



## Citi Prime Finance

### *Hedge Fund Industry Snapshot*

*Data as of November 2010*

### **Citi Prime Finance**

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### **Market Commentary**

**Report Date: December 2010**

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# Highlights

Data as of Nov-2010

## Performance, AUM & Flows:

- Equal-weighted hedge fund composite indices were mixed for November 2010 with losses/gains ranging from -0.3% to +0.2%. These gains bring the year-to-date industry performance to +2.77% to +7.37%. The Citi HARP hedge fund replication index was -0.66% in November versus the HFRI Fund of Fund index that was -0.10%. Year-to-date, the HARP index was +1.62% and the HFRIFO index was +3.43%. November 2010 performance returns proved to be higher than November 2009 which experienced +1.34% to +1.66% over the same period.
- Volatility and low conviction influenced markets again in November. Equity Long/Short strategy funds saw the largest positive gains at +0.51%, followed by Fixed Income Arbitrage +0.46%, Event Driven +0.40% Equity Market Neutral +0.36% and Distressed +0.31%. Less stable commodity prices led CTA/Managed Futures to declines (-1.02%) while Dedicated Short (-0.67%), Emerging Markets (-0.35%) and Global Macro (-0.13%) also experienced declines. Remaining strategies were up although more modestly than the top five strategies.
- According to HedgeFund.net (HFN), hedge fund industry AUM ended November 2010 at \$2.411 trillion, up slightly from \$2.407 in October 2010. This is the fifth consecutive month AUM has experienced gains. Industry AUM has increased roughly \$239 billion YTD but remains well below the \$2.94 trillion June 2008 peak.
- Increases in AUM attributable to net investor inflows were +\$13.04 billion for Nov-10 while negative performance accounted for a decrease of -\$8.31 billion. Overall, year-to-date investor allocations are a net +\$79.3 billion compared to -\$118.9 billion over the same period a year ago.
- November performance losses were the third largest of the year after June (-\$11.11 billion) and January (-\$9.07 billion) and lower than year ago performance returns of +\$44.42 billion in October 2009. For the first 11 months of 2010, performance related AUM gains were +\$159.5 billion compared to +\$343.5 billion year-ago.

## Fund Profiles:

- Across the subset of hedge funds reporting performance and AUM, the monthly median performance for large single funds (>\$500 million) was +0.1%; medium single funds (\$100-\$500 million) +0.1% and small single funds (<\$100 million) +0.2%.
- Liquidity terms continued the consistent pattern of 2010 with November showing little changes to redemption notice periods with 65% of funds requiring 30 days or less notice for redemption. Across the entire subset of reporting funds, the majority (59%) required no lockup (44%) or less than 1 year lock up (15%).
- Consistent throughout 2010, large funds (> \$500 million AUM) continue to hold a large portion of industry AUM (67%) compared to medium funds (\$100-\$500 million) at 24% and small funds (<\$100 million) holding only 9%.

## Leverage & Shorts:

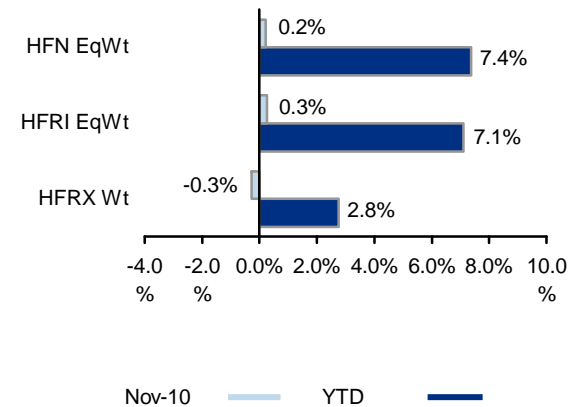
- On a global basis, we calculate gross leverage (as measured on a mean basis) at 1.81 in November 2010 versus 1.80x in October, 1.79x in September and 1.93x in August.
- Looking across both long leverage and gross leverage, the following strategies showed the highest uses of leverage: Multi Strategy (5.08x), Global Macro (3.65x), Convertible Arbitrage (3.56x), Fixed Income Arbitrage (3.35x), and Equity Market Neutral (3.04). 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 Consumer Discretionary, Information Technology & Financials sectors. These three sectors accounted for 59.26% of short executions and 53.16% of short flows versus 63.05% of short executions and 54.36% of short flows in October 2010.
- After a relatively quiet October, large speculator net positioning in Futures and Options saw some reversals in November. The large speculator positioning for 10-Year Treasury future contracts and EuroFX contracts shifted from net long in late October to a net short position at the end of November. Positioning in the S&P (large and mini combined) remains close to neutral at net short position of 0.4% but that was also a reversal from a net long 0.1% reading in late October. The net long position in Gold, however, remained little changed ending November at 15.2% of total open interest.

# Hedge Fund Industry: AUM, Performance

Data as of Nov-2010

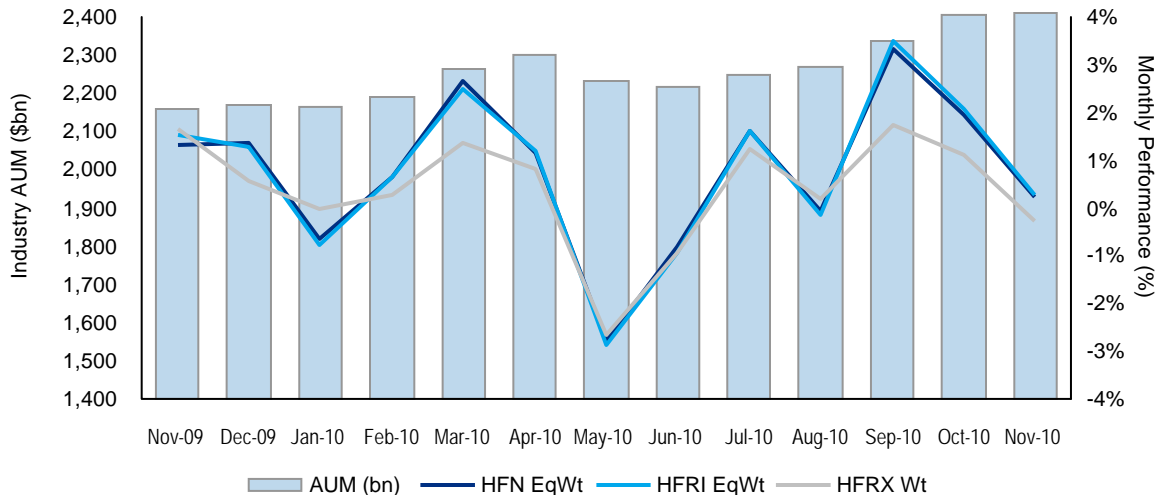
- Composite hedge fund performance, equal-weighted across funds, was mixed in November 2010 with losses/gains ranging from -0.3% to +0.2%. Returns were lower than last month's (October 2010 +1.12% to +2.15%) and below performance year-ago November 2009 (+1.34% to +1.66%). Year-to-date performance in 2010 ranged from +2.77% to +7.37%.
- Markets were somewhat volatile as uncertainty surrounding deflation/inflation scenarios has yet to subside. Across broad economic measures, the US industrial production grew by 0.4% in November, after a downwardly revised 0.2% decline in October and China's inflation rate jumped to 5.1% in November from the previous month's 4.4%. In Britain the unemployment rate rose to 7.9% and the inflation rate to 3.3%.
- Hedge fund indices generally outpaced major equity market indices in November: the MSCI World index (-2.1%), S&P 500 0.0%, MSCI Emerging Markets (-2.6%) and the Bond markets (Citi US BIG Index -0.5%). However, a bright spot was the U.S. dollar index which returned +5.1%.
- Industry AUM, estimated at \$2.411 trillion according to HFN, was slightly up from October's \$2.407 trillion – posting the high mark of 2010. November AUM is up 11% year-to-date. Depending on the source, estimates of industry AUM ranges from \$1.8 to \$2.41 trillion compared to the Q2 2008 peak range of \$1.9 to \$3.0 trillion.

## Industry Performance: Nov-10 / YTD



Source: HedgeFund.net (HFN)

## Monthly Industry AUM and Performance



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

## Note Pad:

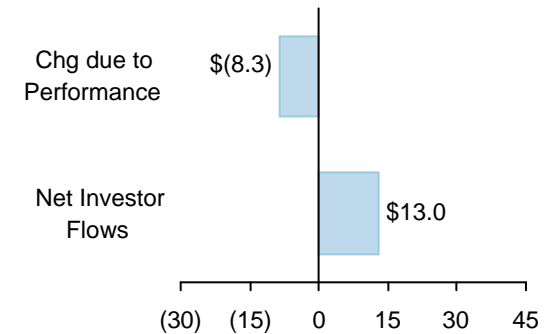
- MSCI World Index: -2.1% November; +4.6% YTD
- MSCI Emerging Markets Index: -2.6% November; +11.2% YTD
- S&P 500: +0.0% November; +7.9% YTD
- Citi US BIG Index: -0.5% November; 7.5% YTD
- S&P GSCI: +1.1% November; -0.3% YTD
- U.S. Dollar Index: +5.1% November; +4.3% YTD
- HFN Country Indices November / YTD:  
Brazil -0.12% / +10.19%; Russia +1.95% / +13.35%; India: -5.46% / +10.72%; China: +0.87% / +6.21%

# Hedge Fund Industry: Change in Industry Assets

Data as of Nov-2010

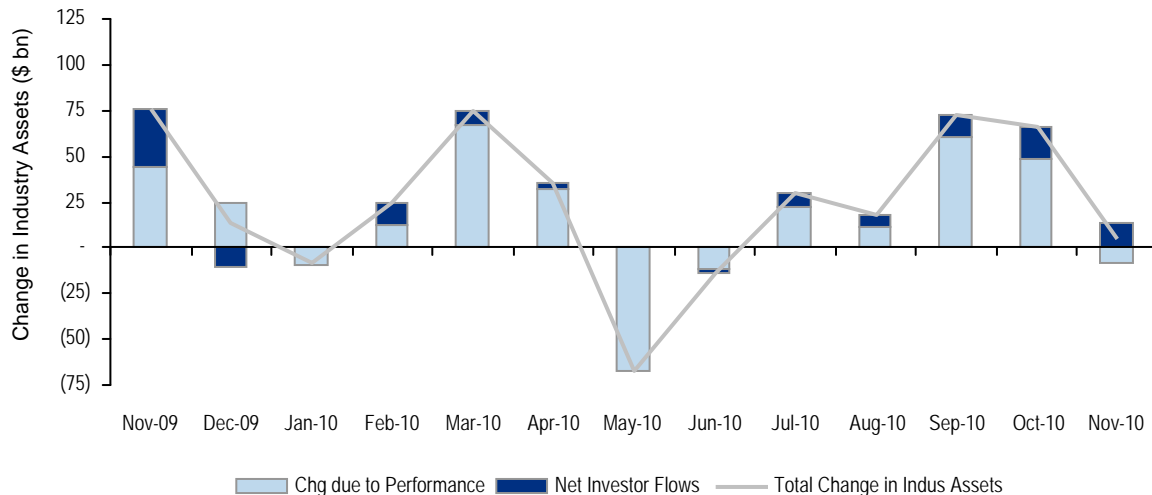
- According to HFN, the estimated change in industry assets for November 2010 was +\$4.73 billion. Gains stemmed solely from investor inflows (+\$13.04 billion) as performance accounted for losses of -\$8.31 billion.
- November 2010 is the first month since June 2010 – and the third in 2010 – to see a decrease in industry assets due to negative performance. However, year-to-date Performance gains are positive at +\$159.5 billion and account for the majority of the Industry AUM increase this year.
- Net investor inflows of +\$13.04 billion marked the fifth consecutive month of net inflows – a steady sign of more positive sentiment after choppy flows in the first half of the year. Year-to-date net investor flows are estimated at \$79.3 billion – up from (-\$118.9 billion) YTD-09 but down from the +\$148 billion seen May-Nov 2009 (the period post the large 2008/2009 outflow.)
- HFN estimates total industry AUM at \$2.41 trillion for November 2010, slightly up from October 2010 – and the fifth consecutive month-over-month gain. YTD, Industry AUM is estimated up +11% or roughly +\$239 billion (Performance: +\$159.5 billion; Net Investor Flows: +\$79.3 billion.)

