EUREKAHEDGE

THE EUREKAHEDGE REPORT

JUNE 2016

EUREKAHEDGE ASIAN HEDGE FUND AWARDS 2016

CONGRATULATIONS TO ALL THE WINNERS OF THE EUREKAHEDGE ASIAN HEDGE FUND AWARDS 2016

Held on 27 May 2016, a turnout of 300 guests gathered for the 13th *Eurekahedge Asian Hedge Fund Awards* ceremony to commemorate the 88 top performing Asian hedge funds of 2015 which saw familiar friends and new faces.

WINNERS

Best Singapore-based Hedge Fund
APS Asia Pacific Long Short Fund

Best Greater China Hedge Fund
Tairen China Fund

Best Indian Hedge Fund
Helios Strategic

Best Japan Hedge Fund
Akito Fund JPY

Best ASEAN Fund
Ton Poh Thailand Fund

Best Asia ex-Japan Hedge Fund
Pinpoint Multi-Strategy Fund

Best Asian Fixed Income Fund
KS Korea Credit Fund

Best Asia-based CTA/Managed Futures Fund
Credence Global

Best Asian Event Driven Fund
Athos Asia Event Driven Fund

Best Asian Multi-Strategy Fund
Segantii Asia-Pacific Equity Multi-Strategy Fund

Best Asia-based Global Macro Fund
AE Capital Systematic FX Fund

Best Asian Long/Short Equity Fund
Tairen China Fund

Best Asian Long Only Absolute Return Fund
Everbright China Focus Fund

Best Asian Billion Dollar Hedge Fund
Segantii Asia-Pacific Equity Multi-Strategy Fund

Best Female Hedge Fund Manager
Pooja Malik (Nipun Asia Total Return Fund)

Most Consistent Asia-based Fund
Akito Fund JPY

Best New Asian Hedge Fund
QUAD Asia Absolvt Fund

Best Asian Hedge Fund
Segantii Asia-Pacific Equity Multi-Strategy Fund

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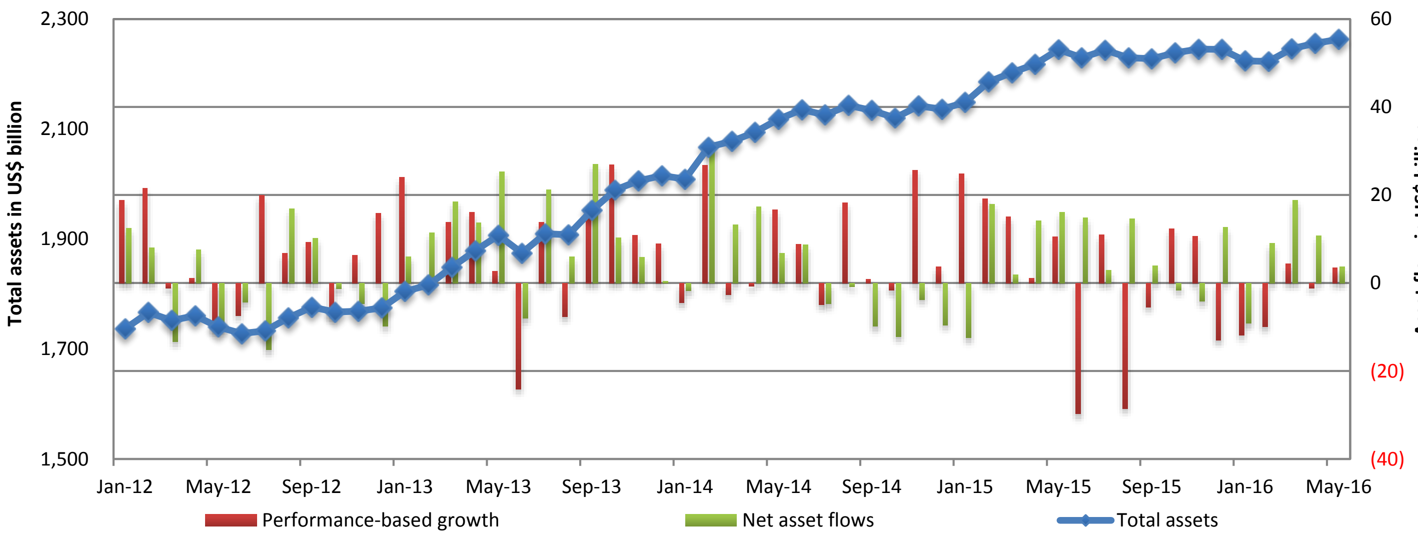
Introduction

The *Eurekahedge Hedge Fund Index* gained 0.40% in May[1] while underlying markets as represented by the MSCI World Index[2] grew by 1.28% over the same period. Among regional mandates, North American managers posted the best returns, up 1.03% during the month followed by European and Japanese hedge funds which saw gains of 1.00% each. Across strategies, distressed debt hedge funds led the tables with gains of 1.66% followed by event driven hedge funds which were up 1.29%.

Final asset flow figures for April revealed that managers reported performance-based losses of US$1.1 billion while recording net asset inflows of US$10.8 billion. Preliminary data for May shows that managers have posted performance-based gains of US$3.5 billion while recording net inflows of US$3.7 billion, bringing the current assets under management (AUM) of the global hedge fund industry to a total of US$2.26 trillion.

Figure 1a: Summary monthly asset flow data since January 2012



Source: Eurekahedge

Key highlights for May 2016:

- Hedge funds were up 0.40% in May. On a year-to-date basis, hedge funds gained 0.75% - 48.4% of managers were in the red as of May 2016 year-to-date compared to 19.5% of managers who posted negative year-to-date returns over the same period in 2015.
- Among strategic mandates, distressed debt hedge fund managers led the tables with gains of 1.66% - their third consecutive month of gains in 2016. This is followed by event driven and arbitrage hedge funds which were up 1.29% and 0.94% during the month respectively.
- As at end-May 2016, event driven hedge funds led the tables with gains of 2.96%, followed by distressed debt hedge funds which were up 2.66%. On the other hand, long/short equities mandated hedge funds were the only mandate to post negative year-to-date returns (down 0.55%) - the strategy's worst year-to-date returns since 2008.
- Among regional mandates, North American hedge funds are in the lead with a 1.03% increase in May and are up 1.94% year-to-date. North American managers recorded the highest year-to-date net inflows among regional mandates this year, totalling US$15.7 billion compared to US$24.9 billion over the first five months last year.
- European hedge funds were up 1.00% this month, and down 1.25% year-to-date – the mandate's worst start to the year on record. European managers recorded strong allocations this year, with net inflows totalling US$13.4 billion during the first five months of 2016, up from US$9.2 billion over the same period last year.

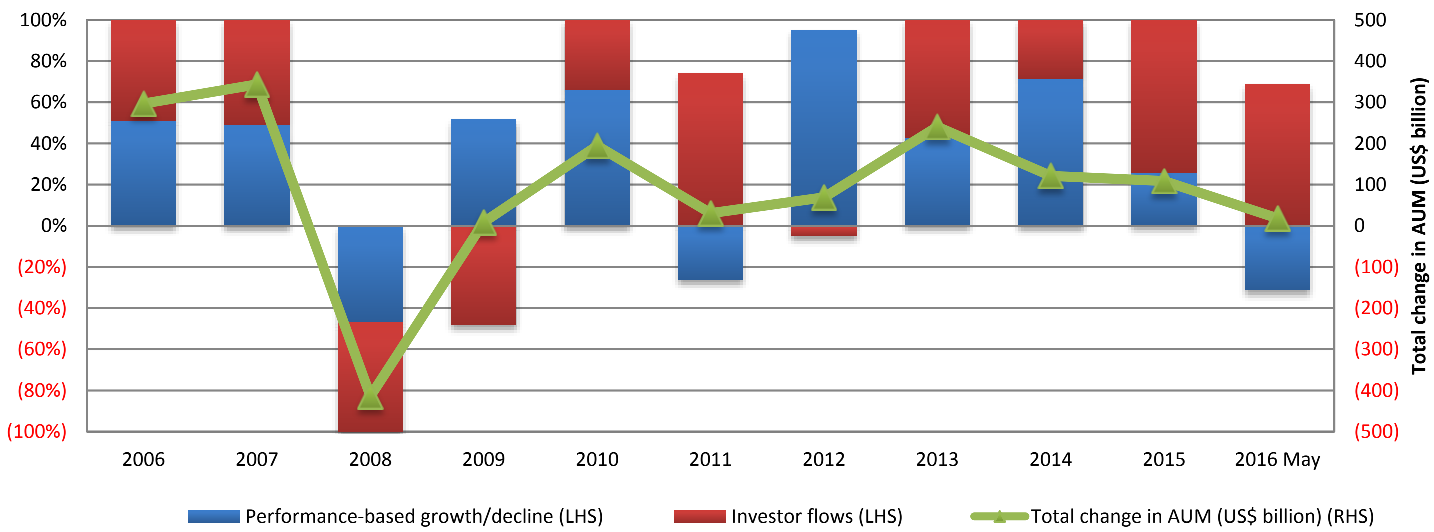
[1] Based on 64.66% of funds which have reported May 2016 returns as at 16 June 2016
[2] MSCI AC World Index (Local)

- Japanese managers posted their worst year-to-date returns on record, down 2.96%. Nonetheless, they have outperformed the Nikkei 225 Index which lost 9.45% over the same period.

- Asia ex-Japan managers gained 0.23% during the month and lost 2.11% year-to-date. As at end-May 2016, investors allocated US$2.5 billion to Asia ex-Japan mandated hedge funds, roughly half of the allocation volume seen in the previous year.

- The *CBOE Eurekahedge Short Volatility Index* was up 1.95% in May, leading the suite of *CBOE Eurekahedge Volatility Indexes* during the month. For more information, please see the *CBOE Eurekahedge Volatility Indexes* page.

Figure 1b: Contribution by hedge fund performance and investor flows for the global hedge fund industry since 2006



Source: Eurekahedge

Figure 1b shows the share by performance-based growth/decline and net investor flows for the global hedge fund industry since 2006. During the pre-financial crisis period, the share of performance-based growth and investor inflows was almost evenly split with total asset growth coming in at US$343.4 billion. During the financial crisis in 2008, investor outflows accounted for over half of the total loss of capital for the global hedge fund industry as investors grew nervous over the prospect of their investments.

The years following the financial crisis saw accommodative central bank policies largely on the back of asset purchases and low interest rates, setting the momentum for an economic recovery. Investor sentiment improved with positive investor inflows in 2010 and 2011 but the height of the Eurozone crisis witnessed further redemptions in 2012 which were less severe than those in the post-global financial crisis period. In 2013, hedge funds recorded the strongest growth in their AUM since 2007 with assets increasing by US$240.4 billion during the year on the back of strong performance-based gains and investor inflows.

This happened against the backdrop of a global equity market rally and a recovery in the US economy that saw investors scale up their allocations to hedge funds. While the Greek and Ukrainian crisis contributed to some investor nervousness in 2014, investor inflows remained positive with modest performance-based gains resulting in the industry's asset growing by half the levels seen in 2013. As of May 2016 year-to-date, performance-based losses of US$15.1 billion were recorded while investor inflows stood at US$33.2 billion over the same period.

Table 1: Performance-based changes in assets and asset flows in May 2016

	Assets at start	Net growth (performance)	Net flows	Assets at end	% change in assets
Hedge funds	2255.8	3.5	3.7	2263.0	0.32%
By geographic mandate					
Asia ex-Japan	154.7	0.2	(0.2)	154.8	0.01%
Japan	17.2	0.0	0.0	17.2	0.19%
Europe	541.0	1.1	(0.4)	541.7	0.12%
Latin America	55.8	(0.0)	0.0	55.7	(0.03%)
North America	1487.0	2.2	4.3	1493.5	0.44%
By strategic mandate					
Arbitrage	124.4	0.2	0.6	125.1	0.59%
CTA/managed futures	243.9	(1.9)	0.0	242.0	(0.76%)
Distressed debt	54.7	0.2	0.3	55.3	0.94%
Event driven	211.2	0.6	0.1	212.0	0.34%
Fixed income	163.3	0.2	0.0	163.5	0.13%
Long/short equities	812.1	3.3	0.1	815.4	0.41%
Macro	161.4	(0.2)	(0.1)	161.2	(0.16%)
Multi-strategy	370.8	0.8	1.9	373.5	0.73%
Relative value	59.0	0.2	0.5	59.6	1.09%
Others	55.0	0.1	0.3	55.4	0.78%
By fund size (US$ millions)					
≤20	17.2	(0.0)	0.3	17.4	1.44%
<20-≤50	38.9	0.0	(0.2)	38.7	(0.36%)
<50-≤100	53.5	0.1	(0.3)	53.4	(0.32%)
<100-≤250	222.3	0.6	(0.2)	222.7	0.19%
<250-≤500	299.8	0.8	(0.2)	300.4	0.21%
<500-≤1000	462.0	1.2	0.5	463.8	0.39%
>1000	1162.1	0.7	3.7	1166.5	0.38%

