

Citi Prime Finance



Market Commentary  
Report Date: March 2012

[www.citigroupgcib.com](http://www.citigroupgcib.com)

## Hedge Fund Industry Snapshot

Data as of February 2011

### Americas

New York: 800 773 2889  
Boston: 617 346 9335  
San Francisco: 415 617 8554

### EMEA

EMEA: 44 (0) 207 986 0822

### Asia Pac

Hong Kong: 852 2501 8356  
Tokyo: 813 6270 3165  
Singapore: 65 6432 1223  
Australia: 612 8225 6424

This report has been prepared by members of Citi ICG Analytics and Prime Finance and is not a research report. This report does not constitute advice on investments or a solicitation to buy or sell any financial instrument. Please see final pages for Market Commentary Disclosures.

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## Performance, AUM & Flows:

- Composite hedge fund performance, equal-weighted across funds, were up in February 2012 with performance gains ranging from +1.42% to +2.19%. The Citi HARP hedge fund replication index was +1.90% in February versus the HFRI Fund of Fund index that was +1.58%. February 2012 performance returns proved to be lower than January 2012 which experienced +1.72% to +2.59% over the same period.
- Hedge fund strategy wise, top performing strategies in February 2012 include Emerging Markets at +3.49%, Equity Long/Short +2.50%, Convertible Arbitrage +1.95%, Event Driven +1.66%, Distressed +1.47%, and Global Macro at +1.30%. Dedicated Short Bias was the only strategy experiencing negative performance for February 2012 at -5.15%.
- According to HedgeFund.net (HFN), hedge fund industry AUM ended February 2012 at \$2.56 trillion, up from \$2.49 trillion in January 2012. Industry AUM remains well below its \$2.94 trillion June 2008 peak.
- Increases in AUM attributable to positive performance accounted for an increase of +\$34.69 billion for January 2012, while positive net investor inflows accounted for an increase of +\$30.42 billion, the largest net positive flows since November of 2009 which stood at +\$31.70 billion

## Fund Profiles:

- Across the subset of hedge funds reporting performance and AUM, the monthly median performance for large single funds (>\$500 million) was +1.2% medium single funds (\$100-\$500 million) +1.4% and small single funds (<\$100 million) +1.7%.
- Liquidity terms continued its consistent pattern from the previous reporting periods with February 2012 showing little changes to redemption notice periods with 66% of funds requiring 30 days or less notice for redemption. Across the entire subset of reporting funds, the majority (52%) required no lockup (42%) or less than 1 year lock up (10%).
- Consistent throughout recent reporting periods, large funds (> \$500 million AUM) continue to hold a large portion of industry AUM (71%) compared to medium funds (\$100-\$500 million) at 21% and small funds (<\$100 million) holding only 8%.

## Leverage & Shorts:

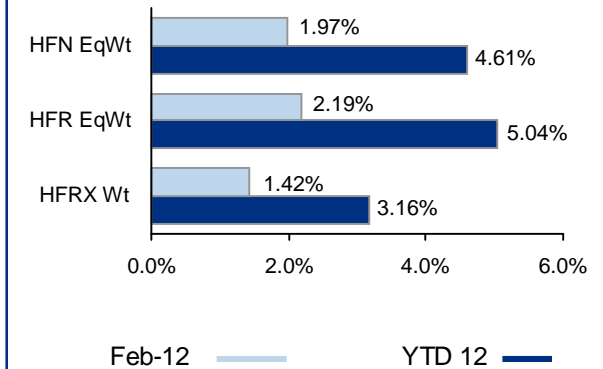
- On a global basis, we calculate gross leverage (as measured on a mean basis) at 1.99x in February 2012 versus 1.95x in January, and 1.89x in December.
- Looking across both long leverage and gross leverage, the following strategies showed the highest uses of leverage: Global Macro (6.05x), Equity Market Neutral (4.98x), Event Driven (4.46x), Multi Strategy (3.85x), Convertible Arbitrage (3.17x) and Fixed Income Arbitrage (3.03x).
- Citi U.S. short flows data included in this month's report show a continued concentration of interest in the Information Technology, Consumer Discretionary, & Energy sectors. These three sectors accounted for 52.27% of short executions and 49.73% of short covers versus 51.14% of short executions and 50.90% of short covers in January 2012.
- The waiting game continues with the large speculator positioning showing little change again over the past reporting month. The largest swing in terms of percentage of total open interest came in the Euro where a net short position (in futures & options) was cut to -16.4% vs. -21.9% in late February amid positive progress on the Greek Debt Crisis situation. Otherwise, overall positioning gold, TY and S&P (Large and e-mini combined) changed very little.

# Hedge Fund Industry: AUM, Performance

Data as of Feb-2012

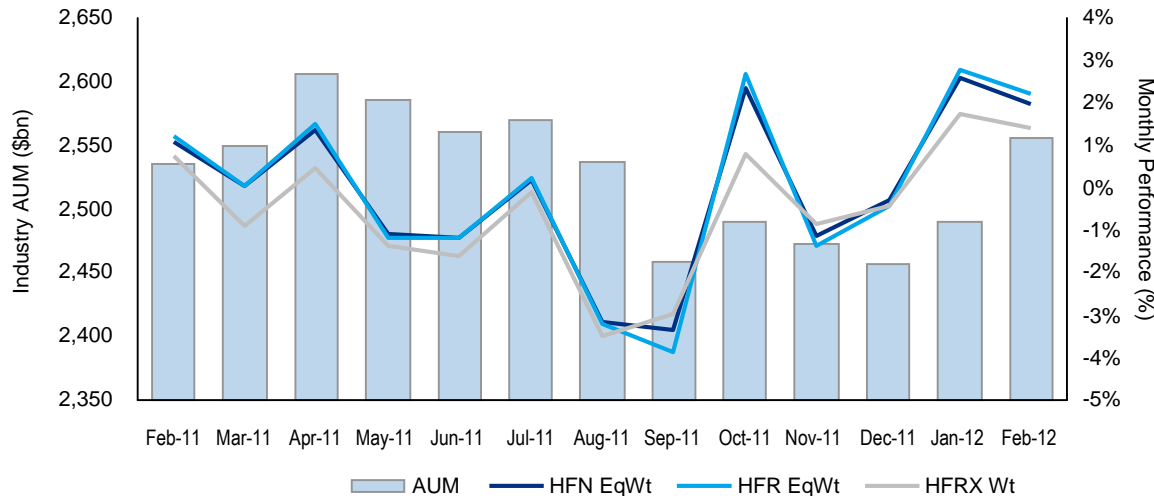
- Composite hedge fund performance, equal-weighted across funds, were up in February 2012 with performance gains ranging from +1.42% to +2.19%. Returns were lower than last month's (January 2012 +1.72% to +2.79%) however collectively January-February 2012, mark the highest two month period gains since September -October 2011 which saw performance gains ranging from +1.74% to +2.84% across the same period.
- Financial market gains continued through February, as investor sentiment with regard to the European financial crisis and the US economic recovery continued to improve. Equity market gains were broad based and across sectors, with significant contributions from Asian, European, Technology and Energy sectors. US yields rose across nearly all maturities in a parallel curve shift, while credit tightened for the month. Late month selling erased gains for Gold, but Oil, Metals and other commodities posted gains. The US dollar declined against most major currencies as volatility fell and risk tolerance improved.
- Hedge fund strategy wise, top performing strategies in February include Emerging Markets at +3.49%, Equity Long/Short +2.50%, Convertible Arbitrage +1.95%, Event Driven +1.66%, Distressed +1.47%, and Global Macro at +1.30%. Dedicated Short Bias was the only strategy experiencing negative performance for February 2012 at -5.15%.
- Industry AUM, estimated at \$2.56 trillion according to eVestment|HFN is up from January's \$2.49 trillion. Depending on the source, estimates of industry AUM ranges from \$2.02 to \$2.56 trillion compared to the Q2 2008 peak range of \$1.9 to \$3.0 trillion.

## Industry Performance: Feb-12 / YTD



Source: eVestment|HFN

## Monthly Industry AUM and Performance



Source: eVestment|HFN; Hedge Fund Research, Inc., © 2010; www.hedgefundresearch.com

## Note Pad:

- MSCI World Index: +4.9%; +10.2% YTD
- MSCI EM Index: +6.0%; +18.1% YTD
- S&P 500: +4.3%; +9.0% YTD
- Citi US BIG Index: +0.0%; +0.8% YTD
- S&P GSCI: +6.1%; +8.4% YTD
- U.S. Dollar Index: -0.7%; -1.8% YTD
- HFN Country Indices December/YTD:  
Brazil +4.31% / +12.25%; Russia +7.49% / +18.87%; India: +4.69% / +22.16%; China: +4.09% / +6.72%

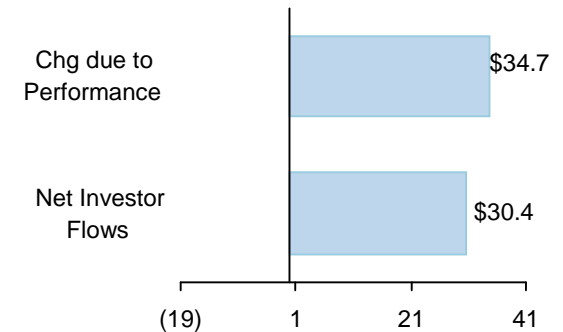


# Hedge Fund Industry: Change in Industry Assets

Data as of Feb-2012

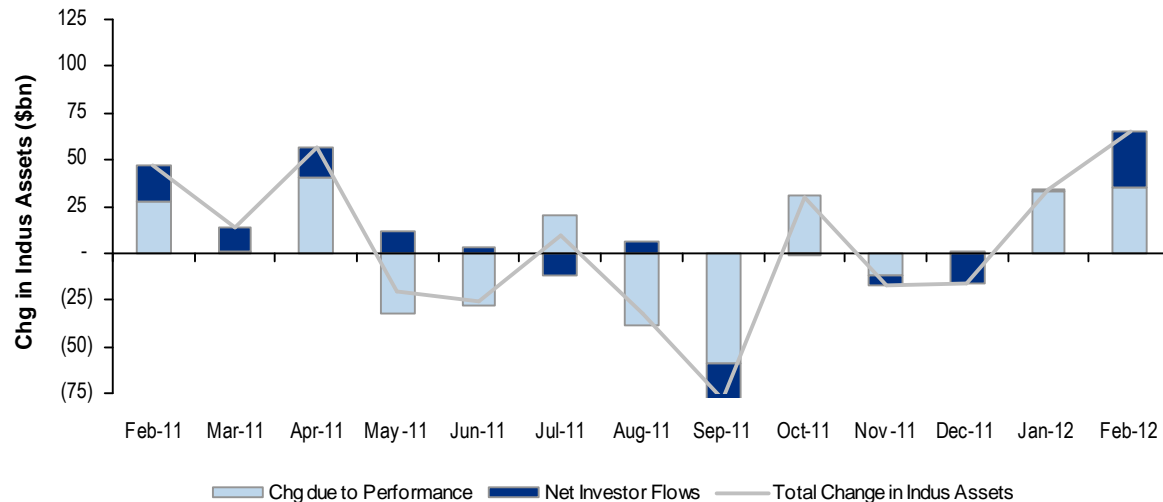
- According to eVestment|HFN, the estimated change in industry assets for February 2012 was positive, finishing the month up +\$65.11 billion. Gains were attributed mostly from performance, at +\$34.69 billion, the second largest performance gains experienced since April 2011. Positive net investor flows accounted for +\$30.42 billion and were the largest net positive flows since November of 2009.
- February 2012 marks the third consecutive month where performance contributed positively to AUM. February 2012 performance gains of +\$34.69 billion were higher than the previous month (January 2012 +\$32.69 billion) and from one year ago, as February 2011 experienced +\$27.73 billion in performance gains over the same period.
- Net investor inflows of +\$30.42 billion for February 2012 and +1.01 billion for January 2012 marks the first period of consecutive net positive inflows since April – May 2011. February 2012 inflows are higher than year ago, as investor inflows totaled +\$27.73 billion in February 2011.
- Total industry AUM of \$2.56 trillion for February 2012 is up +2.5% from \$2.49 trillion in January 2012. Industry AUM levels are still well below the June 2008 peak estimated by eVestment|HFN at \$2.90 trillion.