## Composition of Change in Assets: Nov-10 Amounts in (\$ bn)



Source: HedgeFund.net (HFN)

## Monthly Change in Industry Assets and Composition



Source: HedgeFund.net (HFN)

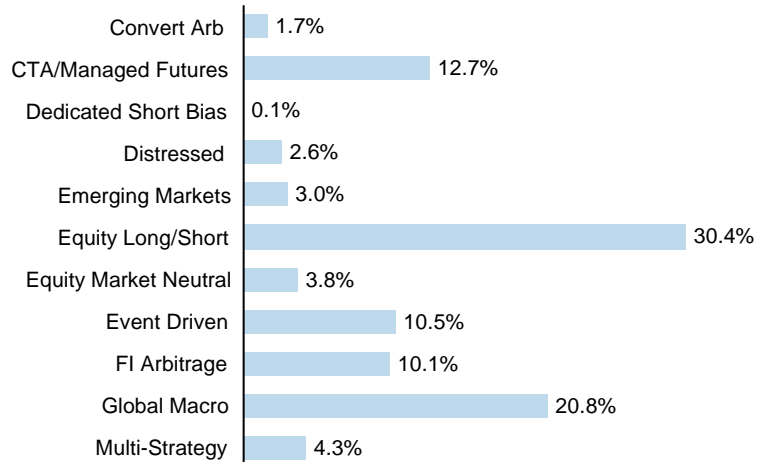
## Note Pad:

- The Citi Prime Finance calculation for end-October gross leverage (as measured on a mean basis) was 1.81x, up from 1.80x at end-October
- Gross leverage (mean): defined as sum of (LMV + abs SMV) / Net Equity

# Hedge Fund Stats by Strategy

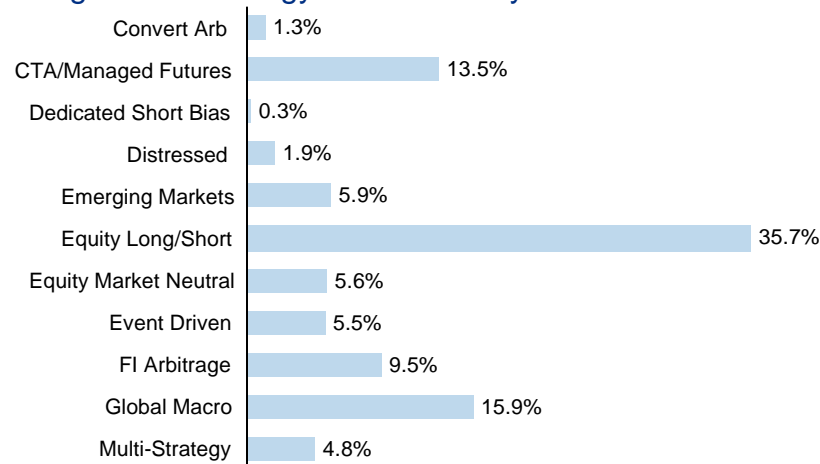
Data as of Nov-2010

## Hedge Fund Strategy Breakdown by Assets



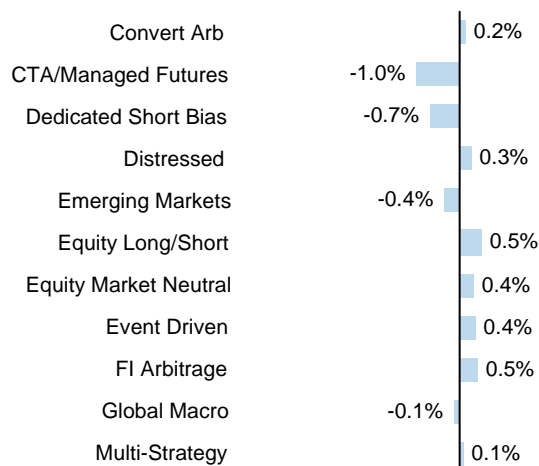
Source: Citi ICG Analytics

## Hedge Fund Strategy Breakdown by Number of Funds



Source: Citi ICG Analytics

## Hedge Fund Performance by Strategy

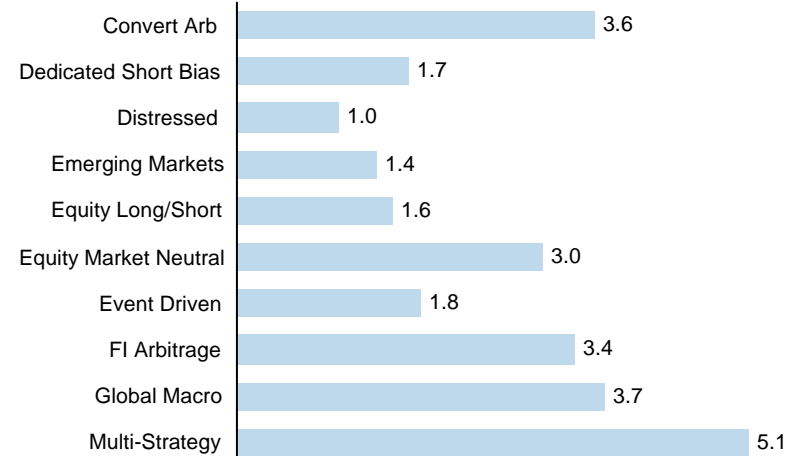


Source: Citi ICG Analytics

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

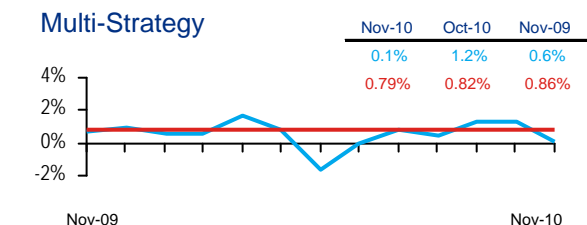
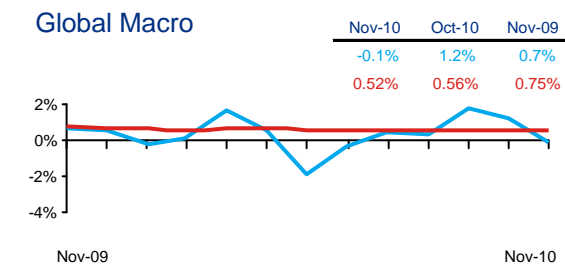
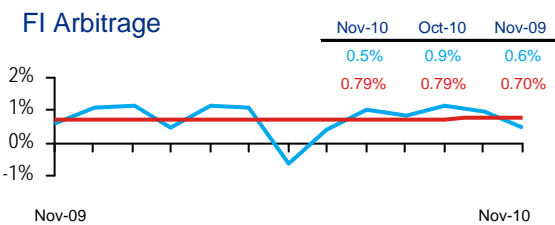
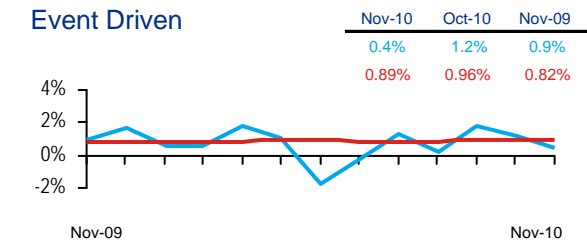
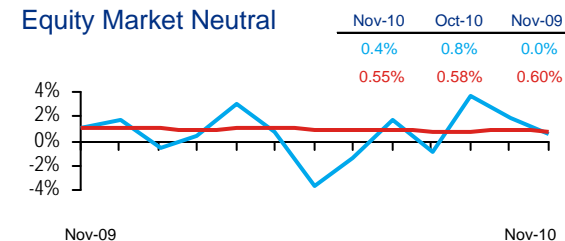
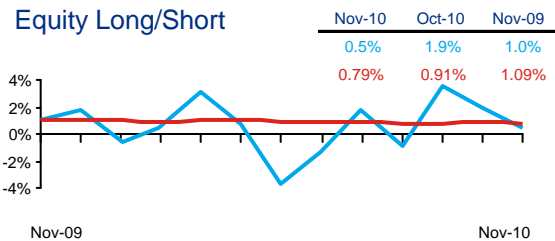
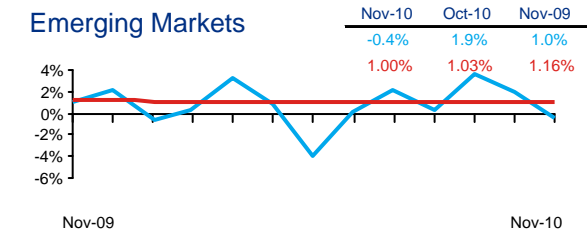
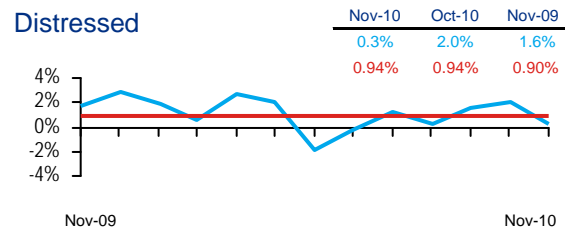
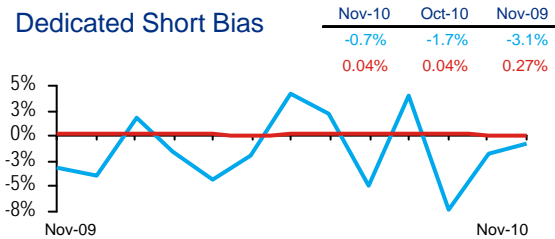
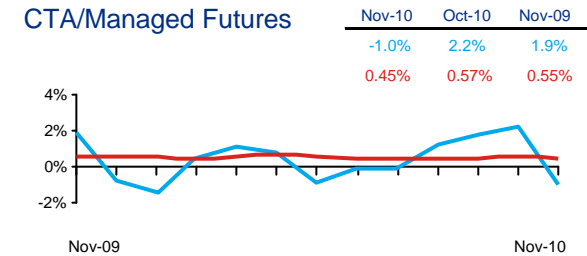
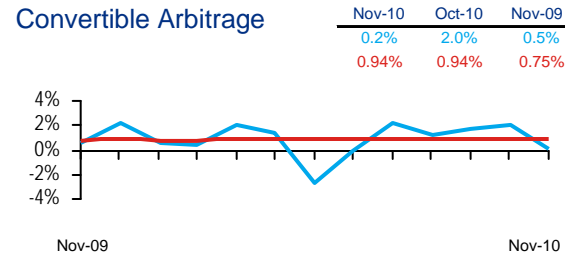


Source: Citi Prime Finance

# Monthly Performance by Strategy

Data as of Nov-2010

Monthly Median:   
 Trailing 60 Month Median: 



Source: Citi ICG Analytics

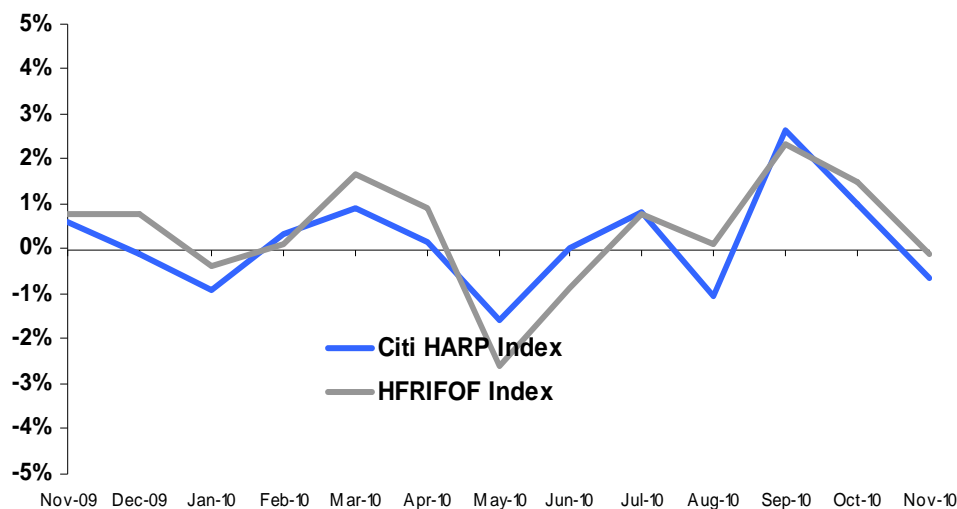
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period.