Note: All figures are in US$ billion, and rounded off to 1 decimal place

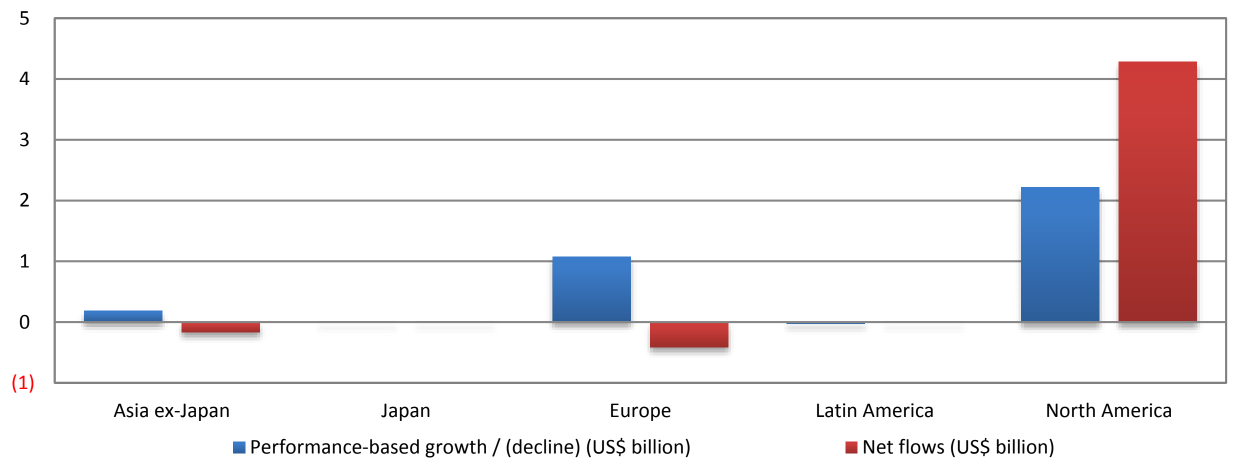
Source: Eurekahedge

North American funds recorded net asset inflows of US$4.3 billion while posting performance-based gains of US$2.2 billion during the month of May. Net asset inflows to the region since the start of 2016 stand at US$15.7 billion, while managers have posted performance-based losses of US$6.1 billion over this time period. Total assets in North American hedge funds currently stand at US$1.49 trillion as of 2016 year-to-date. North America mandated equity market neutral and CTA/managed futures funds have seen strong inflows in 2016.

European fund managers recorded net outflows of US$0.4 billion, while registering performance-based gains of US$1.1 billion during the month. Total assets in European hedge funds stand at US$541.7 billion as of 2016 year-to-date, slightly surpassing their December 2015 high of US$ 535.1 billion. On a year-to-date basis, European hedge fund managers have seen performance-based losses of US$6.8 billion while net inflows stood at US$13.4 billion.

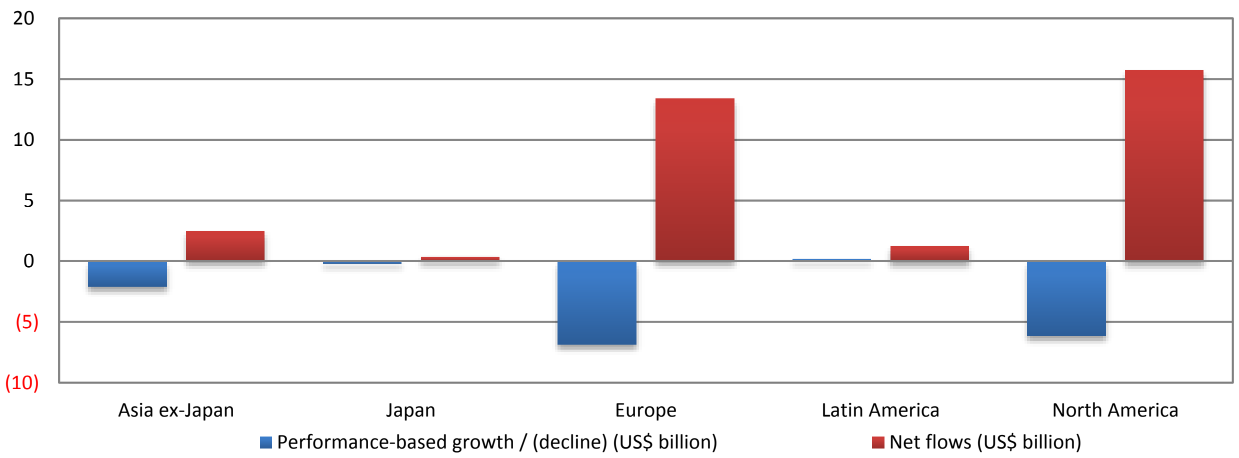
Asian funds saw outflows of US$0.2 billion in May with Asia ex-Japan funds posting performance-based gains of US$0.2 billion. Asset flows and performance figures into Japan mandated funds were flat this month. On a year-to-date basis, Japanese managers have seen performance-based losses of US$0.2 billion while US$2.1 billion of performance-based losses were recorded for Asia ex-Japan managers.

Figure 2: May 2016 asset flow by geographic mandate



Source: Eurekahedge

Figure 3: 2016 year-to-date asset flows by geographic mandate



Source: Eurekahedge

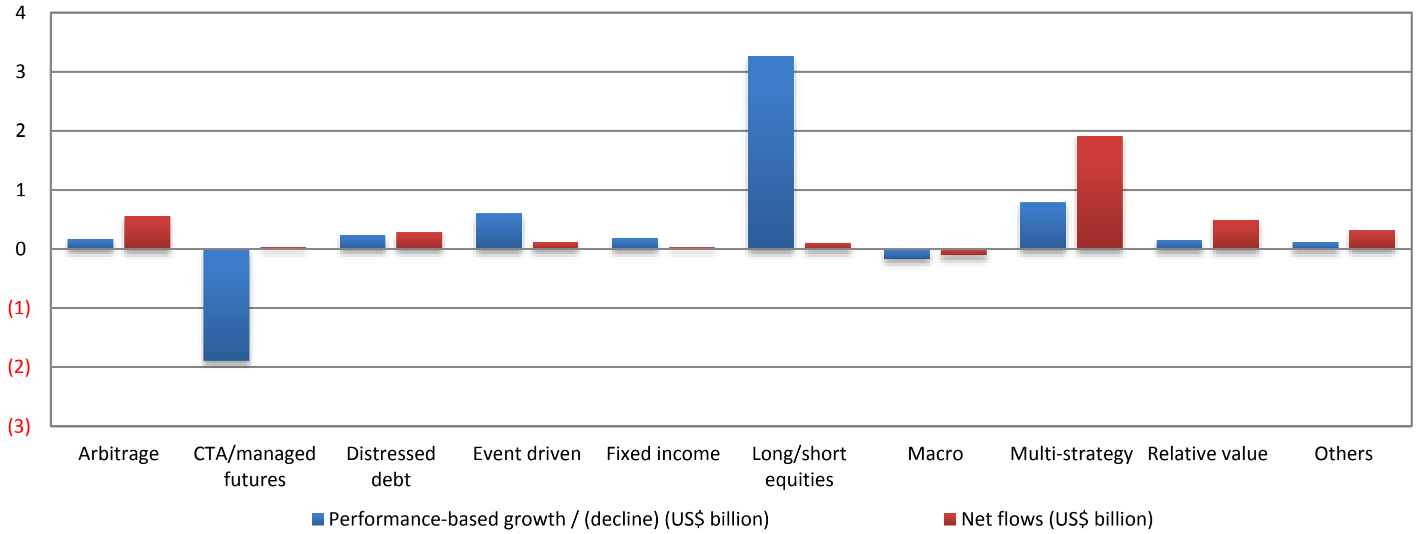
Figure 4 gives a breakdown of performance-based gains and net flows for the hedge fund industry by various strategies for the month of May. Multi-strategy hedge funds recorded the highest inflows during the month, seeing allocations of US$1.9 billion, followed by US$0.6 billion of allocations for arbitrage hedge funds. Relative value and distressed debt hedge funds also saw allocations of US$0.5 billion and US$0.3 billion respectively during the month.

On a 2016 year-to-date basis, long/short equities hedge funds recorded the most inflows (US$27.4 billion) followed by multi-strategy and CTA/managed futures hedge funds with inflows of US$11.1 billion and US$7.5 billion respectively. Relative value mandated hedge funds also saw year-to-date inflows of US$2.9 billion. On the other hand, fixed income hedge funds saw the steepest year-to-date redemptions, with outflows totalling US$6.6 billion, followed by event driven hedge funds with net outflows of US$3.8 billion over the same period.

Performance figures were positive for all strategic mandates in May with the exception of CTA/managed futures and macro mandated hedge funds which saw performance-based losses of US$1.9 billion and US$0.2 billion respectively. All other strategies saw modest performance-based gains with long/short equities and multi-strategy mandated hedge funds witnessing gains of US$3.3 billion and US$0.8 billion respectively.

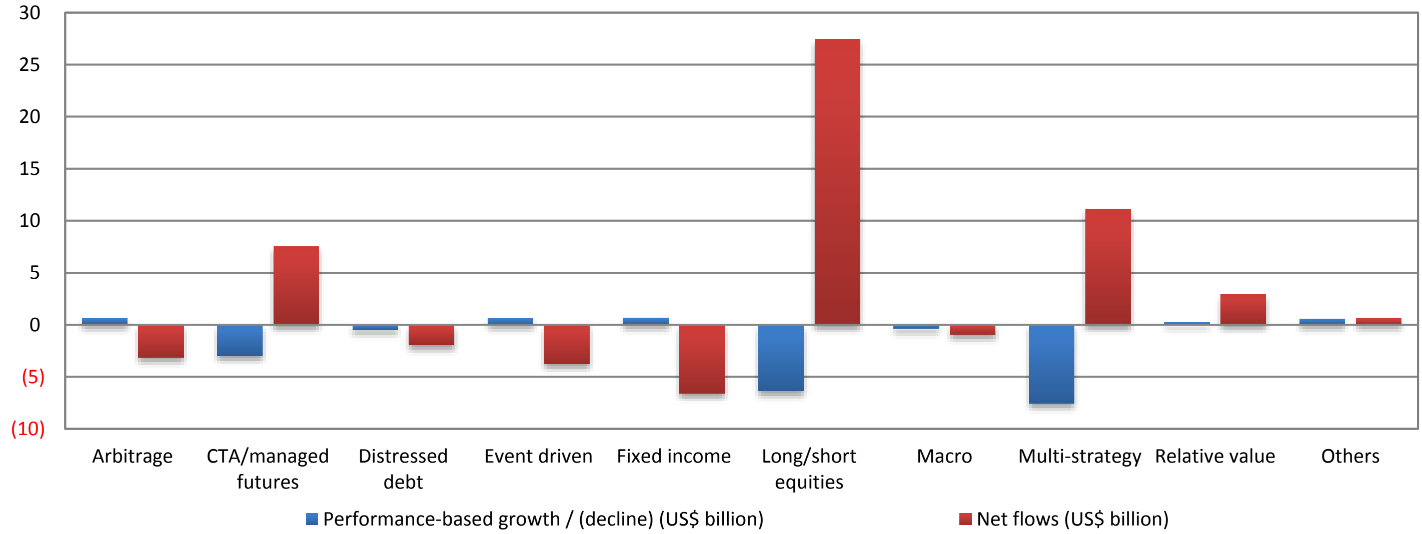
Year-to-date performance figures were a mixed bag for strategic mandates with multi-strategy and long/short equities mandated hedge funds seeing the steepest performance-based losses of US$7.5 billion and US$6.3 billion respectively. On the other hand, fixed income posted the highest performance-based gains for the first five months of the year (US$0.7 billion), followed by arbitrage and event driven hedge funds with gains of US$0.6 billion each over the same period.