## Composition of Change in Assets: Feb-12 Amounts in (\$ bn)



Source: eVestment|HFN

## Monthly Change in Industry Assets and Composition



Source: eVestment|HFN

## Note Pad:

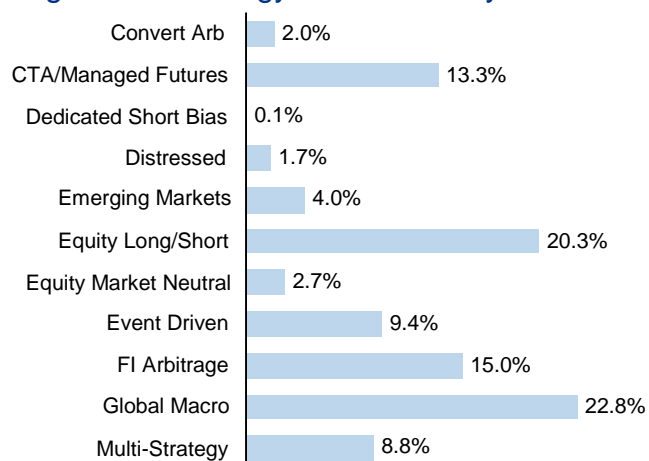
- The Citi Prime Finance calculation for end-February gross leverage (as measured on a mean basis) was 1.99x, up from recent months: January (1.95x), December (1.89x), November (1.84x)
- Gross leverage (mean): defined as sum of (LMV + abs SMV) / Net Equity



# Hedge Fund Stats by Strategy

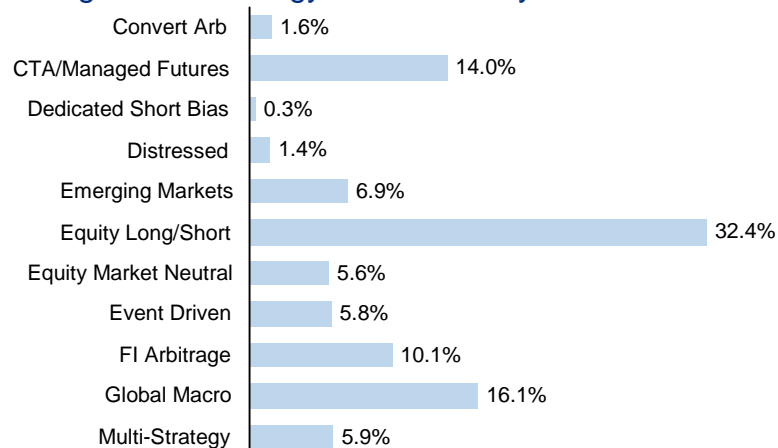
Data as of Feb-2012

## Hedge Fund Strategy Breakdown by Assets



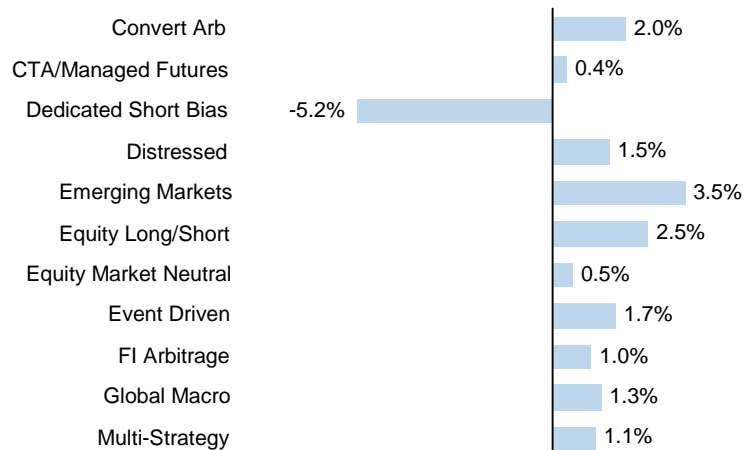
Source: Citi ICG Analytics

## Hedge Fund Strategy Breakdown by Number of Funds



Source: Citi ICG Analytics

## Hedge Fund Performance by Strategy

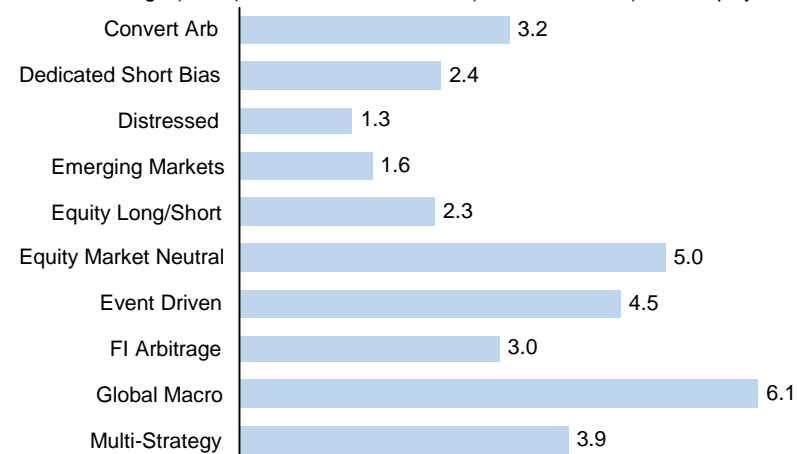


Source: Citi ICG Analytics

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

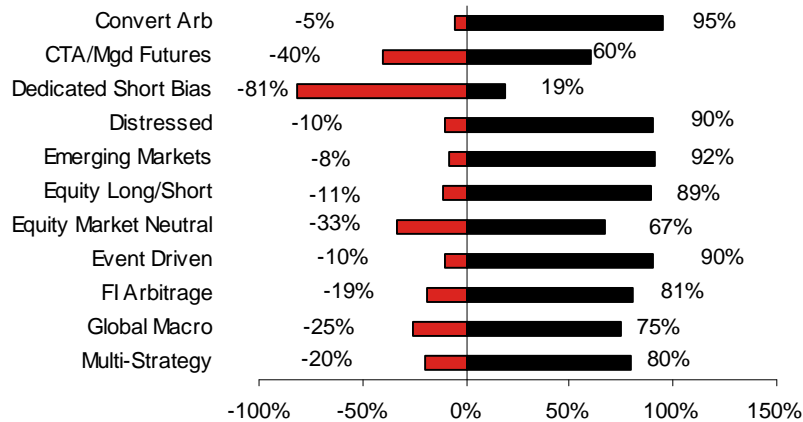


Source: Citi Prime Finance

# Hedge Fund Performance: Red/Black Report

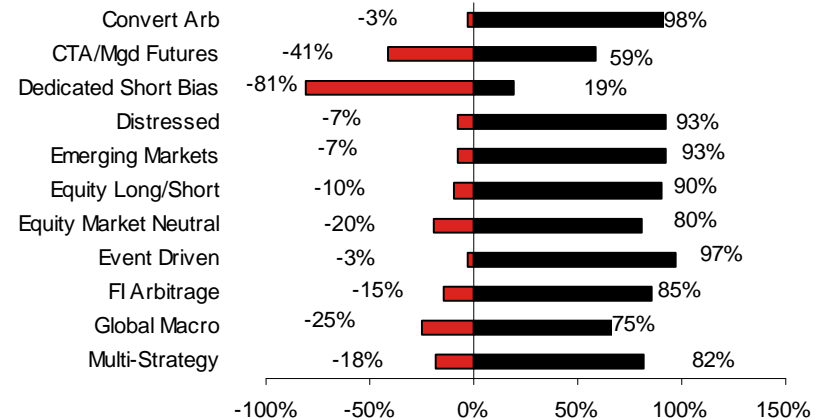
Data as of Feb-2012

Feb-2012: Percentage of Reporting Funds Negative ( — ) / Positive ( — ) Performance



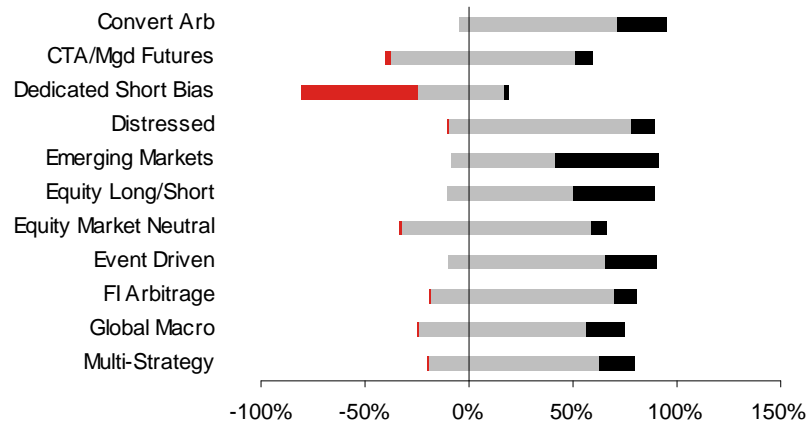
Source: Citi ICG Analytics

YTD Feb-2012: Percentage of Reporting Funds Negative ( — ) / Positive ( — ) Performance



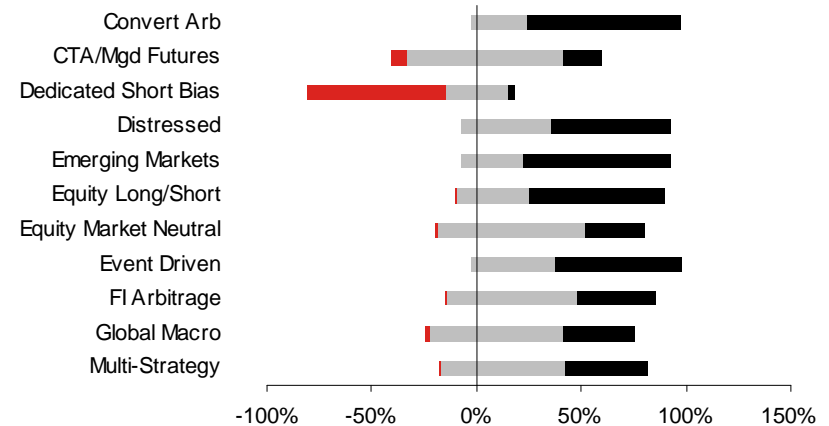
Source: Citi ICG Analytics

Feb-2012: Percentage of Reporting Funds w/Performance Below -3% ( — ) / Btwn 0% +/- 3% ( — ) / Above +3% ( — )



Source: Citi ICG Analytics

YTD Feb-2012: Percentage of Reporting Funds w/Performance Below -3% ( — ) / Btwn 0% +/- 3% ( — ) / Above +3% ( — )





