HEDGE FUND ASSETS SURGE TO NEW RECORD TO BEGIN 2014

Inflows into Event Driven, Equity strategies led by Special Situations, Fundamental Growth;
Inflows to mid-sized firms top largest firms in 4Q as investor risk tolerance returns

CHICAGO, (January 21, 2014) – Capital invested in the global hedge fund industry surged to a record in the fourth quarter, finishing a strong year of capital growth as hedge funds posted the best performance in three years. Total capital increased in 4Q by $120 billion on $10.5 billion of net inflows to $2.63 trillion, the sixth consecutive quarterly record, led by a surge in investor interest in Event Driven strategies, including Special Situations and Distressed/Restructuring funds, according to the latest HFR Global Hedge Fund Industry Report, released today by HFR®, the established global leader in the indexation, analysis and aggregation of the global hedge fund industry. For the full year, total hedge fund capital increased by $376 billion on $63.7 billion of net inflows, as the HFRI® Fund Weighted Composite Index posted a gain of +9.2 percent, the best calendar year performance since 2010.

Event Driven funds led capital inflows across all strategies for the first time since 2007, with investors allocating $29.5 billion in 2013. Event Driven strategies grew by $140 billion to more than $698 billion for 2013, surpassing Relative Value Arbitrage as the second largest strategy area of hedge fund capital. Inflows into Event Driven strategies for the year were led by Special Situations ($15.4 billion), Distressed/Restructuring ($6.7 billion) and Activist ($5.2 billion) sub-strategies. The HFRI Event Driven Index gained +12.5 percent for 2013, the best performance since 2009.

Capital invested in Equity Hedge strategies increased by $48 billion in 4Q, driven by investor inflows of $8.6 billion, with total capital invested in the strategy reaching a record $734 billion, the industry’s largest strategy concentration of investor capital; total assets invested in Equity Hedge increased $136 billion for 2013. Investor inflows of $17.9 billion were led by Multi-Strategy ($15.1 billion) and Fundamental Growth ($8.4 billion), while Fundamental Value, the largest EH sub-strategy by capital, experienced an outflow of $10 billion for the year. The HFRI Equity Hedge Index gained +14.4 percent for 2013, also the best performance since 2009.

Total assets invested in fixed income-based Relative Value Arbitrage (RVA) increased by $18 billion to $684 billion in 4Q on $2 billion of investor inflows. For the FY 2013, RVA increased by $75.8 billion on inflows of $22.6 billion, led by inflows into Multi-Strategy ($14.8 billion), FI: Corporate ($3.7 billion) and FI: Asset Backed ($3.6 billion). HFRI Relative Value Arbitrage Index gained +7.0 percent in 2013, the fifth consecutive annual gain.

Macro funds experienced an outflow of $13.3 billion in 4Q led by outflows from Systematic Diversified/CTA strategies of $4.9 billion. The HFRI Macro: Systematic Diversified/CTA Index declined -0.7 percent for 2013, the third consecutive annual decline. Fourth quarter outflows offset allocations from prior quarters, resulting in a FY 2013 net redemption of $6.3 billion from Macro funds. For the FY 2013, Macro assets increased by $23.7 billion to $511 billion as larger firms posted relative performance-based asset increases despite the equal-weighted HFRI Macro Index narrowly declining by -0.2 percent, also the third consecutive annual decline.

The concentration of capital inflows to the industry’s largest firms moderated slightly in 4Q, as investors allocated to firms across the market capitalization spectrum. Investors allocated $5.0 billion to firms with greater than $5 billion in AUM, while allocating $5.3 billion to firms with between $1 and $5 billion. For the FY 2013, investors allocated $40 billion to firms with greater than $5 billion, $16.6 billion to firms with between $1 billion and $5 billion in AUM, and $7.2 billion to firms with less than $1 billion in AUM. By management firm location, 71.6 percent of 2013 capital inflows were allocated to firms located in the Americas region, with European-located funds receiving 22.3 percent while Asian-located funds received 5.8 percent of 2013 inflows.

