



## Citi Prime Finance

### *Hedge Fund Industry Snapshot*

*Data as of February 2011*

#### **Citi Prime Finance**

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#### **Market Commentary**

**Report Date: March 2011**

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## Performance, AUM & Flows:

- Equal-weighted hedge fund composite indices were up for February 2011 with gains ranging from of +0.73% to +1.13%. The Citi HARP hedge fund replication index was +0.80% in February versus the HFRI Fund of Fund index that was +0.81%. February 2011 performance returns proved to be higher than January 2011 which experienced +0.22% to +0.56% over the same period.
- Lower conviction influenced markets in February. Convertible Arbitrage funds saw the largest positive gains at +1.48%, followed by Distressed (+1.36%), CTA / Managed Futures (+1.26%), Equity Long/Short (+1.05%) and Global Macro (+0.87%).
- According to HedgeFund.net (HFN), hedge fund industry AUM ended February 2011 at \$2.538 trillion, up from \$2.490 trillion in January 2010. This is the eighth consecutive month AUM has experienced gains. Industry AUM remains well below its \$2.94 trillion June 2008 peak.
- Increases in AUM attributable to positive performance accounted for an increase of +\$27.64 billion for February 2011 - over double year ago, while positive net investor inflows accounted for an increase of +\$21.52 billion. Overall year-to-date investor allocations are a net +\$32.21 billion compared to +\$12.71 year ago.
- With less than four months until the SEC registration requirements of Dodd Frank take effect, many hedge funds in the industry have yet to complete their filings. In an interview of CNBC's Strategy Session, Sandy Kaul, US Head of Business Advisory for Citi Prime Finance discussed some of the information that newly registered funds need to be prepared to share publicly when filing their registration paperwork with the SEC, including their AUM.

## Fund Profiles:

- Across the subset of hedge funds reporting performance and AUM, the monthly median performance for large single funds (>\$500 million) was +1.5%; medium single funds (\$100-\$500 million) +1.3% and small single funds (<\$100 million) +1.3%.
- Liquidity terms continued its consistent pattern from the previous reporting periods with January 2011 showing little changes to redemption notice periods with 68% of funds requiring 30 days or less notice for redemption. Across the entire subset of reporting funds, the majority (59%) required no lockup (42%) or less than 1 year lock up (17%).
- Consistent throughout previous reporting periods, large funds (> \$500 million AUM) continue to hold a large portion of industry AUM (68%) compared to medium funds (\$100-\$500 million) at 23% and small funds (<\$100 million) holding only 9%.

## Leverage & Shorts:

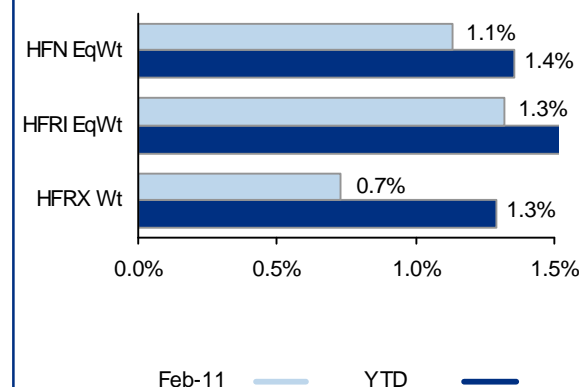
- On a global basis, we calculate gross leverage (as measured on a mean basis) at 1.67x in February 2011 versus 1.72x in January, 1.79x in December and 1.81x in November 2010.
- Looking across both long leverage and gross leverage, the following strategies showed the highest uses of leverage: Multi Strategy (5.19x), Equity Market Neutral (4.04x), Global Macro (3.35x), Convertible Arbitrage (3.30x), and Fixed Income Arbitrage (2.82x). Use of leverage in other strategies was generally lower across the board.
- Citi U.S. short flows data included in this month's report shows a continued strong concentration of interest in the Information Technology, Consumer Discretionary, & Financials sectors. These three sectors accounted for 58.76% of short executions and 53.77% of short flows versus 56.19% of short executions and 54.23% of short flows in January 2011.
- From late January to late February the large speculator community built its net positioning (of futures & options combined). The biggest add in terms of percentage of total open interest was in the net long EuroFX position to +9.6% from +4.9% in late January and back to the largest net long exposure since Q4 2009. The smallest change over the month was a very modest build in the net short position in TY contracts to -3.5% vs. -3.2% prior. Large spec positioning in both the S&P and Gold returned to levels last seen in September 2010.

# Hedge Fund Industry: AUM, Performance

Data as of Feb-2011

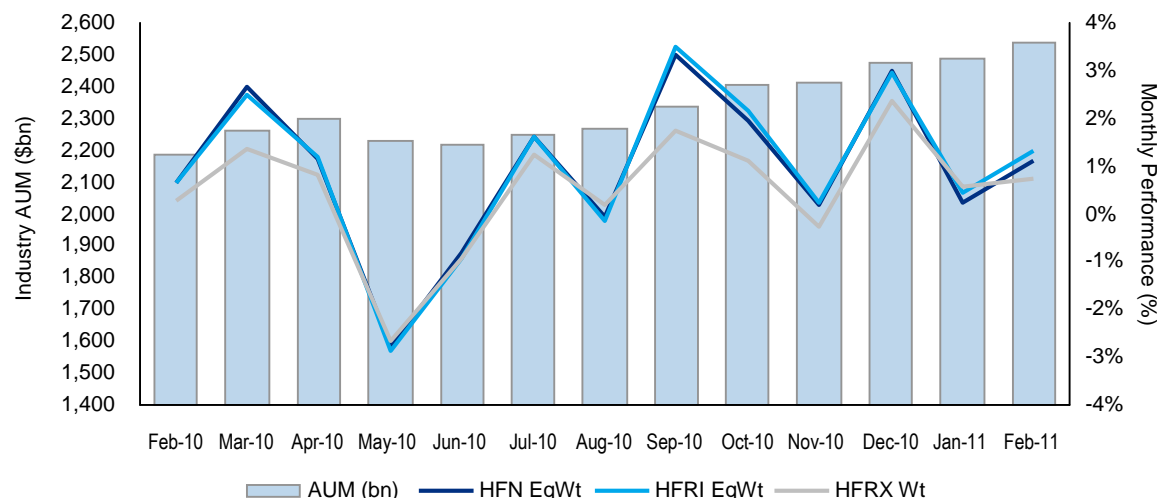
- Composite hedge fund performance, equal-weighted across funds, were up in February 2011 with gains ranging from +0.73% to +1.13%. Returns were higher than last month's (January 2011 +0.22% to +0.56%) and above performance year-ago February 2010 (+0.26% to +0.66%).
- Global Equity markets continued 2011 with large positive returns in February despite the spreading of civil unrest in the Middle East and North African countries (S&P 500, +3.4%; MSCI World index, +3.5%). Commodities prices generally rose (S&P GSCI up +3.1%) with oil prices rising to over \$100 a barrel for the month on concerns about supply disruption. The U.S. Dollar declined during the month (U.S. dollar index, -1.1%) against the Euro and British Pound which placed some pressure on rates (Citi US BIG +0.2%). US initial jobless claims and consumer confidence improved throughout the month. Precious metals posted gains.
- Hedge fund strategy wise only Dedicated Short, Emerging Markets, and Event Driven had February monthly returns below their 60-month trailing medians.
- Industry AUM, estimated at \$2.54 trillion according to HFN is up from January's \$2.49 trillion and surpassed the \$2.5 trillion mark— levels not seen since Q3 2008. Depending on the source, estimates of industry AUM ranges from \$1.92 to \$2.54 trillion compared to the Q2 2008 peak range of \$1.9 to \$3.0 trillion.

## Industry Performance: Feb-11 / YTD



Source: HedgeFund.net (HFN)

## Monthly Industry AUM and Performance



Source: HedgeFund.net (HFN); Hedge Fund Research, Inc., © 2010; www.hedgefundresearch.com

## Note Pad:

- MSCI World Index: +3.5% February; +5.9% YTD
- MSCI Emerging Markets Index: -0.9% February; -3.6% YTD
- S&P 500: +3.4% February; +5.9% YTD
- Citi US BIG Index: +0.2% February; +0.3% YTD
- S&P GSCI: +3.7% February; +6.9% YTD
- U.S. Dollar Index: -1.1% February; -2.7% YTD
- HFN Country Indices February / YTD: Brazil +0.06% / -1.94%; Russia +2.11% / +4.65%; India: -3.63% / -12.60%; China: -1.00% / -1.88%

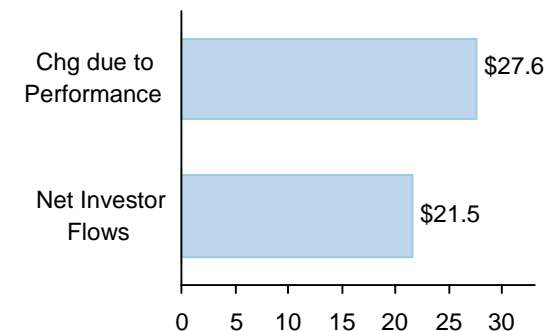


# Hedge Fund Industry: Change in Industry Assets

Data as of Feb-2011

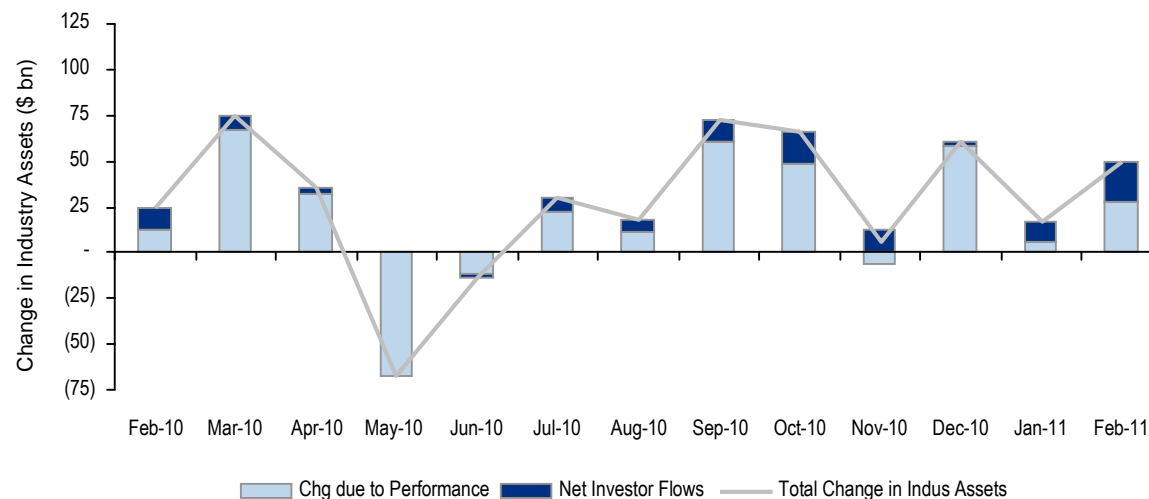
- According to HFN, the estimated change in industry assets for February 2011 was +\$49.18 billion. Gains stemmed mostly from performance (+\$27.64 billion) however, investor inflows accounted for gains of +\$21.54 billion.
- February 2011 performance gains of +\$27.64 billion mark the third consecutive month of increases in hedge fund industry assets due to performance. February performance gains are higher than January 2011 performance gains of +\$5.66 billion and year-ago performance of +\$12.83 billion (February 2010).
- Net investor inflows of +\$21.54 billion marks the eighth consecutive month of positive net inflows and an increase from December 2010 inflows of only +\$2.32 billion.
- Total industry AUM of \$2.54 trillion in February 2011 is up (+1.9%) from \$2.49 trillion in January 2011. This is the first time industry AUM has exceeded the \$2.5 trillion mark since Q3 of 2008. It is important to note, however, that these levels are still well below the industry's June 2008 peak estimated by HFN at \$2.90 trillion.