Source: Citi ICG Analytics

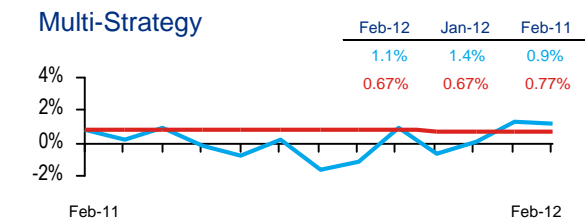
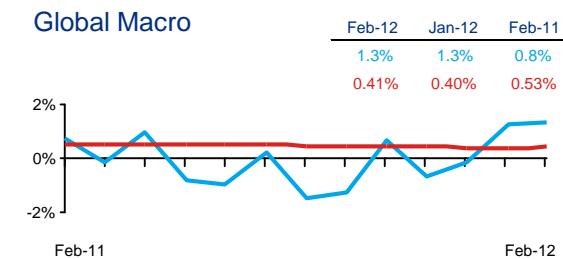
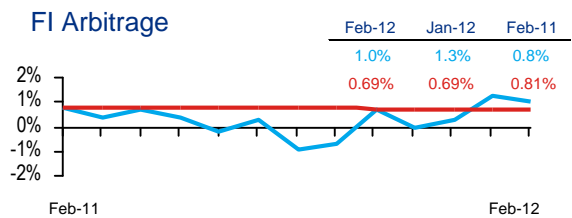
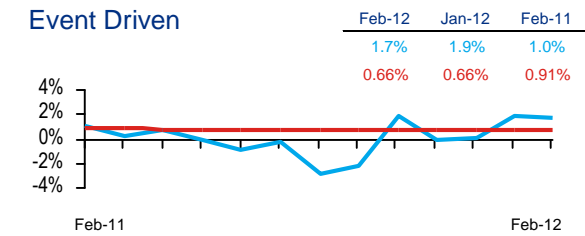
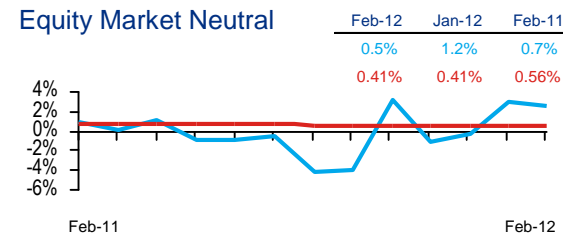
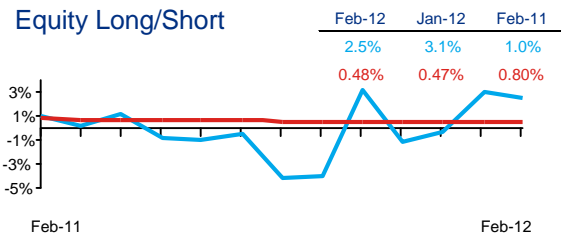
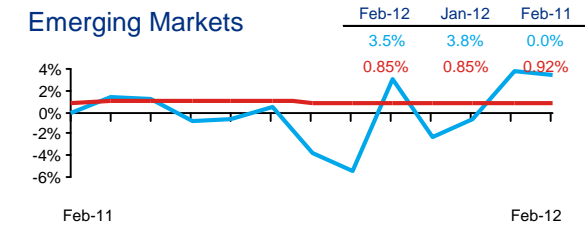
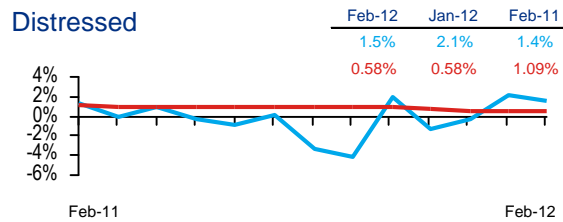
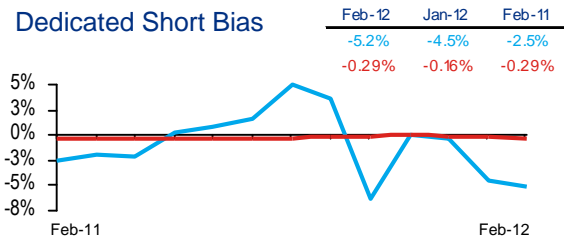
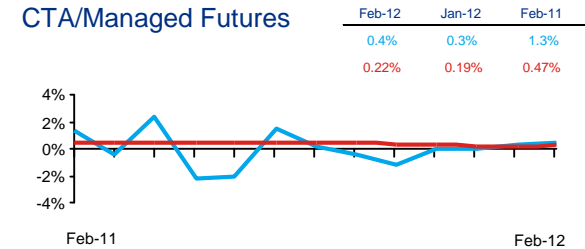
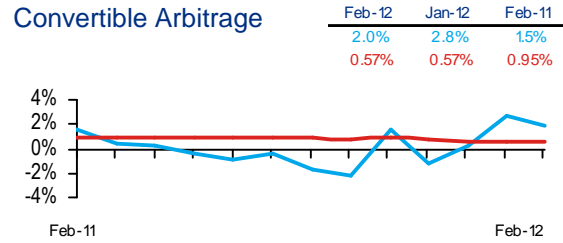
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.



# Monthly Performance by Strategy

Data as of Feb-2012

Monthly Median:   
 Trailing 60 Month Median: 



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.

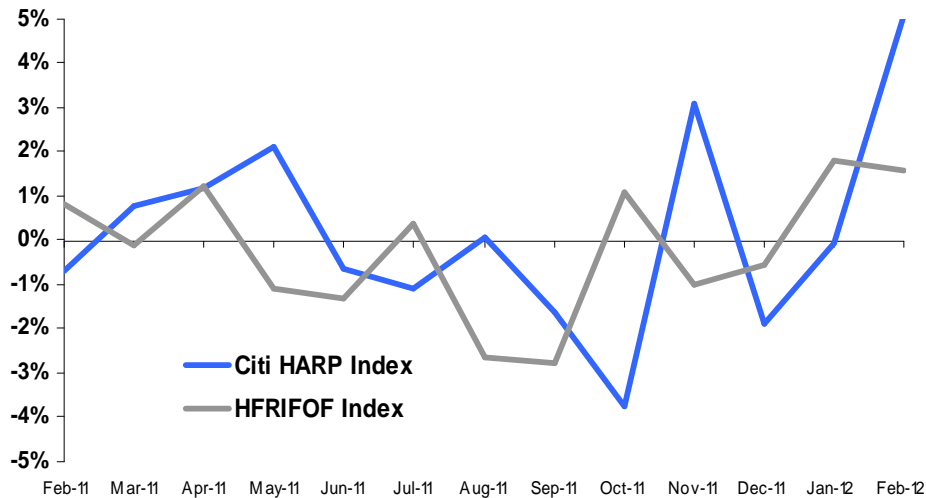




# Citi Liquid Hedge Fund Replicator (HARP)

Data as of Feb-2012

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-12	Jan-11	Feb-11	YTD-12
Citi Harp	1.90%	5.09%	0.80%	7.08%
HFRIFOF	1.58%	1.81%	0.83%	3.42%

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

Annualized Performance: Last 12-Month	Citi HARP Index	HFRIFOF
Annualised Return	4.10%	-3.44%
Annualised Volatility	8.43%	5.38%
Sharpe Ratio	0.48	-0.65
Correlation	91.4%	-

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.

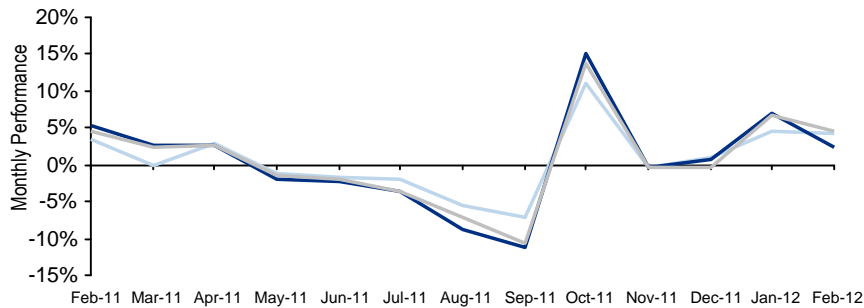
The weighting within the Index of each component is determined monthly. Every month, a multiple linear regression algorithm is used to identify the appropriate weighting.



# Market Performance

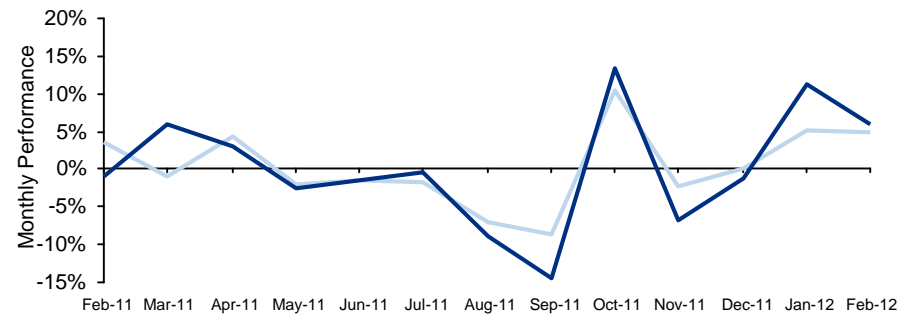
Data as of Feb-2012

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



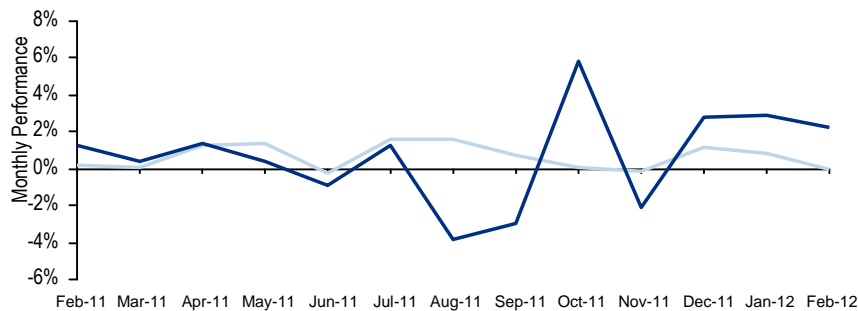
		Feb-12	Jan-12	Feb-11	YTD-12
S&P 500		4.3%	4.5%	3.4%	9.0%
RUS 2000		2.4%	7.1%	5.5%	9.6%
S&P Mid		4.5%	6.6%	4.7%	11.4%

## Global Equities (Developed vs. Emerging)



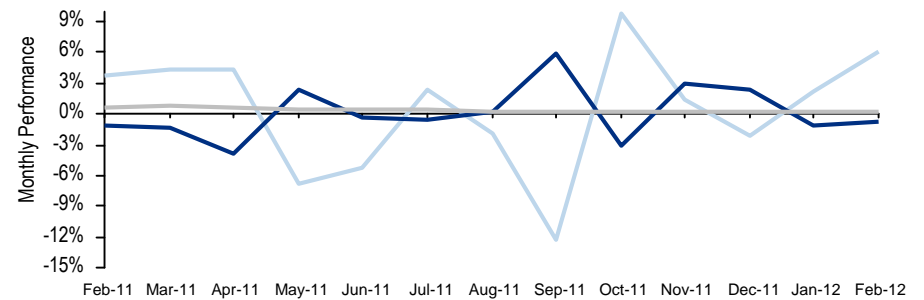
		Feb-12	Jan-12	Feb-11	YTD-12
MSCI World		4.9%	5.0%	3.5%	10.2%
MSCI EM		6.0%	11.4%	-0.9%	18.1%

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



		Feb-12	Jan-12	Feb-11	YTD-12
Citi US BIG Index		0.0%	0.8%	0.2%	0.8%
Citi HY Bond Index		2.3%	2.9%	1.3%	5.2%

## Commodities (US\$ performance)



		Feb-12	Jan-12	Feb-11	YTD-12
S&P GSCI		6.1%	2.2%	3.7%	8.4%
US-\$ Index		-0.7%	-1.1%	-1.1%	-1.8%
US 2yr Note		0.3%	0.2%	0.7%	0.3%

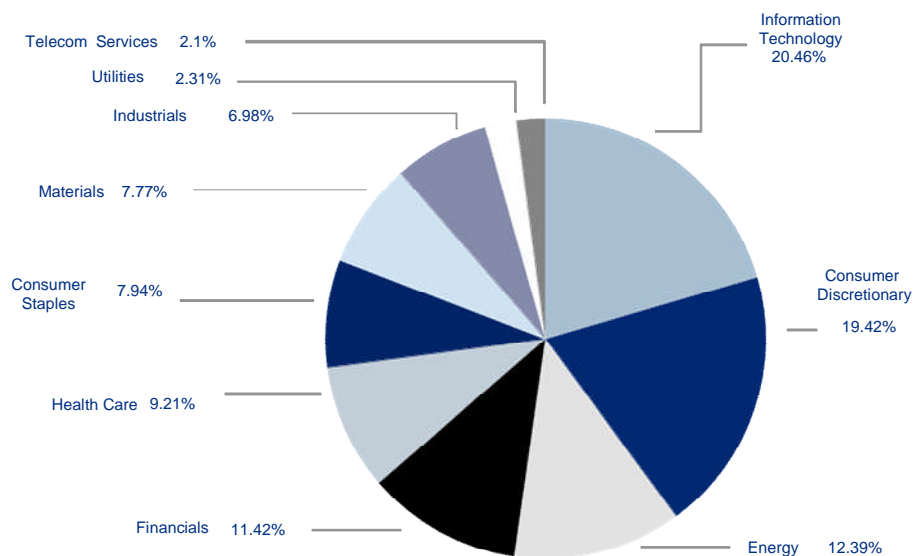
Source: Citi ICG Analytics; FactSet; Citigroup Index LLC; Altman-NYU Salomon Center defaulted Debt Security Indexes.



