credit	\$2.73	\$18.91	\$26.60	\$68.71	\$982.17
Commodities	(\$1.60)	(\$2.52)	(\$3.54)	(\$1.41)	\$73.50
Multi-Asset	(\$5.55)	\$6.52	\$10.13	(\$21.10)	\$1,031.70

Primary Strategy	JUN	Q2 14	H1 14	2013	Est. AUM
Long/Short Equity	\$5.97	\$11.43	\$36.76	\$0.90	\$672.62
Event Driven	\$4.61	\$15.33	\$35.02	\$9.00	\$578.50
Relative Value Credit	\$2.99	\$7.75	\$11.44	\$28.98	\$252.03
Distressed	\$0.82	\$2.96	\$5.33	\$5.49	\$247.04
Broad Multi-Strategy	\$0.37	\$12.45	\$30.54	\$28.89	\$394.57
Convertible Arbitrage	\$0.20	\$1.03	\$1.98	\$0.15	\$56.43
Market Neutral Equity	(\$0.06)	\$0.30	\$3.01	\$5.54	\$52.17
MBS Strategies	(\$0.49)	\$2.31	\$0.21	(\$3.24)	\$89.63
Directional Credit	(\$3.41)	\$0.71	\$0.60	\$25.09	\$123.82
Macro	(\$3.93)	\$2.36	(\$3.00)	(\$10.00)	\$227.70
Managed Futures	(\$3.96)	(\$8.12)	(\$23.79)	(\$31.98)	\$120.84

- July was a volatile month for financial markets with Europe re-emerging as a source of instability, escalating tensions in eastern Ukraine and conflict in the Middle East all weighing on investor preference for risk assets. In this environment, aggregate hedge fund performance was negative 0.35%, the industry's fourth down month of 2014. The losses dropped year-to-date returns to 2.62%.
- Long/short equity funds reporting monthly exposure level data to eVestment showed a second consecutive rise of short exposure heading into July. Median short exposure had been near its 5-year low through much of 2013, but has since risen to its highest level since February 2010.
- With net exposure near 50% long for most of 2014, it is apparent why long/short equity strategies have lagged the S&P 500. However, with major global indices falling into the negative territory for the year, relative returns from long/short equity are beginning to appear favorable.
- Activist strategies declined in July, falling 0.88%. The group's volatile returns have left them only slightly ahead of the aggregate of all hedge funds in 2014, returning 2.98% for the year.
- Despite 10YR UST yields declining during the month, a sell-off in high yield markets appeared to negatively impact directional credit strategies in July. The decline of 0.64% for the aggregate of credit strategies was their first negative month since August 2013. Relative value credit managed to perform well, rising 0.22% in July.
- Macro funds fell 0.75% in July bringing returns back to nearly flat for the year at positive 0.12%. Larger macro strategies underperformed during the month, falling an average of 1.10%. The same was true for managed futures strategies as large funds in this category declined 1.91% in July and are down 0.13% for 2014.
- Options/volatility strategies posted above average declines in July, hurt by the sharp uptick of volatility during the month. This is further evidence the group's industry leading H1 performance was due to aggregate positioning aligned to take advantage of what had been a pervasive low volatility environment.
- Commodity-focused strategies produced the best aggregate returns of any major market segment in July despite large price declines across the commodity spectrum. The group's dispersion of returns during the month was far greater than any other market segment, an indication that despite aggregate performance gains, many funds posted large losses during the month.
- Emerging market hedge funds posted positive returns despite large losses coming from funds targeting Eastern Europe. Gains came from rebounding Middle East-focused funds and exposure to China.

COMPANY DESCRIPTION

eVestment provides a flexible suite of easy-to-use, cloud-based solutions to help global investors and their consultants select investment managers, enable asset managers to successfully market their funds worldwide and assist clients to identify and capitalize on global investment trends.

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eVestment - LOCATIONS

Atlanta

5000 Olde Towne Parkway
Suite 100
Marietta, Georgia 30068
United States
+1 (877) 769 2388
www.evestment.com
support@evestment.com

London

Candlewick House
120 Cannon Street
London, England EC4N 6AS
United Kingdom
+44 (0) 20 7651 0800
europe@evestment.com

New York

58 W 40th Street
4th Floor
New York, New York 10018
United States
+1 (212) 661 6050
support@evestment.com

Sydney

Level 26
1 Bligh Street
Sydney NSW 2000
Australia
+61 (0) 2 8211 2717
australia@evestment.com

Reno

6170 Mae Anne Avenue
Suite 3
Reno, Nevada 89523
United States
+1 (877) 769 2388
support@evestment.com

Hong Kong

Level 18
Wheelock House
20 Pedder Street
Central, Hong Kong
+852 2293 2390
asia@evestment.com

eVestment – RESEARCH GROUP

Peter Laurelli, CFA
Vice President
plaurelli@evestment.com
+1 (212) 230 2216

Minkyu Michael Cho
Analyst
mcho@evestment.com
+1 (212) 230 2209

Tony Kristić
Analyst
tkristic@evestment.com
+1 (646) 747 6177

Media Contacts

eVestment
Mark Scott
mscott@evestment.com
+1 (678) 238 0761

Kwittken & Company
Jon Stone
jstone@kwitco.com
+1 (646) 747 7161