## Composition of Change in Assets: Feb-11 Amounts in (\$ bn)



Source: HedgeFund.net (HFN)

## Monthly Change in Industry Assets and Composition



Source: HedgeFund.net (HFN)

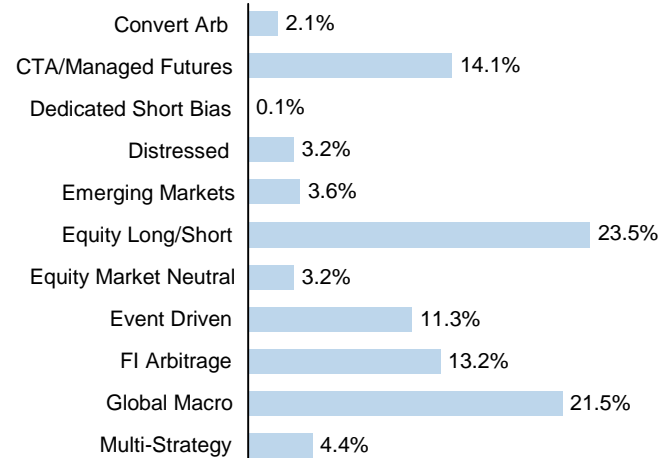
## Note Pad:

- The Citi Prime Finance calculation for end-February gross leverage (as measured on a mean basis) was 1.67x, down from 1.72 at end-January
- Gross leverage (mean): defined as  $\text{sum of (LMV + abs SMV)} / \text{Net Equity}$

# Hedge Fund Stats by Strategy

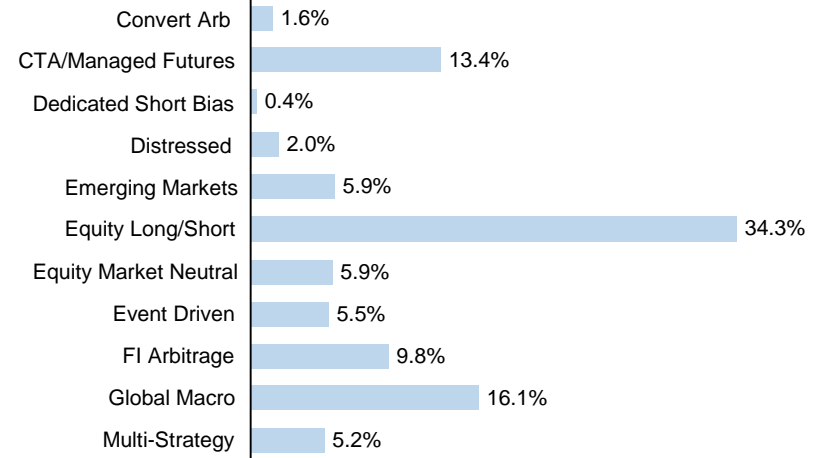
Data as of Feb-2011

## Hedge Fund Strategy Breakdown by Assets



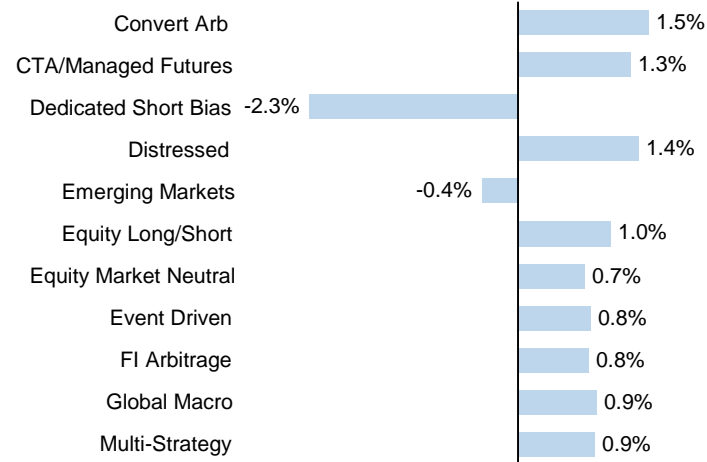
Source: Citi ICG Analytics

## Hedge Fund Strategy Breakdown by Number of Funds



Source: Citi ICG Analytics

## Hedge Fund Performance by Strategy

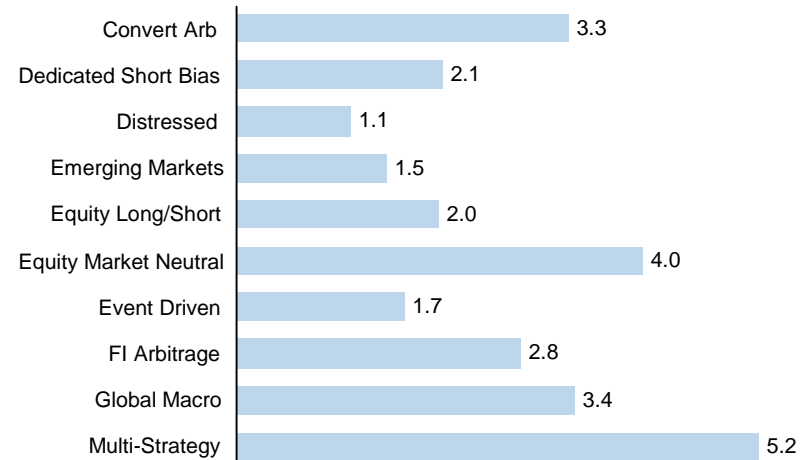


Source: Citi ICG Analytics

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.

## Hedge Fund Leverage Ratios by Strategy

Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity



Source: Citi Prime Finance



# Monthly Performance by Strategy

Data as of Feb-2011

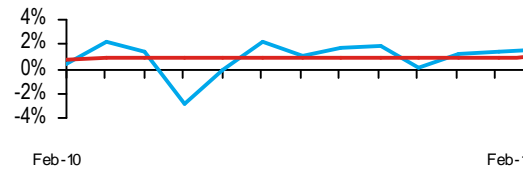
Monthly Median:

Trailing 60 Month Median:



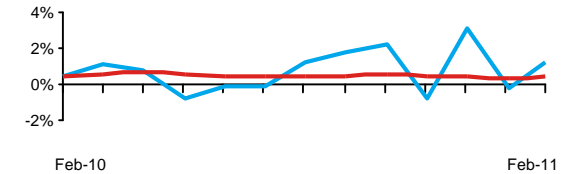
## Convertible Arbitrage

Feb-11	Jan-11	Feb-10
1.5%	1.4%	0.4%
0.99%	0.96%	0.80%



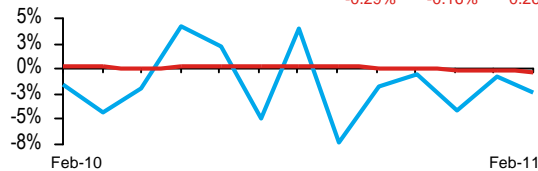
## CTA/Managed Futures

Feb-11	Jan-11	Feb-10
1.3%	-0.2%	0.5%
0.44%	0.39%	0.44%



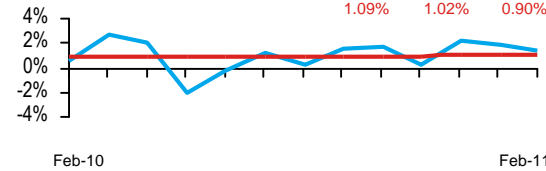
## Dedicated Short Bias

Feb-11	Jan-11	Feb-10
-2.3%	-0.7%	-1.6%
-0.29%	-0.16%	0.26%



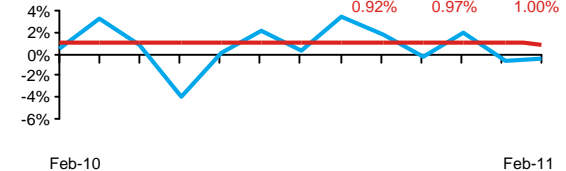
## Distressed

Feb-11	Jan-11	Feb-10
1.4%	1.8%	0.6%
1.09%	1.02%	0.90%



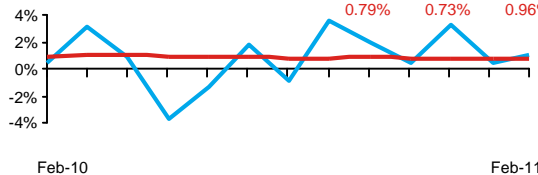
## Emerging Markets

Feb-11	Jan-11	Feb-10
-0.4%	-0.6%	0.4%
0.92%	0.97%	1.00%



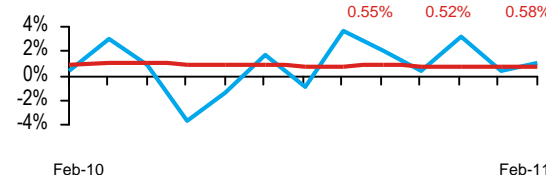
## Equity Long/Short

Feb-11	Jan-11	Feb-10
1.1%	0.4%	0.5%
0.79%	0.73%	0.96%



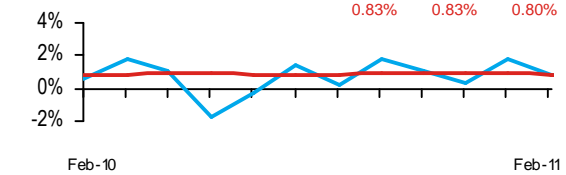
## Equity Market Neutral

Feb-11	Jan-11	Feb-10
0.7%	0.4%	0.4%
0.55%	0.52%	0.58%



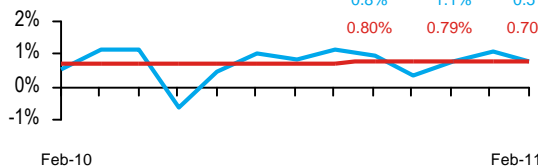
## Event Driven

Feb-11	Jan-11	Feb-10
0.8%	0.8%	0.5%
0.83%	0.83%	0.80%



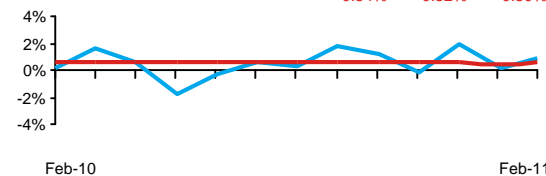
## FI Arbitrage

Feb-11	Jan-11	Feb-10
0.8%	1.1%	0.5%
0.80%	0.79%	0.70%



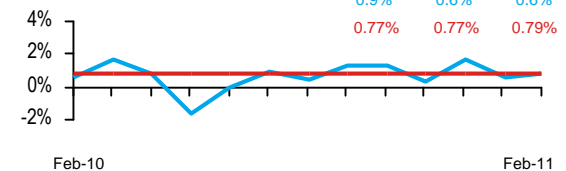
## Global Macro

Feb-11	Jan-11	Feb-10
0.9%	0.1%	0.1%
0.54%	0.52%	0.59%



## Multi-Strategy

Feb-11	Jan-11	Feb-10
0.9%	0.6%	0.6%
0.77%	0.77%	0.79%



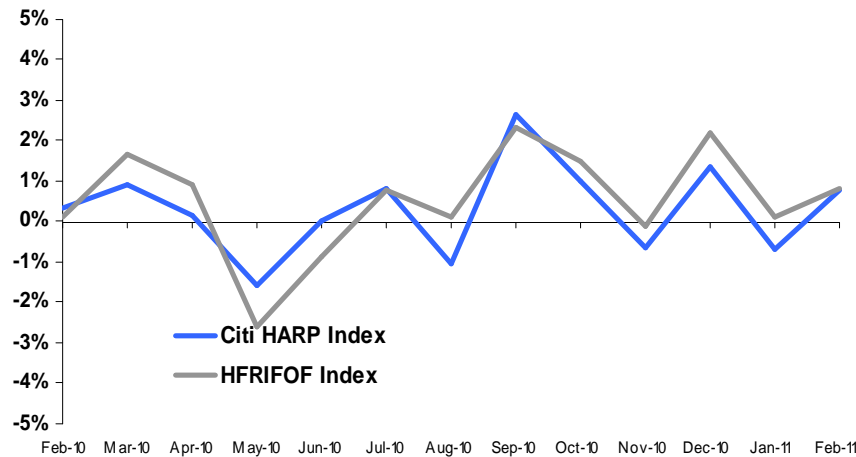
Source: Citi ICG Analytics

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.