Figure 4: May 2016 asset flow by strategy employed



Source: Eurekahedge

Figure 5: 2016 year-to-date asset flow by strategy employed



Source: Eurekahedge

Table 2: Performance-based changes in assets and asset flows 2016

	Assets at start	Net growth (performance)	Net flows	Assets at end	% change in assets
Hedge funds	2244.8	(15.1)	33.2	2263.0	0.81%
By geographic mandate					
Asia ex-Japan	154.3	(2.1)	2.5	154.8	0.26%
Japan	17.1	(0.2)	0.4	17.2	1.05%
Europe	535.1	(6.8)	13.4	541.7	1.23%
Latin America	54.4	0.2	1.2	55.7	2.55%
North America	1483.9	(6.1)	15.7	1493.5	0.65%
By strategic mandate					
Arbitrage	127.7	0.6	(3.1)	125.1	(1.98%)
CTA/managed futures	237.5	(3.0)	7.5	242.0	1.89%
Distressed debt	57.7	(0.5)	(1.9)	55.3	(4.19%)
Event driven	215.1	0.6	(3.8)	212.0	(1.47%)
Fixed income	169.4	0.7	(6.6)	163.5	(3.51%)
Long/short equities	794.3	(6.3)	27.4	815.4	2.66%
Macro	162.5	(0.4)	(0.9)	161.2	(0.79%)
Multi-strategy	369.9	(7.5)	11.1	373.5	0.97%
Relative value	56.5	0.2	2.9	59.6	5.47%
Others	54.2	0.6	0.6	55.4	2.18%
By fund size (US$ millions)					
≤20	17.0	0.1	0.4	17.4	2.66%
<20-≤50	38.2	0.2	0.4	38.7	1.46%
<50-≤100	52.9	0.3	0.2	53.4	0.88%
<100-≤250	220.0	0.2	2.5	222.7	1.23%
<250-≤500	296.2	(0.3)	4.6	300.4	1.44%
<500-≤1000	457.9	(2.0)	7.8	463.8	1.27%
>1000	1162.7	(13.5)	17.4	1166.5	0.33%

Note: All figures are in US$ billion, and rounded off to 1 decimal place

Source: Eurekahedge

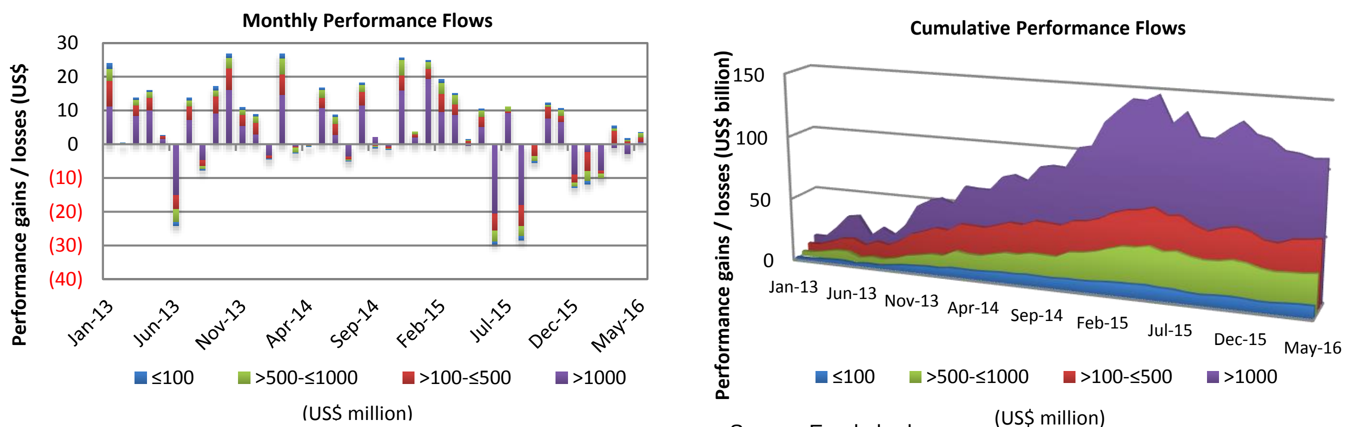
Over the 41 month period depicted in Figures 6 and 7, the global hedge fund industry has raked in performance-based gains of US$201.9 billion, with billion dollar hedge funds accounting for over half of this increase – delivering cumulative performance-based gains of US$108.9 billion since the start of 2013. Funds managing assets in the US$100 million to US$500 million range have seen performance-based gains of US$52.9 billion while those managing assets below US$100 million have delivered gains of US$9.5 billion over the period under consideration.

A similar picture emerges based on net asset flows, with the global hedge fund industry attracting US$286.3 billion since January 2013, out of which billion dollar hedge funds accounted for US$202.3 billion of these net capital allocations, while funds with assets under US$500 million collectively recorded net asset inflows of US$8.5 billion over this period.

Funds less than US$500 million collectively saw US$62.5 billion in performance-based gains and US$8.5 billion in investor inflows as of May 2016, which compares to US$30.4 billion in performance-based gains and US$75.5 billion in investor inflows for funds managing between US$500 million to less than US$1 billion. This also compares to US$108.9 billion in performance-based gains and US$202.3 billion in investor inflows for funds managing upwards of US$1 billion over the same period. When compared to 2014, we noticed that billion dollar hedge funds are more successful at capital-raising with more than half of the assets raised contributed to investor inflows.

Over the past three months, net inflows into billion dollar hedge funds have surpassed net flows into funds within the US$100 million to US$1,000 million bracket. Billion dollar hedge funds saw inflows of US$23.2 billion while funds within the bracket of US$100 million to US$1,000 million saw inflows of US$9.8 billion. Funds managing less than US$100 million saw inflows of US$0.35 billion over the same period. In terms of performance-based gains and losses, billion dollar hedge funds saw the steepest decline, with performance-based losses of US$3.3 billion while funds managing US$100 million to US$1,000 million saw performance-based gains of US$8.5 billion over the three months ending May. Funds managing less than US$100 million also saw performance-based gains (US$1.4 billion) over the past three months.

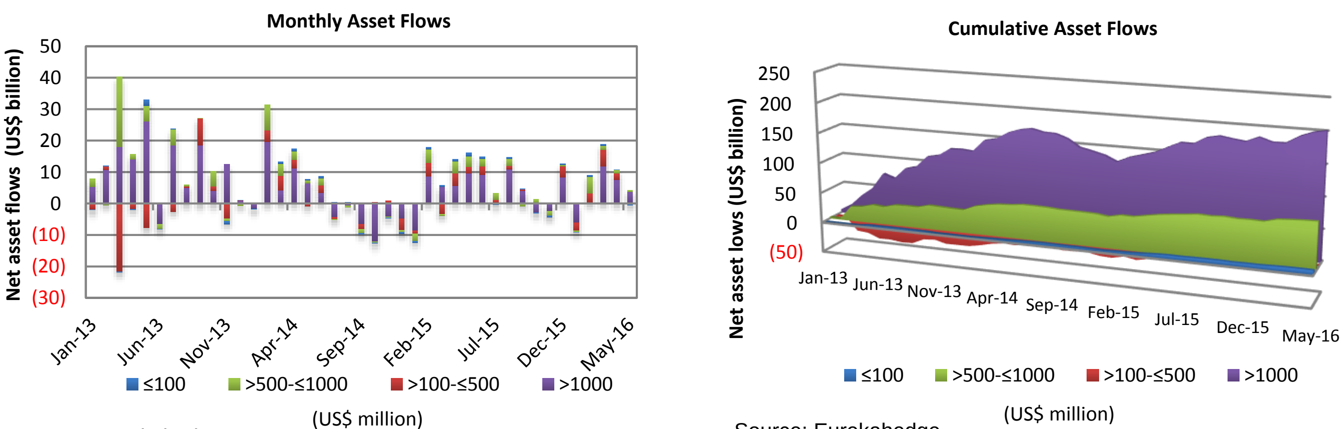
Figure 6: Performance based gains/losses by fund size



Source: Eurekahedge

Source: Eurekahedge

Figure 7: Net asset flows by fund size



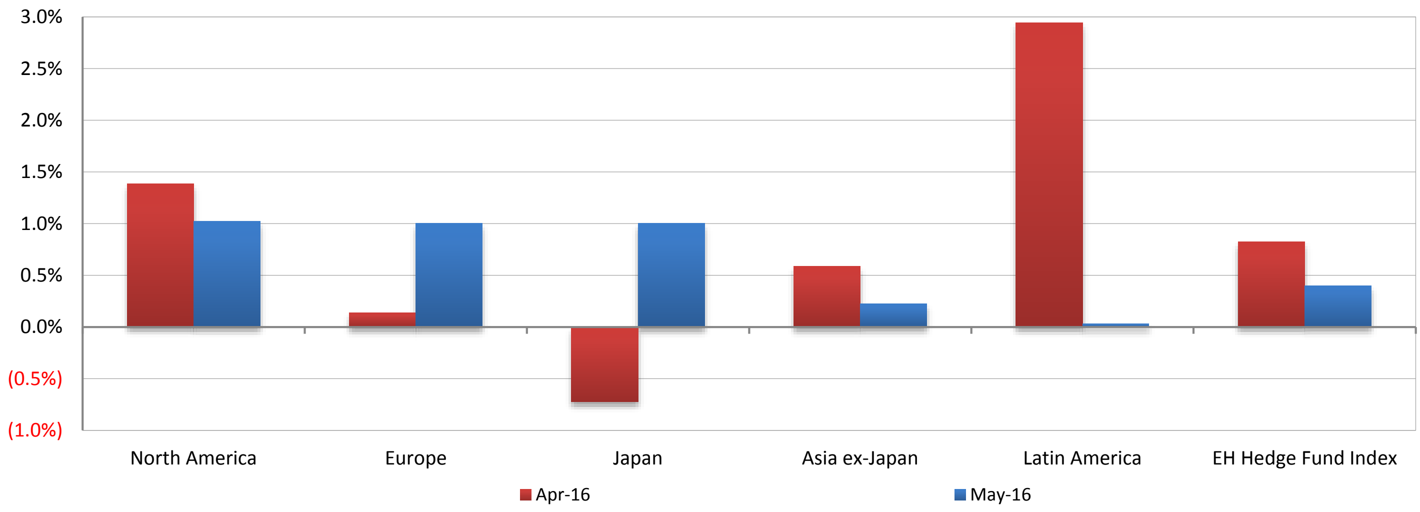
Source: Eurekahedge

Source: Eurekahedge

Introduction

Hedge funds were up 0.40% in May[1] while underlying markets, as represented by the MSCI World Index[2] gained 1.28% over the same period. Managers held their ground despite tight markets in May with mid-month reversals across commodities, and weaker equity performance in developing markets affecting the trading scene. Risk appetite somewhat sustained during the month with oil prices remaining resilient going into May. Distressed debt hedge funds were a clear lead among strategic mandates, up 1.66% while North American managers led regional mandates, up 1.03%. Among profitable moves for managers were long developed markets consumer stocks, some into European consumer and information technology names. Managers also gained on long Chinese tech names on the back of positive business announcements from specific stocks even though much of East Asia's equity market weakness was led by the sell-off in Chinese markets. On the FX front, long USD positions on the back of relative dollar strength contributed to gains. Meanwhile, fluctuations on the GBP/USD currency pair caused by the ongoing 'Brexit' debate resulted in difficult trading ranges for some managers.

Figure 1: May 2016 and April 2016 returns across regions

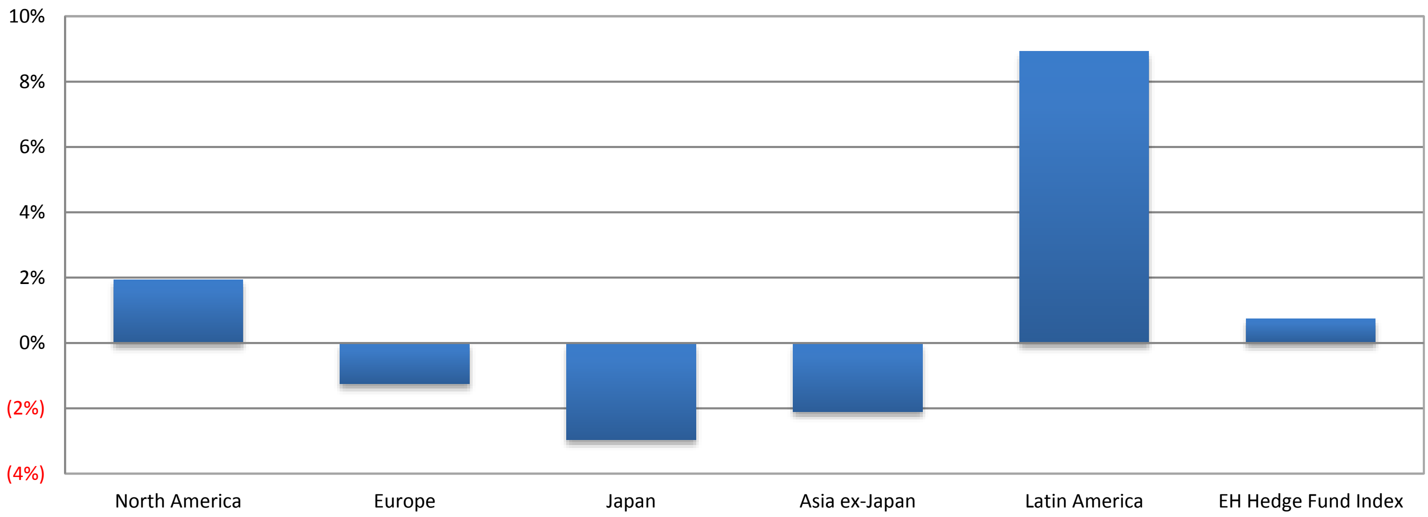


Source: Eurekahedge

All regional mandates were up for the month of May with North American managers leading the tables with gains of 1.03%. This is followed by European and Japanese managers who were up 1.00% each. Resilient oil prices partly helped the performance of developed market equities during the month, with the DAX and Nikkei Indices ending May up 2.23% and 3.41% respectively. Japanese equity markets were the best performers in East Asia while Chinese equity markets witnessed some sell-off during the month. Asia ex-Japan managers gained 0.23% while Latin American managers increased by a marginal 0.03% over the same period. On a year-to-date basis, gains made in early-2016 led Latin American managers to the top of the table, up 8.93%, followed by North American managers who were up 1.94%. On the other hand, Japanese, Asia ex-Japan and European managers were down 2.96%, 2.11% and 1.25% respectively over the same period.