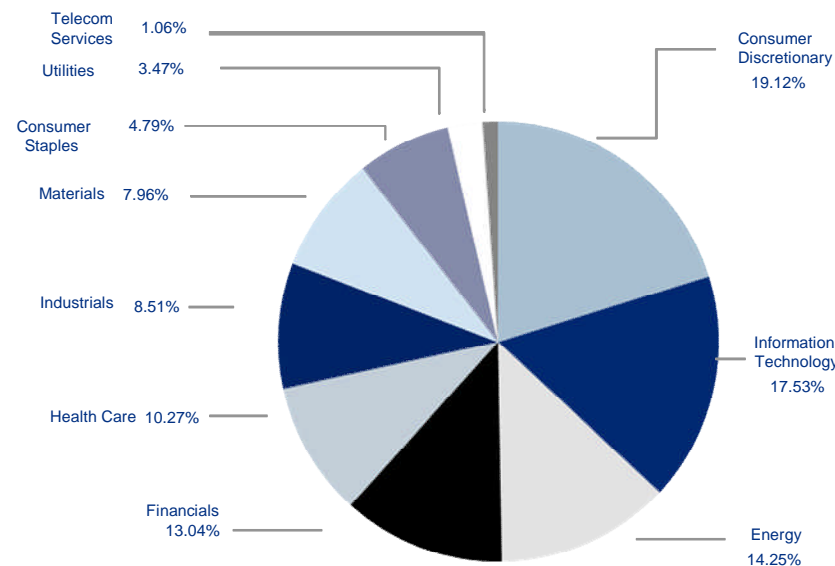
# US Securities Lending Sector Short Flows

Data as of Feb-2012

## Short Sale Executions



## Short Cover Executions



Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Information Technology	20.46	17.49	16.98
Consumer Discretionary	19.42	17.61	10.28
Energy	12.39	16.04	-22.76
Financials	11.42	11.46	-0.35
Health Care	9.21	10.74	-14.25
Consumer Staples	7.94	5.07	56.61
Materials	7.77	7.94	-2.14
Industrials	6.98	8.36	-16.51
Utilities	2.31	4.21	-45.13
Telecom Services	2.10	1.07	96.26

Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Consumer Discretionary	20.18	19.12	5.54
Energy	16.73	14.22	17.65
Information Technology	12.82	17.53	-26.87
Financials	12.00	13.05	-8.05
Industrials	9.86	8.51	15.86
Health Care	9.26	10.27	-9.83
Materials	8.65	7.96	8.67
Consumer Staples	6.84	4.82	41.91
Utilities	2.55	3.46	-26.3
Telecom Services	1.12	1.06	5.66

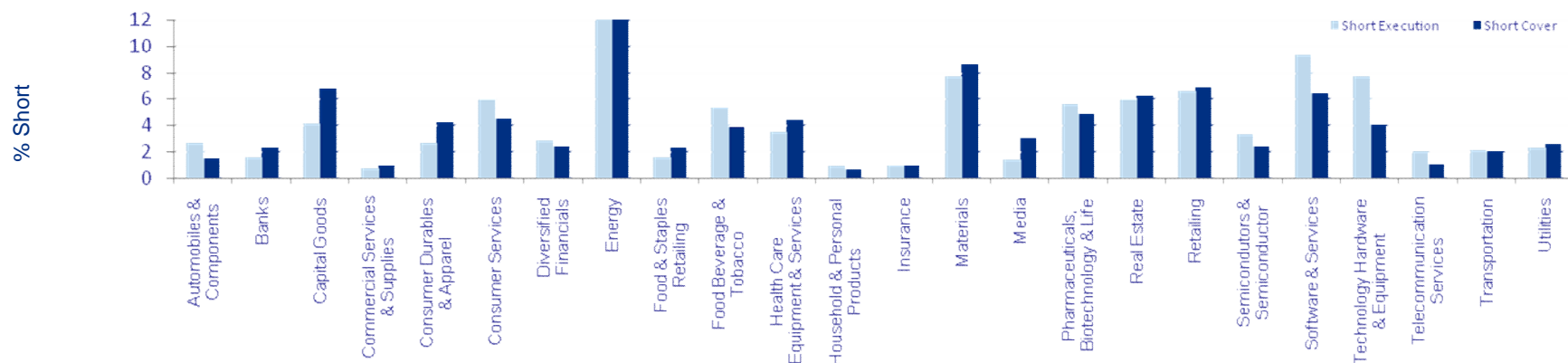
Source: S&P (GICS); Citi U.S. Securities Lending. Executions of shorts and short covers settled at Citi Prime Finance based on Market Value



# US Securities Lending Industry Group Short Flows

Data as of Feb-2012

## Citi Industry Group Short Flows



Industry	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Energy	12.39	16.04	-22.76
Software & Services	9.34	8.81	6.02
Materials	7.77	7.94	-2.14
Technology Hardware and Equipment	7.74	5.77	34.14
Retailing	6.62	5.69	16.34
Consumer Services	6.04	5.03	20.08
Real Estate	5.99	5.14	16.54
Pharmaceuticals, Biotechnology & Life	5.65	5.42	4.24
Food Beverage & Tobacco	5.39	3.03	77.89
Capital Goods	4.12	6.15	-33.01
Health Care Equipment and Services	3.56	5.33	-33.21
Semiconductors & Semiconductor	3.37	2.92	15.41
Diversified Financials	2.83	3.13	-9.58
Consumer Durables & Apparel	2.65	2.64	0.38
Automobiles & Components	2.63	1.91	37.70
Utilities	2.31	4.21	-45.13
Transportation	2.11	1.57	34.39
Telecom Services	2.10	1.07	96.26
Food & Staples Retailing	1.63	1.31	24.43
Banks	1.63	2.17	-24.88
Media	1.49	2.34	-36.32
Insurance	0.97	1.02	-4.90
Household & Personal Products	0.92	0.73	26.03
Commercial Services & Supplies	0.75	0.64	17.19

Industry	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Energy	16.73	14.22	17.65
Materials	8.65	7.96	8.67
Retailing	6.89	5.18	33.01
Capital Goods	6.77	5.94	13.97
Software & Services	6.40	8.34	-23.26
Real Estate	6.27	5.93	5.73
Pharmaceuticals, Biotechnology & Life	4.85	4.50	7.78
Consumer Services	4.52	5.29	-14.56
Health Care Equipment and Services	4.41	5.76	-23.44
Consumer Durables & Apparel	4.22	3.43	23.03
Technology Hardware and Equipment	4.04	5.22	-22.61
Food Beverage & Tobacco	3.91	2.47	58.30
Media	3.03	3.02	0.33
Utilities	2.55	3.47	-26.30
Diversified Financials	2.42	3.10	-21.94
Semiconductors & Semiconductor	2.38	3.10	-21.94
Food & Staples Retailing	2.32	1.48	56.76
Banks	2.30	2.37	-2.95
Transportation	2.03	1.68	20.83
Automobiles & Components	1.52	2.20	-30.91
Telecom Services	1.12	1.06	5.66
Commercial Services & Supplies	1.05	0.89	17.98
Insurance	1.01	1.65	-38.79
Household & Personal Products	0.62	0.86	-27.91

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-2012

## Citi Short Flows: February 2012

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
<b>Sector</b>	<b>Sector</b>						
10	Energy	12.39	16.04	-22.76	16.73	14.22	17.65
15	Materials	7.77	7.94	-2.14	8.65	7.96	8.67
20	Industrials	6.98	8.36	-16.51	9.86	8.51	15.86
25	Consumer Discretionary	19.42	17.61	10.28	20.18	19.12	5.54
30	Consumer Staples	7.94	5.07	56.61	6.84	4.82	41.91
35	Health Care	9.21	10.74	-14.25	9.26	10.27	-9.83
40	Financials	11.42	11.46	-0.35	12.00	13.05	-8.05
45	Information Technology	20.46	17.49	16.98	12.82	17.53	-26.87
50	Telecommunication Services	2.10	1.07	96.26	1.12	1.06	5.66
55	Utilities	2.31	4.21	-45.13	2.55	3.46	-26.30
<b>Industry Group</b>	<b>Industry Group</b>						
1010	Energy	12.39	16.04	-22.76	16.73	14.22	17.65
1510	Materials	7.77	7.94	-2.14	8.65	7.96	8.67
2010	Capital Goods	4.12	6.15	-33.01	6.77	5.94	13.97
2020	Commercial Services & Supplies	0.75	0.64	17.19	1.05	0.89	17.98
2030	Transportation	2.11	1.57	34.39	2.03	1.68	20.83
2510	Automobiles & Components	2.63	1.91	37.70	1.52	2.20	-30.91
2520	Consumer Durables & Apparel	2.65	2.64	0.38	4.22	3.43	23.03
2530	Consumer Services	6.04	5.03	20.08	4.52	5.29	-14.56
2540	Media	1.49	2.34	-36.32	3.03	3.02	0.33
2550	Retailing	6.62	5.69	16.34	6.89	5.18	33.01
3010	Food & Staples Retailing	1.63	1.31	24.43	2.32	1.48	56.76
3020	Food Beverage & Tobacco	5.39	3.03	77.89	3.91	2.47	58.30
3030	Household & Personal Products	0.92	0.73	26.03	0.62	0.86	-27.91
3510	Health Care Equipment & Services	3.56	5.33	-33.21	4.41	5.76	-23.44
3520	Pharmaceuticals, Biotechnology & Life Sciences	5.65	5.42	4.24	4.85	4.50	7.78
4010	Banks	1.63	2.17	-24.88	2.30	2.37	-2.95
4020	Diversified Financials	2.83	3.13	-9.58	2.42	3.10	-21.94
4030	Insurance	0.97	1.02	-4.90	1.01	1.65	-38.79
4040	Real Estate	5.99	5.14	16.54	6.27	5.93	5.73
4510	Software & Services	9.34	8.81	6.02	6.40	8.34	-23.26
4520	Technology Hardware & Equipment	7.74	5.77	34.14	4.04	5.22	-22.61
4530	Semiconductors & Semiconductor Equipment	3.37	2.92	15.41	2.38	3.97	-40.05
5010	Telecommunication Services	2.10	1.07	96.26	1.12	1.06	5.66
5510	Utilities	2.31	4.21	-45.13	2.55	3.46	-26.30

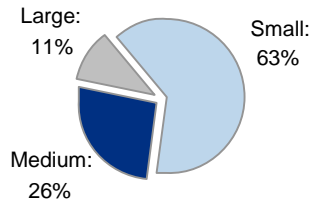
Source: S&P (GICS); Citi U.S. Securities Lending. Executions of shorts and short covers settled at Citi Prime Finance based on Market Value



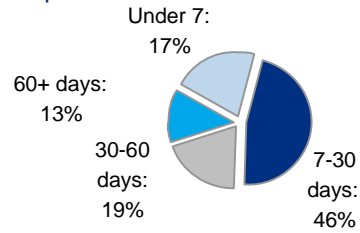
# Hedge Fund (Fund Level) Profiles

Data as of Feb-2012

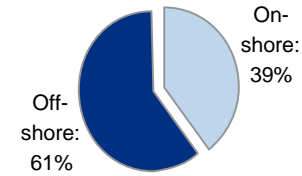
By Fund Size—No. of Funds



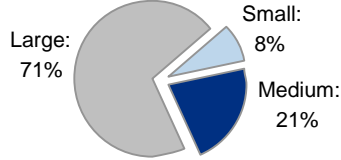
Redemption Notice Period



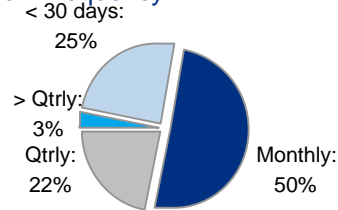
On-shore/Off-shore



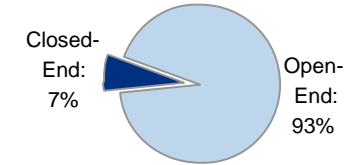
By Fund Size—\$ AUM



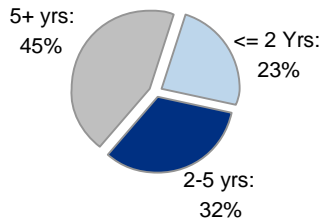
Redemption Frequency



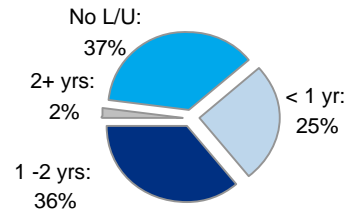
Legal Status



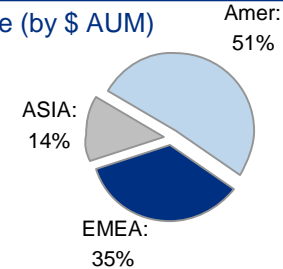
By Fund Age—No. of Funds



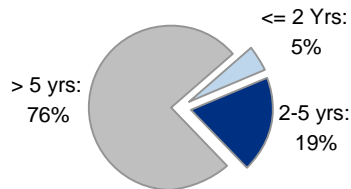
Lock-Up



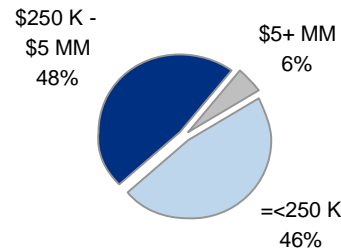
Domicile (by \$ AUM)