# Citi Liquid Hedge Fund Replicator (HARP)

Data as of Feb-2011

Citi HARP Index vs. Benchmark (monthly rolling)



Citi HARP is a liquid investable index, which aims at approximating the performance of the hedge fund sector

	Feb-11	Jan-11	Feb-10	YTD-11
Citi Harp	0.80%	-0.69%	0.34%	0.10%
HFRIFO	0.81%	0.12%	0.13%	0.93%

Source: Citi and Hedge Fund Research, Inc., © www.hedgefundresearch.com  
HFRIFO Index is the HFRI Funds of Funds Composite Index

Annualized Performance: Last 12-Month	Citi HARP Index	HFRIFO
Annualised Return	3.70%	6.92%
Annualised Volatility	4.09%	4.78%
Sharpe Ratio	0.835	1.387
Correlation	85.75%	-

The purpose of the Index is to approximate in broad terms the performance of the hedge fund sector by achieving a similarity between the pattern of the returns of the Index and the pattern of the returns of a Benchmark - the HFRI Fund of Funds Composite Index.

The Index contains weighted components. The components are a money market component and various index components. Each index component represents a class of asset in which the hedge fund sector is assumed to invest: bond, commodity, equity and foreign exchange.

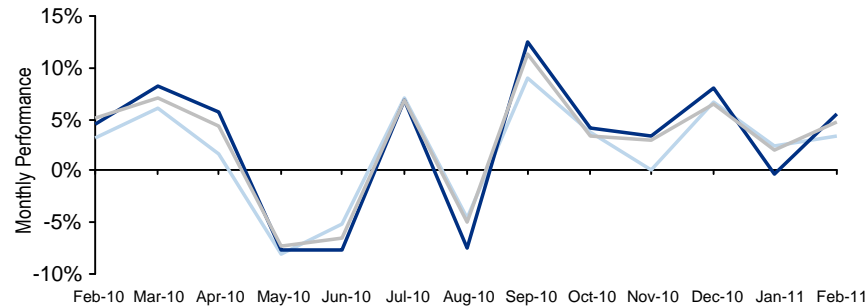
The weighting within the Index of each component is determined monthly. Every month, a multiple linear regression algorithm is used to identify the appropriate weighting.



# Market Performance

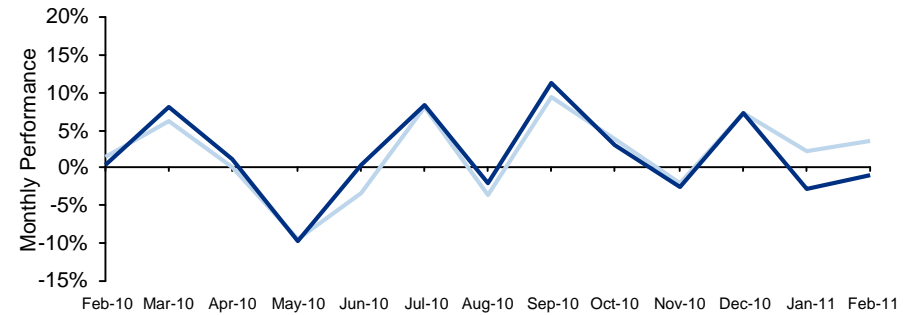
Data as of Feb-2011

## US Equities (Large Cap vs. Small Cap)



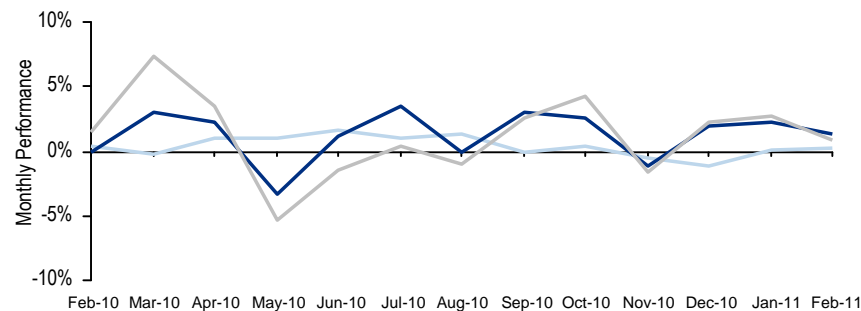
		Feb-11	Jan-11	Feb-10	YTD-11
S&P 500		3.4%	2.4%	3.1%	5.9%
RUS 2000		5.5%	-0.3%	4.5%	5.2%
S&P Mid		4.7%	2.0%	5.2%	6.7%

## Global Equities (Developed vs. Emerging)



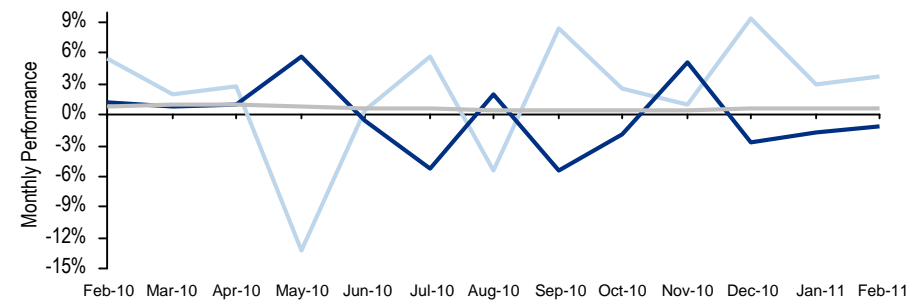
		Feb-11	Jan-11	Feb-10	YTD-11
MSCI World		3.5%	2.3%	1.4%	5.9%
MSCI EM		-0.9%	-2.7%	0.4%	-3.6%

## Fixed Income (High-Grade vs. High-Yield)



		Feb-11	Jan-11	Feb-10	YTD-11
Citi US BIG Index		0.2%	0.1%	0.3%	0.3%
Citi HY Bond Index		1.3%	2.3%	-0.1%	3.6%
Altman Defaulted		0.8%	2.7%	1.5%	3.5%

## Commodities (US\$ performance)



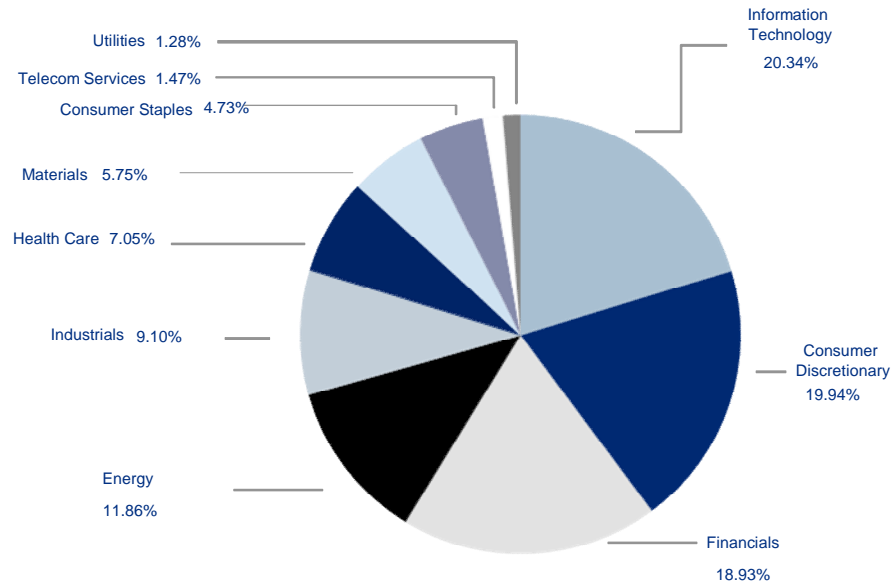
		Feb-11	Jan-11	Feb-10	YTD-11
S&P GSCI		3.7%	3.1%	5.6%	6.9%
US-\$ Index		-1.1%	-1.6%	1.1%	-2.7%
US 2yr Note		0.7%	0.6%	0.8%	1.3%

Source: Citi ICG Analytics; FactSet; Citigroup Index LLC; Altman-NYU Salomon Center defaulted Debt Security Indexes.

# US Securities Lending Sector Short Flows

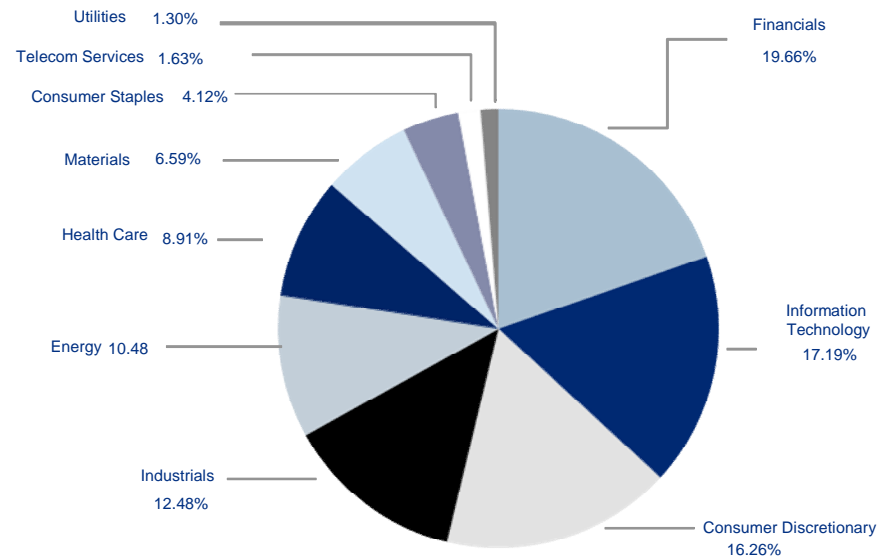
Data as of Feb-2011

## Short Sale Executions



Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Information Technology	20.34	19.91	2.16
Consumer Discretionary	19.49	19.40	0.46
Financials	18.93	16.89	12.08
Energy	11.86	8.96	32.37
Industrials	9.1	11.77	-22.68
Health Care	7.05	5.35	31.78
Materials	5.75	7.70	-25.32
Consumer Staples	4.73	4.81	-1.66
Telecom Services	1.47	3.09	-52.43
Utilities	1.28	2.13	-39.91

## Short Cover Executions

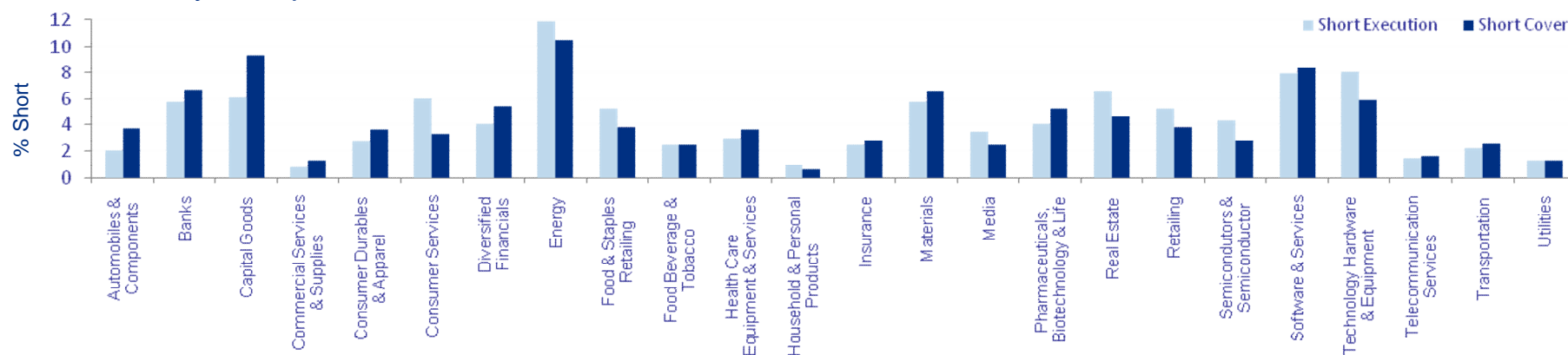


Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Financials	19.66	16.23	21.13
Information Technology	17.19	17.10	0.53
Consumer Discretionary	16.92	20.91	-19.08
Industrials	13.19	12.48	5.69
Energy	10.48	10.38	0.96
Health Care	8.91	7.81	14.08
Materials	6.59	8.28	-20.41
Consumer Staples	4.12	3.54	16.38
Telecom Services	1.63	1.46	11.64
Utilities	1.30	1.82	-28.57