[1] Based on 64.66% of funds which have reported May 2016 returns as at 16 June 2016
[2] MSCI AC World Index (Local)

Figure 2: 2016 year-to-date returns across regions



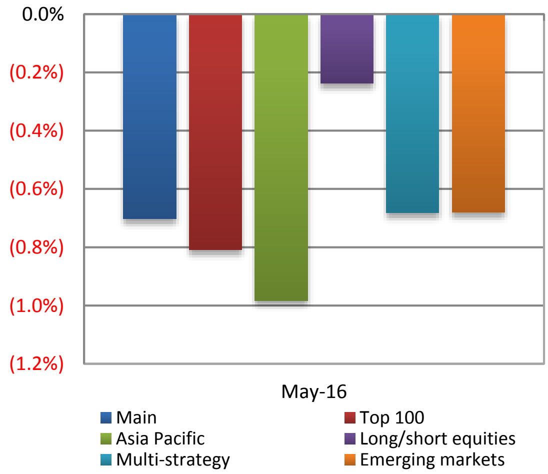
Source: Eurekahedge

Mizuho-Eurekahedge Index

The asset weighted *Mizuho-Eurekahedge Index* fell in May, down 0.70%. It should also be noted that the *Mizuho-Eurekahedge Index* is US dollar dominated, and during months of strong US dollar gains, the index results include the currency conversion loss for funds that are denominated in other currencies. The US Dollar Index gained 3.02% in May.

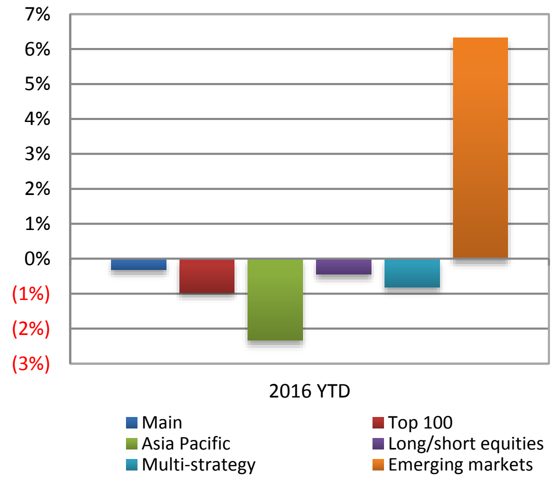
Performance was lacklustre across the board among the suite of *Mizuho-Eurekahedge Indices*. The *Mizuho-Eurekahedge Asia Pacific Index* posted the steepest loss and was down 0.98% during the month. This is followed by the *Mizuho-Eurekahedge Top 100 Index* which lost 0.81% over the same period. The *Mizuho-Eurekahedge Long/Short Equities Index* declined by 0.24% *while* the *Mizuho-Eurekahedge Multi-Strategy Index* and the *Mizuho-Eurekahedge Emerging Markets Index* witnessed losses of 0.68% each. As at 2016 year-to-date, the *Mizuho-Eurekahedge Emerging Markets Index* led the tables, up 6.33% while the *Mizuho-Eurekahedge Asia Pacific Index* posted the steepest decline of 2.33% over the same time period.

Figure 3a: *Mizuho-Eurekahedge Indices* May 2016 returns



Source: Eurekahedge

Figure 3b: *Mizuho-Eurekahedge Indices* 2016 year-to-date returns



Source: Eurekahedge

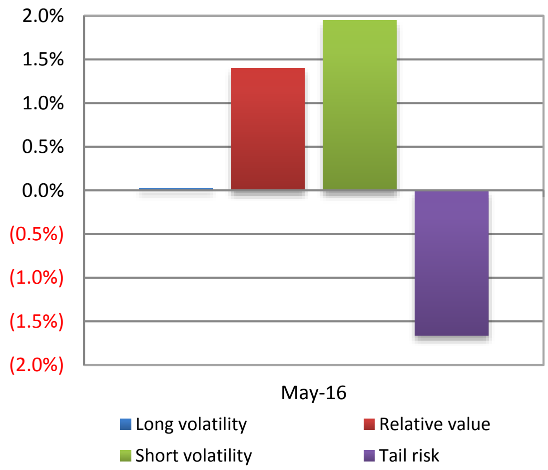
CBOE Eurekahedge Volatility Indexes

The *CBOE Eurekahedge Volatility Indexes* comprises four equally-weighted volatility indices – long volatility, short volatility, relative value and tail risk. The *CBOE Eurekahedge Long Volatility Index* is designed to track the performance of underlying hedge fund managers who take a net long view on implied volatility with a goal of positive absolute return. In contrast, the *CBOE Eurekahedge Short Volatility Index* tracks the performance of underlying hedge fund managers who take a net short view on implied volatility with a goal of positive absolute return. This strategy often involves the selling of options to take advantage of the discrepancies in current implied volatility versus expectations of subsequent implied or realised volatility. The *CBOE Eurekahedge Relative Value Volatility Index* on the other hand measures the performance of underlying hedge fund managers that trade relative value or opportunistic volatility strategies. Managers utilising this strategy can pursue long, short or neutral views on volatility with a goal of positive absolute return. Meanwhile, the *CBOE Eurekahedge Tail Risk Index* tracks the performance of underlying hedge fund managers that specifically seek to achieve capital appreciation during periods of extreme market stress.

During the month of May, the *CBOE Eurekahedge Short Volatility Index* led the tables with gains of 1.95% as volatility levels represented by the CBOE VIX fell towards the second half of the month while the *CBOE Eurekahedge Relative Value Volatility Index* gained 1.40%. On the other hand, the *CBOE Eurekahedge Tail Risk Index* declined 1.66% while the *CBOE Eurekahedge Long Volatility Index* was up a marginal 0.03%. It should be observed though that the latter two strategies are designed to deliver outsized returns during periods of extreme market volatility thereby providing overall portfolio level protection, hence losses can be expected during normal market conditions.

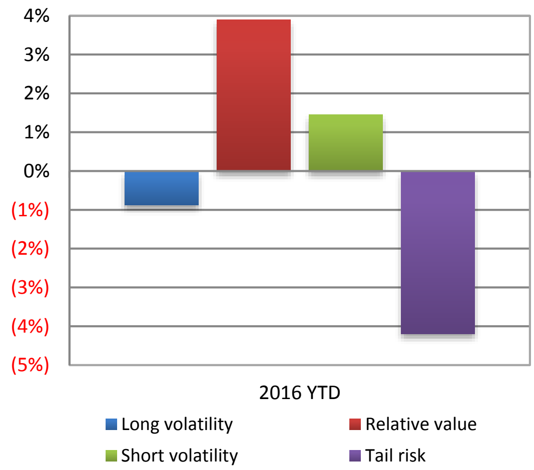
On a year-to-date basis, the *CBOE Eurekahedge Relative Value Volatility Index* gained 3.90% followed by the *CBOE Eurekahedge Short Volatility Index* which had gained 1.46%. Meanwhile, the *CBOE Eurekahedge Long Volatility Index* and the *CBOE Eurekahedge Tail Risk Index* posted year-to-date declines of 0.87% and 4.19% respectively.

Figure 4a: *CBOE Eurekahedge Volatility Indexes* May 2016 returns



Source: Eurekahedge

Figure 4b: *CBOE Eurekahedge Volatility Indexes* 2016 year-to-date returns

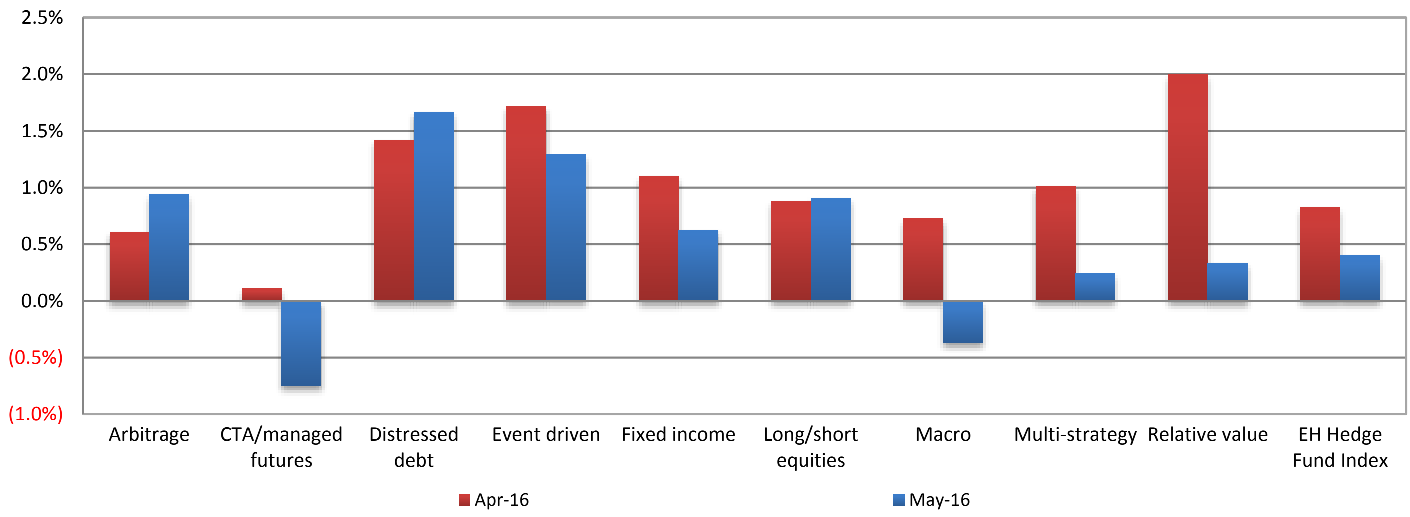


Source: Eurekahedge

Strategy Performance

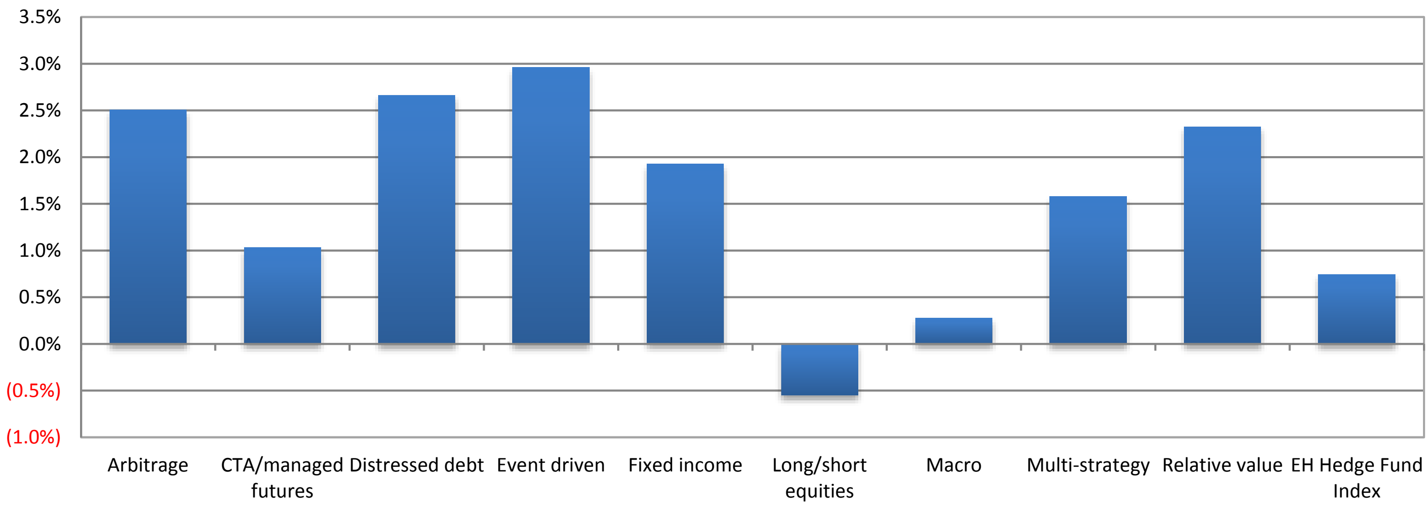
Performance across strategic mandates was mixed this month, with distressed debt and event driven managers leading the tables, up 1.66% and 1.29% respectively. This is followed by arbitrage and long/short equities hedge funds which were up 0.94% and 0.91% respectively. On the other hand, the performance of CTA/managed futures and macro mandated hedge funds languished into negative territory with losses of 0.75% and 0.37% respectively. On a year-to-date basis, event driven hedge funds led the tables and were up 2.96%, followed by distressed debt and arbitrage hedge funds which were up 2.66% and 2.51% respectively. On the other hand, long/short equities mandated hedge funds were the only strategic mandate to post negative year-to-date returns, down 0.55%.

