

HEDGE FUND PERFORMANCE

Monthly Summary Report

June/Q2 2014

Release Date: July 8, 2014

Activists Lift Event Driven to Industry Leading Returns in Q2 & H1 2014

-Muted volatility, rising equities and global demand for yield benefited hedge funds in Q2

-After a prolonged downtrend, short exposure increases for second consecutive month



Hedge Fund Performance through June 2014

Aggregate Performance	JUN	Q2 2014	H1 2014	2013
Hedge Fund Aggregate	1.14%	1.89%	3.08%	8.93%
S&P 500 Total Return	2.07%	5.24%	7.14%	32.40%
Large Funds (>\$1b)	0.94%	1.85%	2.79%	7.66%
Mid-size Funds (<\$1b, >\$250m)	1.03%	2.16%	3.43%	8.78%
Small Funds (<\$250m)	1.23%	1.90%	3.16%	8.75%
Primary Markets	JUN	Q2 2014	H1 2014	2013
Volatility/Options Strategies	1.50%	3.20%	5.63%	4.73%
Credit Strategies	0.69%	2.01%	4.31%	6.53%
Equity Strategies	1.14%	1.76%	3.12%	14.11%
Broad Financial Derivatives	1.11%	1.70%	0.16%	-0.72%
Broad Multi-Market	0.85%	1.63%	2.44%	5.35%
Commodity Strategies	0.80%	0.93%	2.16%	-2.53%
FX Strategies	-0.90%	-1.30%	-1.99%	-2.25%
Primary Strategy	JUN	Q2 2014	H1 2014	2013
Event Driven - Activist	3.51%	4.99%	6.70%	18.00%
Event Driven	1.78%	2.98%	5.89%	12.91%
Distressed	1.07%	2.37%	5.83%	14.63%
Multi-Strategy	1.44%	2.37%	3.05%	6.39%
Directional Credit	0.65%	2.05%	4.48%	6.31%
Convertible Arbitrage	0.59%	1.95%	4.12%	6.22%
Long/Short Equity	1.24%	1.83%	3.05%	15.64%
Relative Value Credit	0.44%	1.68%	4.14%	5.26%
Managed Futures	0.95%	1.33%	1.35%	-1.12%
Macro	0.58%	1.12%	0.93%	2.90%
Market Neutral Equity	-0.05%	0.30%	1.64%	6.62%
Sub-Sector Exposure	JUN	Q2 2014	H1 2014	2013
Technology	2.83%	-0.84%	-1.01%	11.55%
Energy	2.44%	5.22%	10.60%	13.40%
Financials	1.41%	0.44%	0.79%	18.03%
Sm/micro Cap	1.35%	0.82%	4.05%	19.41%
Healthcare	0.83%	-1.47%	6.36%	29.75%
Securitized - Mortgages	0.26%	1.57%	5.01%	10.09%
Regional Exposure	JUN	Q2 2014	H1 2014	2013
Emerging Markets	1.34%	3.95%	3.15%	5.73%
Developed Markets	1.28%	1.65%	3.89%	12.96%
Russia	7.71%	14.87%	-1.45%	2.55%
Emerging Europe	5.90%	10.26%	-0.43%	0.14%
India	4.16%	17.72%	28.61%	-7.75%
Japan	3.05%	2.46%	-1.45%	33.65%
Brazil	2.81%	4.84%	2.67%	-3.97%
China	1.46%	0.07%	-3.87%	15.89%
Africa/Middle East	-2.23%	1.53%	4.82%	20.50%
Approach	JUN	Q2 2014	H1 2014	2013
Systematic	1.18%	2.32%	1.39%	1.69%
Discretionary	1.07%	1.87%	3.43%	11.32%

Updated Assets & Investor Flows through May 2014

Data in USD Billion	MAY	YTD 2014	FY 2013	Est. AUM
All Hedge Funds	\$22.02	\$93.26	\$61.66	\$3,001.77
Equity Strategies	\$11.45	\$59.35	\$15.50	\$979.15
Fixed Income/Credit	\$8.37	\$24.93	\$68.71	\$975.18
Commodities	(\$0.11)	(\$1.86)	(\$1.41)	\$74.79
Multi-Asset	\$3.75	\$12.46	(\$21.10)	\$1,025.62
Primary Strategy	MAY	YTD 2014	FY 2013	Est. AUM
Event Driven	\$6.04	\$31.06	\$9.00	\$571.35
Broad Multi-Strategy	\$5.23	\$29.64	\$28.89	\$389.23
Long/Short Equity	\$4.59	\$32.41	\$0.90	\$658.23
Relative Value Credit	\$2.64	\$9.69	\$28.98	\$250.14
Directional Credit	\$2.31	\$4.19	\$25.09	\$125.09
Distressed	\$1.80	\$4.79	\$5.49	\$245.47
MBS Strategies	\$1.49	\$0.50	(\$3.24)	\$89.11
Macro	\$1.62	(\$2.24)	(\$10.00)	\$224.86
Convertible Arbitrage	\$0.36	\$1.84	\$0.15	\$56.13
Market Neutral Equity	\$0.02	\$3.03	\$5.54	\$51.96
Managed Futures	(\$2.11)	(\$19.87)	(\$31.98)	\$123.87

- Hedge fund performance was positive in June for the second consecutive month. June also marked the third month of positive returns in the first six months of 2014. The industry returned 1.14% in June, 1.89% in Q2 and ended the first half up 3.08%, on pace for an annualized return of 6.26% for the year, lagging 2013 and 2012.
- Activist hedge funds posted large gains in June, an average of 3.51%, making the group the best performing strategy in both Q2 and H1 2014. Event driven funds are on pace to return over 12% for a second straight year.
- Distressed funds had another solid month in June, returning 1.07%, putting the group's 2014 returns ahead of all other major strategies, except activists.
- Funds reporting exposure level data to eVestment showed an increase in median and average short exposure in the last two months. Prior to the increase, short exposure had been in decline since late 2011.
- After falling sharply post-Euro sovereign crisis in mid-2011, average long exposure had steadily risen up until a peak in mid-2013. Since then, average long exposure had declined along with short exposure. The last time both long and short exposures experienced a prolonged month over month reduction was August – November 2008.
- Credit funds posted their tenth consecutive positive month in June, returning 0.69%, and are the second best performing primary market-focus behind volatility strategies. The continued decline in longer-term UST yields continues to be a positive for the universe, which is on pace to outperform 2013 gains.
- Options/volatility strategies appeared well positioned to take advantage of the low-volatility environment in the first half of 2014. The group's H1 returns of 5.63% are already ahead of full year 2013 gains and are best of any major market exposure.
- Long/short equity strategies were positive in June and Q2, but the group is well below 2013's pace and is lagging the S&P by more than half. While there have been pockets of strong gains from the group, most notably from energy sector funds, on an aggregate basis returns have been muted.
- Macro and managed futures strategies posted their second and third consecutive positive month in June, respectively, each ending Q2 in positive territory.
- Emerging markets were generally strong in June again led by exposure to Russia and India. Conflict and major events were not positive for all EM exposures as funds focused on the Middle East/Africa experienced their first major decline in just over a year.

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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