# Citi Liquid Hedge Fund Replicator (HARP)

Data as of Nov-2010

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**

	Nov-10	Oct-10	Nov-09	YTD-10
Citi Harp	-0.66%	1.01%	0.60%	1.62%
HFRIFOF	-0.10%	1.49%	0.80%	3.43%

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	1.51%	4.21%
Annualised Volatility	3.95%	4.51%
Sharpe Ratio	0.309	0.871
Correlation	83.99%	-

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.

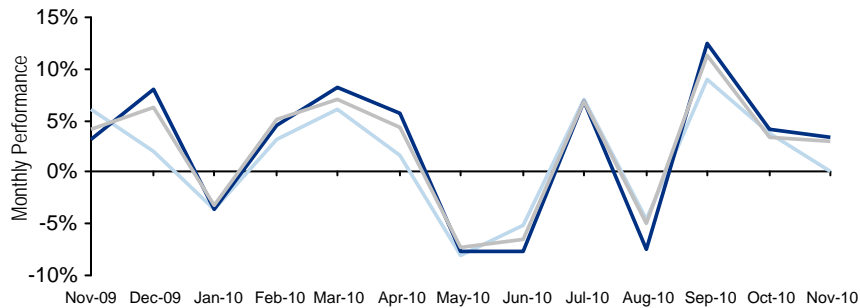
The weighting within the Index of each component is determined monthly. Every month, a multiple linear regression algorithm is used to identify the appropriate weighting.



# Market Performance

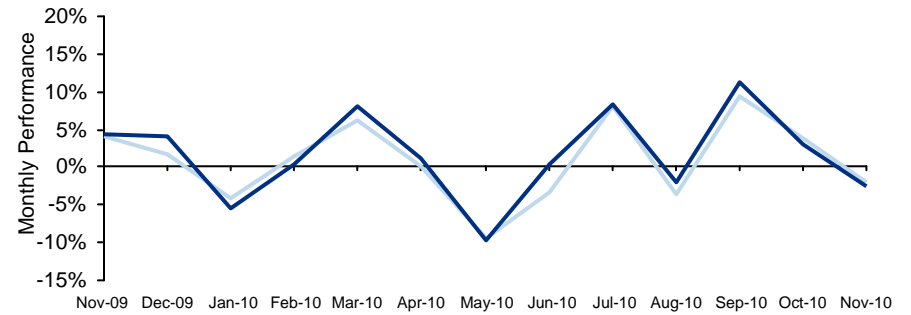
Data as of Nov-2010

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



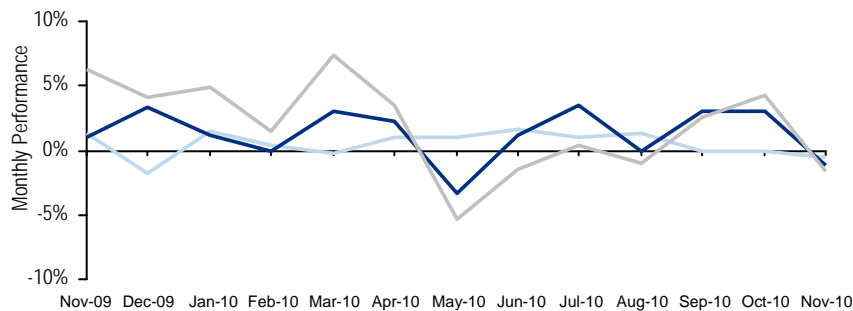
		Nov-10	Oct-10	Nov-09	YTD-10
S&P 500	—	0.0%	3.8%	6.0%	7.9%
RUS 2000	—	3.5%	4.1%	3.1%	17.5%
S&P Mid	—	3.0%	3.4%	4.1%	18.9%

## Global Equities (Developed vs. Emerging)



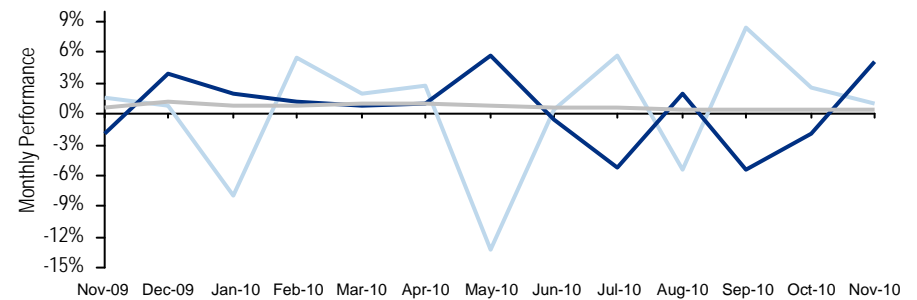
		Nov-10	Oct-10	Nov-09	YTD-10
MSCI World	—	-2.1%	3.7%	4.1%	4.6%
MSCI EM	—	-2.6%	2.9%	4.3%	11.2%

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



		Nov-10	Oct-10	Nov-09	YTD-10
Citi US BIG Index	—	-0.5%	0.0%	1.3%	7.5%
Citi HY Bond Index	—	-1.1%	3.0%	1.1%	12.2%
Altman Defaulted	—	-1.6%	4.2%	6.3%	15.1%

## Commodities (US\$ performance)



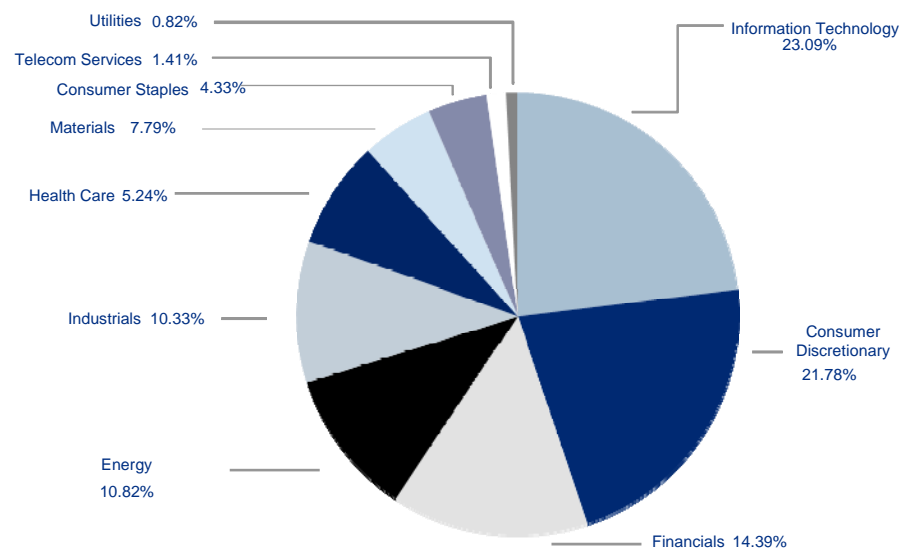
		Nov-10	Oct-10	Nov-09	YTD-10
S&P GSCI	—	1.1%	2.6%	1.5%	-0.3%
US-\$ Index	—	5.1%	-1.8%	-1.9%	4.3%
US 2yr Note	—	0.5%	0.3%	0.7%	0.7%

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

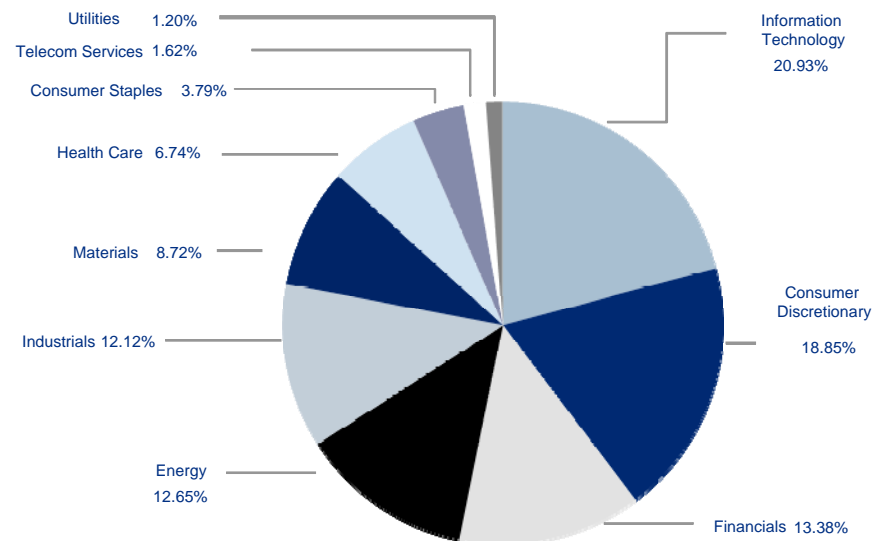
# US Securities Lending Sector Short Flows

Data as of Nov-2010

## Short Sale Executions



## Short Cover Executions



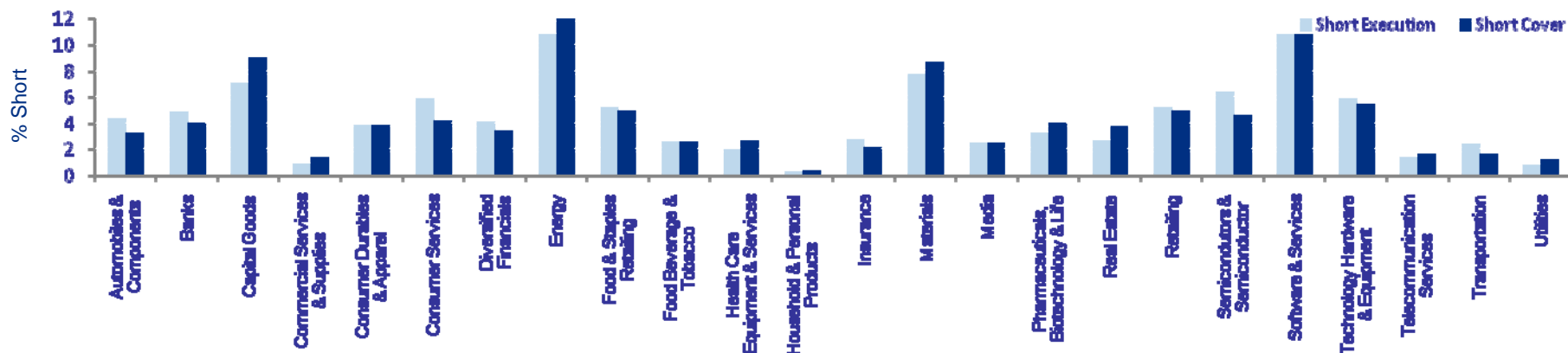
Sector Short Flows	% Short Execution	% Previous Month Short Execution	% Change From Previous Month
Information Technology	23.09	19.86	16.26
Consumer Discretionary	21.78	27.10	-19.63
Financials	14.39	16.20	-11.17
Energy	10.82	9.29	16.47
Industrials	10.33	8.22	25.67
Materials	7.79	6.82	14.22
Health Care	5.24	6.90	-24.06
Consumer Staples	4.33	3.13	38.34
Telecom Services	1.41	1.06	33.02
Utilities	0.82	1.42	-42.25

Sector Short Flows	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Information Technology	20.93	17.36	20.56
Consumer Discretionary	18.85	21.49	-12.28
Financials	13.38	15.48	-13.57
Energy	12.65	12.96	-2.39
Industrials	12.12	9.26	30.89
Materials	8.72	6.29	38.63
Health Care	6.74	10.44	-35.44
Consumer Staples	3.79	4.08	-7.11
Telecom Services	1.62	1.35	20
Utilities	1.20	1.29	-6.98

