

HEDGE FUND PERFORMANCE

Monthly Summary Report

May 2014

Release Date: June 6, 2014

Favorable equity markets and falling treasury yields support major strategies in May

Hedge Fund Performance through May 2014

Aggregate Performance	MAY	YTD 2014	Last 12mo	2013
Hedge Fund Aggregate	1.32%	2.29%	6.48%	8.93%
S&P 500 Total Return	2.35%	4.96%	20.45%	32.40%
Large Funds (>\$1b)	2.02%	2.90%	6.19%	7.66%
Mid-size Funds (<\$1b, >\$250m)	0.99%	2.32%	5.75%	8.78%
Small Funds (<\$250m)	1.25%	2.22%	6.50%	8.75%

Primary Markets	MAY	YTD 2014	Last 12mo	2013
Volatility/Options Strategies	2.50%	4.96%	7.63%	4.73%
Equity Strategies	1.75%	2.42%	9.64%	14.11%
Credit Strategies	1.03%	3.90%	6.38%	6.53%
Broad Multi-Market	0.82%	1.42%	3.29%	5.35%
Broad Financial Derivatives	0.50%	-0.53%	-2.63%	-0.72%
FX Strategies	0.19%	-0.88%	-4.04%	-2.25%
Commodity Strategies	-0.52%	1.67%	1.81%	-2.53%

Primary Strategy	MAY	YTD 2014	Last 12mo	2013
Event Driven - Activist	3.92%	4.46%	15.16%	18.20%
Long/Short Equity	1.96%	2.35%	10.25%	15.74%
Macro	1.75%	1.29%	1.52%	2.90%
Convertible Arbitrage	1.44%	4.17%	5.89%	6.22%
Event Driven	1.25%	3.73%	10.16%	12.94%
Relative Value Credit	1.12%	4.12%	5.69%	5.26%
Distressed	1.03%	4.75%	11.17%	14.63%
Multi-Strategy	0.82%	1.69%	4.44%	6.39%
Directional Credit	0.65%	3.67%	5.84%	6.32%
Market Neutral Equity	0.42%	1.97%	5.21%	6.62%
Managed Futures	-0.39%	0.25%	-0.86%	-1.13%

Sub-Sector Exposure	MAY	YTD 2014	Last 12mo	2013
Technology	2.81%	-1.59%	7.07%	11.55%
Healthcare	1.93%	6.85%	23.46%	29.75%
Energy	0.75%	7.32%	16.07%	13.40%
Sm/micro Cap	0.62%	2.44%	13.47%	19.41%
Securitized - Mortgages	0.45%	4.46%	8.78%	10.09%
Financials	0.39%	-0.94%	7.98%	18.03%

Regional Exposure	MAY	YTD 2014	Last 12mo	2013
Emerging Markets	3.65%	2.84%	4.95%	5.73%
Developed Markets	0.86%	2.70%	9.40%	12.96%
Russia	12.19%	-6.41%	1.82%	2.55%
Emerging Europe	11.71%	-1.25%	2.72%	0.14%
India	6.75%	17.47%	16.24%	-7.75%
Japan	2.79%	-2.69%	6.39%	33.65%
Brazil	1.44%	0.35%	-3.18%	-3.97%
China	-0.53%	-6.91%	-1.67%	15.89%

Approach	MAY	YTD 2014	Last 12mo	2013
Discretionary	1.69%	2.85%	8.33%	11.32%
Systematic	0.76%	0.38%	0.32%	1.69%

Updated Assets & Investor Flows through April 2014

Data in USD Billion	APR	YTD 2014	FY 2013	Est. AUM
All Hedge Funds	\$22.86	\$74.33	\$61.66	\$2,947.11
Equity Strategies	\$7.98	\$49.96	\$15.50	\$953.77
Fixed Income/Credit	\$9.09	\$16.78	\$68.71	\$962.63
Commodities	(\$0.46)	(\$1.47)	(\$1.41)	\$75.15
Multi-Asset	\$5.57	\$9.17	(\$21.10)	\$1,007.28

Primary Strategy	APR	YTD 2014	FY 2013	Est. AUM
Broad Multi-Strategy	\$7.06	\$25.15	\$28.89	\$381.39
Event Driven	\$6.91	\$26.60	\$9.00	\$562.96
Relative Value Credit	\$3.88	\$7.57	\$28.98	\$247.57
Long/Short Equity	\$2.79	\$28.12	\$0.90	\$639.52
Directional Credit	\$1.46	\$1.35	\$25.09	\$119.68
Macro	\$1.25	(\$4.11)	(\$10.00)	\$216.67
MBS Strategies	\$1.20	(\$0.89)	(\$3.24)	\$87.10
Convertible Arbitrage	\$0.59	\$1.54	\$0.15	\$55.74
Distressed	\$0.58	\$2.95	\$5.49	\$242.66
Market Neutral Equity	\$0.50	\$3.21	\$5.54	\$52.27
Managed Futures	(\$1.94)	(\$17.61)	(\$31.98)	\$122.67

- Hedge fund performance was positive in May, rebounding from a slight decline in April. The industry returned 1.23% during the month and is up 2.20% YTD, on pace for an annualized return of 5.36% for the year.
- Credit funds posted their ninth consecutive positive month in May, returning 1.03% and are the second best performing primary market-focus behind volatility strategies. The continued decline in UST yields has been a major boon for the universe which is on pace to return nearly 10% in 2014.
- Activist hedge funds rebounded from declines in April with their largest monthly return since January 2013. The group has produced the highest volatility of any major strategy in 2014 and have deviations of returns lower than only sector specific (HC, tech) equity and emerging market (Europe, Brazil) strategies across the whole industry.
- Distressed funds had another solid month in May, returning 1.03% which puts their 2014 performance ahead of all other major strategies, including activists.
- After a strong month in April, commodity strategies were among the best performing segments of the industry, but sharp reversals in precious metals, grains and natural gas prices appeared to hurt the group in May. Their decline of 0.52% in the month dropped them to a positive 1.67% for the year and into the middle of the pack for overall industry performance.
- Macro strategies posted some large gains in May, however the larger positive returns appear to have come from the smaller funds in the universe. For the year, \$1b+ macro strategies have returned an average of only 0.67% while smaller funds are up 2.02%. However, both groups are underperforming the rest of the industry.
- The trend of large vs. small fund underperformance by macro funds in May was reversed among managed futures strategies. Large managed futures funds posted average gains of 2.24% in May while smaller strategies declined 0.13%. For the year, large managed futures funds are handily outperforming the rest of the hedge fund industry, returning 3.70%, while smaller funds are effectively flat in 2014.
- Emerging markets were again mixed in May as the unique risks and rewards of each country appear highly defined, as EM exposure has produced both the best and worst performing segments of the industry so far in 2014. Russia focused funds posted significant gains in May, but remain largely negative for the year, while the election results in India have kept the country's momentum to the positive. India funds' 17.47% rise in 2014 is by far the highest in the industry.

COMPANY DESCRIPTION

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