Figure 5: May 2016 and April 2016 returns across strategies



Source: Eurekahedge

Figure 6: 2016 year-to-date returns across strategies



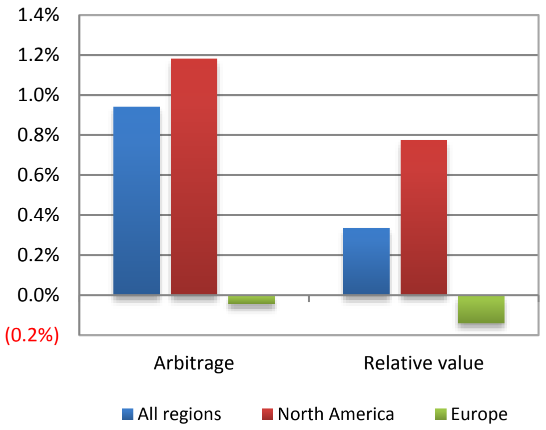
Source: Eurekahedge

Arbitrage and relative value

The *Eurekahedge Arbitrage Hedge Fund Index* was up 0.94% in May with North American arbitrage funds gaining 1.18% this month while European arbitrage funds were down 0.04%. As of 2016 year-to-date, the *Eurekahedge Arbitrage Hedge Fund Index* grew by 2.51%. North American arbitrage managers witnessed an increase of 3.04% while European arbitrage managers gained 1.64% over the same period.

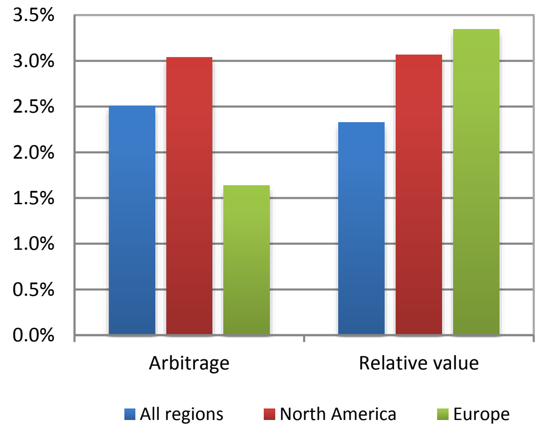
The *Eurekahedge Relative Value Hedge Fund Index* was up 0.34% during the month with North American managers gaining 0.77% while European managers were down 0.14%. As of 2016 year-to-date, North American and European hedge funds were in positive territory, up 3.06% and 3.35% respectively.

Figure 7a: Arbitrage and relative value May 2016 returns



Source: Eurekahedge

Figure 7b: Arbitrage and relative value 2016 year-to-date returns



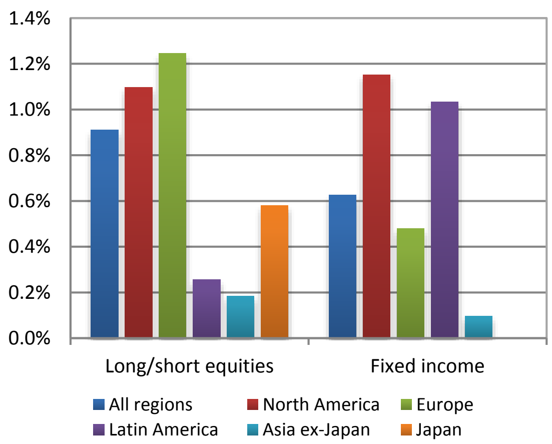
Source: Eurekahedge

Long/short equities and fixed income

The *Eurekahedge Long/Short Equity Hedge Fund Index* gained 0.91% in May with all regional mandates in positive territory during the month. Global equity markets had mixed performance with developed markets leading much of the strength. European mandated long/short equities hedge funds posted the best returns, up 1.24% with exposure into European consumer discretionary and information technology names contributing to performance, followed by North American and Japanese managers with gains of 1.10% and 0.58% respectively. Equity markets in the developed world rallied in May partly helped by the oil price holding its ground and sustained risk appetite. Asia ex-Japan long/short equities managers grew 0.18%, despite China leading much of the weakness throughout Asian equity markets. Among performance contributors for Asia ex-Japan managers were notable Chinese information technology names as positive business announcements led specific stocks higher into the month. Latin American long/short equities hedge funds also grew in May with 0.26% gains. Performance among Latin American long/short equities was a mixed bag, with those shorting materials and energy stocks posting gains. On the other hand, the sell-off in Brazilian equities during the month negatively impacted managers' long books, some of which were Brazil-focused.

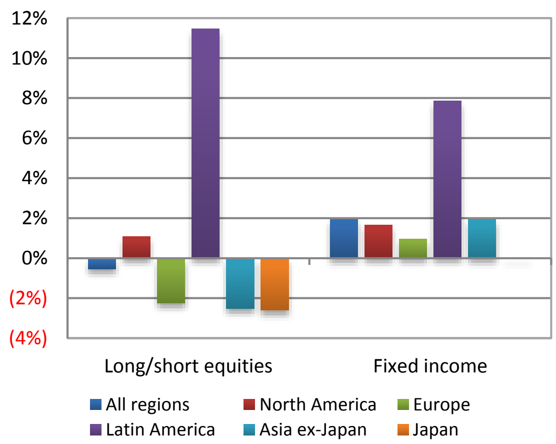
The *Eurekahedge Fixed Income Hedge Fund Index* was up 0.63% in May. North American fixed income managers led the table this month, with gains of 1.15% as underlying US high yield securities climbed this month. This is followed by Latin American and European fixed income managers which were up 1.03% and 0.48% respectively. Asia ex-Japan fixed income managers grew by 0.10% over the same period. On a year-to-date basis, the index witnessed an increase of 1.93%, with Latin American fixed income managers leading the tables, up 7.87%. Asia ex-Japan and North American fixed income managers saw gains of 1.92% and 1.67% over the same period respectively, followed by European fixed income managers who were up 0.96%.

Figure 8a: Long/short equities and fixed income May 2016 returns



Source: Eurekahedge

Figure 8b: Long/short equities and fixed income 2016 year-to-date returns



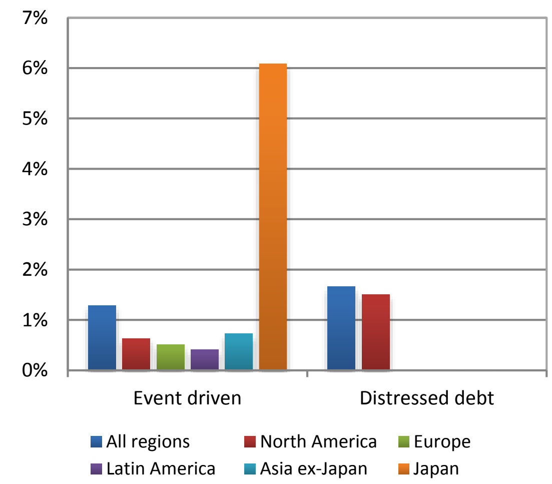
Source: Eurekahedge

Event driven and distressed debt

The *Eurekahedge Event Driven Hedge Fund Index* was up 1.29% in May, with all regional mandates in positive territory. Japanese event driven managers led the tables and witnessed gains of 6.09% during the month, followed by Asia ex-Japan managers who were up 0.73%. North American and European managers also grew in May, posting gains of 0.63% and 0.50% respectively. On a year-to-date basis, the index was up 2.96%, with North American event driven managers leading the tables up 7.23%. European and Latin American managers saw increases of 2.47% and 1.29% respectively over the same period. On the other hand, Japanese and Asia ex-Japan managers were down 4.12% and 3.56% respectively.

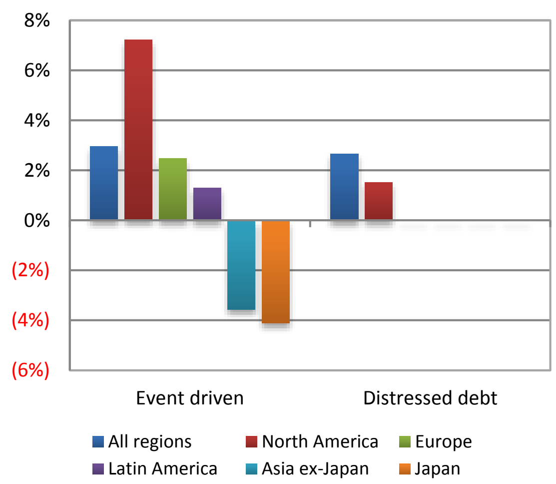
The *Eurekahedge Distressed Debt Hedge Fund Index* posted returns of 1.66% in May, topping the table across strategic mandates this month. North American distressed debt managers were up 1.50% during the month and up 1.52% on a year-to-date basis. Risk appetite somewhat sustained in May, with positive performance in the leveraged loans[3] and high yield[4] credit space. The Bank of America Merrill Lynch US High Yield Index gained 0.72% during the month, with high yield energy and metals sectors among performance contributors for distressed debt managers. Exposure into power and utilities names also contributed to performance, as increase in natural gas prices helped in pushing up the value of specific underlying corporate bonds. The index posted gains of 2.66% over the past five months.

Figure 9a: Event driven and distressed debt May 2016 returns



Source: Eurekahedge

Figure 9b: Event driven and distressed debt 2016 year-to-date returns



Source: Eurekahedge

CTA/managed futures and macro

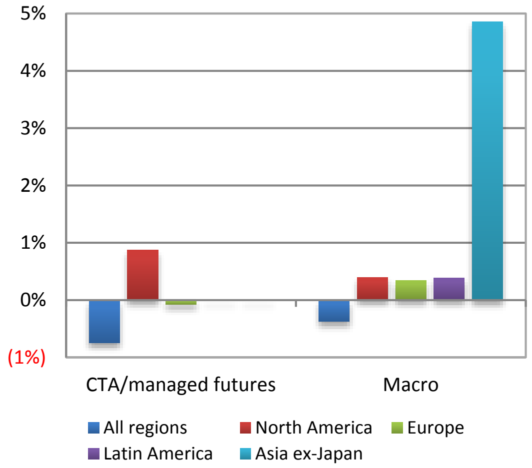
The *Eurekahedge CTA/Managed Futures Index* lost 0.75% during the month with European CTA/managed futures hedge funds down 0.07% while North American CTA/managed futures hedge funds were up 0.87%. Mid-month reversals for commodities affected managers with exposure into softs, metals and energy while performance on the FX front was mixed. Much attention was focused on the anticipated Fed rate hike with long USD positions among profitable moves as the dollar strengthened during the month. The rate cut by the RBA led the Aussie dollar lower from mid-month onwards while the rally in the NZD proved to be short-lived with managers reporting losses on their long NZD/USD positions. Meanwhile, fluctuations on the GBP/USD caused by the ongoing 'Brexit' debate resulted in difficult trading ranges for some managers. On a year-to-date basis, European CTA/managed futures managers posted the steepest declines, down 4.03% while North American managers were up 1.43%. The index was up 1.03% over the same period.

Macro managers fell 0.37% during the month though all regional mandates were in positive territory. Asia ex-Japan macro managers led the table with gains of 4.86%, followed by North and Latin American managers who were up 0.40% and 0.39% respectively. European macro managers also gained this month, up 0.34%. Short positions in some Chinese names contributed to performance for some Asia ex-Japan macro managers as the Chinese markets ended the month lower. Performance among Latin American macro managers was mixed this month with exposure into emerging market currency-denominated assets contributing to losses, thanks to the strengthening US dollar. On a year-to-date basis, Latin American macro managers were up

[3] The S&P LSTA Leveraged Loan 100 Index
[4] The Bank of America Merrill Lynch US High Yield Master II Index

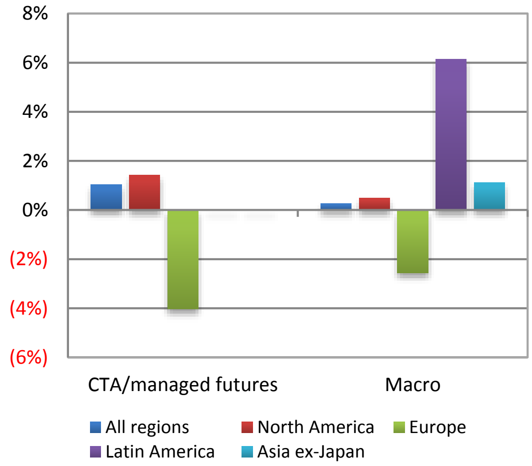
6.14%, followed by Asia ex-Japan and North American managers with gains of 1.11% and 0.49% respectively. On the other hand, European macro managers were down 2.56% over the same period. The index was up 0.28% over the past five months.

Figure 10a: CTA/managed futures and macro May 2016 returns



Source: Eurekahedge

Figure 10b: CTA/managed futures and macro 2016 year-to-date returns



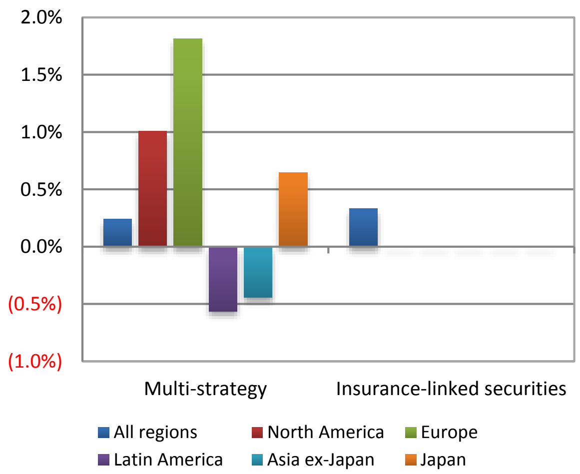
Source: Eurekahedge

Multi-strategy and insurance-linked securities

The *Eurekahedge Multi Strategy Hedge Fund Index* was up 0.24% in May with European managers leading the tables, up 1.81% followed by North American and Japanese managers with gains of 1.01% and 0.65% respectively. On the other hand, Latin American and Asia ex-Japan managers posted the steepest losses this month, down 0.56% and 0.44% respectively. Similar themes as discussed also contributed to gains for multi-strategy managers; long USD against emerging market currency pairs among performance contributors, long developed markets equities and long European bonds, driven by lower yields as a result of the ongoing ECB asset purchase program. On a year-to-date basis, Latin American managers led the tables and were up 7.66%, followed by North American multi-strategy managers with gains of 4.32%. Japan multi-strategy managers were up a marginal 0.03% over the same period. Asia ex-Japan and European managers saw losses of 3.52% and 0.32% respectively year-to-date. The index was up 1.58% over the past five months.

