

HEDGE FUND PERFORMANCE

Monthly Summary Report

October 2013

Release Date: November 7, 2013

Hedge Funds Enter Q4 2013 with their Second Best Month of the Year



Equity exposures produce highest returns, U.S. treasury rate declines aid macro strategies

Hedge Fund Performance through October 2013

Aggregate Performance	OCT	Last 3mo	YTD 2013	2012
Hedge Fund Aggregate	1.53%	2.43%	7.08%	7.51%
S&P 500 Total Return	4.60%	4.76%	25.31%	15.98%
Large Funds (>\$1b)	1.43%	1.75%	5.57%	7.72%
Mid-size Funds (<\$1b, >\$250m)	1.68%	2.32%	7.14%	7.76%
Small Funds (<\$250m)	1.44%	2.43%	6.94%	7.14%

Primary Markets	OCT	Last 3mo	YTD 2013	2012
Equity Strategies	1.96%	3.71%	11.38%	8.57%
Broad Multi-Market	1.63%	1.97%	4.15%	4.56%
Broad Financial Derivatives	1.19%	-0.83%	-2.06%	-2.24%
Credit Strategies	0.85%	1.63%	6.18%	11.81%
Volatility/Options Strategies	0.83%	1.36%	0.75%	11.11%
FX Strategies	0.43%	-1.13%	-1.72%	1.88%
Commodity Strategies	0.09%	-0.20%	-4.11%	-0.45%

Primary Strategy	OCT	Last 3mo	YTD 2013	2012
Distressed	2.34%	4.04%	12.53%	14.85%
Long/Short Equity	2.23%	4.27%	12.86%	9.36%
Event Driven	1.88%	3.62%	10.91%	10.45%
Convertible Arbitrage	1.33%	2.05%	6.19%	7.76%
Market Neutral Equity	1.22%	1.37%	5.75%	4.06%
Multi-Strategy	0.99%	1.56%	4.70%	7.20%
Macro	0.93%	0.75%	1.47%	3.01%
Managed Futures	0.82%	-0.49%	-2.20%	0.11%
Relative Value Credit	0.68%	1.09%	4.11%	10.06%
Directional Credit	0.42%	1.34%	6.75%	12.96%

Sub-Sector Exposure	OCT	Last 3mo	YTD 2013	2012
Energy	3.44%	5.94%	12.39%	-1.02%
Financials	1.26%	2.02%	13.12%	15.00%
Sm/micro Cap	0.84%	3.38%	14.10%	9.64%
Healthcare	0.76%	3.35%	20.93%	14.73%
Securitized - Mortgages	0.71%	1.90%	7.50%	19.51%
Technology	-0.73%	2.64%	7.40%	2.17%

Regional Exposure	OCT	Last 3mo	YTD 2013	2012
Developed Markets	1.73%	3.31%	10.78%	9.25%
Emerging Markets	2.70%	4.20%	6.41%	12.89%
China	0.94%	4.64%	11.16%	11.19%
Emerging Europe	2.09%	5.88%	0.42%	10.07%
Brazil	2.43%	4.90%	-1.07%	14.69%
Africa/Middle East	5.87%	6.96%	21.02%	14.83%
India	3.77%	1.04%	-14.84%	18.41%
Japan	-0.46%	3.14%	26.32%	9.92%

Approach	OCT	Last 3mo	YTD 2013	2012
Systematic	0.88%	-0.33%	0.00%	0.67%
Discretionary	1.85%	3.38%	9.59%	9.27%

Updated Assets & Investor Flows through September

Data in USD Billion	Sep	Q3 2013	YTD 2013	Est. AUM
All Hedge Funds	\$18.93	\$46.18	\$48.68	\$2,744.16
Equity Strategies	\$5.82	\$13.55	(\$0.26)	\$849.94
Fixed Income/Credit	\$10.65	\$19.54	\$66.63	\$908.14
Commodities	\$0.32	\$0.82	\$1.28	\$76.55
Multi-Asset	\$1.76	\$11.44	(\$17.69)	\$963.59

Primary Strategy	Sep	Q3 2013	YTD 2013	Est. AUM
Relative Value Credit	\$7.60	\$8.07	\$25.30	\$230.51
Long/Short Equity	\$3.93	\$4.39	(\$9.56)	\$566.49
Macro	\$3.66	\$8.11	(\$1.58)	\$210.83
Market Neutral Equity	\$0.87	\$3.33	\$4.46	\$47.96
Broad Multi-Strategy	\$0.84	\$9.54	\$16.69	\$329.79
Event Driven	\$0.60	\$4.02	\$5.64	\$522.93
Directional Credit	\$0.51	\$6.16	\$26.97	\$102.95
Convertible Arbitrage	\$0.32	\$0.24	(\$0.22)	\$52.98
Managed Futures	\$0.10	(\$1.24)	(\$22.41)	\$142.30
Distressed	(\$0.61)	\$2.24	\$4.34	\$232.93
MBS Strategies	(\$2.11)	(\$1.44)	\$1.98	\$86.65

- Hedge funds rose an average of 1.5% in October and have returned an average of 7.1% through the first ten months of 2013. On an annualized basis the industry is on pace to return 8.6% for the year, ahead of 2012's 7.5% increase.
- October returns continued to reflect the year-long trend of directional equity strategies outperforming the rest of the industry, however in October it was emerging, rather than developed markets, producing the largest gains.
- Long/short equity funds remain on track to post their best year since 2009 and second best since 2006 when they returned 26.7% and 15.3%, respectively. In both those years the universe outperformed the S&P 500.
- There was a rise in deviation of returns from credit strategies in October. While the universes in aggregate had good performance for the month, higher end gains appear to be primarily from the distressed segment of the universe with some losses stemming from arbitrage strategies, particularly those focused on sovereign rate markets, and long/short credit trading.
- MBS focused funds again posted positive results. The universe's performance has been consistently positive, but also consistently lower than the span before the U.S. rate spike in May. Since June, returns have average 0.7% versus the 1.4% during the sixteen months prior.
- Macro funds posted another decent month in October, building upon September's gains. The group's losses in June and August, followed by gains in September and October is evidence of their correlation to movements in U.S. rate markets. For the time being it appears "no taper" is positive for both equity and macro strategies.
- Recent macro performance has been a welcome sight to investors. Beginning in July, net flows reversed a several month trend of apparent investor dissatisfaction with mediocre returns. Since then, over \$8 billion has been allocated, met by relatively good performance.
- October's sharp decline in crude oil prices appears to have been a drag on many commodity strategies. The group is the second worst segment of the hedge fund industry in 2013, behind only funds targeting India. There have been many strong moves in commodity markets this year making it a surprise funds targeting the segment appear less than capable of capitalizing on them. The exception being funds targeting energy sector equities.
- Systematic strategies moved out of negative territory for the year with a good month in October, but the gap between systematic fund performance and their discretionary counterparts continued to widen. The industry, with systematic strategies removed, would be on pace to return nearly 12% in 2013.

COMPANY DESCRIPTION

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