Source: S&P (GICS); Citi U.S. Securities Lending. Executions of shorts and short covers settled at Citi Prime Finance based on Market Value

# US Securities Lending Industry Group Short Flows Data as of Feb-2011

## Citi Industry Group Short Flows



Industry	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Energy	11.86	8.96	32.37
Technology Hardware and Equipment	8.03	6.95	15.54
Software & Services	7.97	9.92	-19.66
Real Estate	6.61	2.46	168.70
Capital Goods	6.12	8.77	-30.22
Consumer Durables & Apparel	6.03	5.59	7.87
Banks	5.76	5.66	1.77
Materials	5.75	7.70	-25.32
Retailing	5.25	5.57	-5.75
Semiconductors & Semiconductor	4.34	3.05	42.30
Pharmaceuticals, Biotechnology & Life	4.11	3.74	9.89
Diversified Financials	4.06	5.58	-27.24
Media	3.49	2.09	66.99
Health Care Equipment and Services	2.94	1.61	82.61
Consumer Durables & Apparel	2.71	3.45	-21.45
Insurance	2.50	3.18	-21.38
Food Beverage & Tobacco	2.43	2.76	-11.96
Transportation	2.20	2.03	8.37
Automobiles & Components	2.01	2.70	-25.56
Telecom Services	1.47	3.09	-52.43
Food & Staples Retailing	1.36	1.30	4.62
Utilities	1.28	2.13	-39.91
Household & Personal Products	0.94	0.75	25.33
Commercial Services and Supplies	0.78	0.97	-19.59

Industry	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Energy	10.48	10.38	0.96
Capital Goods	9.35	9.26	0.97
Software & Services	8.42	7.56	11.38
Banks	6.71	6.16	8.93
Materials	6.59	8.28	-20.41
Technology Hardware and Equipment	5.94	5.55	7.03
Diversified Financials	5.46	4.60	18.70
Pharmaceuticals, Biotechnology & Life	5.29	4.85	9.07
Real Estate	4.67	2.01	132.34
Retailing	3.79	5.33	-28.89
Automobiles & Components	3.73	2.30	62.17
Health Care Equipment and Services	3.63	2.96	22.64
Consumer Durables & Apparel	3.63	3.14	15.61
Consumer Services	3.28	6.67	-50.82
Semiconductors & Semiconductor	2.83	3.98	-28.89
Insurance	2.82	3.45	-18.26
Transportation	2.56	1.77	44.63
Food Beverage & Tobacco	2.48	2.35	5.53
Media	2.48	3.47	-28.53
Telecom Services	1.63	1.46	11.64
Utilities	1.30	1.82	-28.57
Commercial Services and Supplies	1.28	1.46	-12.33
Food & Staples Retailing	1.05	0.83	26.51
Household & Personal Products	0.59	0.36	63.89

Source: S&P (GICS); Citi U.S. Securities Lending. Executions of shorts and short covers settled at Citi Prime Finance based on Market Value



# US Securities Lending Short Flows Summary

Data as of Feb-2011

## Citi Short Flows: February 2011

GICS Code	Description	% Short Executions This Month	% Short Executions From Last Month	% Change From Last Month	% Short Cover This Month	% Short Cover From Last Month	% Change From Last Month
Sector	Sector						
10	Energy	11.86	8.96	32.37	10.48	10.38	0.96
15	Materials	5.75	7.70	-25.32	6.59	8.28	-20.41
20	Industrials	9.10	11.77	-22.68	13.19	12.48	5.69
25	Consumer Discretionary	19.49	19.40	0.46	16.92	20.91	-19.08
30	Consumer Staples	4.73	4.81	-1.66	4.12	3.54	16.38
35	Health Care	7.05	5.35	31.78	8.91	7.81	14.08
40	Financials	18.93	16.89	12.08	19.66	16.23	21.13
45	Information Technology	20.34	19.91	2.16	17.19	17.10	0.53
50	Telecommunication Services	1.47	3.09	-52.43	1.63	1.46	11.64
55	Utilities	1.28	2.13	-39.91	1.30	1.82	-28.57
Industry Group	Industry Group						
1010	Energy	11.86	8.96	32.37	10.48	10.38	0.96
1510	Materials	5.75	7.70	-25.32	6.59	8.28	-20.41
2010	Capital Goods	6.12	8.77	-30.22	9.35	9.26	0.97
2020	Commercial Services & Supplies	0.78	0.97	-19.59	1.28	1.46	-12.33
2030	Transportation	2.20	2.03	8.37	2.56	1.77	44.63
2510	Automobiles & Components	2.01	2.70	-25.56	3.73	2.30	62.17
2520	Consumer Durables & Apparel	2.71	3.45	-21.45	3.63	3.14	15.61
2530	Consumer Services	3.49	2.09	66.99	2.48	3.47	-28.53
2540	Media	3.49	2.09	66.99	2.48	3.47	-28.53
2550	Retailing	5.25	5.57	-5.75	3.79	5.33	-28.89
3010	Food & Staples Retailing	1.36	1.30	4.62	1.05	0.83	26.51
3020	Food Beverage & Tobacco	2.43	2.76	-11.96	2.48	2.35	5.53
3030	Household & Personal Products	0.94	0.75	25.33	0.59	0.36	63.89
3510	Health Care Equipment & Services	2.94	1.61	82.61	3.63	2.96	22.64
3520	Pharmaceuticals, Biotechnology & Life Sciences	4.11	3.74	9.89	5.29	4.85	9.07
4010	Banks	5.76	5.66	1.77	6.71	6.16	8.93
4020	Diversified Financials	4.06	5.58	-27.24	5.46	4.60	18.70
4030	Insurance	2.50	3.18	-21.38	2.82	6.45	-18.26
4040	Real Estate	6.61	2.46	168.70	4.67	2.01	132.34
4510	Software & Services	7.97	9.92	-19.66	8.42	7.56	11.38
4520	Technology Hardware & Equipment	8.03	6.95	15.54	5.94	5.55	7.03
4530	Semiconductors & Semiconductor Equipment	4.34	3.05	42.30	2.83	3.98	-28.89
5010	Telecommunication Services	1.47	3.09	-52.43	1.63	1.46	11.64
5510	Utilities	1.28	2.13	-39.91	1.30	1.82	-28.57

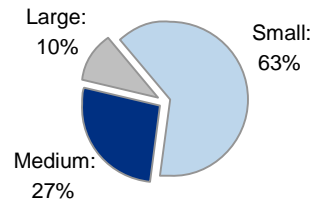
Source: S&P (GICS); Citi U.S. Securities Lending. Executions of shorts and short covers settled at Citi Prime Finance based on Market Value



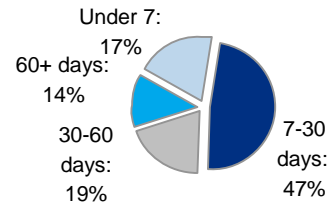
# Hedge Fund (Fund Level) Profiles

Data as of Feb-2011

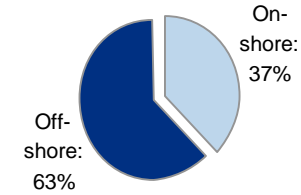
By Fund Size—No. of Funds



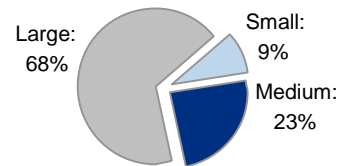
Redemption Notice Period



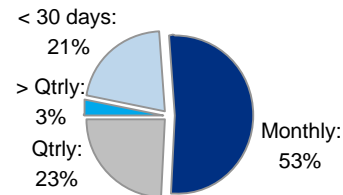
On-shore/Off-shore



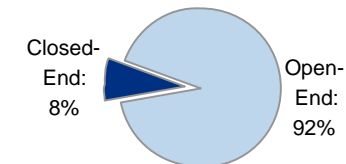
By Fund Size—\$ AUM



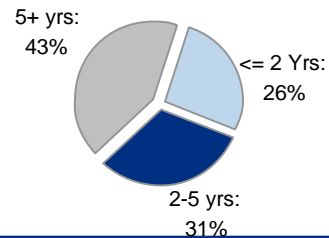
Redemption Frequency



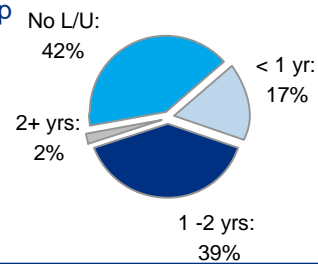
Legal Status



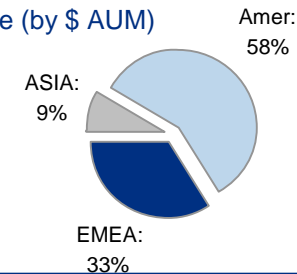
By Fund Age—No. of Funds



Lock-Up



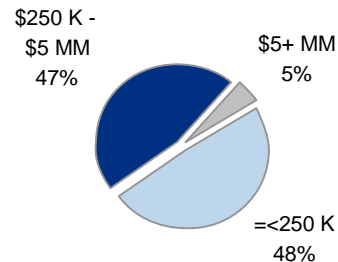
Domicile (by \$ AUM)



By Fund Age—\$ AUM



Minimum Investment



Source: Citi ICG Analytics

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.

# Hedge Fund (Fund Level) Profiles

Data as of Feb-2011

## Hedge Funds: Large (>\$500 MM)

Hedge Fund Age	% of Total	Median AUM (\$MM)	Median Monthly Perform	Median YTD Perform	Domicile: Americas Region	Off-Shore	Preferred Lock-Up / % of Total	Preferred Redemption Notice/ % of Total	Preferred Redemption Frequency/ % of Total
Under 2 yrs	5%	\$810	1.0%	1.6%	59%	71%	n/m	30-60 days / 38%	Monthly / 54%
2-5 yrs	22%	\$880	1.0%	1.4%	61%	79%	1-2 yrs / 72%	60+ days / 33%	Monthly / 38%
Over 5 yrs	73%	\$1,002	1.1%	1.5%	64%	71%	No / 45%	7-30 days / 37%	Monthly / 48%
<b>Total</b>	<b>100%</b>	<b>\$944</b>	<b>1.1%</b>	<b>1.5%</b>	<b>64%</b>	<b>72%</b>	<b>1-2 yrs / 47%</b>	<b>7-30 days / 33%</b>	<b>Monthly / 47%</b>

## Hedge Funds: Medium (\$100 – \$500 MM)

Hedge Fund Age	% of Total	Median AUM (\$MM)	Median Monthly Perform	Median YTD Perform	Domicile: Americas Region	Off-Shore	Preferred Lock-Up / % of Total	Preferred Redemption Notice/ % of Total	Preferred Redemption Frequency/ % of Total
Under 2 yrs	13%	\$161	0.7%	0.6%	47%	81%	1-2 yrs / 58%	7-30 days / 36%	Monthly / 42%
2-5 yrs	31%	\$179	0.7%	1.1%	62%	72%	1-2 yrs / 47%	7-30 days / 45%	Monthly / 52%
Over 5 yrs	57%	\$202	1.1%	1.7%	71%	64%	No / 50%	7-30 days / 53%	Monthly / 54%
<b>Total</b>	<b>100%</b>	<b>\$188</b>	<b>0.9%</b>	<b>1.3%</b>	<b>66%</b>	<b>68%</b>	<b>No / 45%</b>	<b>7-30 days / 49%</b>	<b>Monthly / 52%</b>