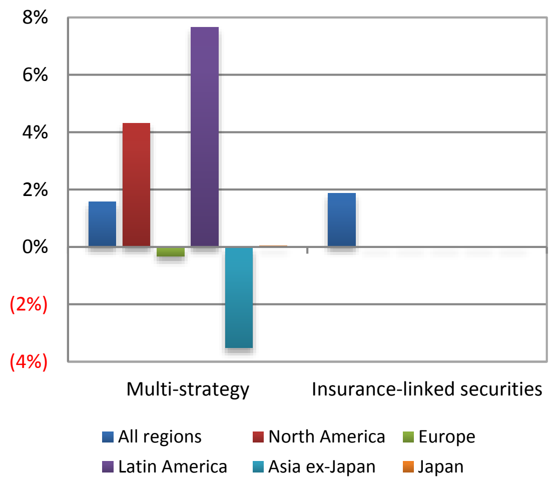
Insurance-linked securities (ILS) offer investors direct access to the reinsurance market, which can include various insurance perils such as catastrophic event. ILS registered gains of 0.33% during May, with the 2016 year-to-date figures coming in at 1.87%.

Figure 11a: Multi-strategy and insurance-linked securities May 2016 returns



Source: Eurekahedge

Figure 11b: Multi-strategy and insurance-linked securities 2016 year-to-date returns

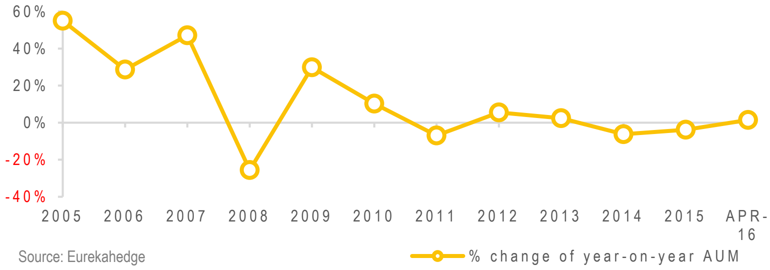


Source: Eurekahedge

2016 KEY TRENDS IN LATIN AMERICAN HEDGE FUNDS

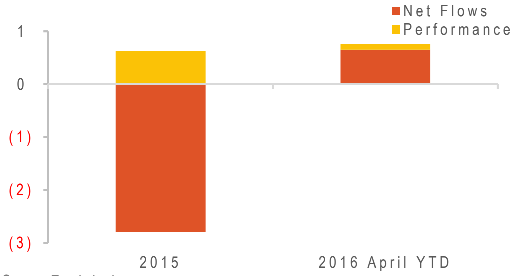
LATIN AMERICAN HEDGE FUNDS AUM (2005 – 2016 YTD)

US$55.1 billion AUM **36%** IN BRAZIL



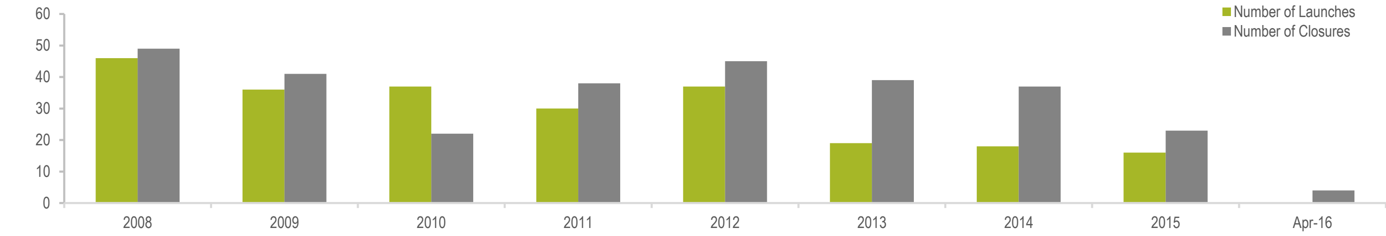
Source: Eurekahedge

US$2.8 billion investor outflows in 2015
US$0.7 billion investor inflows in 2016 YTD



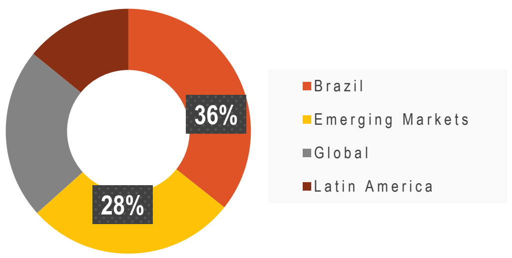
Source: Eurekahedge

LAUNCHES AND CLOSURES SINCE 2008



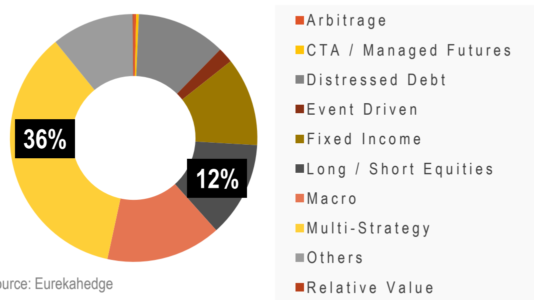
Source: Eurekahedge

AUM BY GEOGRAPHY, 2016



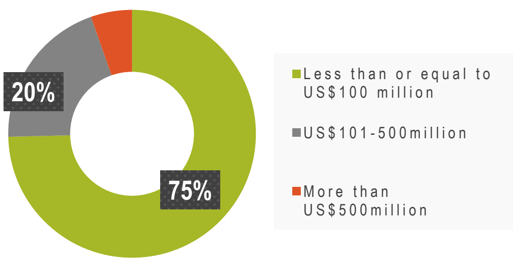
Source: Eurekahedge

AUM BY STRATEGY, 2016



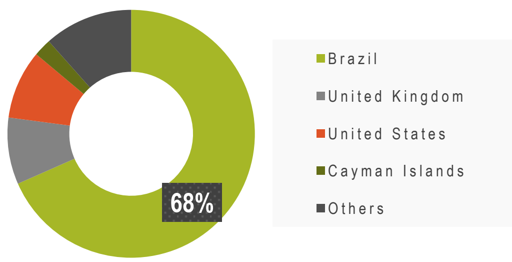
Source: Eurekahedge

AUM BY FUND SIZE, 2016



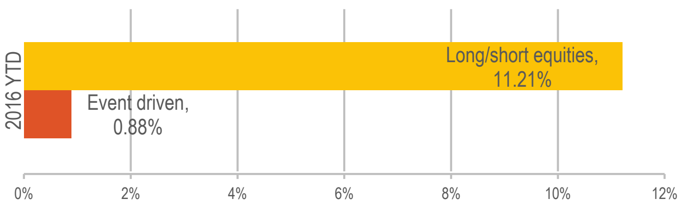
Source: Eurekahedge

HEAD OFFICE LOCATIONS, 2016



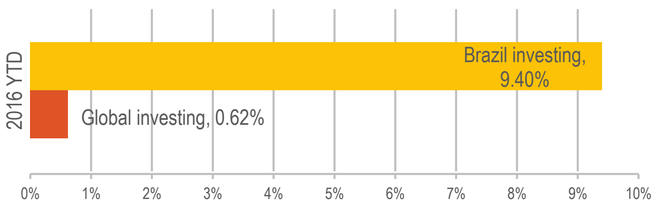
Source: Eurekahedge

BEST AND WORST STRATEGY, 2016



Source: Eurekahedge

BEST AND WORST REGIONAL MANDATE, 2016

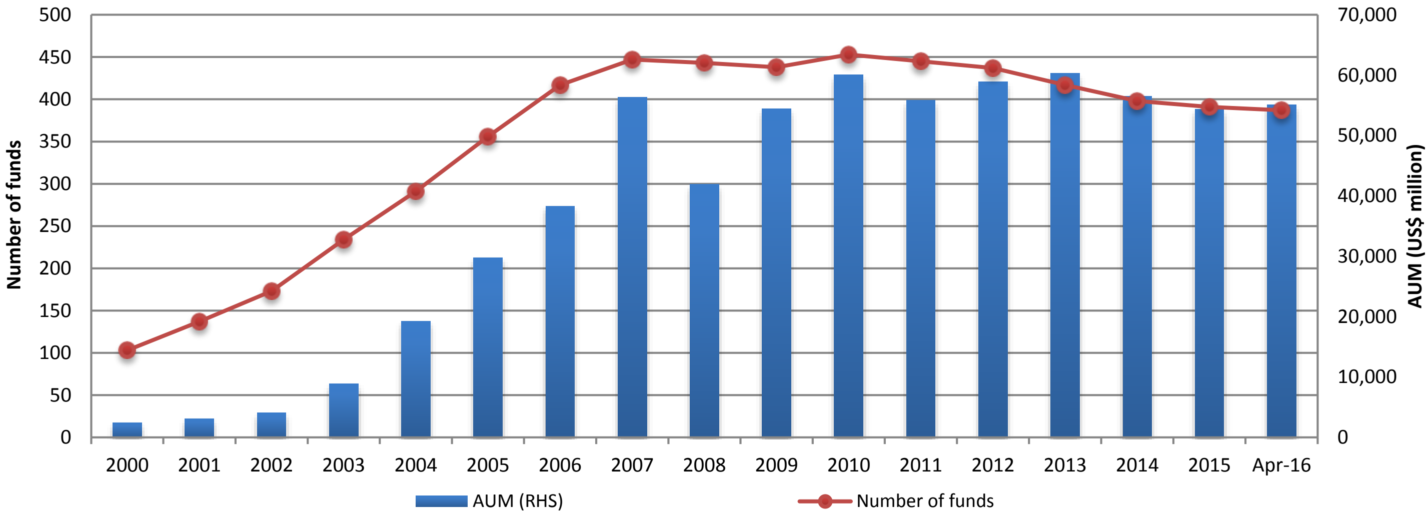


Source: Eurekahedge

Introduction

The first four months of 2016 saw some renewed investor interest into the Latin American hedge fund space. Total assets for Latin American hedge funds grew US$0.8 billion as of April 2016 year-to-date, roughly twice the level of asset growth seen over the same period last year. The *Eurekahedge Latin American Long Short Equities Hedge Fund Index* and *Eurekahedge Latin American Multi-Strategy Hedge Fund Index* were up 11.21% and 8.53% respectively as of April 2016 year-to-date. Investor optimism in the region was evident as major Latin American equity indices rallied at the start of the year. The MSCI Latin America Index[1] was up 15.24% in 2016 year-to-date as resilient oil and commodity prices have helped in pushing up the valuations of underlying assets. Much of the investor psyche hinges on the outlook of the oil market, the region's political developments and the anticipated direction of capital flows between the developing and the developed world. Nonetheless, the recent run-up in Latin American markets remains unsustainable given the inherent problems faced by these economies. Indeed, the global economy is still stuck in its current lethargy as ongoing political and economic worries continue to unnerve investors.

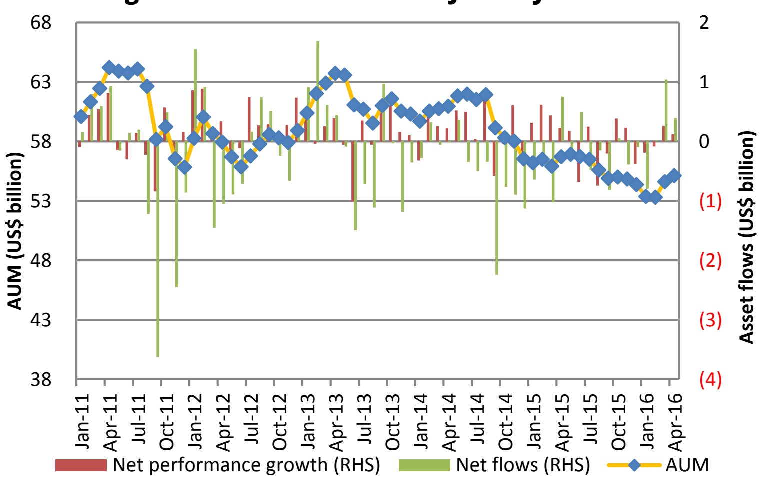
Figure 1a: Industry growth since 2000



Source: Eurekahedge

The assets under management (AUM) of the Latin American hedge fund industry grew from just US$2.5 billion in 2000 to reach its peak at roughly US$56.4 billion in 2007 in the pre-financial crisis period. The region was not spared from the global financial crisis with AUM declining 25% in 2008 from the previous year. However, interest into emerging economies was restored after the financial crisis as investors sought to diversify their exposure. The Latin American industry AUM peaked to an all-time high in 2013, during which AUM stood at US$60.3 billion, largely on the back of performance-based gains. Investor outflows was particularly challenging for the Latin American hedge fund industry with steep redemptions totalling US$11.5 billion from Q2 2013 to Q1 2015.