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-2012

## 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	4%	\$629	2.0%	3.2%	100%	100%	n/m	n/m	Monthly / 39%
2-5 yrs	21%	\$830	0.9%	2.3%	67%	77%	1-2 yrs / 57%	30-60 days / 32%	Monthly / 49%
Over 5 yrs	75%	\$1,030	1.3%	3.3%	67%	73%	No / 49%	7-30 days / 33%	Monthly / 45%
<b>Total</b>	<b>100%</b>	<b>\$951</b>	<b>1.2%</b>	<b>3.2%</b>	<b>68%</b>	<b>74%</b>	<b>No / 46%</b>	<b>7-30 days / 32%</b>	<b>Monthly / 46%</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	7%	\$167	1.5%	2.4%	36%	89%	1-2 yrs / 100%	7-30 days / 40%	Under 30 / 43%
2-5 yrs	31%	\$178	1.3%	2.8%	60%	79%	1-2 yrs / 59%	7-30 days / 38%	Monthly / 44%
Over 5 yrs	62%	\$188	1.5%	3.4%	72%	67%	No / 50%	7-30 days / 47%	Monthly / 49%
<b>Total</b>	<b>100%</b>	<b>\$183</b>	<b>1.4%</b>	<b>3.1%</b>	<b>66%</b>	<b>72%</b>	<b>No / 45%</b>	<b>7-30 days / 44%</b>	<b>Monthly / 47%</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	16%	\$24	1.3%	2.9%	43%	79%	1-2 yrs / 78%	7-30 days / 39%	Under 30 / 45%
2-5 yrs	32%	\$29	1.6%	3.7%	56%	72%	1-2 yrs / 57%	7-30 days / 43%	Monthly / 51%
Over 5 yrs	52%	\$32	1.9%	4.2%	72%	58%	No / 44%	7-30 days / 55%	Monthly / 49%
<b>Total</b>	<b>100%</b>	<b>\$30</b>	<b>1.7%</b>	<b>3.8%</b>	<b>64%</b>	<b>65%</b>	<b>1-2 yrs / 48%</b>	<b>7-30 days / 49%</b>	<b>Monthly / 48%</b>

Source: Citi ICG Analytics

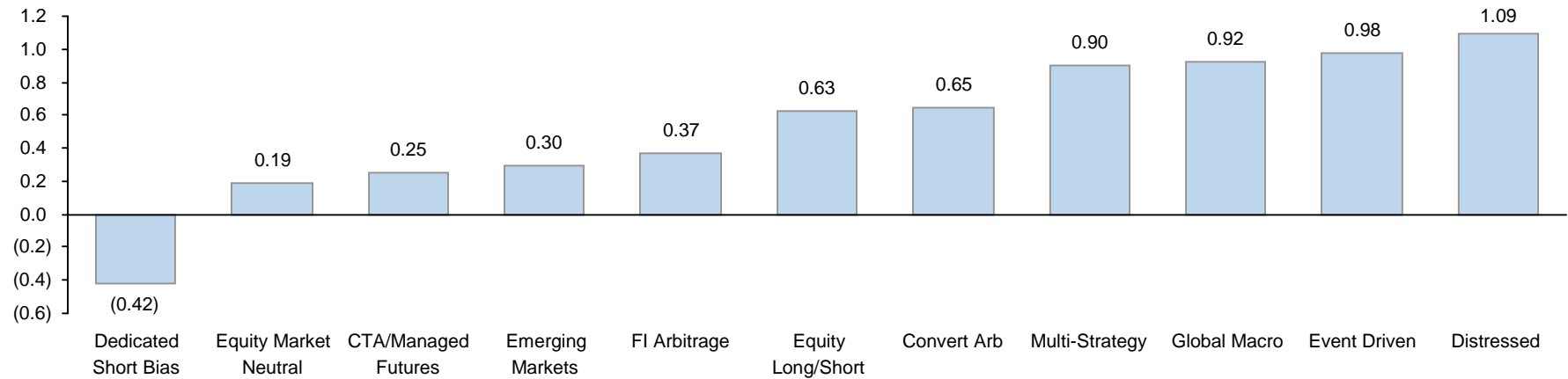
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. Median YTD performance is calculated from funds reporting for all underlying periods. - "n/m" = Not Meaningful.



# Risk and Return Metrics

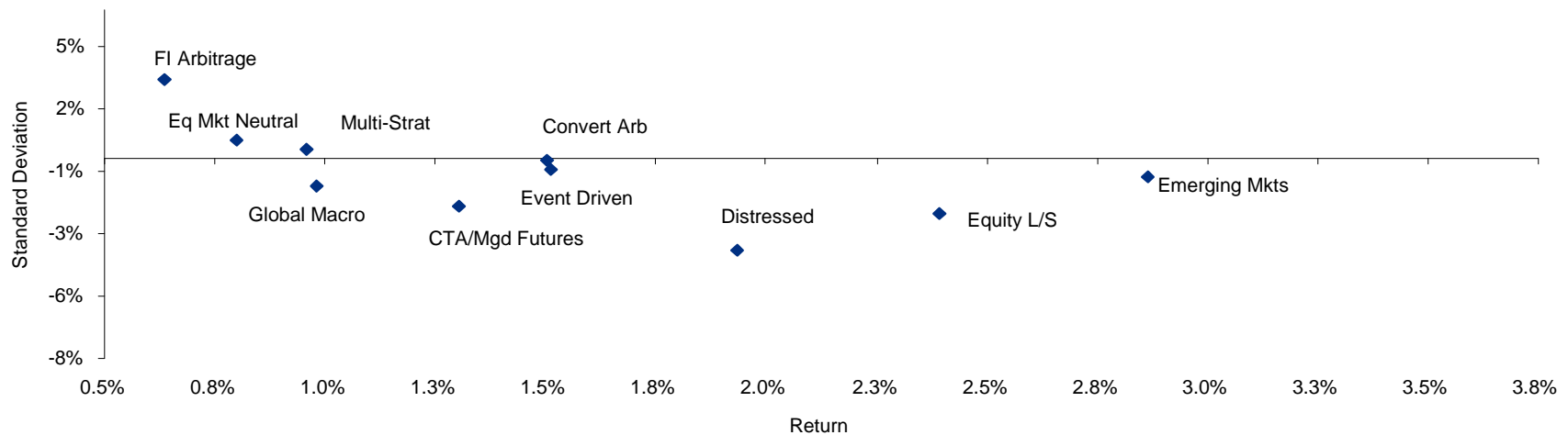
Data as of Feb-2012

## Sharpe Ratios (Jun-94 – Feb-12)



Source: Credit Suisse Tremont

## Risk vs. Return (Mar-11 – Feb-12)



Source: Citi ICG Analytics



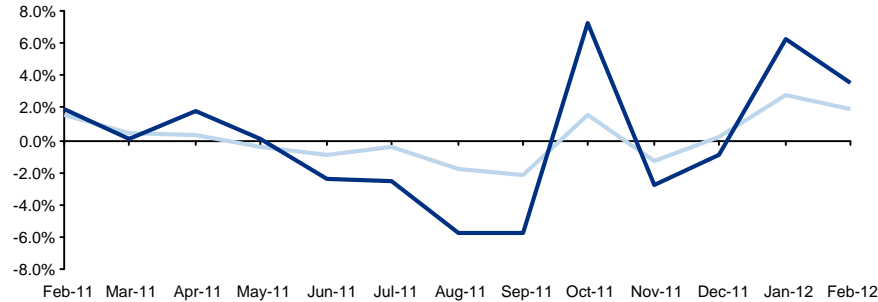


# Convertible Arbitrage

Data as of Feb-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.8%	2.0%											4.8%

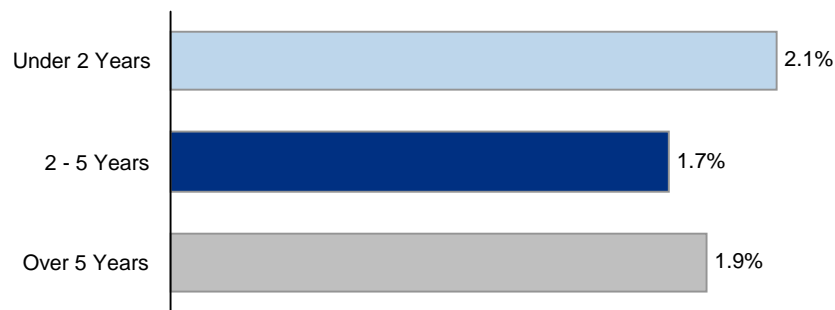
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-12	Jan-12	Feb-11	YTD-12
Convert Arb	2.0%	2.8%	1.5%	4.8%
CWB ETF	3.6%	6.2%	1.9%	10.0%

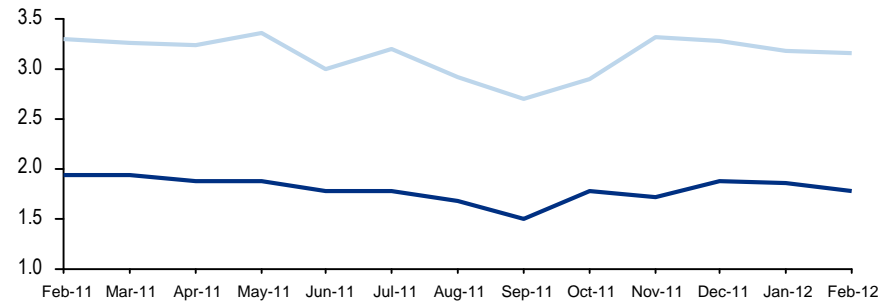
Source: Citi ICG Analytics; FactSet

## Hedge Fund Performance by Age (1)



Source: Citi ICG Analytics

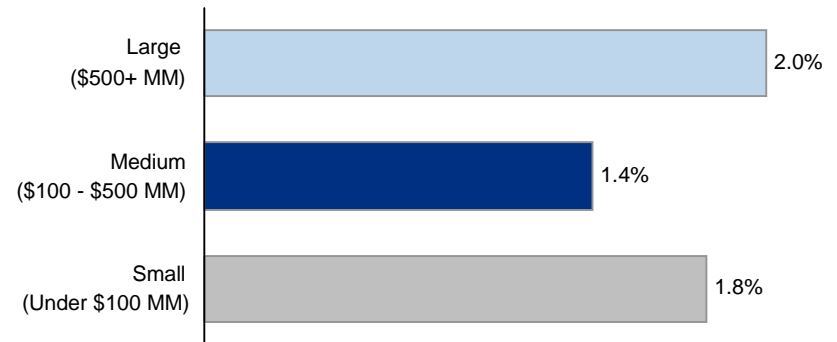
## Leverage Profile (Monthly, LTM)



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 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.

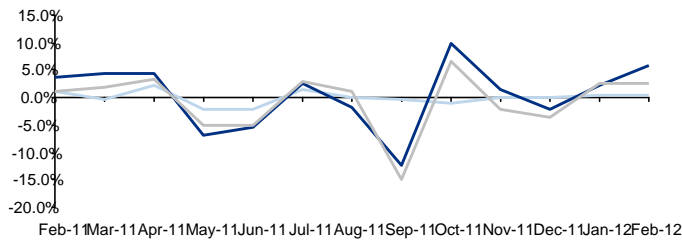


# CTA/Managed Futures

Data as of Feb-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.3%	0.4%											0.7%

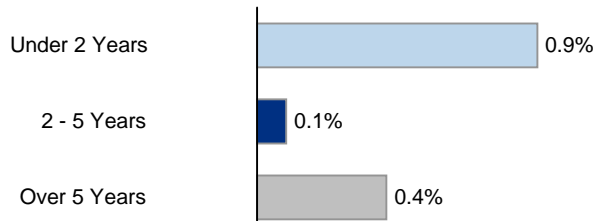
## Hedge Fund Performance vs. Benchmark



	Feb-12	Jan-12	Feb-11	YTD-12
CTA/Mgd Futures	0.4%	0.3%	1.3%	0.7%
S&P GSCI Commodity (SPGSCI)	6.1%	2.2%	3.7%	8.4%
DJ-UBS Commodity (DJAGK)	2.7%	2.5%	1.3%	5.2%

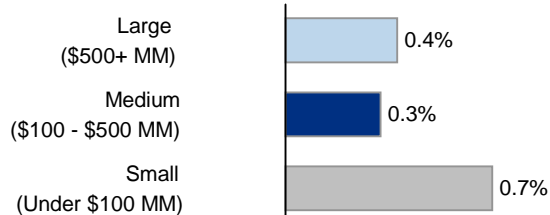
Source: Citi ICG Analytics; FactSet

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size

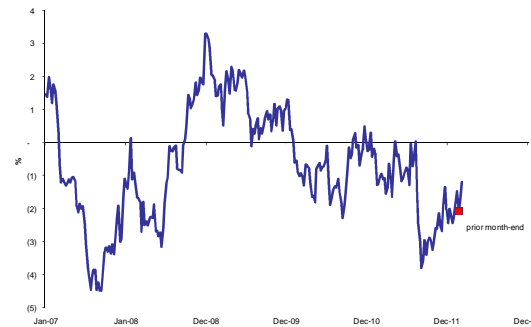


Source: Citi ICG Analytics

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.