## Hedge Funds: Small (<\$100 MM)

Hedge Fund Age	% of Total	Median AUM (\$MM)	Median Monthly Perform	Median YTD Perform	Domicile: Americas Region	Off-Shore	Preferred Lock-Up / % of Total	Preferred Redemption Notice/ % of Total	Preferred Redemption Frequency/ % of Total
Under 2 yrs	20%	\$25	0.9%	0.9%	49%	76%	1-2 yrs / 66%	7-30 days / 37%	Monthly / 46%
2-5 yrs	34%	\$27	0.8%	1.4%	65%	65%	No / 47%	7-30 days / 48%	Monthly / 56%
Over 5 yrs	46%	\$30	0.9%	1.4%	71%	56%	No / 49%	7-30 days / 55%	Monthly / 49%
<b>Total</b>	<b>100%</b>	<b>\$28</b>	<b>0.9%</b>	<b>1.3%</b>	<b>65%</b>	<b>62%</b>	<b>No / 46%</b>	<b>7-30 days / 50%</b>	<b>Monthly / 51%</b>

Source: Citi ICG Analytics

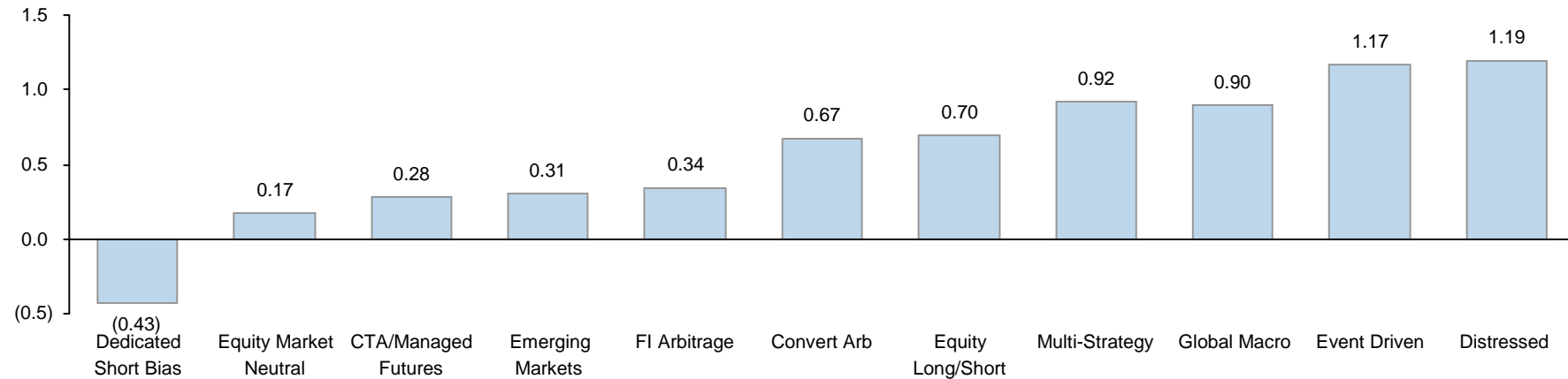
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. Median YTD performance is calculated from funds reporting for all underlying periods. - "n/m" = Not Meaningful.



# Risk and Return Metrics

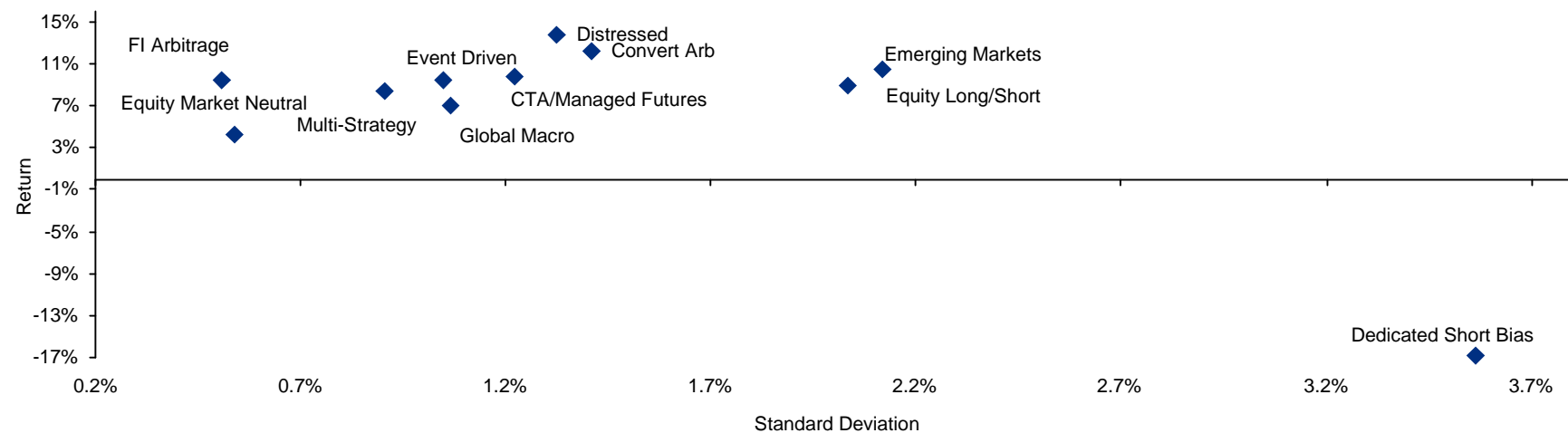
Data as of Feb-2011

Sharpe Ratios (Jun-94 –Feb-11)



Source: Credit Suisse Tremont

Risk vs. Return (Mar-10 – Feb-11)



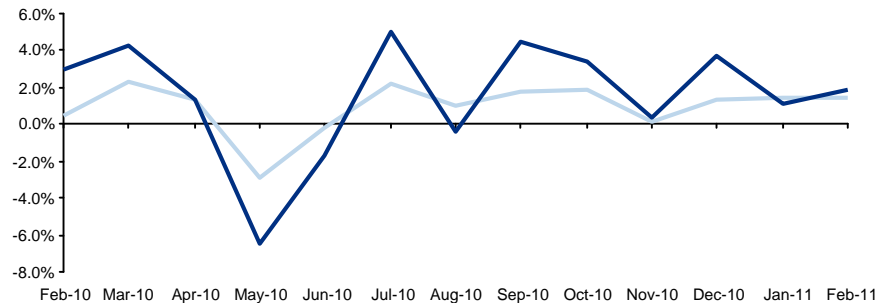
Source: Citi ICG Analytics

# Convertible Arbitrage

Data as of Feb-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.4%	1.5%											2.9%

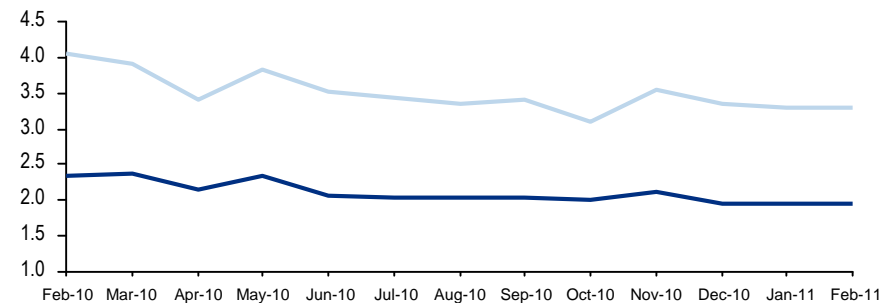
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-11	Jan-11	Feb-10	YTD-11
Convert Arb	1.5%	1.4%	0.4%	2.9%
CWB ETF	1.9%	1.1%	2.9%	3.0%

Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)

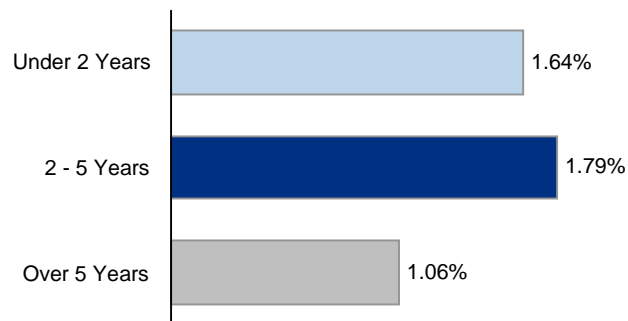


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

LMV Leverage (Mean): Defined as Long Market Value / Net Equity

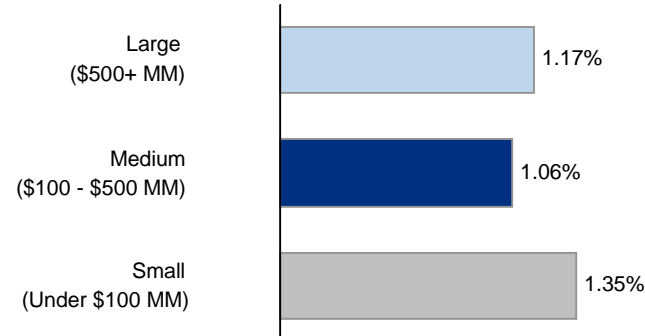
Source: Citi Prime Finance

## Hedge Fund Performance by Age <sup>(1)</sup>



Source: Citi ICG Analytics

## Hedge Fund Performance by Size <sup>(1)</sup>



Source: Citi ICG Analytics

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. <sup>(1)</sup> Universe and sample sizes may be small.

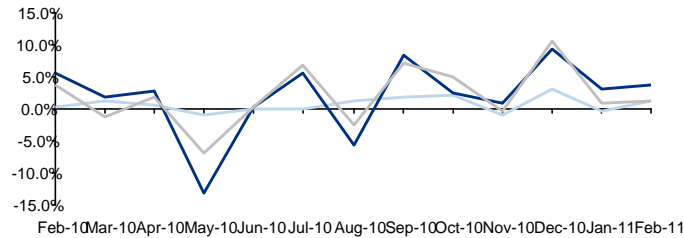


# CTA/Managed Futures

Data as of Feb-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.2%	1.3%											1.1%

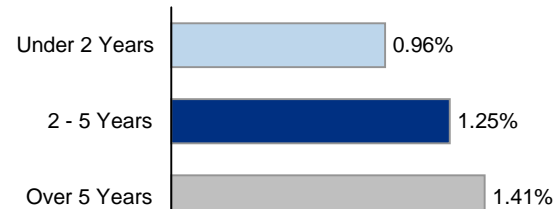
## Hedge Fund Performance vs. Benchmark



	Feb-11	Jan-11	Feb-10	YTD-11
CTA/Mgd Futures	1.3%	-0.2%	0.5%	1.1%
S&P GSCI Commodity (SPGSCI)	3.7%	3.1%	5.6%	6.9%
DJ-UBS Commodity (DJAGK)	1.3%	1.0%	3.7%	2.3%

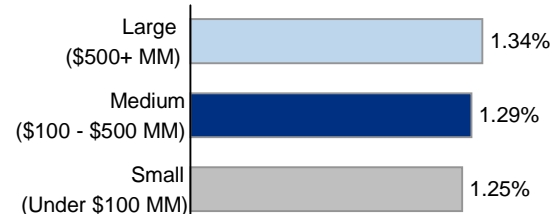
Source: Citi ICG Analytics; FactSet

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size

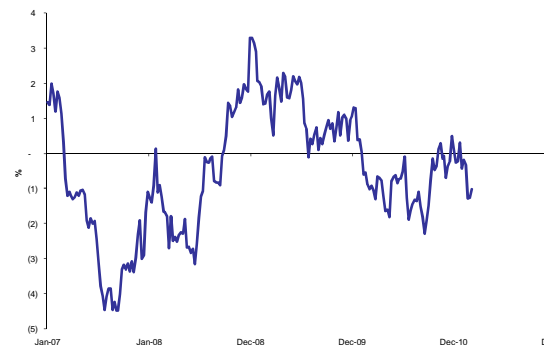


Source: Citi ICG Analytics

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

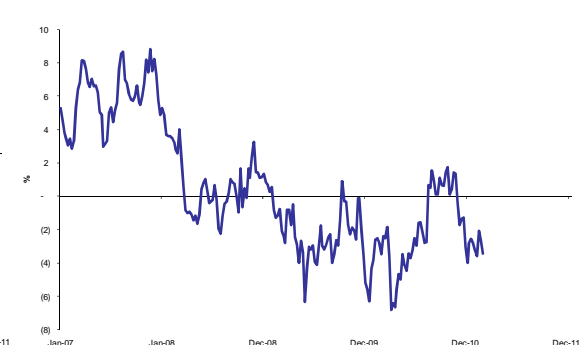
## Large Speculator Positions: CFTC Commitment Of Trader (Futures & Options) Report Net of Longs Less Shorts As Percent of Total Open Positions