Figure 1b: Asset flows since January 2011



Source: Eurekahedge

On the other hand, performance-based gains stood at a modest US$4.5 billion over the same period. The Latin American hedge funds industry had contracted by US$2.2 billion in 2015, making this the second consecutive annual contraction for the industry. As of April 2016 year-to-date, Latin American hedge fund managers manage US$55.1 billion in AUM, overseen by a total of 387 funds.

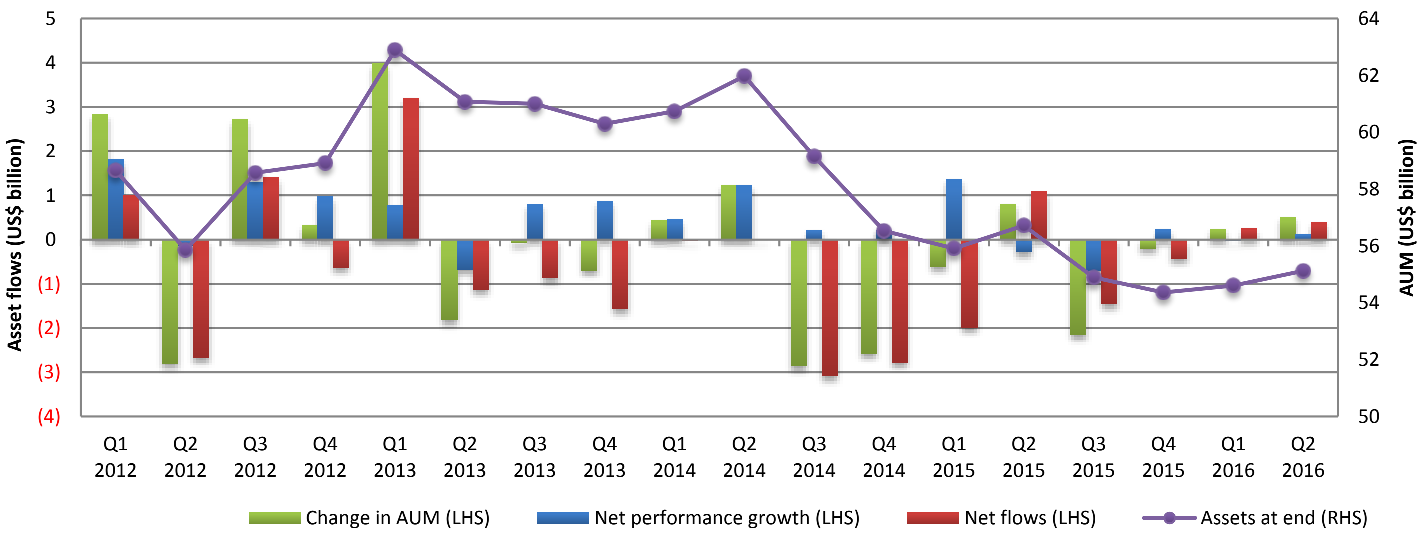
[1] MSCI EM Latin America Index (Local)

Industry composition and growth trends

Asset flows

Figure 2 shows the growth of Latin American hedge fund AUM since January 2012, the quarterly asset flows and performance-based growth/decline. The industry grew by another US$3.1 billion in 2012, largely on the back of performance-based gains (US$4.0 billion) with the *Eurekahedge Latin America Hedge Fund Index* gaining 11.65% in 2012. The Fed's intent to taper QE in 2013 saw a trend of outflows from the Latin American hedge fund industry with eight consecutive investor outflows since Q2 2013 even though managers posted modest performance-based gains (US$4.5 billion) over the same period of time. Investor redemption continued to be a primary contributor to the industry's AUM decline in 2014, with total assets contracting by US$3.8 billion during the year. Latin American managers have been experiencing a trend of yearly outflows since 2011. The highest outflow was recorded in 2014 with US$5.9 billion attributed to redemptions alone. Investor outflows continued for the fifth consecutive year in 2015 – redemptions stood at US$2.8 billion while performance-based gains were a modest US$0.6 billion.

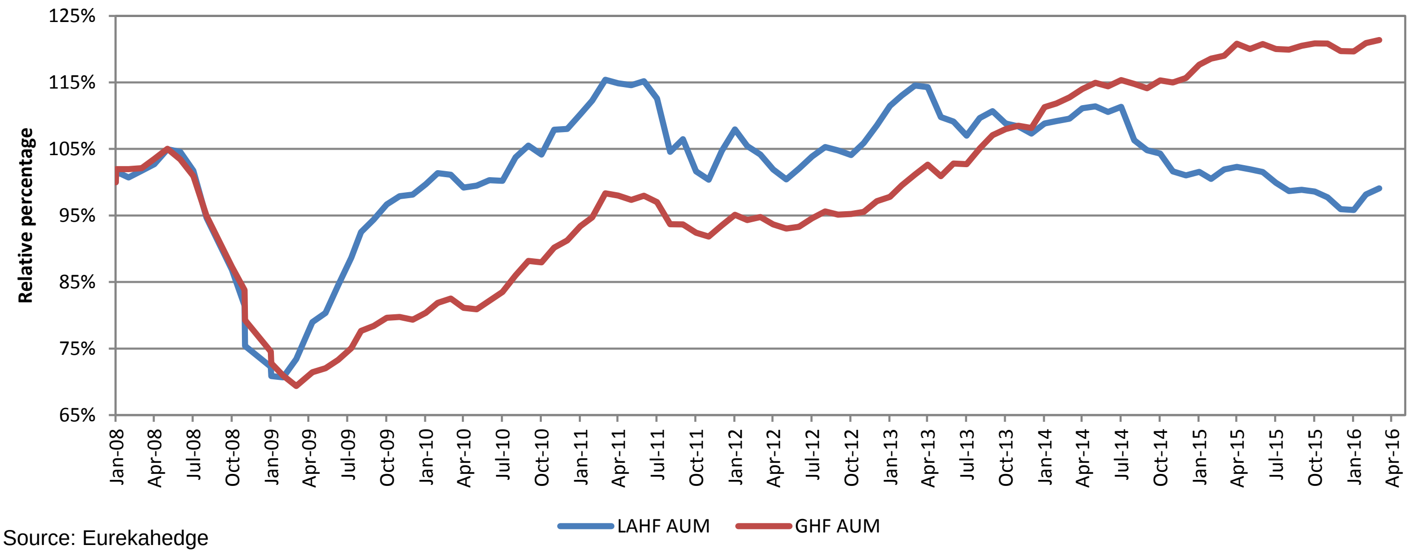
Figure 2: Quarterly asset flows in Latin American hedge funds



Source: Eurekahedge

Figure 3 displays the comparative growth in Latin American hedge fund AUM against their global peers since January 2008. While they declined approximately in line with each other in the aftermath of the global financial crisis, the AUM of Latin American hedge funds recovered much faster and exceeded its 2008 highs by 2010. During this time, investors sought to diversify their assets by increasing their exposure into emerging markets. The growth in AUM for Latin American hedge funds steadily surpassed their global counterparts up until around 1H 2013. Manager performance was deeply affected as Latin American economies ran into headwinds with the Argentinean debt crisis and political instability lending a bleak macroeconomic outlook for the region. The trading environment was difficult going into 2014 as depressed oil prices and political instability in the region affected both investor sentiments and manager performance. Latin American AUM witnessed a pronounced decline in assets from the latter half of 2013 onwards. On the other hand, the global hedge fund industry has experienced a steady increase in AUM since 2H 2012, led by strong asset growth in developed country mandates such as North America and Europe.

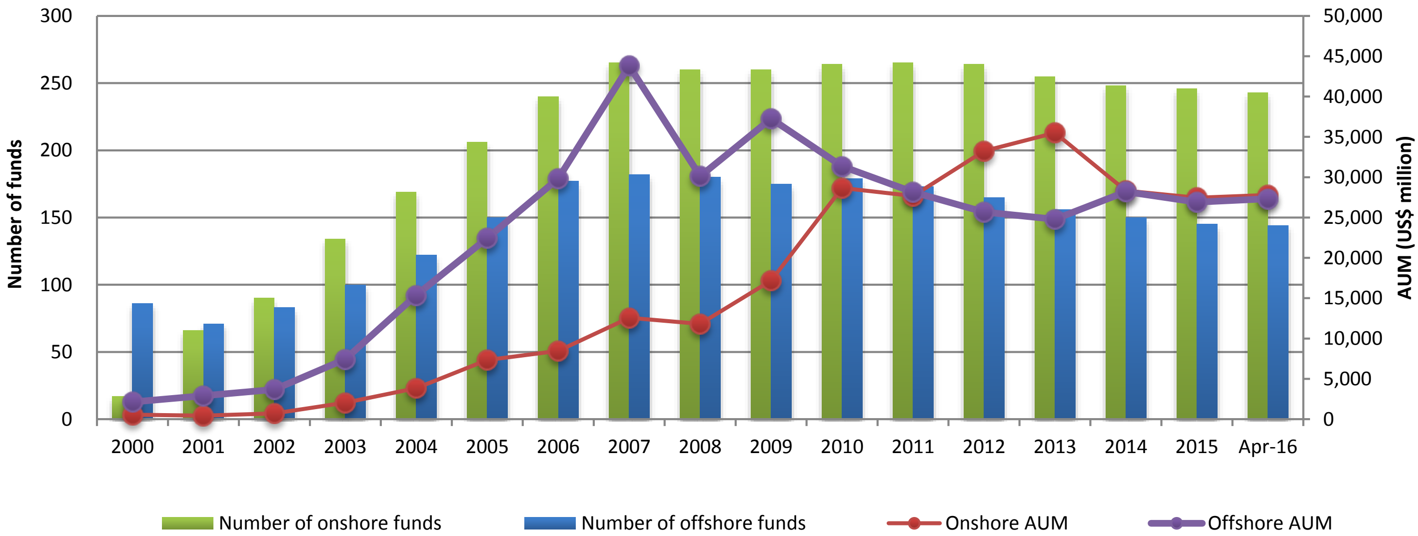
Figure 3: Assets under management growth of Latin American hedge funds versus global hedge funds



Source: Eurekahedge

Latin American hedge funds are divided into two broad categories – onshore and offshore vehicles, based on their respective domiciles. Between 2000 and 2007, most of the growth in the Latin American hedge fund industry was generated by offshore vehicles. By the end of 2007, offshore vehicles manage US$43.8 billion or 78% of the industry's total assets. Offshore vehicles are more favoured by both foreign and domestic high net worth individuals for their flexibility and as a way to guard against political instability inherent to Latin American countries. Managers also favour offshore structures as it allows them the freedom to pursue strategies without getting tied down to regulators. However, the flexibility afforded by offshore hedge funds does not necessarily translate into better performance, as onshore hedge funds have historically performed better than their offshore peers. Even during the global financial crisis in 2008, the *Eurekahedge Latin American Offshore Hedge Fund Index* was down 17.02% while their onshore peers only lost 1.13%. On a three year annualised basis, onshore funds returned 5.66%, outperforming their offshore peers which were down 2.47%. The shares of both onshore and offshore vehicles took a different turn after the global financial crisis as investors' need for increased transparency gradually shifted their preference towards onshore vehicles. In 2009, the share of onshore and offshore vehicles was roughly split even between the two with the AUM of onshore vehicles surpassing their offshore peers between 2012 and 2014. As of April 2016 year-to-date, offshore funds account for roughly 50% of total assets in the Latin American hedge fund industry.