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 Nov-2010

## Citi Industry Group Short Flows



Industry	% Short Execution	% Previous Month Short Execution	% Change From Previous Month	Industry	% Cover Execution	% Previous Month Short Cover	% Change From Previous Month
Energy	10.82	9.29	16.47	Energy	12.65	12.96	-2.39
Software Services	10.82	10.24	5.66	Software & Services	10.82	7.39	46.41
Materials	7.79	6.82	14.22	Capital Goods	9.06	6.24	45.19
Capital Goods	7.05	5.30	33.02	Materials	8.72	6.29	38.63
Semiconductors & Semiconductor	6.37	4.30	48.14	Technology Hardware and Equipment	5.51	5.84	-5.65
Technology Hardware and Equipment	5.90	5.32	10.90	Retailing	4.99	6.45	-22.64
Consumer Services	5.87	6.90	-14.93	Semiconductors & Semiconductor	4.61	4.13	11.62
Retailing	5.22	7.12	-26.69	Consumer Services	4.16	4.98	-16.47
Banks	4.81	5.16	-6.78	Pharmaceuticals, Biotechnology & Life	4.05	5.87	-31.01
Automobiles & Components	4.34	3.87	12.14	Banks	4.01	4.13	-2.91
Diversified Financials	4.12	5.90	-30.17	Consumer Durables & Apparel	3.87	4.06	-4.68
Consumer Durables & Apparel	3.82	3.00	27.33	Real Estate	3.78	2.63	43.73
Pharmaceuticals, Biotechnology & Life	3.27	4.50	-27.33	Diversified Financials	3.44	6.71	-48.73
Insurance	2.76	2.87	-3.83	Automobiles & Components	3.29	3.29	0.00
Real Estate	2.70	2.27	18.94	Health Care and Equipment Services	2.69	4.57	-41.14
Food Beverage & Tobacco	2.55	1.62	57.41	Tobacco	2.59	2.10	23.33
Media	2.53	6.21	-59.26	Media	2.53	2.71	-6.64
Transportation	2.42	2.19	10.50	Insurance	2.15	2.01	6.97
Health Care Equipment and Services	1.97	2.40	-17.92	Transportation	1.69	2.30	-26.52
Food & Staples Retailing	1.45	1.08	34.26	Telecom Services	1.62	1.35	20.00
Telecom Services	1.41	1.06	33.02	Commercial Services and Supplies	1.38	0.71	94.37
Commercial Services and Supplies	0.86	0.74	16.22	Utilities	1.20	1.29	-6.98
Utilities	0.82	1.42	-42.25	Food & Staples Retailing	0.84	1.19	-29.41
Household and Personal Products	0.32	0.43	-25.58	Household & Personal Products	0.36	0.79	-54.43

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 Nov-2010

## Citi Short Flows: November 2010

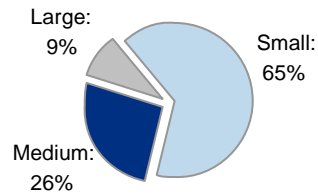
GICS Code	Description	% Short Executions This Month	% Short Executions From Last Month	% Change From Last Month	% Short Cover This Month	% Short Cover From Last Month	% Change From Last Month
<b>Sector</b>	<b>Sector</b>						
10	Energy	10.82	9.29	16.47	12.65	12.96	-2.39
15	Materials	7.79	6.82	14.22	8.72	6.29	36.63
20	Industrials	10.33	8.22	25.67	12.12	9.26	30.89
25	Consumer Discretionary	21.78	27.10	-19.63	18.85	21.49	-12.28
30	Consumer Staples	4.33	3.13	38.34	3.79	4.08	-7.11
35	Health Care	5.24	6.90	-24.06	6.74	10.44	-35.44
40	Financials	14.39	16.20	-11.17	13.38	15.48	-13.57
45	Information Technology	23.09	19.86	16.26	20.93	17.36	20.56
50	Telecommunication Services	1.41	1.06	33.02	1.62	1.35	20.00
55	Utilities	0.82	1.42	-24.25	1.20	1.29	-6.98
<b>Industry Group</b>	<b>Industry Group</b>						
1010	Energy	10.82	9.29	16.47	12.65	12.96	-2.39
1510	Materials	7.79	6.82	14.22	8.72	6.29	38.63
2010	Capital Goods	7.05	5.30	33.02	9.06	6.24	45.19
2020	Commercial Services & Supplies	0.86	0.74	16.22	1.38	0.71	94.37
2030	Transportation	2.42	2.19	10.50	1.69	2.30	-26.52
2510	Automobiles & Components	4.34	3.87	12.14	3.29	3.29	0.00
2520	Consumer Durables & Apparel	3.82	3.00	27.33	3.87	4.06	-4.68
2530	Consumer Services	5.87	6.90	-14.93	4.16	4.98	-16.47
2540	Media	2.53	6.21	-59.26	2.53	2.71	-6.64
2550	Retailing	5.22	7.12	-26.69	4.99	6.45	-22.64
3010	Food & Staples Retailing	1.45	1.08	34.26	0.84	1.19	-29.41
3020	Food Beverage & Tobacco	2.55	1.62	57.41	2.59	2.10	23.33
3030	Household & Personal Products	0.32	0.43	-25.58	0.36	0.79	-54.43
3510	Health Care Equipment & Services	1.97	2.40	-17.92	2.69	4.57	-41.14
3520	Pharmaceuticals, Biotechnology & Life Sciences	3.27	4.50	-27.33	4.05	5.87	-31.01
4010	Banks	4.81	5.16	-6.78	4.01	4.13	-2.91
4020	Diversified Financials	4.12	5.90	-30.17	3.44	6.71	-48.73
4030	Insurance	2.76	2.87	-3.83	2.15	2.01	6.97
4040	Real Estate	2.70	2.27	18.94	3.78	2.63	43.73
4510	Software & Services	10.82	10.24	5.66	10.82	7.39	46.41
4520	Technology Hardware & Equipment	5.90	5.32	10.90	5.51	5.84	-5.65
4530	Semiconductors & Semiconductor Equipment	6.37	4.30	48.14	4.61	4.13	11.62
5010	Telecommunication Services	1.41	1.06	33.02	1.62	1.35	20.00
5510	Utilities	0.82	1.42	-42.25	1.20	1.29	-6.98

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

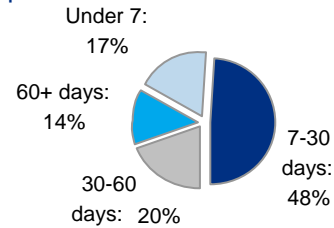
# Hedge Fund (Fund Level) Profiles

Data as of Nov-2010

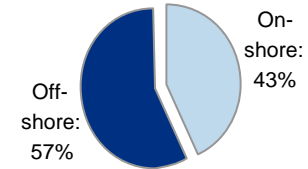
By Fund Size—No. of Funds



Redemption Notice Period



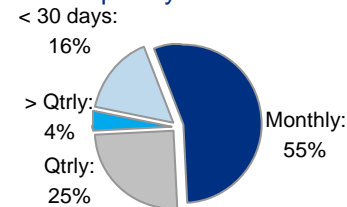
On-shore/Off-shore



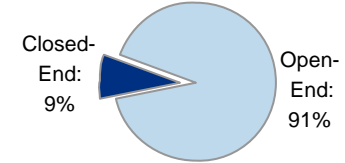
By Fund Size—\$ AUM



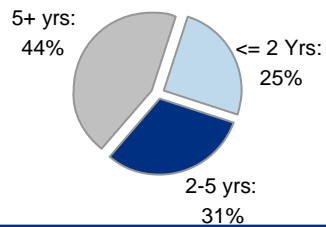
Redemption Frequency



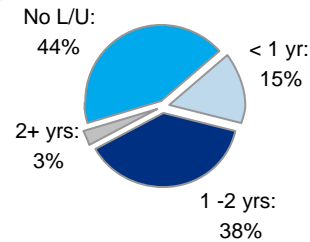
Legal Status



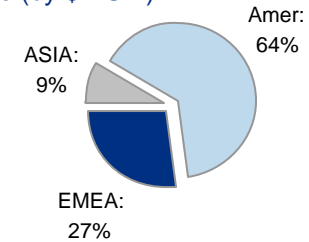
By Fund Age—No. of Funds



Lock-Up



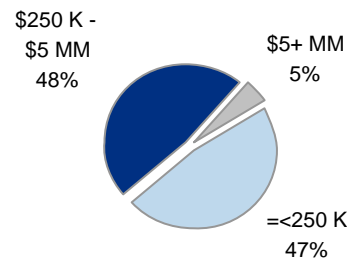
Domicile (by \$ AUM)



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 Nov-2010

## 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	8%	\$783	0.6%	6.8%	67%	78%	n/m	60+ days / 33%	Monthly / 49%
2-5 yrs	18%	\$850	0.4%	7.6%	64%	74%	1-2 yrs / 65%	30-60 days / 32%	Monthly / 43%
Over 5 yrs	73%	\$973	-0.1%	6.0%	64%	68%	No / 48%	7-30 days / 38%	Monthly / 51%
<b>Total</b>	<b>100%</b>	<b>\$932</b>	<b>0.1%</b>	<b>6.6%</b>	<b>64%</b>	<b>70%</b>	<b>1-2 yrs / 46%</b>	<b>7-30 days / 34%</b>	<b>Monthly / 49%</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	15%	\$169	0.0%	6.7%	48%	76%	1-2 yrs / 57%	7-30 days / 35%	Monthly / 47%
2-5 yrs	28%	\$186	0.0%	6.2%	64%	69%	1-2 yrs / 44%	7-30 days / 39%	Monthly / 53%
Over 5 yrs	57%	\$198	0.2%	6.1%	71%	62%	No / 51%	7-30 days / 55%	Monthly / 55%
<b>Total</b>	<b>100%</b>	<b>\$189</b>	<b>0.1%</b>	<b>6.2%</b>	<b>66%</b>	<b>66%</b>	<b>No / 47%</b>	<b>7-30 days / 49%</b>	<b>Monthly / 53%</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	22%	\$25	0.0%	6.7%	50%	71%	1-2 yrs / 56%	7-30 days / 42%	Monthly / 48%
2-5 yrs	33%	\$25	0.3%	7.0%	66%	60%	No / 46%	7-30 days / 48%	Monthly / 55%
Over 5 yrs	45%	\$29	0.2%	6.0%	73%	52%	No / 49%	7-30 days / 56%	Monthly / 48%
<b>Total</b>	<b>100%</b>	<b>\$27</b>	<b>0.2%</b>	<b>6.5%</b>	<b>66%</b>	<b>58%</b>	<b>No / 46%</b>	<b>7-30 days / 51%</b>	<b>Monthly / 50%</b>