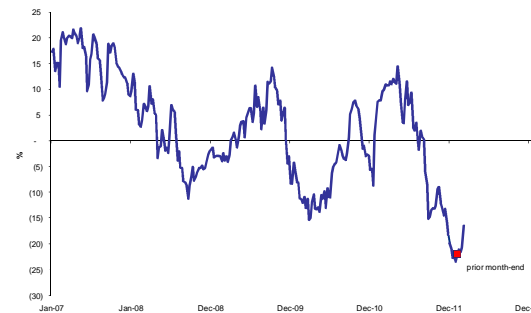
## Large Speculator Positions: CFTC Commitment Of Trader (Futures & Options) Report Net of Longs Less Shorts As Percent of Total Open Positions

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



Last Update: 2/28/12 -1.2%

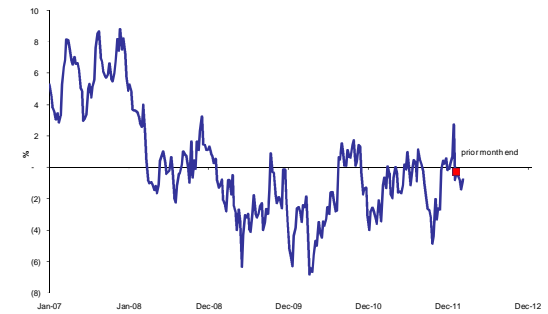
### EuroFX Futures



Last Update: 2/28/12 -16.4%

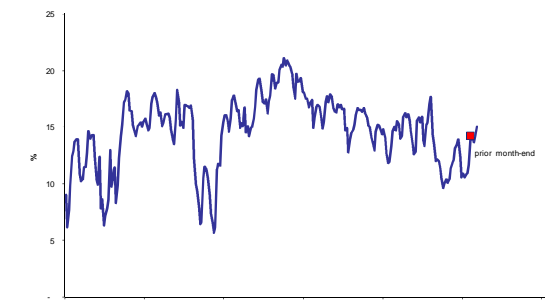
Source: CFTC, Bloomberg, Citi Futures Perspective

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



Last Update: 2/28/12 -0.8%

### Gold Futures



Last Update: 2/28/12 +15.1%

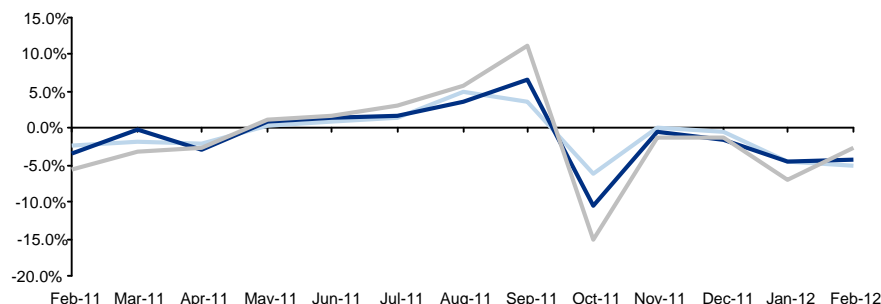


# Dedicated Short Bias

Data as of Feb-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-4.5%	-5.2%											-9.5%

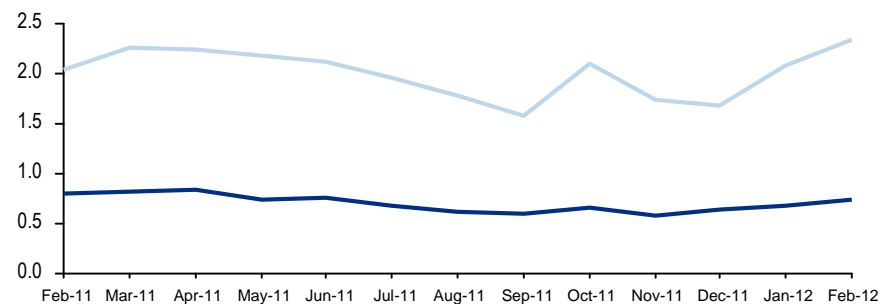
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-12	Jan-12	Feb-11	YTD-12
Ded Short Bias	-5.2%	-4.5%	-2.5%	-9.5%
S&P Short ETF (SH)	-4.2%	-4.4%	-3.5%	-8.4%
Rus 2000 Short ETF (RWM)	-2.8%	-6.9%	-5.6%	-9.5%

Source: Citi ICG Analytics; FactSet

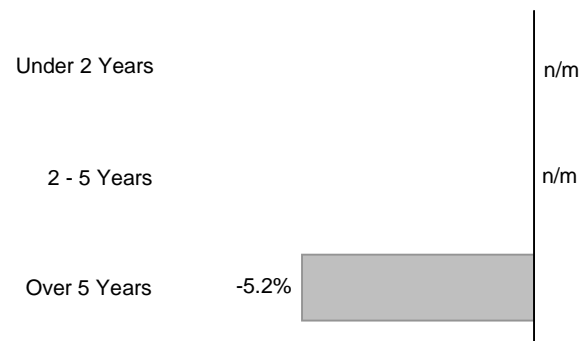
## Leverage Profile (Monthly, LTM)



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 (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.

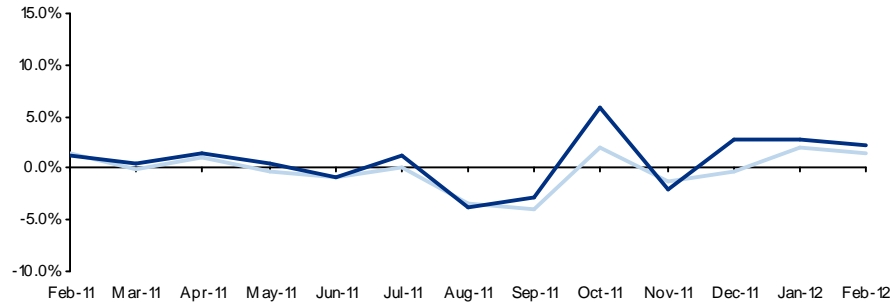


# Distressed

Data as of Feb-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	2.1%	1.5%											3.6%

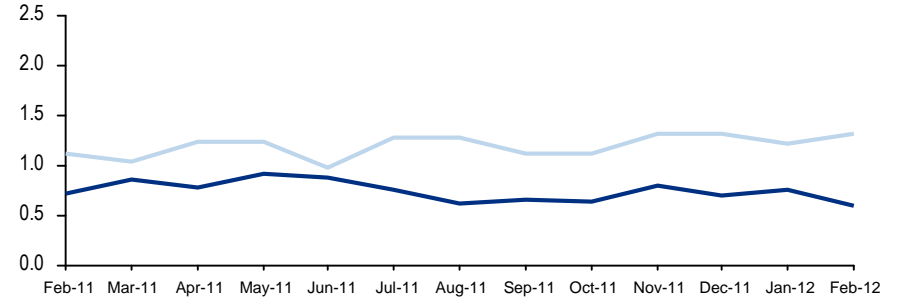
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-12	Jan-12	Feb-11	YTD-12
Distressed	1.5%	2.1%	1.4%	3.6%
Citi HY Bond Index	2.3%	2.9%	1.3%	5.2%

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

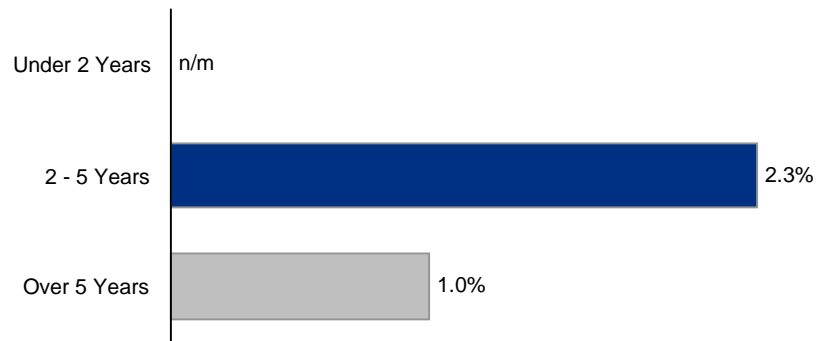
## Leverage Profile (Monthly, LTM)



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

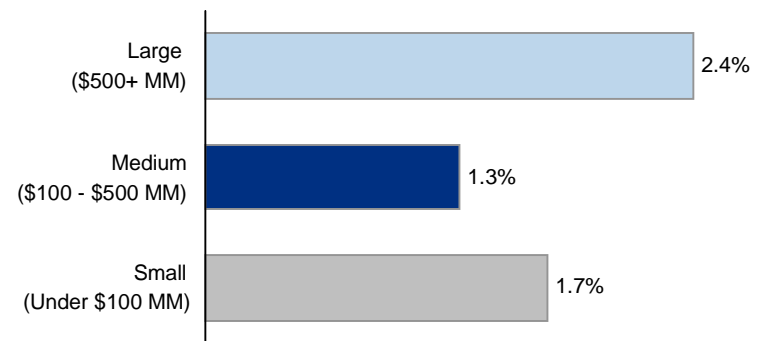
Source: Citi Prime Finance

## 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.

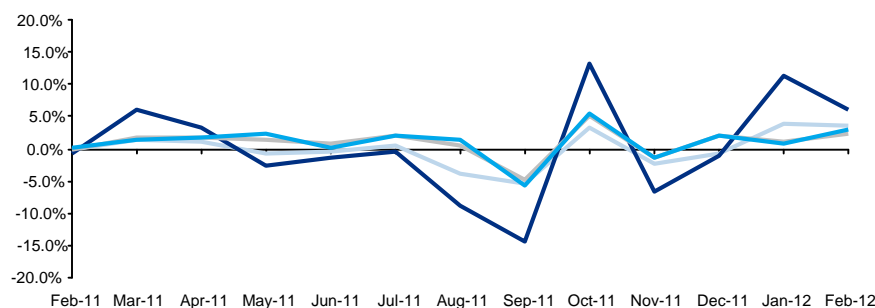


# Emerging Markets

Data as of Feb-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	3.8%	3.5%											7.4%

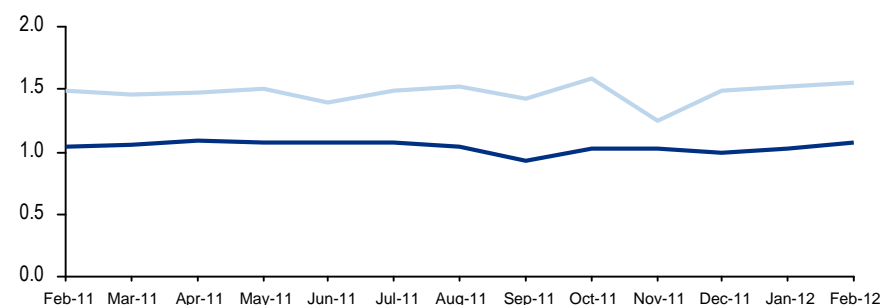
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-12	Jan-12	Feb-11	YTD-12
Emerging Mkts	3.5%	3.8%	0.0%	7.4%
MSCI EM	6.0%	11.4%	-0.9%	18.1%
JPM EMBIG Core ETF (EMB)	2.5%	1.1%	-0.1%	3.6%
DB EM Liquid ETF (PCY)	2.9%	0.6%	0.2%	3.5%

Source: Citi ICG Analytics; FactSet

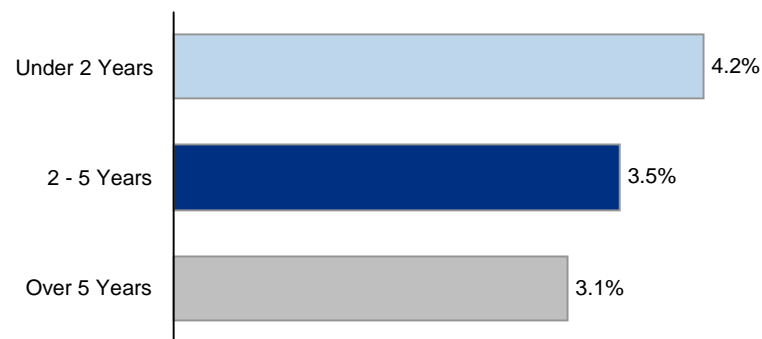
## Leverage Profile (Monthly, LTM)