### Combined S&P / Weighted Mini S&P Contracts



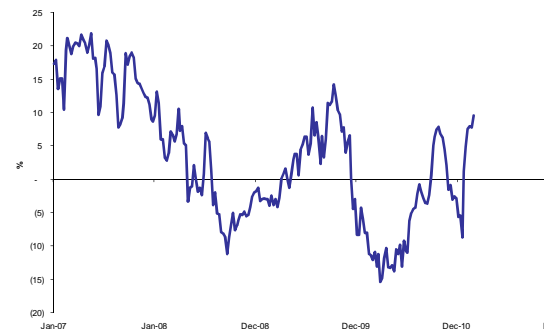
Last Update: 1/22/11 -0.1%

### U.S. 10-Year Treasury Futures



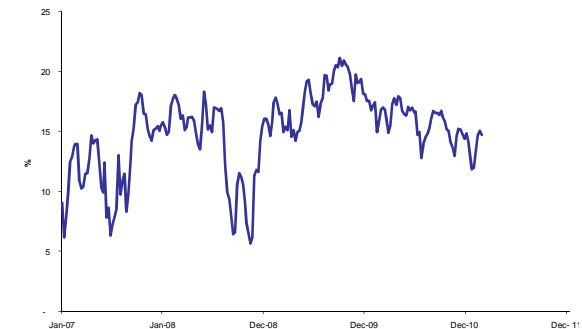
Last Update: 1/31/11 -3.5%

### EuroFX Futures



Last Update: 1/22/11 +9.6%

### Gold Futures



Last Update: 1/31/11 +11.9%

Source: CFTC, Bloomberg, Citi Futures Perspective

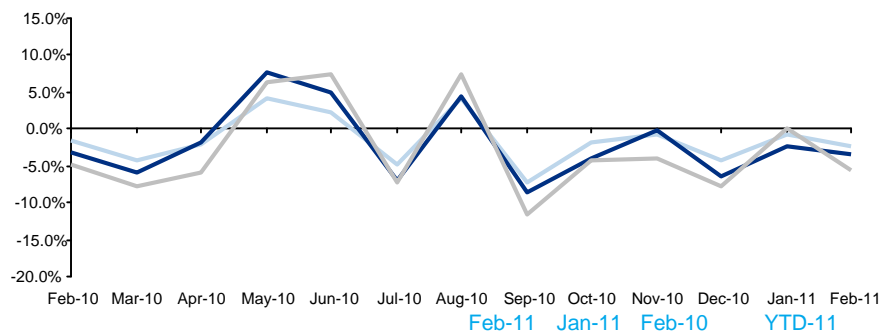


# Dedicated Short Bias

Data as of Feb-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.7%	-2.3%											-3.0%

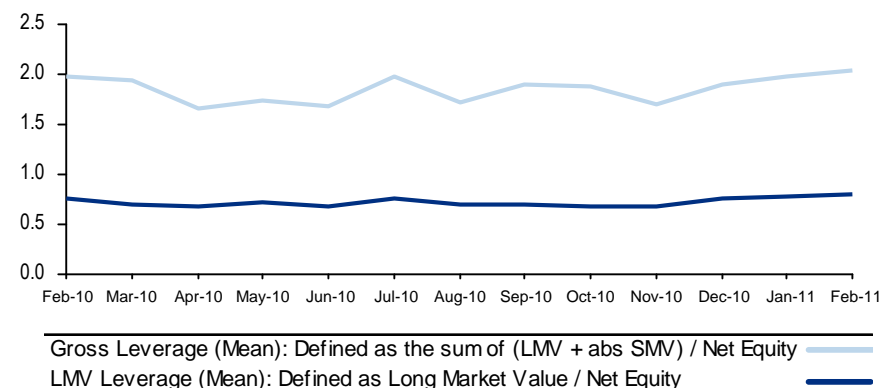
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



Ded Short Bias		-2.3%	-0.7%	-1.6%	-3.0%
S&P Short ETF (SH)		-3.5%	-2.3%	-3.3%	-5.8%
Rus 2000 Short ETF (RWM)		-5.6%	0.0%	-4.8%	-5.6%

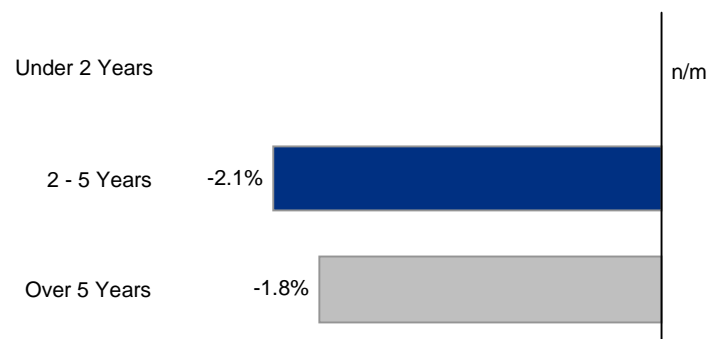
Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)



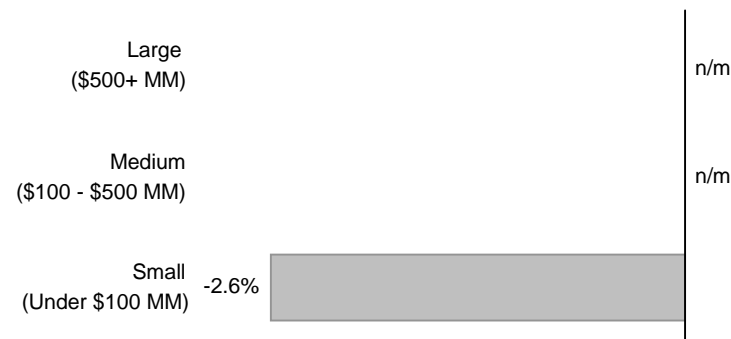
Source: Citi Prime Finance

## Hedge Fund Performance by Age (1)



Source: Citi ICG Analytics

## Hedge Fund Performance by Size (1)



Source: Citi ICG Analytics

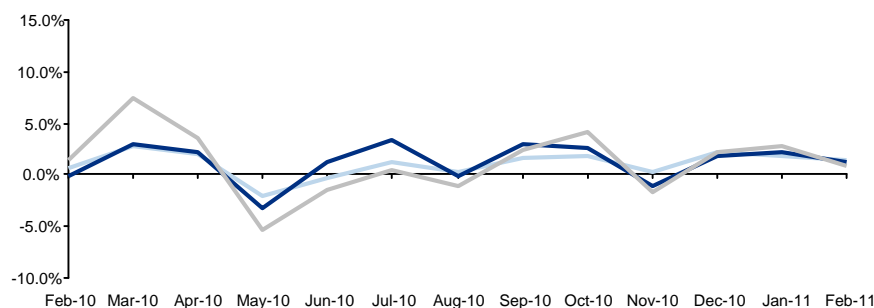
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

# Distressed

Data as of Feb-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.8%	1.4%											3.2%

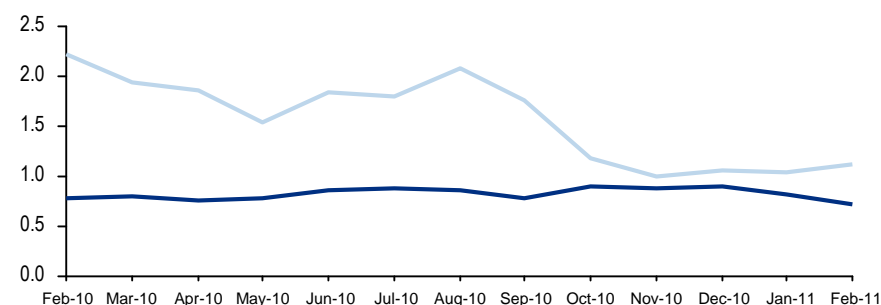
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-11	Jan-11	Feb-10	YTD-11
Distressed	1.4%	1.8%	0.6%	3.2%
Citi HY Bond Index	1.3%	2.3%	-0.1%	3.6%
Altman Defaulted Index	0.8%	2.7%	1.5%	3.5%

Source: Citi ICG Analytics; Citigroup Index LLC; Altman-NYU Salomon Center

## Leverage Profile (Monthly, LTM)

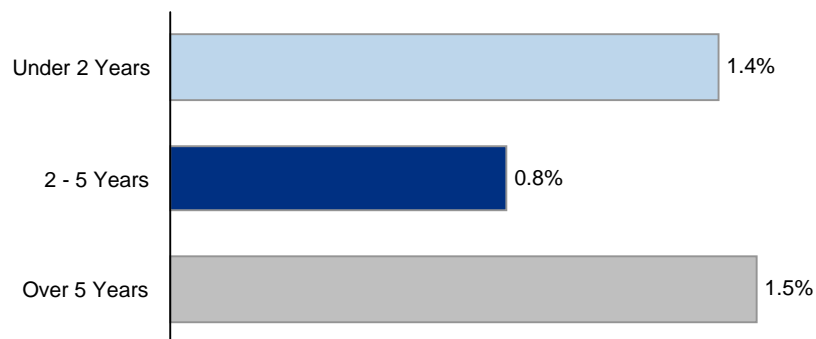


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

LMV Leverage (Mean): Defined as Long Market Value / Net Equity

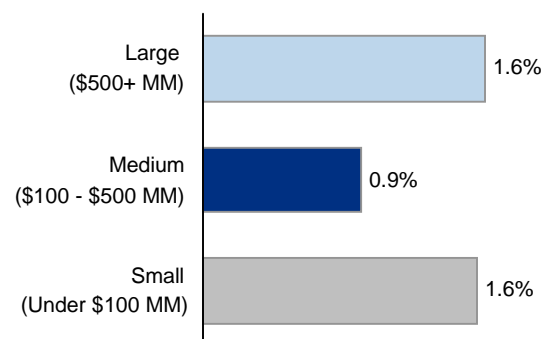
Source: Citi Prime Finance

## Hedge Fund Performance by Age (1)



Source: Citi ICG Analytics

## Hedge Fund Performance by Size (1)



Source: Citi ICG Analytics

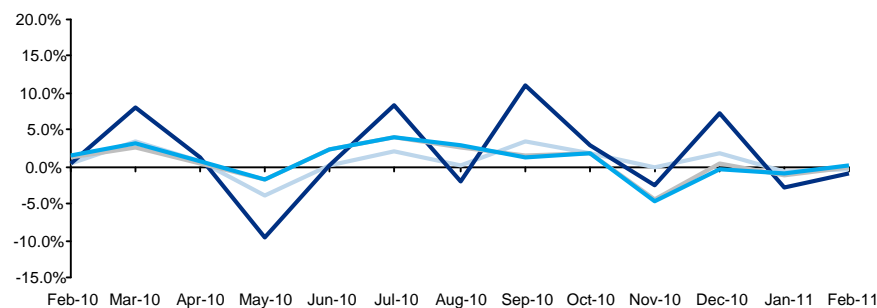
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

# Emerging Markets

Data as of Feb-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.6%	-0.4%											-1.0%

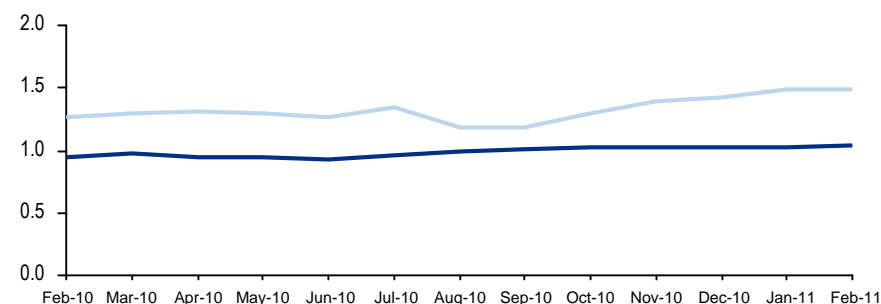
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-11	Jan-11	Feb-10	YTD-11
Emerging Mkts	-0.4%	-0.6%	0.4%	-1.0%
MSCI EM	-0.9%	-2.7%	0.4%	-3.6%
JPM EMBIG Core ETF (EMB)	-0.1%	-1.0%	1.3%	-1.1%
DB EM Liquid ETF (PCY)	0.2%	-0.9%	1.4%	-0.8%