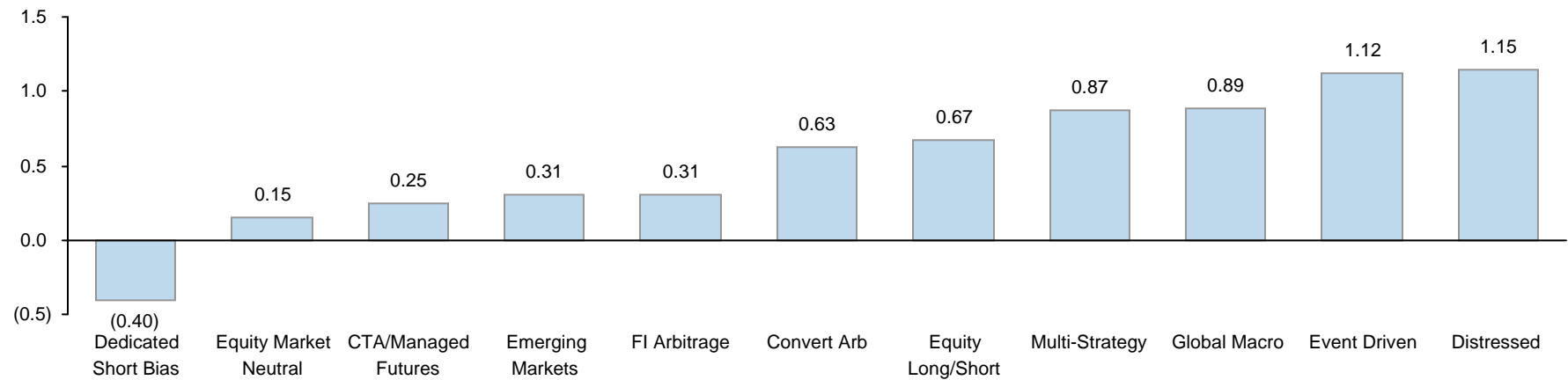
Source: Citi ICG Analytics

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

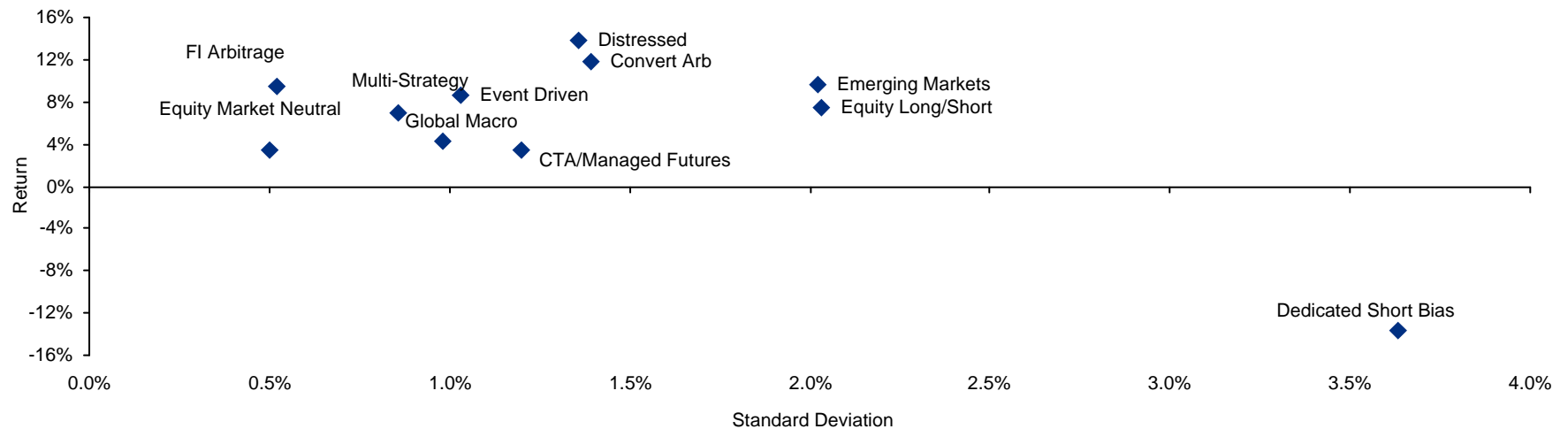
Data as of Nov-2010

## Sharpe Ratios (Jun-94 – Sep-10)



Source: Credit Suisse Tremont

## Risk vs. Return (Sep-09 – Sep-10)



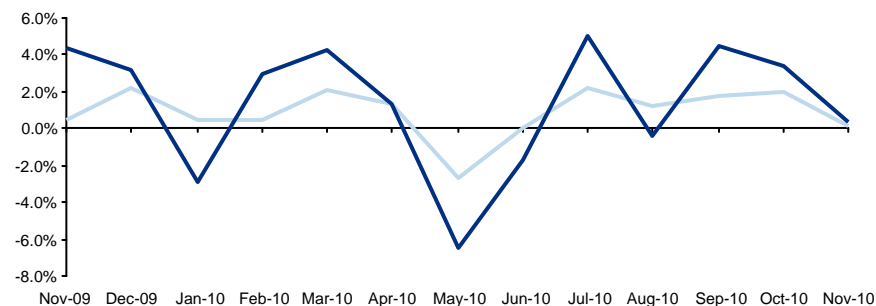
Source: Citi ICG Analytics

# Convertible Arbitrage

Data as of Nov-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.5%	0.5%	2.0%	1.4%	-2.7%	0.0%	2.2%	1.3%	1.8%	2.0%	0.2%		9.4%

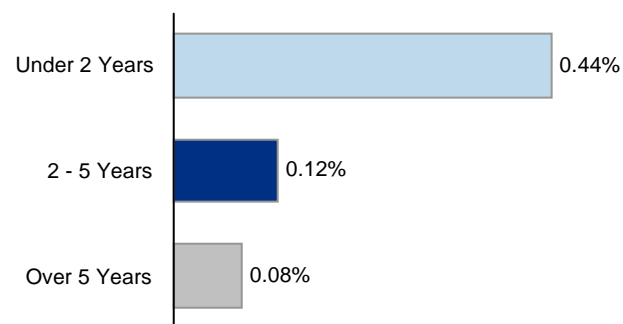
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Nov-10	Oct-10	Nov-09	YTD-10
Convert Arb	0.2%	2.0%	0.5%	9.4%
CWB ETF	0.3%	3.4%	4.3%	9.9%

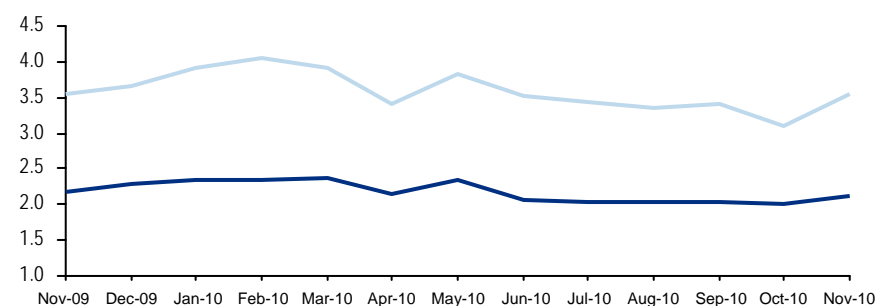
Source: Citi ICG Analytics; FactSet

## Hedge Fund Performance by Age (1)



Source: Citi ICG Analytics

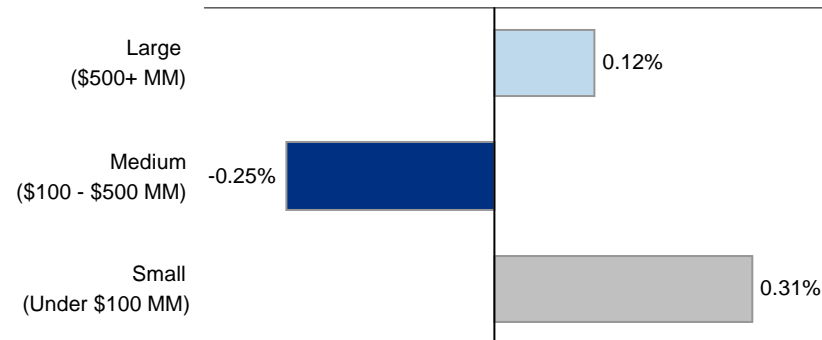
## Leverage Profile (Monthly, LTM)



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.



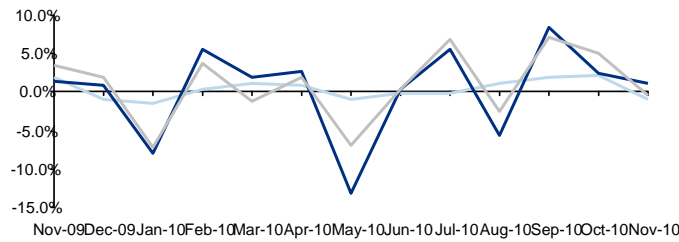


# CTA/Managed Futures

Data as of Nov-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	-1.4%	0.5%	1.1%	0.8%	-0.8%	-0.1%	-0.1%	1.2%	1.8%	2.2%	-1.0%		4.2%

## Hedge Fund Performance vs. Benchmark



	Nbv-10	Oct-10	Nov-09	YTD-10
CTA/Mgd Futures	-1.0%	2.2%	1.9%	4.2%
S&P GSCI Commodity (SFGSCI)	1.1%	2.6%	1.5%	-0.3%
DJ-LBS Commodity (DJAGK)	-0.4%	5.0%	3.5%	5.4%

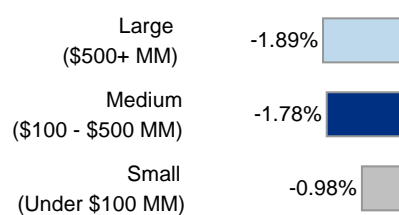
Source: Citi ICG Analytics; FactSet

## Hedge Fund Performance by Age



Source: Citi ICG Analytics

## Hedge Fund Performance by Size

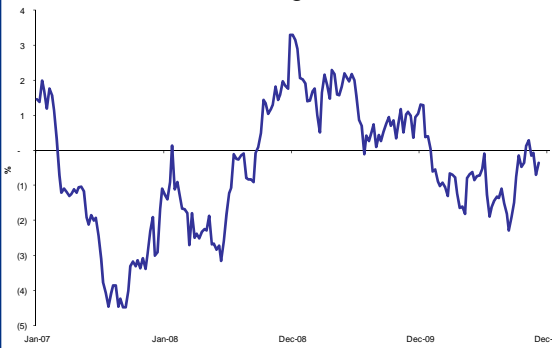


Source: Citi ICG Analytics

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.

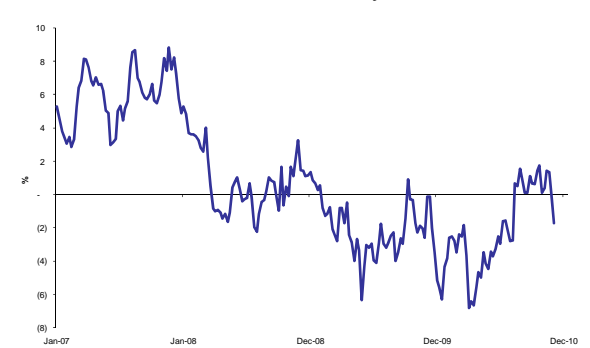
## Large Speculator Positions: CFTC Commitment Of Trader (Futures & Options) Report Net of Longs Less Shorts As Percent of Total Open Positions

Combined S&P / Weighted Mini S&P Contracts



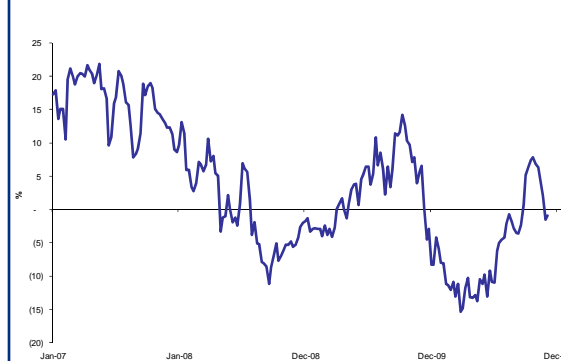
Last Update: 11/30/10 -0.4%

U.S. 10-Year Treasury Futures



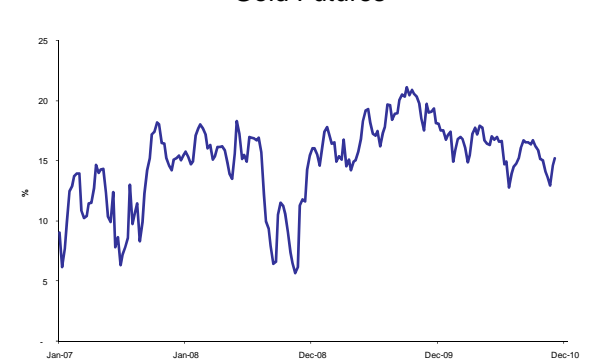
Last Update: 11/30/10 -1.7%

EuroFX Futures



Last Update: 11/30/10 -0.9%

Gold Futures



Last Update: 11/30/10 +15.2%

Source: CFTC, Bloomberg, Citi Futures Perspective

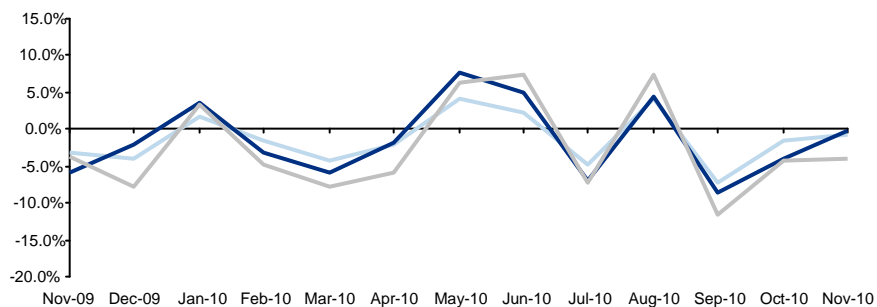


# Dedicated Short Bias

Data as of Nov-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	1.7%	-1.6%	-4.3%	-2.0%	4.2%	2.2%	-4.9%	4.1%	-7.3%	-1.7%	-0.7%		-10.4%