“The powerful increase in investor risk tolerance drove strong capital flows into hedge funds as both institutional and retail investors positioned for greater intra-market equity dispersion across equity portfolios, and an extension of the dynamic M&A and Activist environment that dominated 2013,” said Kenneth Heinz, President of HFR. “Hedge fund industry growth has continued to a record level of assets despite the challenges presented by a transitional regulatory environment, strong gains in traditional equities, and uncertain macroeconomic and political environments in 2013. With the US Federal Reserve beginning the process of tapering stimulus measures and economic pressures receding across the EU, the combined normalization of interest rates, equity market valuations and investor risk tolerance is likely to contribute to a conducive environment for actively managed, long-short investing as investors hedge 2013 beta-driven gains in favor of differentiated, uncorrelated alpha in coming years.”
HFR Regional Investment Focus Classification

America
- North America
- Latin America
- Pan-American

Asia
- Japan
- Asia ex-Japan
- Asia with Japan

Europe
- Western Europe / UK
- Russia / Eastern Europe
- Northern Europe
- Pan-European

Other
- Africa
- Middle East
- Global
- Multiple Emerging Markets

Emerging Markets
- Africa
- Asia ex-Japan
- Latin America
- Middle East
- Russia / Eastern Europe
- Multiple Emerging Markets
Estimated Change in Assets per Main Strategy

Net Asset Flow vs. Performance-Based FY 2013
Estimated Change in Assets per Regional Investment Focus
Net Asset Flow vs. Performance-Based FY 2013

*Other includes: Africa, Global, Middle East and Multiple Emerging Markets*
Estimated Net Asset Flows per Main Strategy

AUM of Funds with Inflows vs. Outflows

Q4 2013

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Total AUM Funds w/Net Asset Inflows</th>
<th>Total AUM Funds w/Net Asset Outflows</th>
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</thead>
<tbody>
<tr>
<td>Equity Hedge</td>
<td>$22,950</td>
<td>$(14,337)</td>
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<tr>
<td>Event-Driven</td>
<td>$18,921</td>
<td>$(5,789)</td>
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<tr>
<td>Macro</td>
<td>$(4,953)</td>
<td>$(18,221)</td>
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<tr>
<td>Relative Value</td>
<td>$(9,395)</td>
<td>$(7,348)</td>
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<tr>
<td>Total Industry</td>
<td>$56,219</td>
<td>$(45,695)</td>
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<tr>
<td>Fund of Funds</td>
<td>$(2,867)</td>
<td>$(10,944)</td>
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</tbody>
</table>

- **Total AUM Funds w/Net Asset Inflows**
- **Total AUM Funds w/Net Asset Outflows**
Estimated Sub-Strategy Composition

HFR® Global Hedge Fund Industry Report – Year End 2013

By # Funds

Energy/Basic Materials 4.44%
Equity Market Neutral 11.01%
Fundamental Growth 24.71%
Fundamental Value 42.67%
Multi-Strategy 5.17%
Quantitative Directional 4.83%
Short Bias 0.56%
Technology/Healthcare 6.63%

By Assets

Energy/Basic Materials 3.12%
Equity Market Neutral 5.87%
Fundamental Growth 15.47%
Fundamental Value 58.47%
Multi-Strategy 4.38%
Quantitative Directional 3.17%
Short Bias 0.96%
Technology/Healthcare 8.55%
Distribution of Industry Assets by Firm AUM Tier
Q4 2013

By # Firms

By Firm AUM Size

- < $100 Million
- $100 to $250 Million
- $250 to $500 Million
- $500M to $1 Billion
- $1 to $5 Billion
- > $5 Billion
Distribution of Net Asset Flows by Firm AUM Tier
Q4 2013
Distribution of Net Asset Flows by Firm AUM Tier
FY 2013

Net Asset Flows ($MM)

< $100 Million $100 to $250 Million $250 to $500 Million $500M to $1 Billion $1 to $5 Billion > $5 Billion

$4,873 $1,646 $1,130 ($442) $16,602 $39,939
Distribution of Industry Assets by Fund AUM Tier

Q4 2013

By # Funds

- < $10 Million: 3.78%
- $10 to $25 Million: 6.15%
- $25 to $50 Million: 6.32%
- $50 to $100 Million: 7.56%
- $100 to $200 Million: 6.16%
- $200 to $500 Million: 6.56%
- $500M to $1 Billion: 7.52%
- > $1 Billion: 79.82%

By Fund AUM Size

- < $10 Million: 0.12%
- $10 to $25 Million: 0.39%
- $25 to $50 Million: 0.74%
- $50 to $100 Million: 1.68%
- $100 to $200 Million: 2.74%
- $200 to $500 Million: 6.34%
- $500M to $1 Billion: 8.17%
- > $1 Billion: 79.82%
Estimated Number of Funds Launched/Liquidated
1996 – YTD Q3 2013