Source: Citi ICG Analytics; FactSet

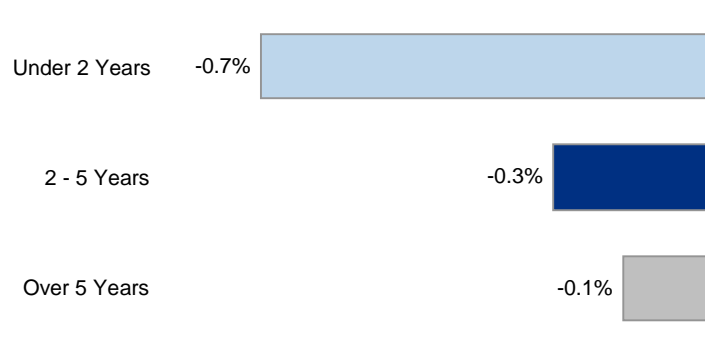
## Leverage Profile (Monthly, LTM)



Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity  
 LMV Leverage (Mean): Defined as Long Market Value / Net Equity

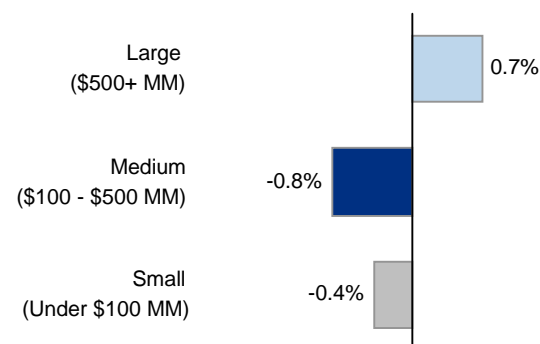
Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

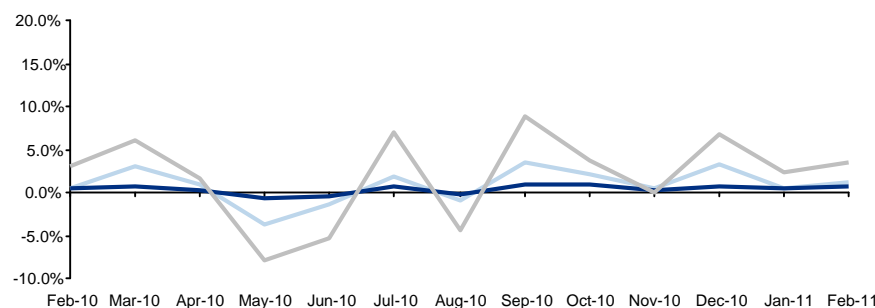
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

# Equity Long/Short

Data as of Feb-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.4%	1.1%											1.5%

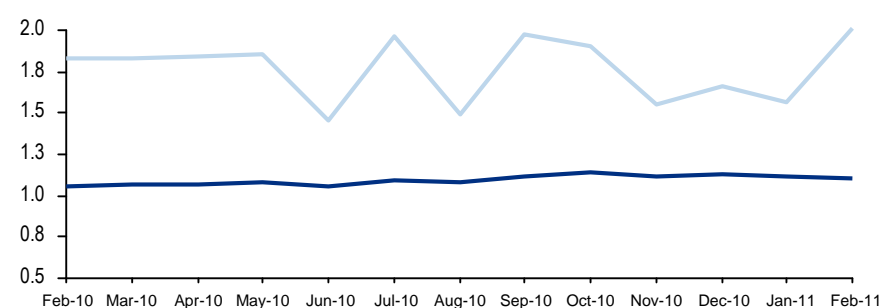
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-11	Jan-11	Feb-10	YTD-11
Eq Long/Short	1.1%	0.4%	0.5%	1.5%
Eq Mkt Neutral	0.7%	0.4%	0.4%	1.1%
S&P 500	3.4%	2.4%	3.1%	5.9%

Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)

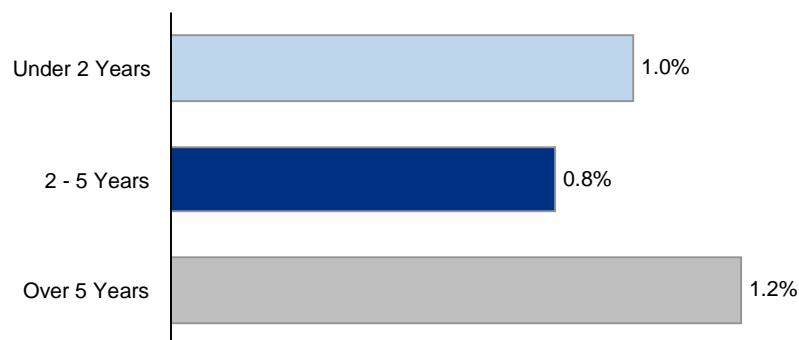


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

LMV Leverage (Mean): Defined as Long Market Value / Net Equity

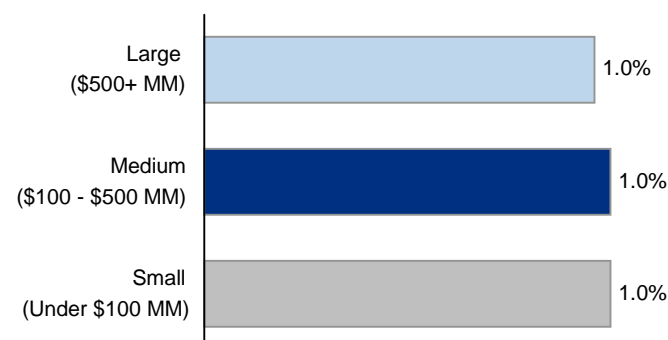
Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

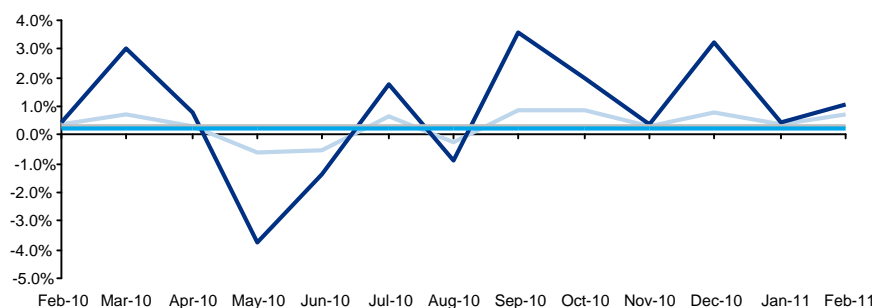
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

# Equity Market Neutral

Data as of Feb-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.4%	0.7%											1.1%

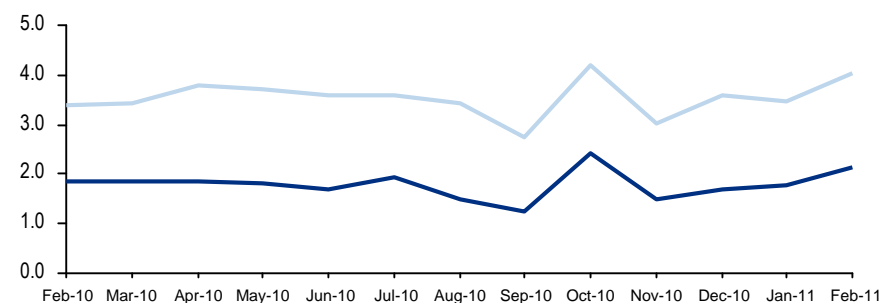
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-11	Jan-11	Feb-10	YTD-11
Eq Mkt Neutral	0.7%	0.4%	0.4%	1.1%
Eq Long/Short	1.1%	0.4%	0.5%	1.5%
LIBOR + 300 bps	0.3%	0.3%	0.3%	0.5%
US T-Bill + 300 bps	0.3%	0.3%	0.3%	0.5%

Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)

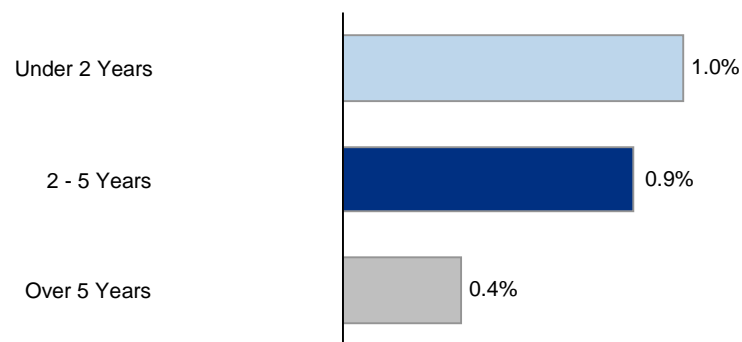


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

LMV Leverage (Mean): Defined as Long Market Value / Net Equity

Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

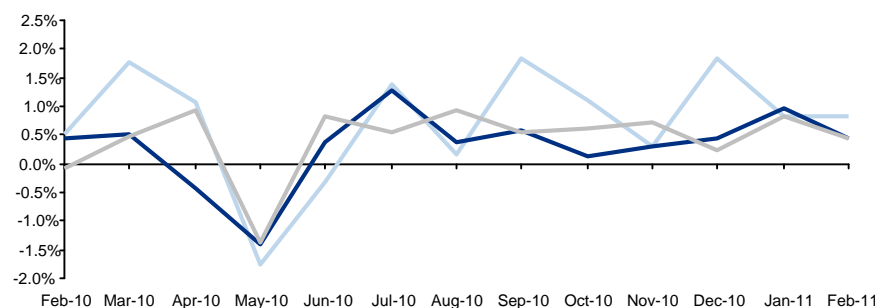
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

# Event Driven

Data as of Feb-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.8%	0.8%											1.7%

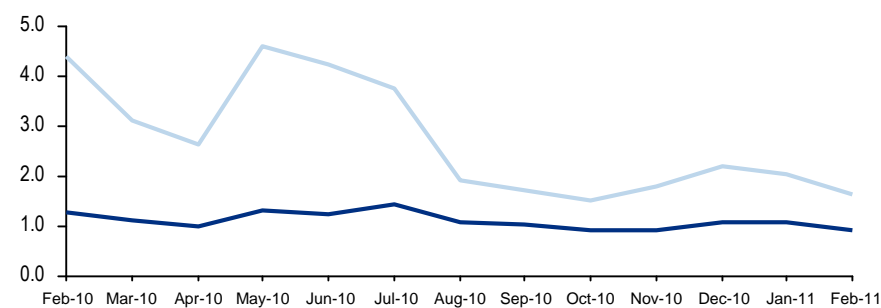
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-11	Jan-11	Feb-10	YTD-11
Event Driven	0.8%	0.8%	0.5%	1.7%
The Merger Fund (MERFX)	0.4%	1.0%	0.4%	1.4%
AQR Div Arb Fund (ADANX)	0.4%	0.8%	-0.1%	1.3%

Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)

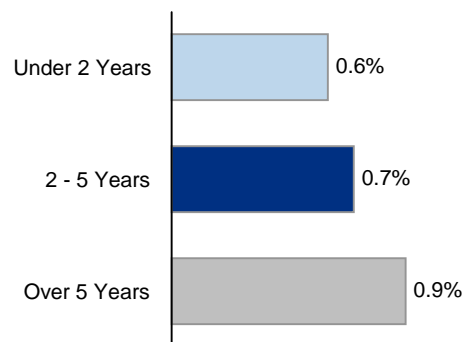


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

LMV Leverage (Mean): Defined as Long Market Value / Net Equity

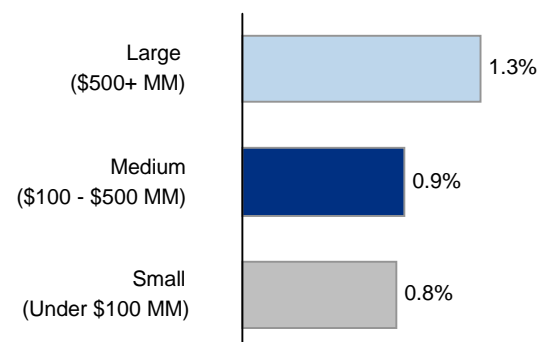
Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