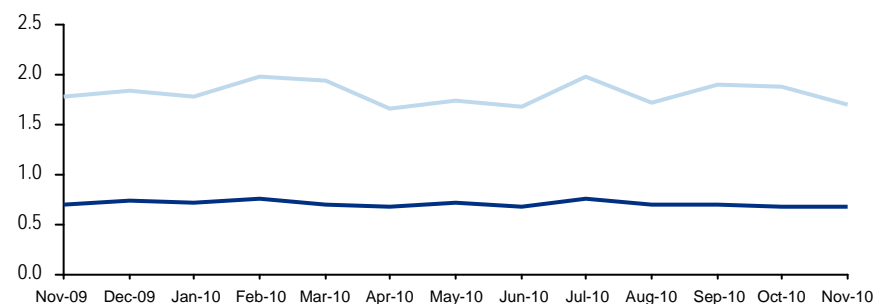
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Nov-10	Oct-10	Nov-09	YTD-10
Ded Short Bias	-0.7%	-1.7%	-3.1%	-10.4%
S&P Short ETF (SH)	-0.3%	-3.9%	-6.0%	-10.8%
Rus 2000 Short ETF (RWM)	-4.0%	-4.3%	-3.8%	-21.3%

Source: Citi ICG Analytics; FactSet

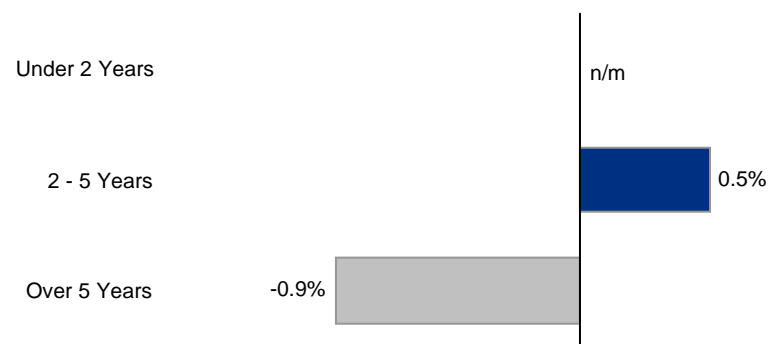
## Leverage Profile (Monthly, LTM)



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

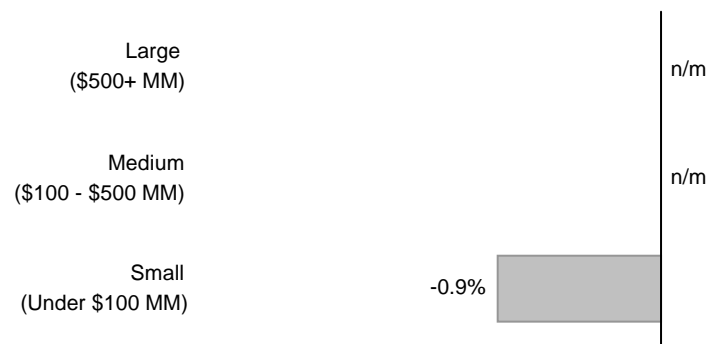
Source: Citi Prime Finance

## Hedge Fund Performance by Age (1)



Source: Citi ICG Analytics

## Hedge Fund Performance by Size (1)



Source: Citi ICG Analytics

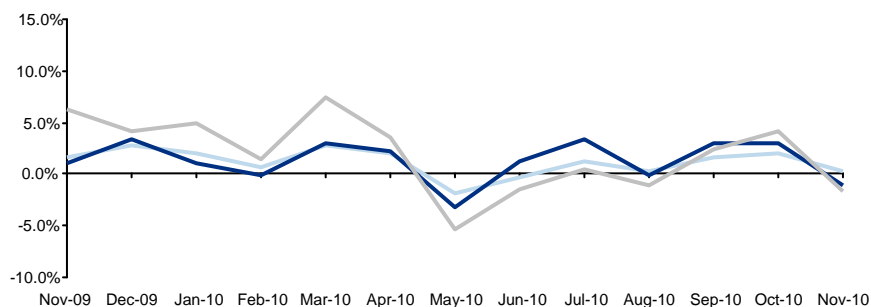
Note: Hedge fund data is self-reported; each calculation is based on the respective data from funds who have reported for the current period. (1) Universe and sample sizes may be small.

# Distressed

Data as of Nov-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	<b>2.0%</b>	<b>0.6%</b>	<b>2.8%</b>	<b>2.1%</b>	<b>-1.9%</b>	<b>-0.3%</b>	<b>1.2%</b>	<b>0.2%</b>	<b>1.6%</b>	<b>2.0%</b>	<b>0.3%</b>		<b>11.0%</b>

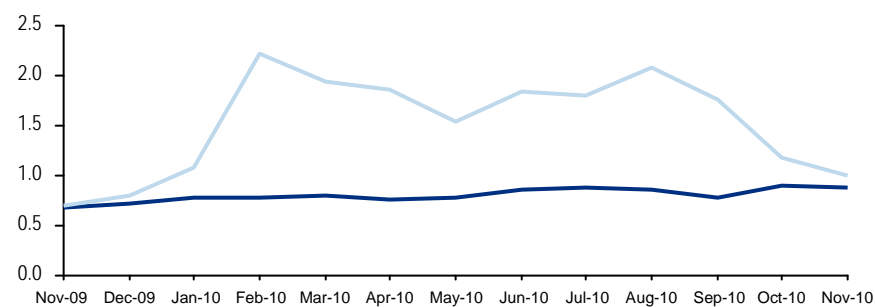
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Nov-10	Oct-10	Nov-09	YTD-10
Distressed	0.3%	2.0%	1.6%	11.0%
Citi HY Bond Index	-1.1%	3.0%	1.1%	12.7%
Altman Defaulted Index	-1.6%	4.2%	6.3%	15.1%

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

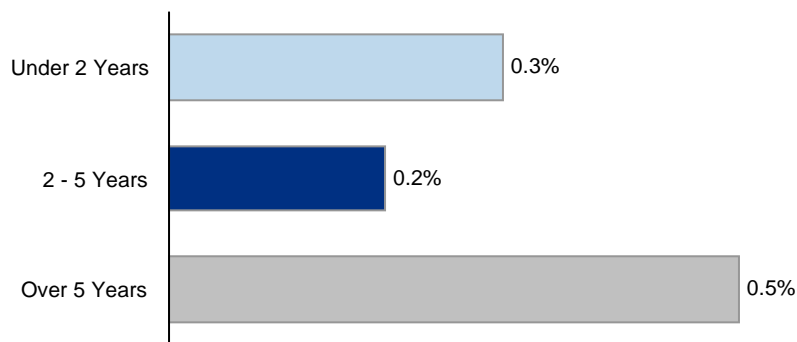
## Leverage Profile (Monthly, LTM)



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

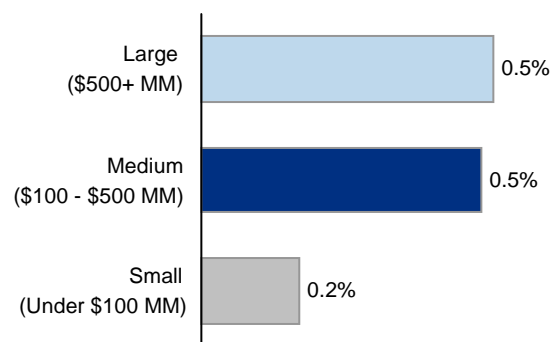
Source: Citi Prime Finance

## 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.

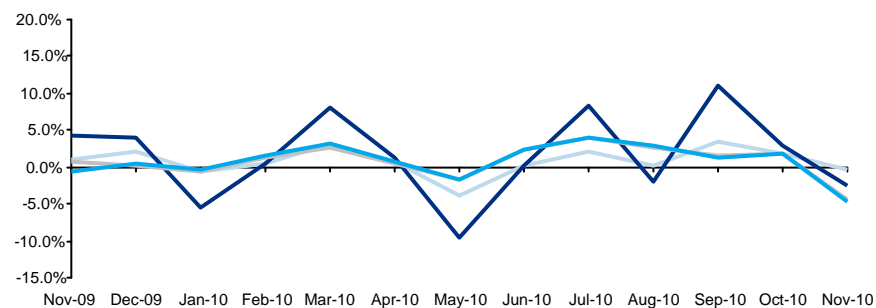


# Emerging Markets

Data as of Nov-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	<b>-0.7%</b>	<b>0.4%</b>	<b>3.3%</b>	<b>0.9%</b>	<b>-3.9%</b>	<b>0.1%</b>	<b>2.1%</b>	<b>0.3%</b>	<b>3.6%</b>	<b>1.9%</b>	<b>-0.4%</b>		<b>7.6%</b>

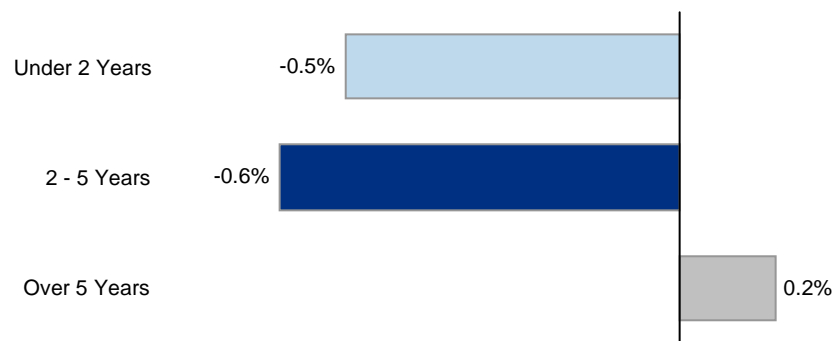
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Nov-10	Oct-10	Nov-09	YTD-10
Emerging Mkts	-0.4%	1.9%	1.0%	7.6%
MSCI EM	-2.6%	2.9%	4.3%	11.2%
JPM EMBIG Core ETF (EMB)	-4.4%	1.9%	0.8%	10.4%
DB EM Liquid ETF (PCY)	-4.6%	1.9%	-0.7%	11.1%

Source: Citi ICG Analytics; FactSet

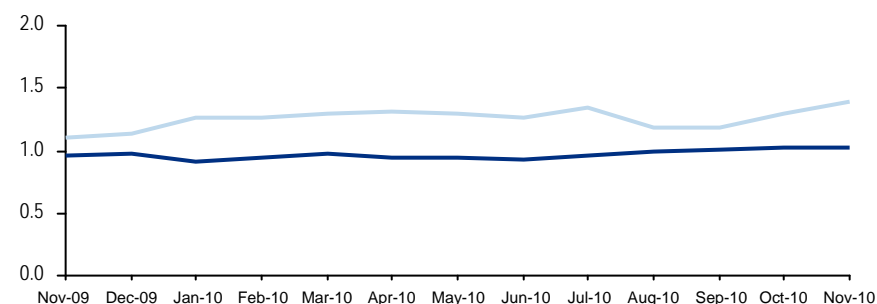
## Hedge Fund Performance by Age



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.

