

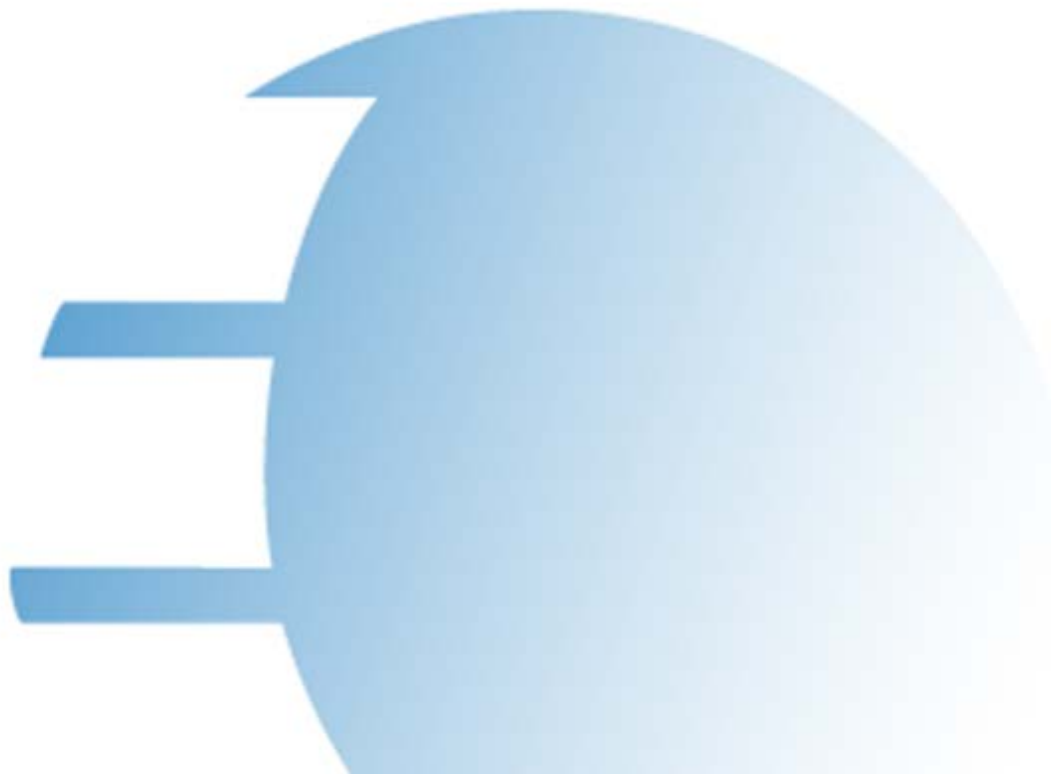
# HEDGE FUND PERFORMANCE

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Monthly Summary Report

October 2014

Release Date: November 6, 2014



## Managed Futures Funds Shine in a Volatile October



Systematic strategies prevail over manager discretion, event driven funds drag on aggregate returns and activists lead to the downside, but all up for the year

### Hedge Fund Performance through October 2014

<b>Aggregate Performance</b>	<b>Oct</b>	<b>Last 3mo</b>	<b>YTD 2014</b>	<b>2013</b>
Hedge Fund Aggregate	-0.06%	-0.18%	2.33%	10.13%
S&P 500 Total Return	2.44%	5.05%	10.99%	32.40%
Large Funds (>\$1b)	-0.35%	-0.35%	2.74%	11.92%
Mid-size Funds (<\$1b, >\$250m)	-0.82%	-0.87%	1.85%	11.40%
Small Funds (<\$250m)	0.13%	0.05%	2.57%	10.75%

<b>Primary Markets</b>	<b>Oct</b>	<b>Last 3mo</b>	<b>YTD 2014</b>	<b>2013</b>
Broad Financial Derivatives	1.10%	5.25%	5.50%	1.62%
FX Strategies	0.74%	1.36%	1.37%	-0.81%
Commodity Strategies	0.62%	-0.94%	1.55%	-3.02%
Volatility/Options Strategies	0.14%	-0.10%	1.77%	5.40%
Broad Multi-Market	-0.05%	0.93%	2.31%	6.10%
Broad Capital Structure	-0.32%	-0.96%	2.74%	13.51%
Equity Strategies	-0.38%	-1.08%	1.59%	15.64%
Credit Strategies	-0.47%	-1.70%	2.03%	7.42%

<b>Primary Strategy</b>	<b>Oct</b>	<b>Last 3mo</b>	<b>YTD 2014</b>	<b>2013</b>
Managed Futures	1.64%	5.29%	5.38%	1.10%
Relative Value Credit	-0.14%	-0.93%	2.84%	6.88%
Long/Short Equity	-0.21%	-0.82%	1.92%	16.42%
Market Neutral Equity	-0.34%	-1.20%	0.16%	7.71%
Macro	-0.40%	0.34%	1.78%	1.64%
Directional Credit	-0.41%	-1.72%	2.38%	6.99%
Distressed	-0.45%	-1.80%	3.24%	13.76%
Multi-Strategy	-0.79%	-0.32%	1.25%	8.10%
Event Driven	-0.89%	-2.09%	1.54%	14.46%
Convertible Arbitrage	-1.02%	-2.22%	0.76%	14.29%
Event Driven - Activist	-1.98%	-1.82%	2.32%	19.20%