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

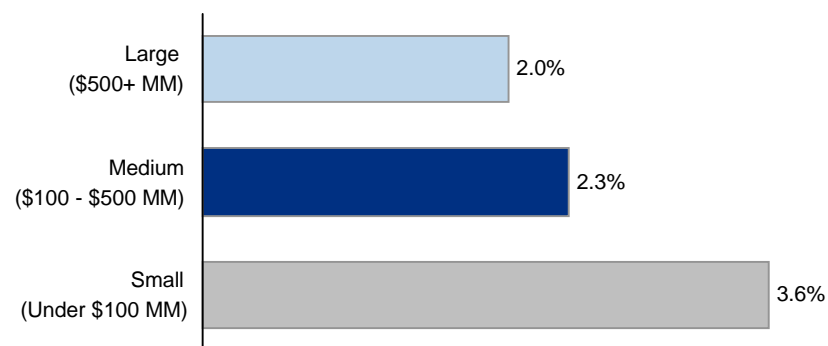
Source: Citi Prime Finance

## 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.

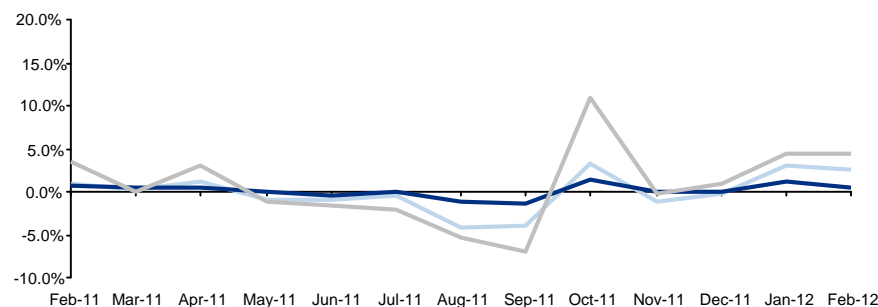


# Equity Long/Short

Data as of Feb-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	3.1%	2.5%											5.6%

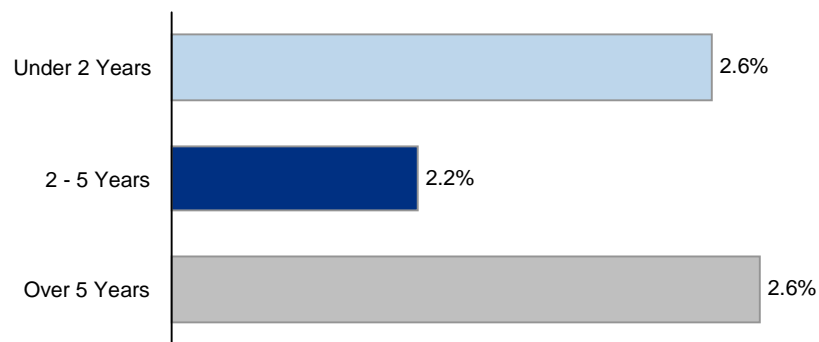
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



		Feb-12	Jan-12	Feb-11	YTD-12
Eq Long/Short		2.5%	3.1%	1.0%	5.6%
Eq Mkt Neutral		0.5%	1.2%	0.7%	1.7%
S&P 500		4.3%	4.5%	3.4%	9.0%

Source: Citi ICG Analytics; FactSet

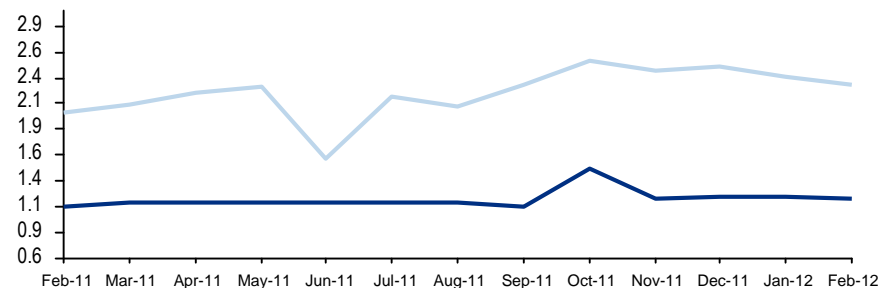
## Hedge Fund Performance by Age



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.

## Leverage Profile (Monthly, LTM)

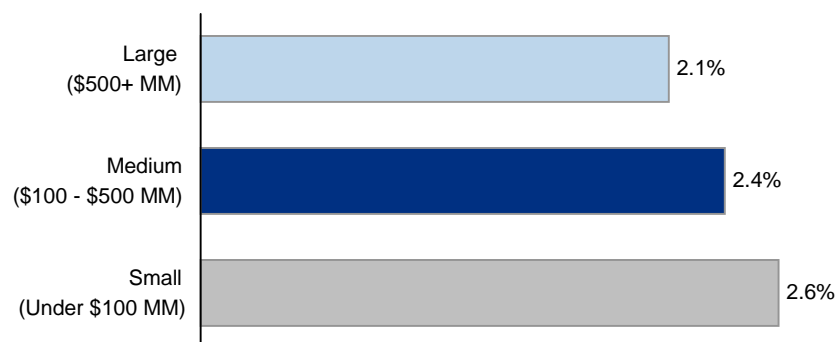


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

Source: Citi Prime Finance

## Hedge Fund Performance by Size



Source: Citi ICG Analytics

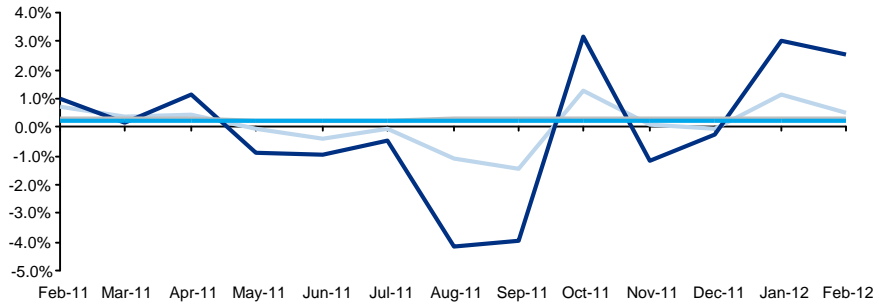


# Equity Market Neutral

Data as of Feb-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	1.2%	0.5%											1.7%

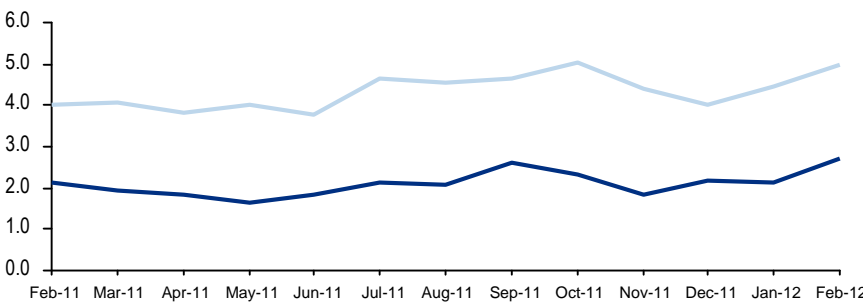
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-12	Jan-12	Feb-11	YTD-12
Eq Mkt Neutral	0.5%	1.2%	0.7%	1.7%
Eq Long/Short	2.5%	3.1%	1.0%	5.6%
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

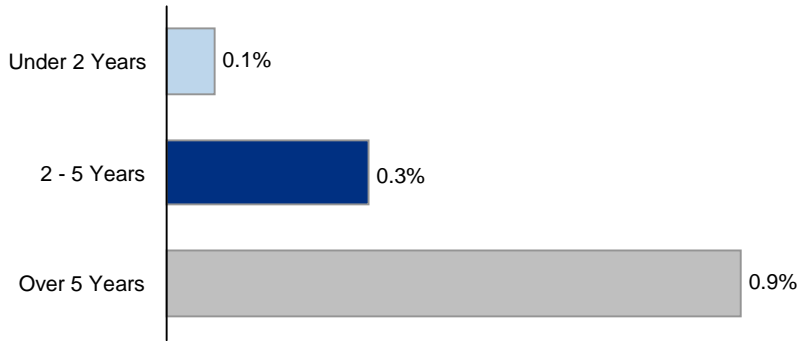
## Leverage Profile (Monthly, LTM)



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

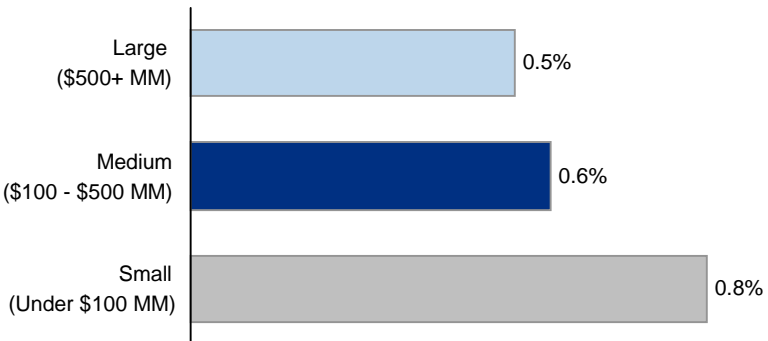
Source: Citi Prime Finance

## 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.

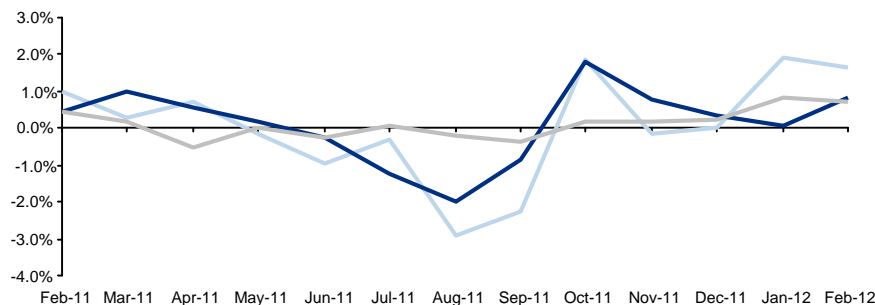


# Event Driven

Data as of Feb-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.9%	1.7%											3.6%

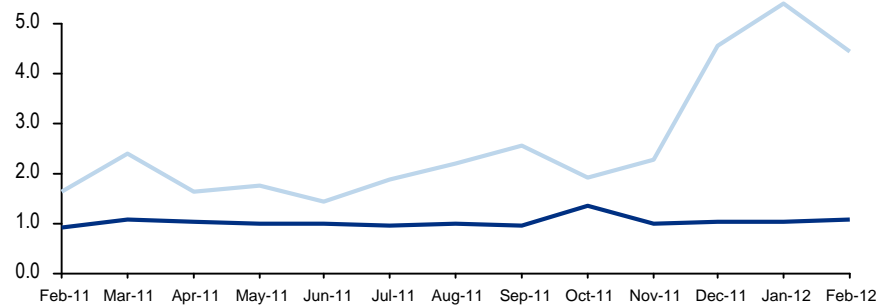
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-12	Jan-12	Feb-11	YTD-12
Event Driven	1.7%	1.9%	1.0%	3.6%
The Merger Fund (MERFX)	0.8%	0.1%	0.4%	0.9%
AQR Div Arb Fund (ADANX)	0.7%	0.8%	0.4%	1.6%

Source: Citi ICG Analytics; FactSet

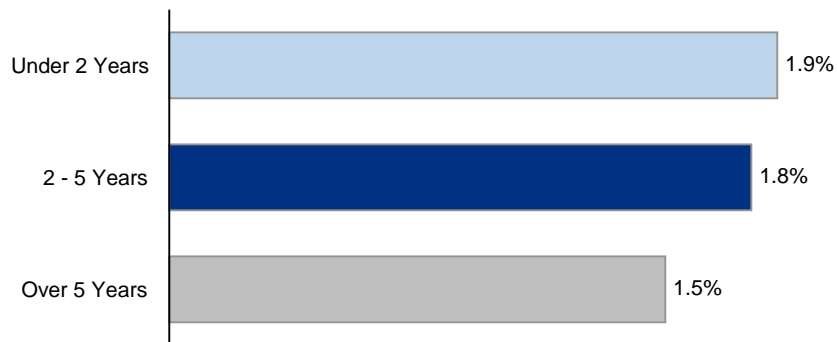
## Leverage Profile (Monthly, LTM)