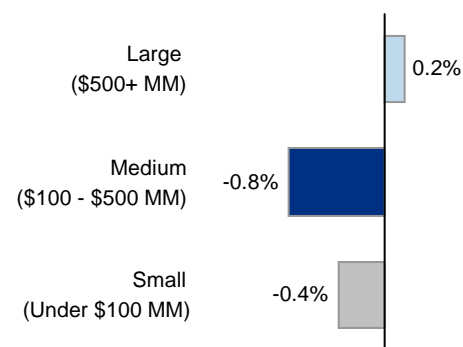
## Leverage Profile (Monthly, LTM)



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



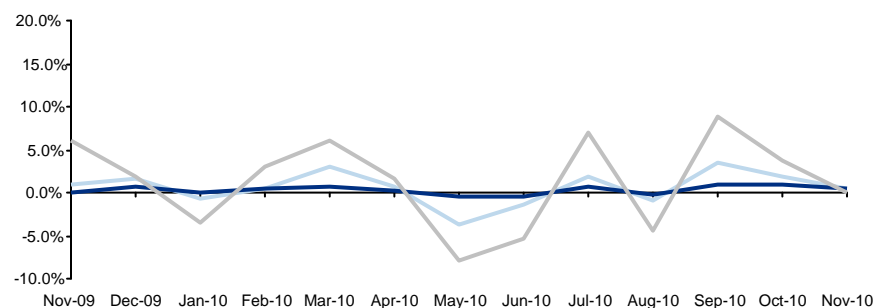
Source: Citi ICG Analytics

# Equity Long/Short

Data as of Nov-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.7%	0.5%	3.0%	0.8%	-3.7%	-1.3%	1.8%	-0.9%	3.6%	1.9%	0.5%		5.5%

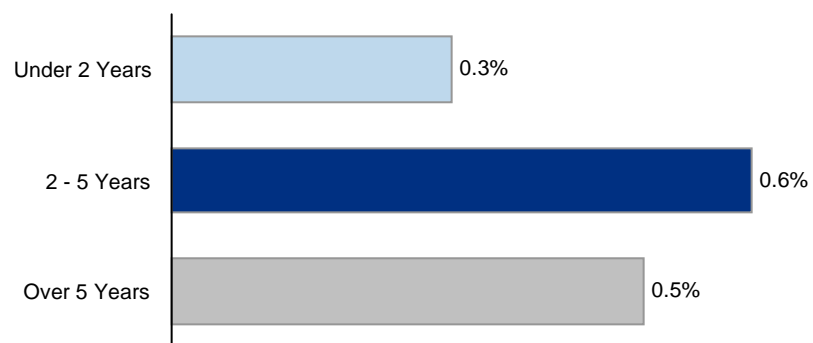
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Nov-10	Oct-10	Nov-09	YTD-10
Eq Long/Short	0.5%	1.9%	1.0%	5.5%
Eq Mkt Neutral	0.4%	0.8%	0.0%	2.9%
S&P 500	0.0%	3.8%	6.0%	7.9%

Source: Citi ICG Analytics; FactSet

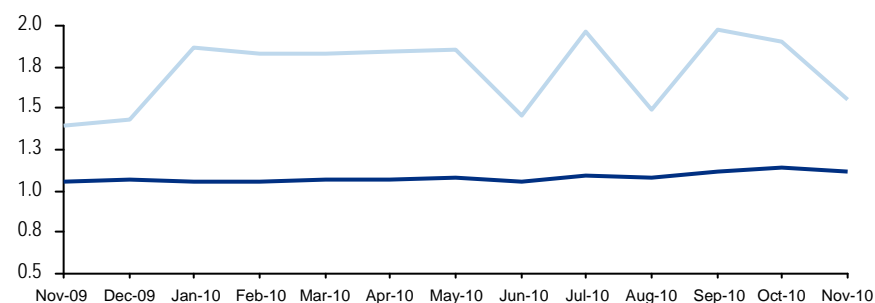
## Hedge Fund Performance by Age



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)

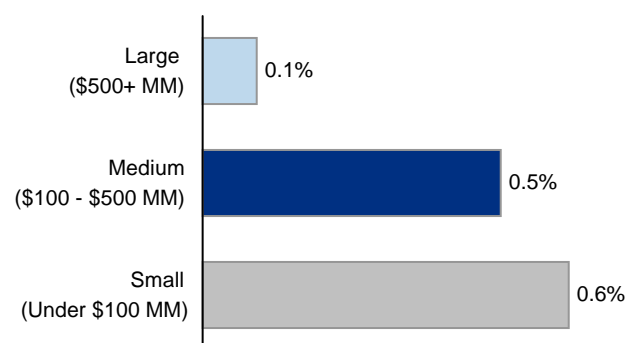


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

Source: Citi Prime Finance

## Hedge Fund Performance by Size



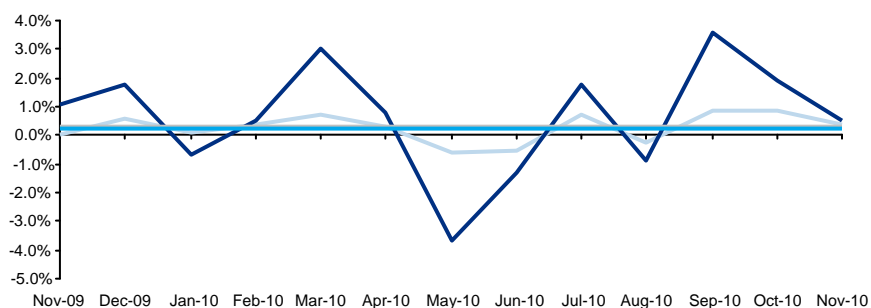
Source: Citi ICG Analytics

# Equity Market Neutral

Data as of Nov-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	<b>0.1%</b>	<b>0.4%</b>	<b>0.7%</b>	<b>0.3%</b>	<b>-0.6%</b>	<b>-0.5%</b>	<b>0.7%</b>	<b>-0.3%</b>	<b>0.8%</b>	<b>0.8%</b>	<b>0.4%</b>		<b>2.9%</b>

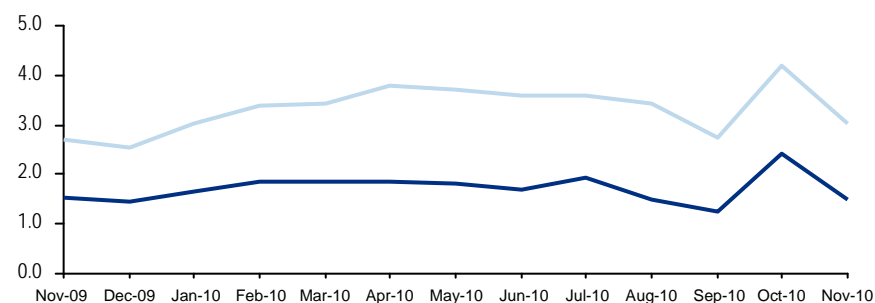
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Nov-10	Oct-10	Nov-09	YTD-10
Eq Mkt Neutral	0.4%	0.8%	0.0%	2.9%
Eq Long/Short	0.5%	1.9%	1.0%	5.5%
LIBOR + 300 bps	0.3%	0.3%	0.3%	3.0%
US T-Bill + 300 bps	0.3%	0.3%	0.3%	2.9%

Source: Citi ICG Analytics; FactSet

## Leverage Profile (Monthly, LTM)

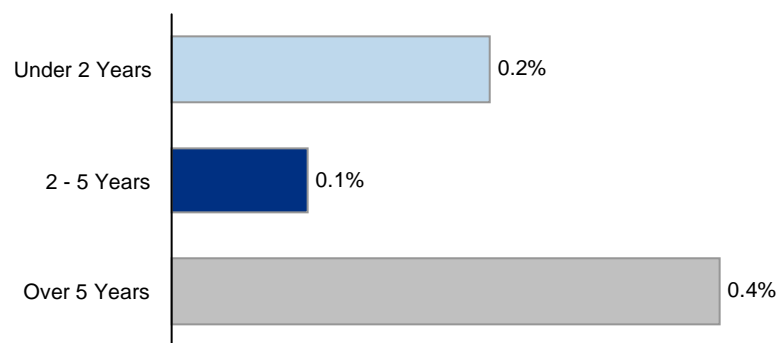


Gross Leverage (Mean): Defined as the sum of (LMV + abs SMV) / Net Equity

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

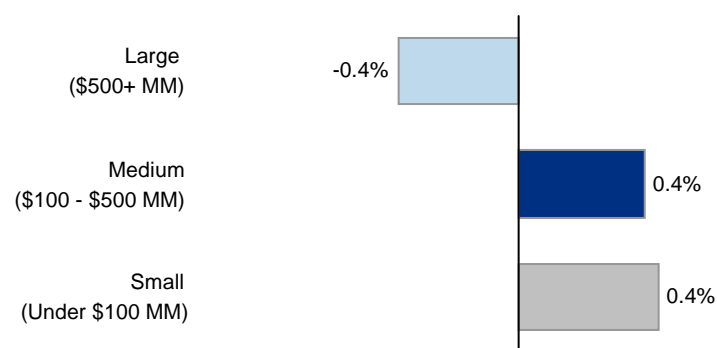
Source: Citi Prime Finance

## 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.

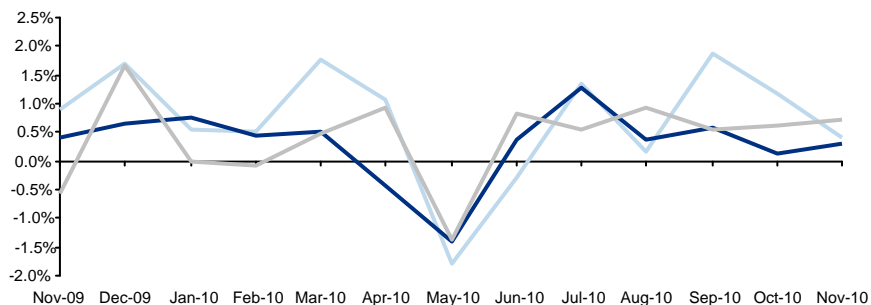


# Event Driven

Data as of Nov-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.5%	0.5%	1.8%	1.1%	-1.8%	-0.3%	1.4%	0.2%	1.9%	1.2%	0.4%		6.9%

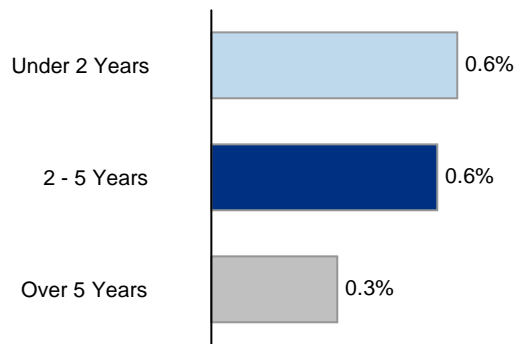
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Nov-10	Oct-10	Nov-09	YTD-10
Event Driven	0.4%	1.2%	0.9%	6.9%
The Merger Fund (MERFX)	0.3%	0.1%	0.4%	3.0%
AQR Div Arb Fund (ADANX)	0.7%	0.6%	-0.6%	4.2%

Source: Citi ICG Analytics; FactSet

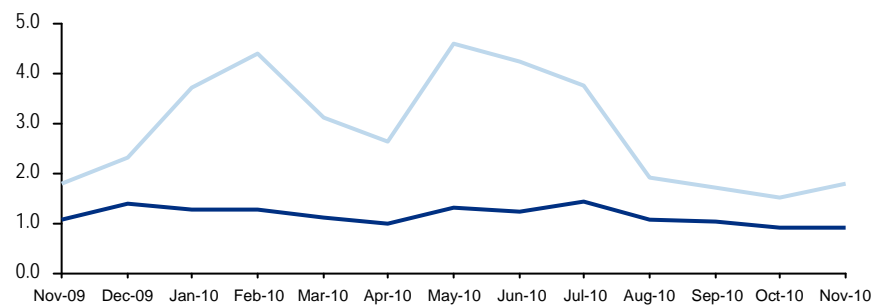
## Hedge Fund Performance by Age



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.