<b>Sub-Sector Exposure</b>	<b>Oct</b>	<b>Last 3mo</b>	<b>YTD 2014</b>	<b>2013</b>
Financials	1.36%	0.75%	2.11%	21.01%
Healthcare	1.35%	4.86%	10.58%	28.06%
Technology	0.12%	-0.64%	-1.48%	14.41%
Securitized - Mortgages	-0.92%	-0.10%	7.12%	10.58%
Securitized - Multi Sector	-0.07%	0.35%	8.18%	14.01%
Energy	-4.39%	-5.60%	2.33%	19.29%

<b>Regional Exposure</b>	<b>Oct</b>	<b>Last 3mo</b>	<b>YTD 2014</b>	<b>2013</b>
Emerging Markets	0.79%	-1.44%	2.22%	4.75%
Developed Markets	-0.28%	-0.60%	2.42%	13.74%
India	7.36%	13.52%	54.36%	-7.01%
China	2.03%	1.04%	2.55%	17.09%
Africa/Middle East	0.64%	0.83%	7.93%	19.17%
Brazil	0.77%	-7.24%	-4.66%	-11.57%
Japan	-1.37%	-2.15%	-1.06%	28.87%

<b>Approach</b>	<b>Oct</b>	<b>Last 3mo</b>	<b>YTD 2014</b>	<b>2013</b>
Systematic	0.62%	2.46%	3.68%	5.42%
Discretionary	-0.87%	-1.99%	0.84%	13.30%

### Updated Assets & Investor Flows through September 2014

<b>Data in USD Billion</b>	<b>SEP</b>	<b>Q3 2014</b>	<b>YTD</b>	<b>2013</b>	<b>Est. AUM</b>
All Hedge Funds	(\$9.43)	\$7.07	\$104.44	\$61.66	\$3,018.05
Equity Strategies	(\$4.10)	\$6.41	\$72.09	\$15.50	\$997.60
Fixed Income/Credit	\$2.03	\$7.94	\$34.77	\$68.71	\$987.27
Commodities	(\$0.17)	\$1.62	(\$1.91)	(\$1.41)	\$73.59
Multi-Asset	(\$6.84)	(\$7.61)	\$2.35	(\$21.10)	\$1,013.80

<b>Primary Strategy</b>	<b>SEP</b>	<b>Q3 2014</b>	<b>YTD</b>	<b>2013</b>	<b>Est. AUM</b>
Relative Value Credit	\$2.94	\$3.04	\$14.38	\$28.98	\$251.91
MBS Strategies	\$1.56	\$3.14	\$3.36	(\$3.24)	\$93.97
Distressed	\$0.29	\$2.50	\$7.83	\$5.49	\$248.31
Convertible Arbitrage	\$0.11	\$0.04	\$2.03	\$0.15	\$56.02
Broad Multi-Strategy	(\$0.43)	\$6.48	\$36.81	\$28.89	\$405.36
Market Neutral Equity	(\$0.70)	(\$0.37)	\$2.64	\$5.54	\$51.39
Event Driven	(\$1.55)	\$5.88	\$40.87	\$9.00	\$579.04
Directional Credit	(\$2.04)	(\$0.06)	\$0.90	\$25.09	\$125.43
Managed Futures	(\$2.06)	(\$3.99)	(\$27.75)	(\$31.98)	\$120.92
Long/Short Equity	(\$2.47)	\$1.42	\$38.14	\$0.90	\$670.49
Macro	(\$3.34)	(\$7.29)	(\$10.27)	(\$10.00)	\$203.94

- Aggregate hedge fund performance was nearly flat in October at negative 0.06%. The decline is the industry's third down month in the last four. Year-to-date performance through October stands at positive 2.3%, the industry's lowest return in the first ten months of a year since 2011.
- Despite October's near flat returns, there was a wide distribution of returns across the industry, illustrating very large gains and losses for the second consecutive month. The volatility of returns produced in October was the third highest in nearly three years. The highest level in this span was in May 2012, driven by Europe's sovereign difficulties.
- The return of volatility across multiple markets has proven a boon to systematic strategies, particularly to funds operating in broad financial derivative markets, primarily managed futures (MF) funds. Having faced persistent redemptions over the last two years (and underperforming most segments of the industry) MF funds followed an excellent September with another strong month in October, returning an average of 1.6%. At positive 5.4% through October, MF is the hedge fund industry's leading primary strategy for 2014.
- Large managed futures strategies, those managing more than \$1 billion, have been driving the segment's recent strong returns. The group has returned 7.9% in the last three months and 9.4% YTD, ahead of virtually every single segment of the hedge fund industry.
- Activist funds, which held the "industry-leading performance" moniker through August, declined 2.0% in October and have lost over 4% in the last two months. October's decline put YTD activist fund returns at 2.3%, in-line with aggregate hedge fund industry performance.
- Credit strategies saw a relatively large aggregate decline in September followed by another negative month in October, falling an average of 0.5%. The universe hasn't produced consecutive down months since mid-2011 when Europe's sovereign crisis first flared.
- Commodity and FX-focused funds performed relatively well in October, however neither have been able to post strong aggregate returns for the year. There has been a very wide range of YTD returns produced by funds operating in the commodity sector, reflecting the volatility and strong directional price moves across the spectrum and the variety of differing interpretations of trends.
- Emerging market strategies were positive in October, with funds focused on India again benefiting from the country's post-election surging equity markets. The group has returned an average of nearly 55% in 2014, far better than the next best EM exposure of Africa/Middle East at 7.9%.

## 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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