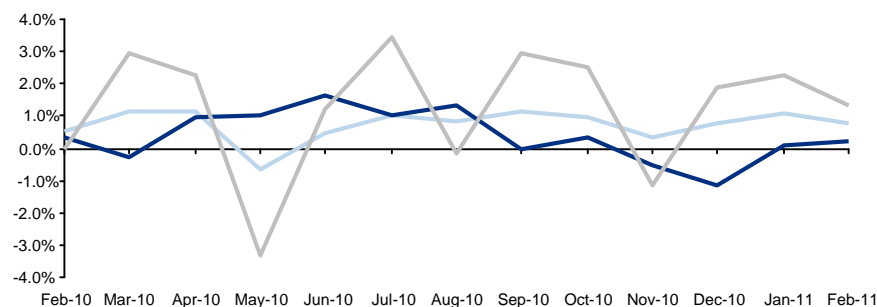
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

# FI Arbitrage

Data as of Feb-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.1%	0.8%											1.9%

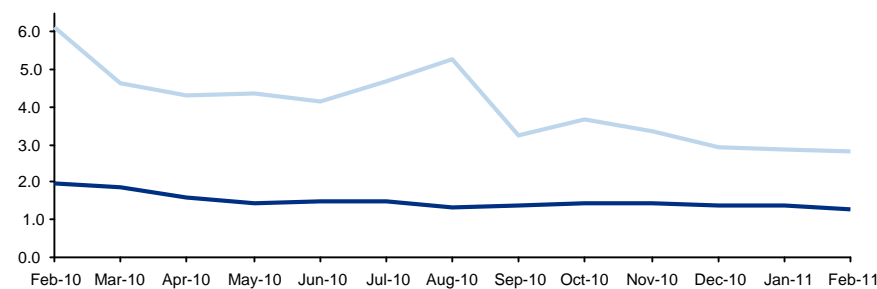
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-11	Jan-11	Feb-10	YTD-11
FI Arbitrage	0.8%	1.1%	0.5%	1.9%
Citi US BIG Index	0.2%	0.1%	0.3%	0.3%
Citi HY Bond Index	1.3%	2.3%	-0.1%	3.6%

Source: Citi ICG Analytics; Citigroup Index LLC

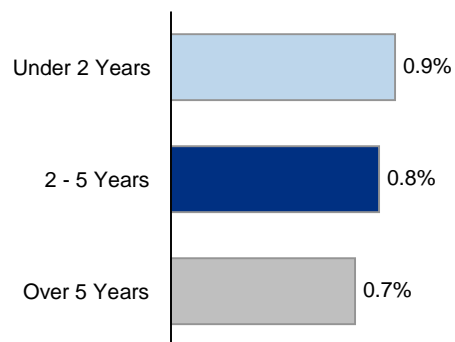
## Leverage Profile (Monthly, LTM)



Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity  
 LMV Leverage (Mean): Defined as Long Market Value / Net Equity

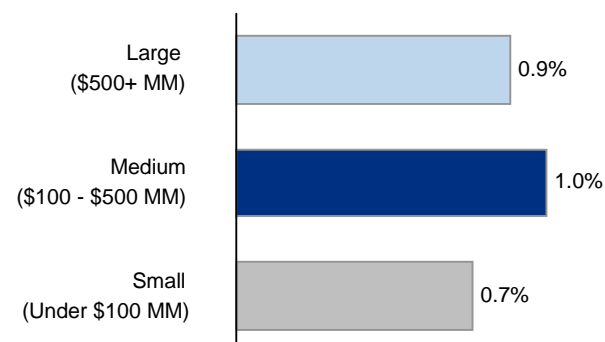
Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

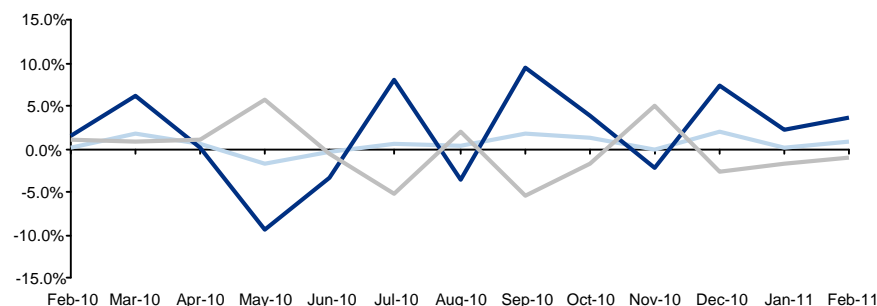


# Global Macro

Data as of Feb-2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.1%	0.9%											1.0%

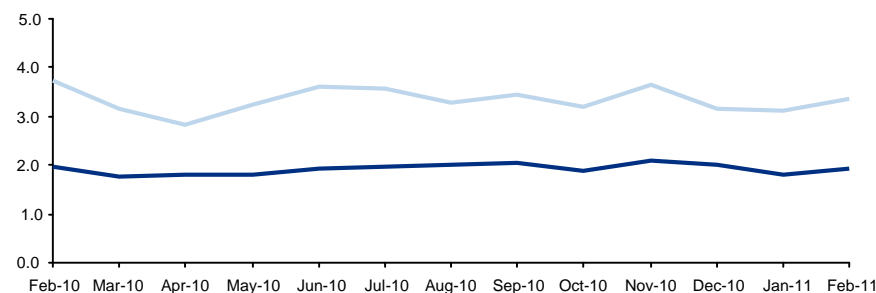
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-11	Jan-11	Feb-10	YTD-11
Global Macro	0.9%	0.1%	0.1%	1.0%
MSCI World	3.5%	2.3%	1.4%	5.9%
US\$-Index	-1.1%	-1.6%	1.1%	-2.7%

Source: Citi ICG Analytics; FactSet

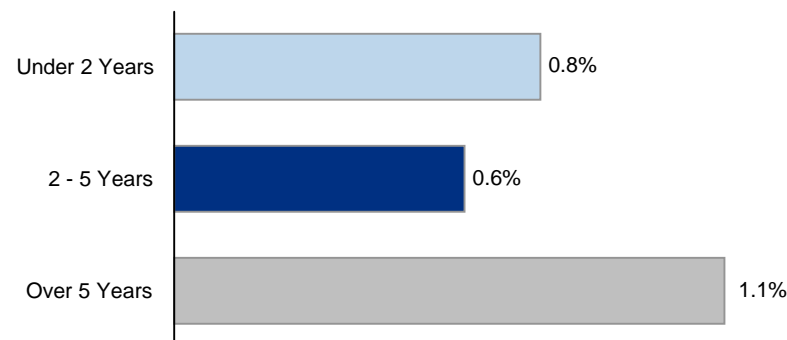
## Leverage Profile (Monthly, LTM)



Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity  
 LMV Leverage (Mean): Defined as Long Market Value / Net Equity

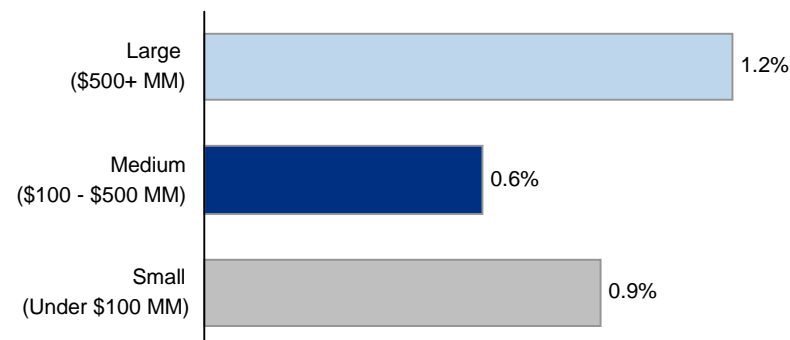
Source: Citi ICG Analytics; FactSet; Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics; FactSet; Citi Prime Finance

## Hedge Fund Performance by Size



Source: Citi ICG Analytics; FactSet; Citi Prime Finance

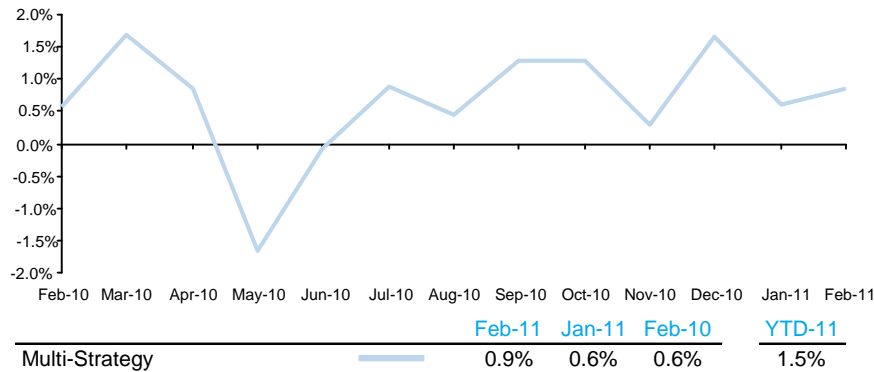
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

# Multi-Strategy

Data as of Feb-2011

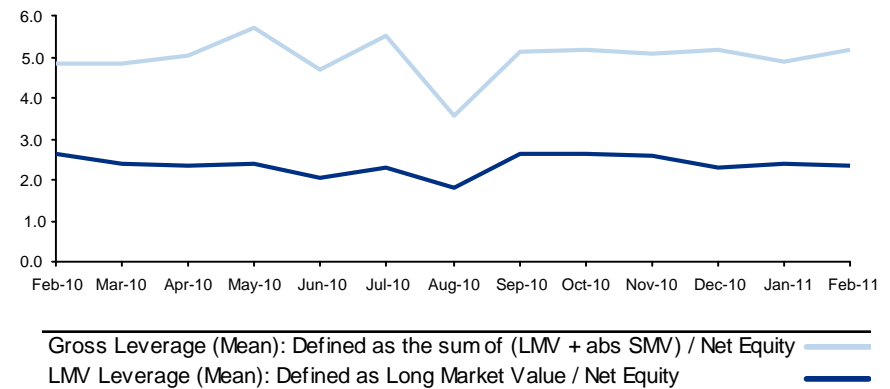
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.6%	0.9%											1.5%

## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



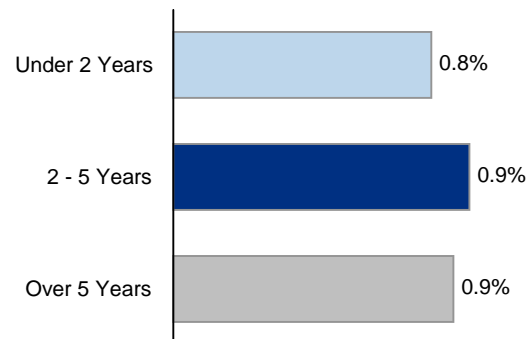
Source: Citi ICG Analytics

## Leverage Profile (Monthly, LTM)



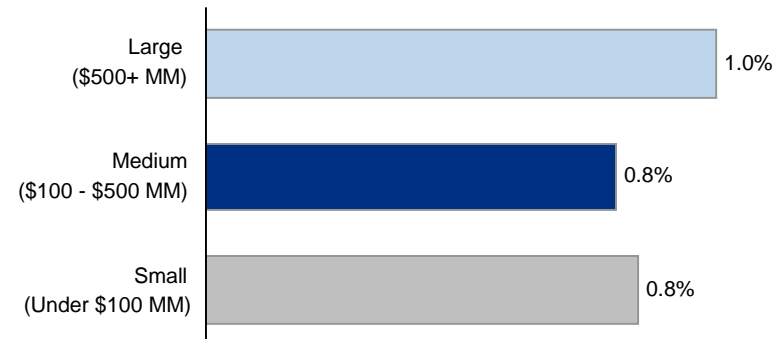
Source: Citi Prime Finance

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

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