Number of Funds

- Launches
- Liquidations

HFR® Global Hedge Fund Industry Report – Year End 2013
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Excerpt slide from HFR Market Microstructure Report
<table>
<thead>
<tr>
<th>Year</th>
<th>S&amp;P 500</th>
<th>HFRI Fund</th>
<th>HFRI Macro</th>
<th>HFRI ED:</th>
<th>Barclays</th>
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<td>2000</td>
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<td>2013</td>
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</table>

HFRI Fund Weighted Composite Constituents*

Risk Return Comparison 12-Month

Scaled Down to 50% Return and 50% Standard Deviation

*The underlying hedge fund data represented in this chart is available to HFR Database subscribers or as an additional purchase to Industry Report subscribers.
Historical Monthly Correlation to S&P 500 Index

12-Month Rolling

Correlation to S&P 500
S&P 500 VAMI
S&P 500
Equity Hedge
Event-Driven
Macro
Relative Value
Fund Weighted Comp
HFRI Composite Indices
Distribution Analysis of Constituent Fund Returns
1-Year

HFRI Fund Weighted Composite Index
HFRI Fund of Funds Composite Index

*NOTE: Distribution statistics reflect index constituents that were active as of Q4 2013 and reported monthly performance for the entire period
# HFRI Main Strategy Indices
## Performance Analysis Since 1990

<table>
<thead>
<tr>
<th>Index</th>
<th>12-Month</th>
<th>3-Year Annualized</th>
<th>5-Year Annualized</th>
<th>10-Year Annualized</th>
<th>Since 1990</th>
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<tbody>
<tr>
<td>HFRI FWC</td>
<td>9.24</td>
<td>3.68</td>
<td>3.25</td>
<td>5.31</td>
<td>7.81</td>
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<tr>
<td>HFRI Equity Hedge Index</td>
<td>14.44</td>
<td>4.94</td>
<td>4.04</td>
<td>7.97</td>
<td>9.15</td>
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<td>HFRI Event-Driven Index</td>
<td>12.48</td>
<td>3.16</td>
<td>5.80</td>
<td>5.37</td>
<td>10.62</td>
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<tr>
<td>HFRI Macro Index</td>
<td>(0.22)</td>
<td>3.30</td>
<td>(1.50)</td>
<td>4.04</td>
<td>1.50</td>
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<tr>
<td>HFRI Relative Value Index</td>
<td>6.98</td>
<td>2.60</td>
<td>5.82</td>
<td>3.18</td>
<td>10.68</td>
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</table>

![Graph showing performance analysis of various HFRI indices since 1990.](image-url)
### HFRI Macro (Total) Index

**Drawdown Analysis since 1990**

<table>
<thead>
<tr>
<th>Start Date of Drawdown Period</th>
<th># of Months Drawdown to Trough</th>
<th>Date of Trough</th>
<th>Drawdown to Trough</th>
<th># Months to Recover High Water Mark</th>
<th>End Date of Drawdown Period</th>
<th>6-month ROR since Trough</th>
<th>12-Month ROR since Trough</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-94</td>
<td>3</td>
<td>Apr-94</td>
<td>-10.70%</td>
<td></td>
<td>Jul-95</td>
<td>5.57%</td>
<td>7.85%</td>
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<tr>
<td>Apr-11</td>
<td>29</td>
<td>Sep-13</td>
<td>-7.99%</td>
<td>#N/A</td>
<td>#N/A</td>
<td>0.10%</td>
<td>0.10%</td>
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<tr>
<td>Feb-00</td>
<td>3</td>
<td>May-00</td>
<td>-7.32%</td>
<td></td>
<td>Oct-01</td>
<td>0.30%</td>
<td>5.99%</td>
</tr>
<tr>
<td>Jul-98</td>
<td>3</td>
<td>Oct-98</td>
<td>-5.93%</td>
<td></td>
<td>Apr-99</td>
<td>0.15%</td>
<td>10.79%</td>
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<tr>
<td>Jun-08</td>
<td>3</td>
<td>Sep-08</td>
<td>-4.94%</td>
<td></td>
<td>May-09</td>
<td>7.66%</td>
<td></td>
</tr>
<tr>
<td>Jul-90</td>
<td>2</td>
<td>Sep-90</td>
<td>-4.72%</td>
<td></td>
<td>Dec-00</td>
<td>39.75%</td>
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</table>

![Graph](image-url)
HFRI Fund Weighted Composite Index
Percentage of Constituent Funds at High Watermark
2003 – Q4 2013

*Trailing 12 Months ending Q4 2013