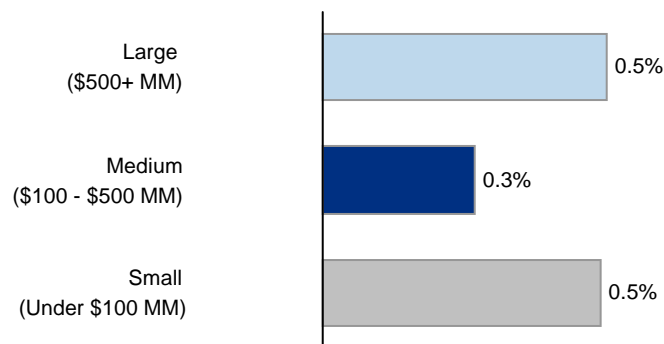
## Leverage Profile (Monthly, LTM)



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

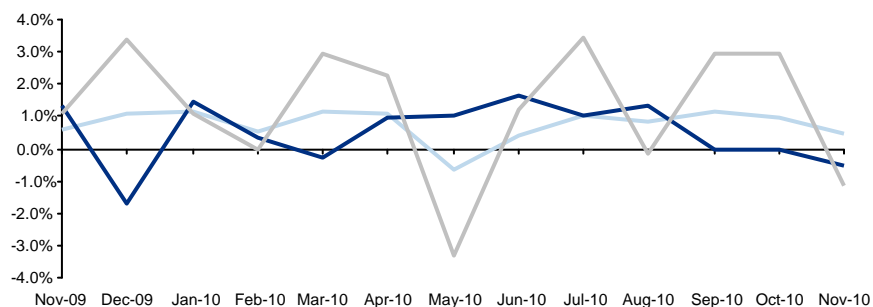


# FI Arbitrage

Data as of Nov-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
<b>Citi-derived Median</b>	<b>1.1%</b>	<b>0.5%</b>	<b>1.1%</b>	<b>1.1%</b>	<b>-0.6%</b>	<b>0.4%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>0.5%</b>		<b>8.3%</b>

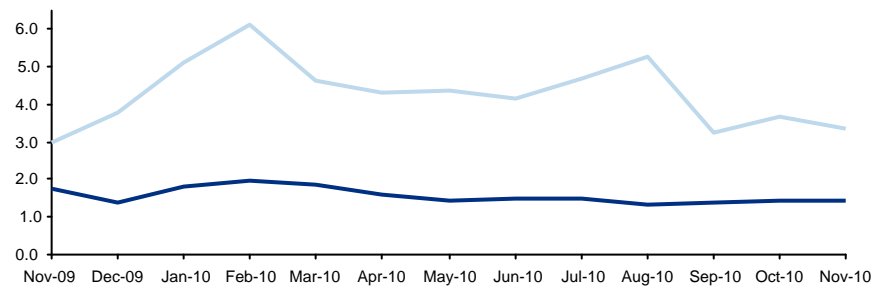
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Nov-10	Oct-10	Nov-09	YTD-10
FI Arbitrage	0.5%	0.9%	0.6%	8.3%
Citi US BIG Index	-0.5%	0.0%	1.3%	7.2%
Citi HY Bond Index	-1.1%	3.0%	1.1%	12.7%

Source: Citi ICG Analytics; Citigroup Index LLC

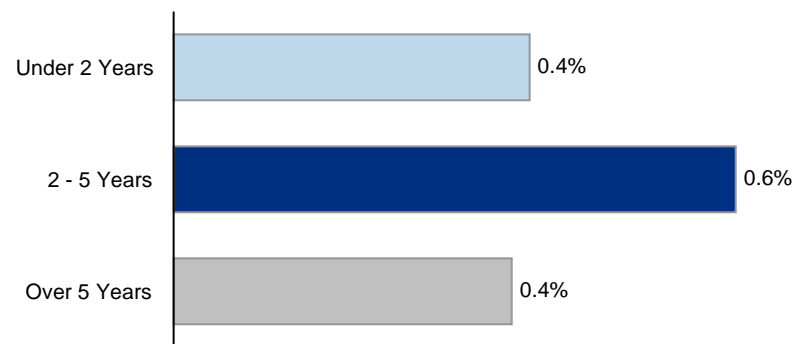
## Leverage Profile (Monthly, LTM)



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

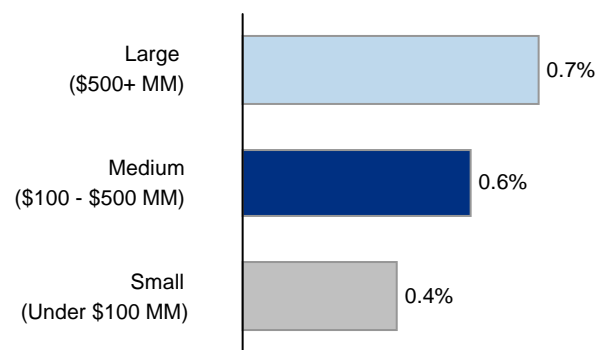
Source: Citi Prime Finance

## 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.



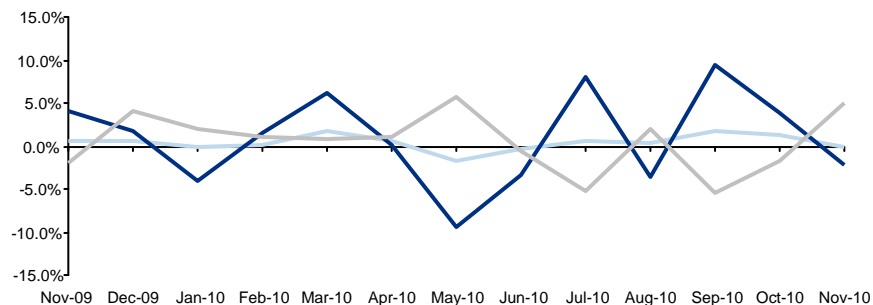


# Global Macro

Data as of Nov-2010

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	-0.2%	0.1%	1.7%	0.6%	-1.9%	-0.3%	0.5%	0.3%	1.7%	1.2%	-0.1%		3.7%

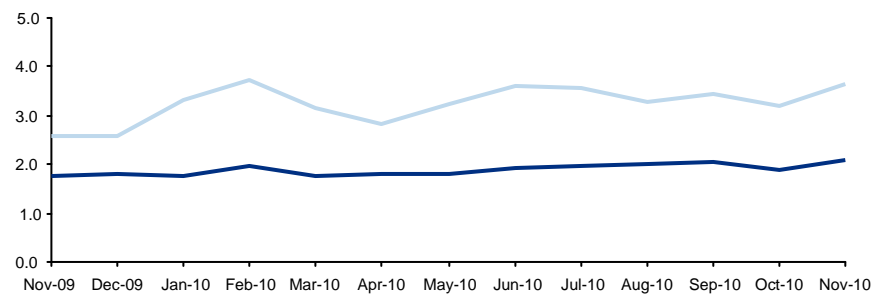
## Hedge Fund Performance vs. Benchmark (Monthly, LTM)



	Nov-10	Oct-10	Nov-09	YTD-10
Global Macro	-0.1%	1.2%	0.7%	3.7%
MSCI World	-2.1%	3.7%	4.1%	4.6%
US\$-Index	5.1%	-1.8%	-1.9%	4.3%

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

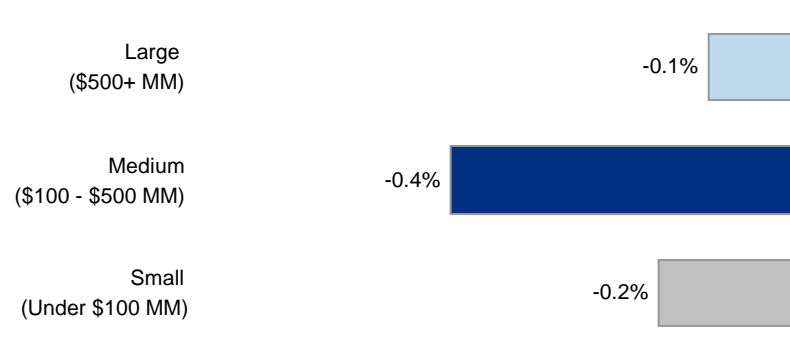
Source: Citi ICG Analytics; FactSet; Citi Prime Finance

## 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.

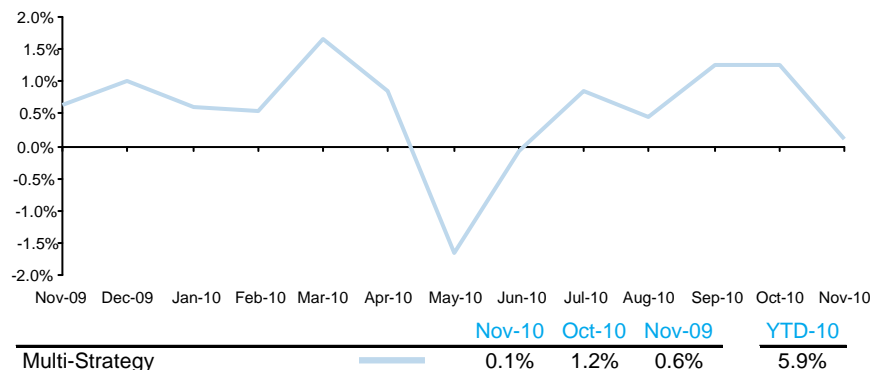


# Multi-Strategy

Data as of Nov-2010

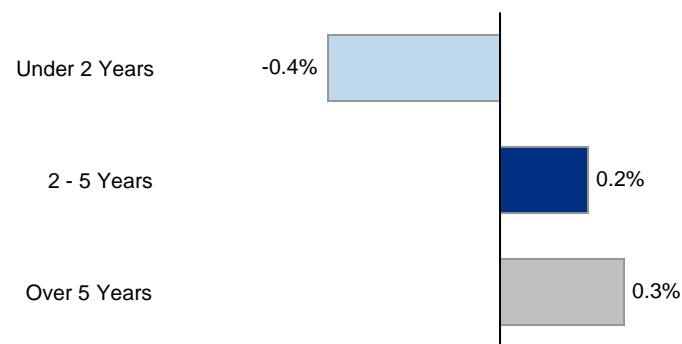
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Citi-derived Median	0.6%	0.5%	1.7%	0.8%	-1.7%	-0.1%	0.9%	0.5%	1.3%	1.2%	0.1%		5.9%

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



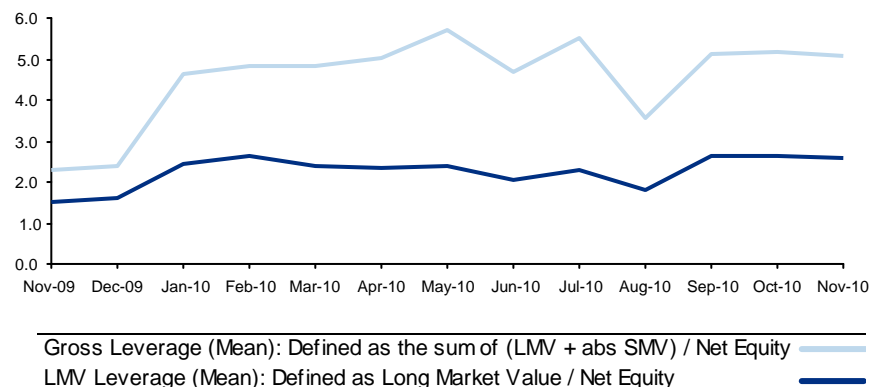
Source: Citi ICG Analytics

## Hedge Fund Performance by Age



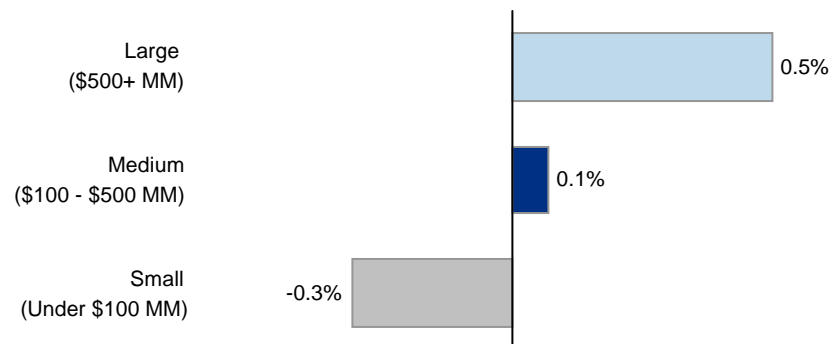
Source: Citi ICG Analytics

## 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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