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

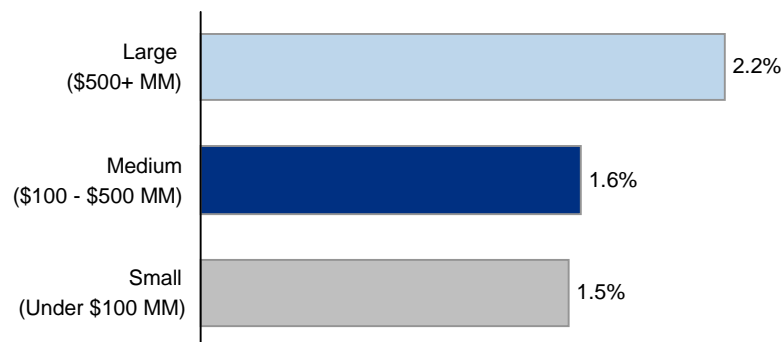
Source: Citi Prime Finance

## 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.



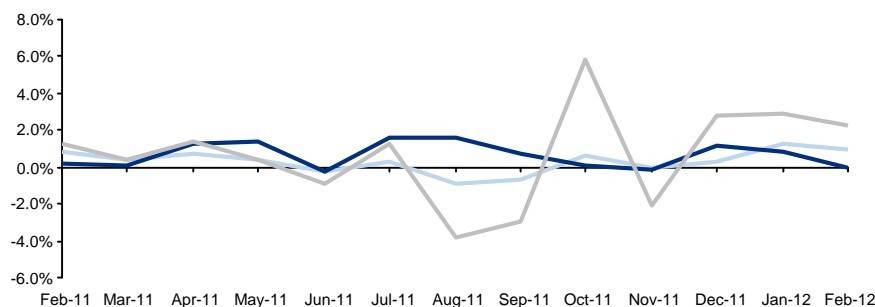


# FI Arbitrage

Data as of Feb-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.3%	1.0%											2.3%

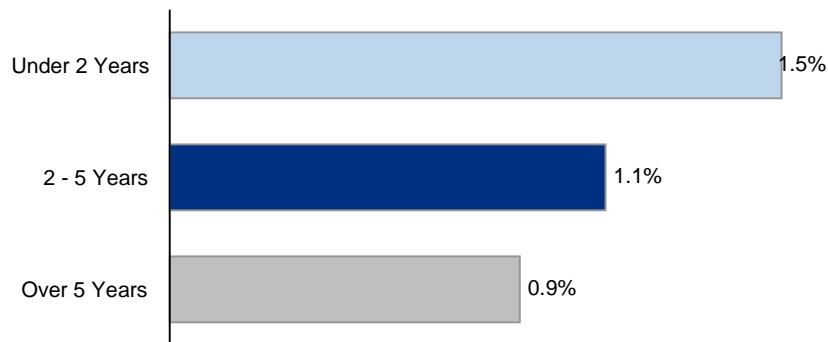
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-12	Jan-12	Feb-11	YTD-12
FI Arbitrage	1.0%	1.3%	0.8%	2.3%
Citi US BIG Index	0.0%	0.8%	0.2%	0.8%
Citi HY Bond Index	2.3%	2.9%	1.3%	5.2%

Source: Citi ICG Analytics; Citigroup Index LLC

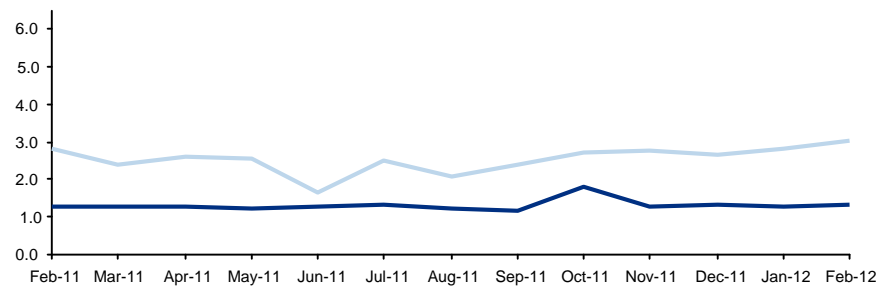
## Hedge Fund Performance by Age



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.

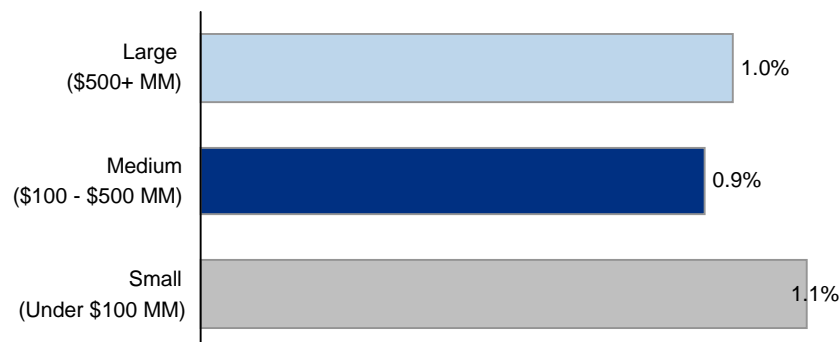
## Leverage Profile (Monthly, LTM)



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 Size



Source: Citi ICG Analytics

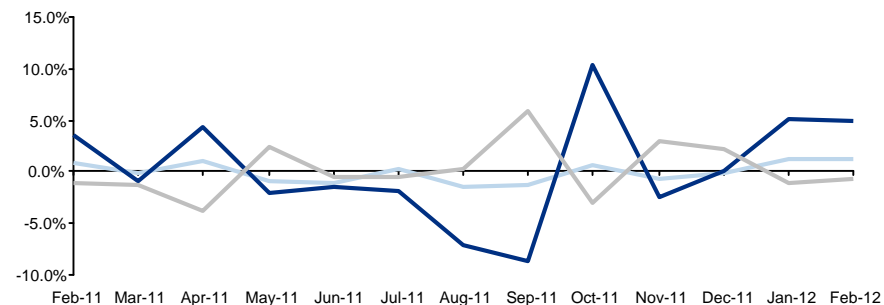


# Global Macro

Data as of Feb-2012

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.3%	1.3%											2.6%

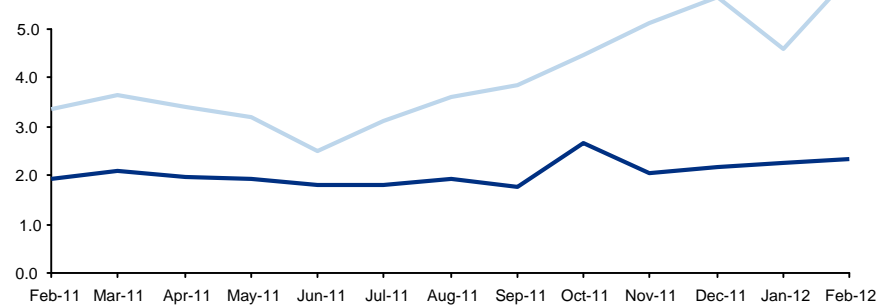
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Feb-12	Jan-12	Feb-11	YTD-12
Global Macro	1.3%	1.3%	0.8%	2.6%
MSCI World	4.9%	5.0%	3.5%	10.2%
US\$-Index	-0.7%	-1.1%	-1.1%	-1.8%

Source: Citi ICG Analytics; FactSet

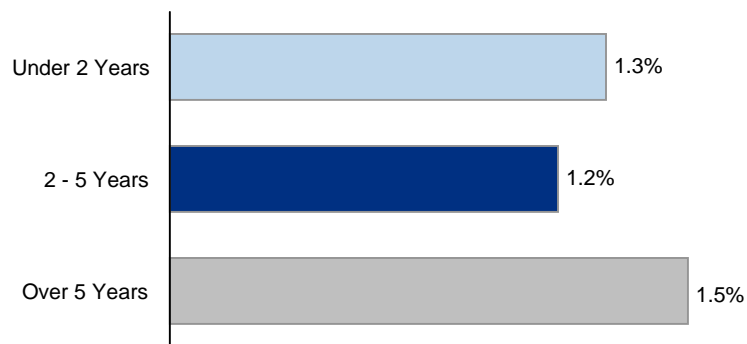
## Leverage Profile (Monthly, LTM)



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

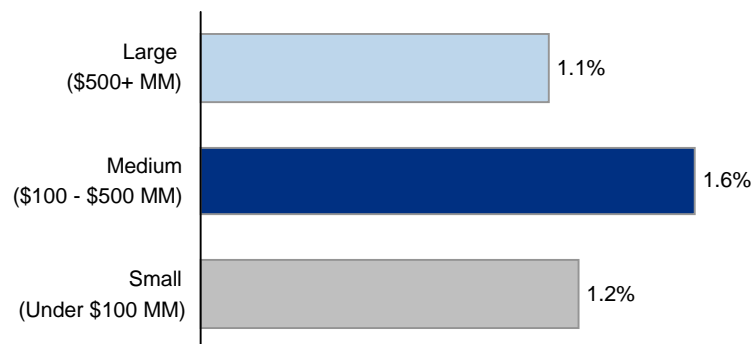
Source: Citi ICG Analytics; FactSet; Citi Prime Finance

## 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.

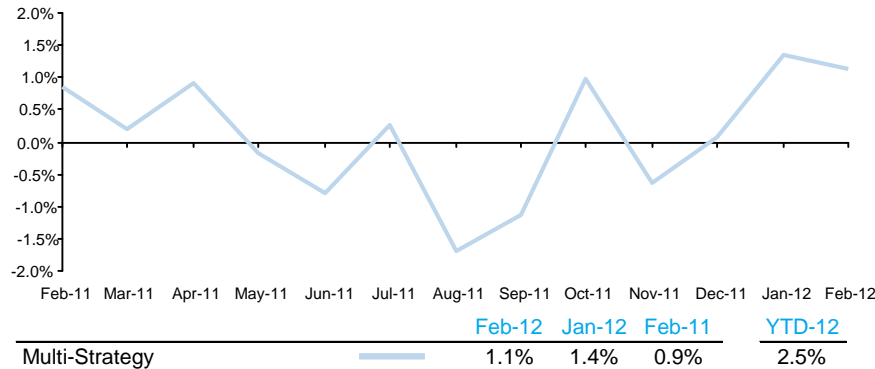


# Multi-Strategy

Data as of Feb-2012

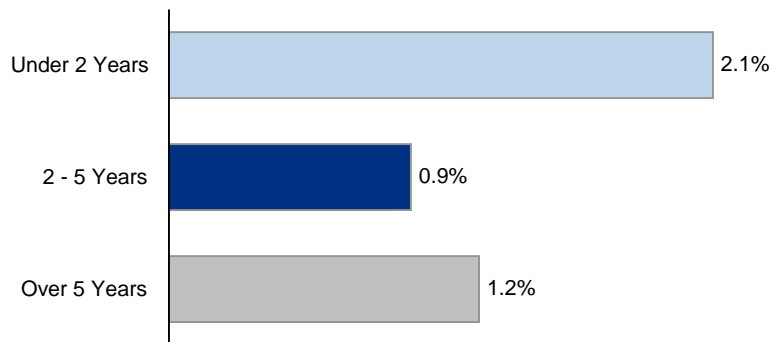
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	1.4%	1.1%											2.5%

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



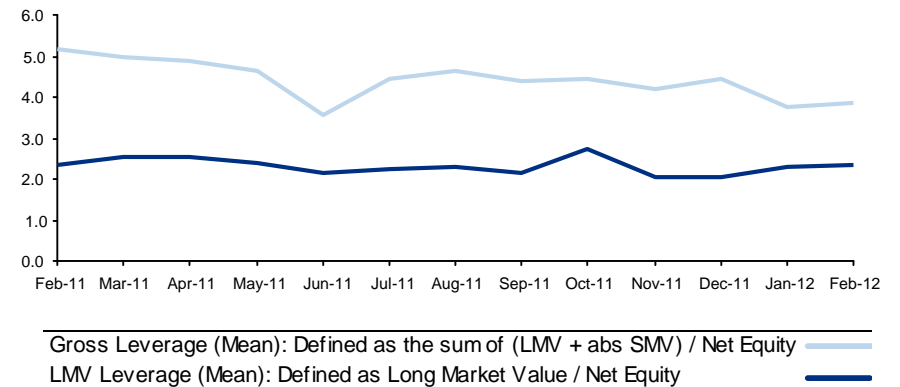
Source: Citi ICG Analytics

## Hedge Fund Performance by Age



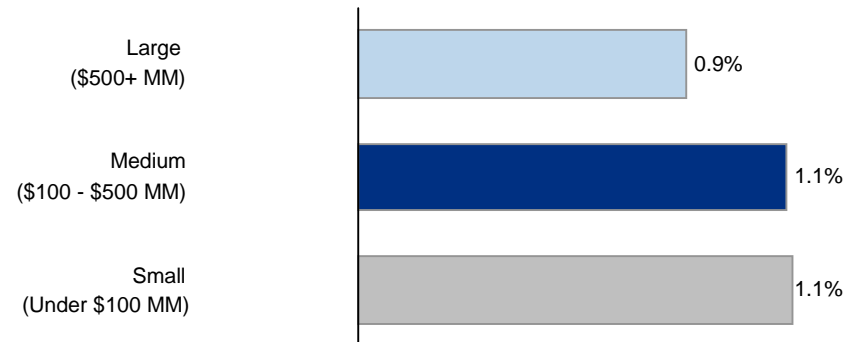
Source: Citi ICG Analytics

## Leverage Profile (Monthly, LTM)



Source: Citi Prime Finance

## 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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