Figure 4: Industry growth of onshore and offshore funds

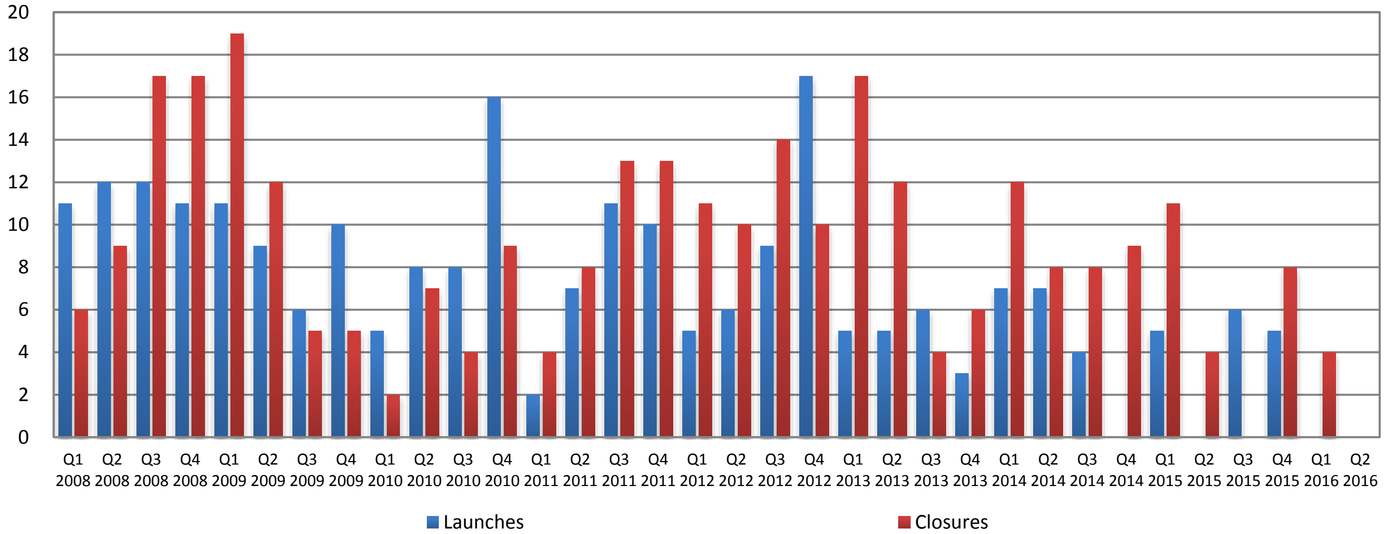


Source: Eurekahedge

Launches and closures

Figure 5a shows the growth of the Latin American hedge fund industry on a quarterly basis over the past eight years. New fund launches declined during 2008 and 2009 while closures peaked from Q3 2008 to Q2 2009 following steep losses and a sharply reduced investor appetite for hedge funds after the global financial crisis. Launches outpaced closures between late 2009 and Q4 2010, with the net fund population growing during this period thanks to the post-crisis boom in Brazilian equities. However, Latin American economies ran into some headwinds with the Argentinean debt crisis and concerns over unsustainable public spending by countries such as Brazil. As a result, investor enthusiasm was considerably dampened and the rate of fund launches slowed. Things did not look up for the Latin American region as depressing oil prices and political instability continued through 2014 and 2015, affecting manager performance and investor outlook on the region. The industry's fund population contracted both in 2014 and 2015. Launch numbers have also been rather muted in 2016, reflecting less optimism in the region.

Figure 5a: Launches and closures of Latin American funds



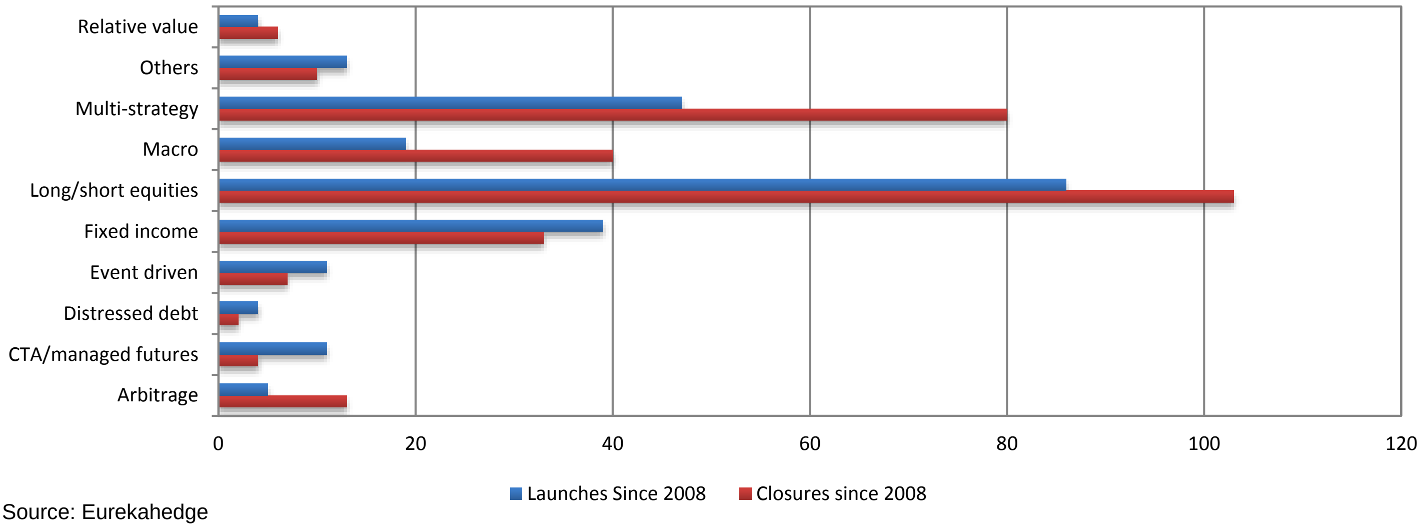
Source: Eurekahedge

Long/short equities and multi-strategy mandated hedge funds remain the top two most sought after strategies for managers, having seen the strongest launch activity since 2008. However, both strategies have seen net decrease in fund population over the same time period as steep liquidations have outpaced launches. Fund population for long/short equities contracted for the third consecutive year in 2015 as managers struggle to post good returns. The three year annualised returns of Latin American long/short equities hedge funds[2] was a modest 0.26% compared to their broadly mandated Latin American peers[3] which returned 3.71% over the same period. Other than long/short equities and multi-strategy mandates, fixed income hedge funds were the third most popular offering with 39 launches followed by macro funds with 19 new launches since 2008.

Multi-strategy and long/short equities hedge funds have seen net decreases in the number of funds as of April year-to-date, even though both strategies witnessed strong launch activity compared to other mandates. On the other hand, fixed income and CTA/managed futures strategies have seen net population increase since 2008 though managers pursuing CTA/managed futures strategies account for a minority of the population. Interestingly, despite the relatively good performance of macro managers, the latter strategy is not as sought after among managers in the Latin American hedge fund space. Macro mandated hedge funds have posted the best three and five year risk-adjusted returns with Sharpe ratios of 1.71 and 1.97 respectively while also posting the lowest maximum drawdown (1.20%) among all strategic mandates.

[2] Eurekahedge Latin American Long Short Equities Hedge Fund Index
[3] Eurekahedge Latin American Hedge Fund Index

Figure 5b: Launches and closures of Latin American funds by strategy



Source: Eurekahedge

Fees

In Table 1, both the average performance and management fees have been on the decline since 2007 (ignoring preliminary results for 2016). The average performance fee for hedge funds launched in 2007 was 18.76% while for those which were launched in 2015, the figure has declined considerably at 14.53%. Similarly, the average management fee for hedge funds launched in 2007 was 1.67% and this figure has since declined to 1.43% for those who were launched in 2015. Declining fees could point to factors such as a crowded and competitive environment and the challenges managers face in capital raising, making the traditional '2 and 20' hedge fund fee model a thing of the past. While we see muted launches and higher closure numbers, newly launched funds are looking towards investors beyond their 'home country' and are offering globally competitive rates. The average performance fees for global hedge funds[4] launched in 2015 was 14.72% while the average management fees of global hedge funds launched in the same year was 1.49% - both figures are very close to the average hedge fund fees for the Latin American hedge fund industry as seen in the table below. Indeed, competition among managers for a limited pool of investor capital has resulted in managers trying to undercut fees offered by their peers. Furthermore, new funds launched by large and well-established fund management companies have often gain enough traction in order to attract the current pool of investors with a lower fee structure.

Table 1: Average hedge fund fees by launch year

Year	Performance Fees (%)	Management Fees (%)
2007	18.76	1.67
2008	18.23	1.58
2009	17.77	1.59
2010	17.98	1.57
2011	17.86	1.57
2012	17.05	1.52
2013	17.04	1.44
2014	16.83	1.49
2015	14.53	1.43
2016	16.85	1.32

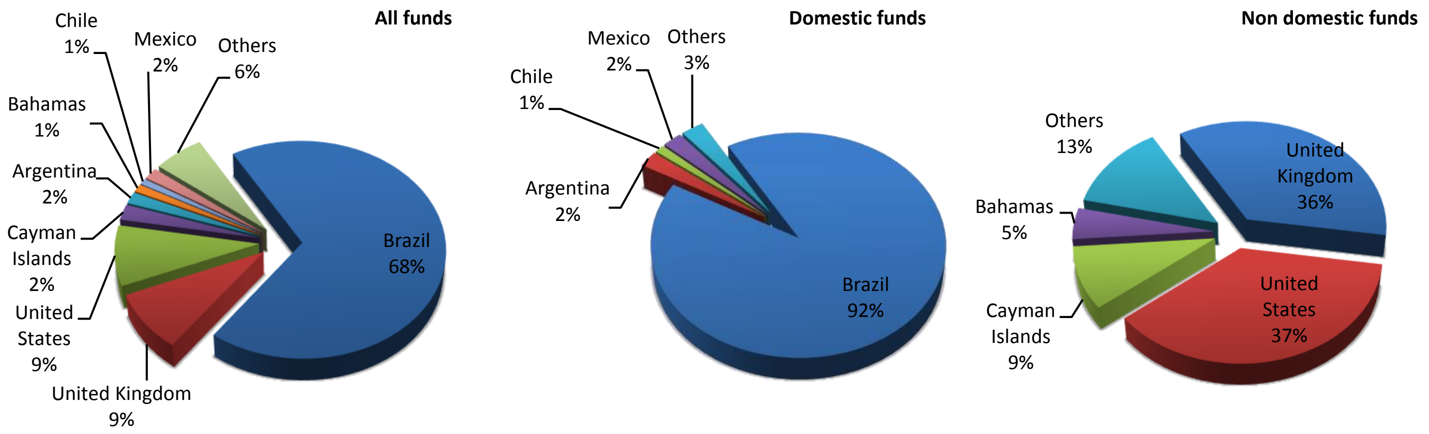
Source: Eurekahedge

[4] For more information, please see The Eurekahedge Report - April 2016

Head office

Head office locations within Latin American hedge funds can be divided into two main categories – funds located in Latin America and funds located outside of Latin America. The domestic industry is dominated by Brazil, accounting for 92% of the funds with most of them based in either Sao Paulo or Rio de Janeiro. Brazil has also been regarded as a gateway to the rest of Latin America for industry players looking to establish a presence in the region. For non-domestic hedge funds, the United States and the United Kingdom collectively see 73% of market share whereas the Cayman Islands and the Bahamas collectively see a 14% market share of non-domestic head office locations. It is interesting to note that despite strong investor redemptions experienced by some Brazil dedicated onshore hedge funds; the country continues to be the location of choice for a majority of onshore vehicles.

Figures 6a-6c: Head office locations by number of funds

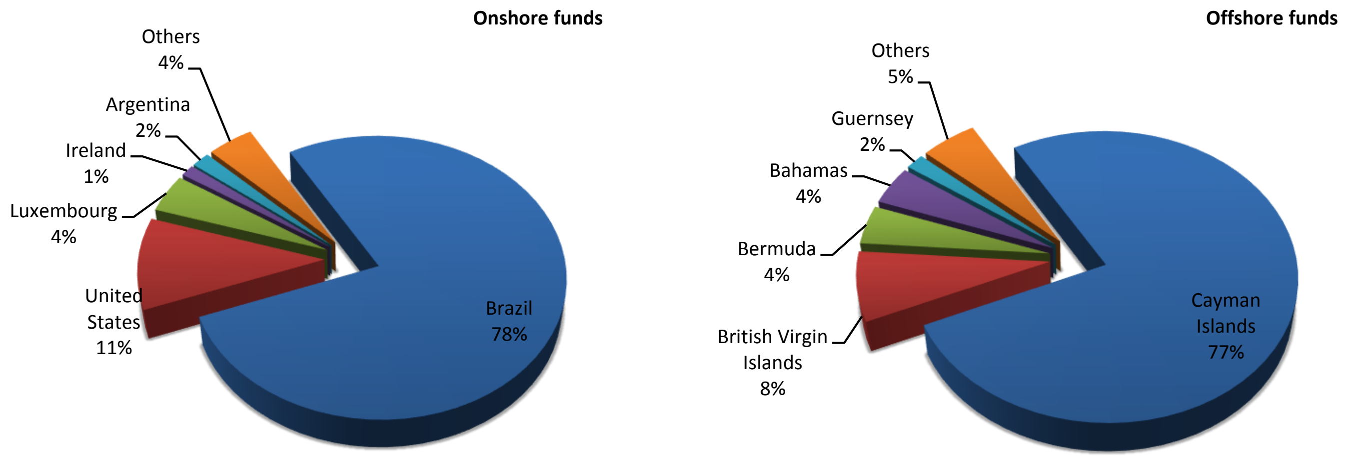


Source: Eurekahedge Source: Eurekahedge Source: Eurekahedge

Domiciles

Figures 7a-7b shows the breakdown of fund domiciles for both onshore and offshore funds as of April 2016. Brazil is the country of domicile for a clear majority of onshore funds (78%), taking up a majority of the market share by itself, followed by the United States with a share of 11%. Other onshore head office locations such as Luxembourg, Ireland and Argentina collectively see a market share of 7% between them. On the other hand, the Cayman Islands is the most popular country of domicile for hedge funds in offshore locations with a market share of 77% as tax rates are low for companies domiciled in the country. Other offshore locations such as British Virgin Islands, Bermuda, Bahamas and Guernsey collectively see a market share of 18% between them.

Figures 7a-7b: Fund domiciles by the number of funds

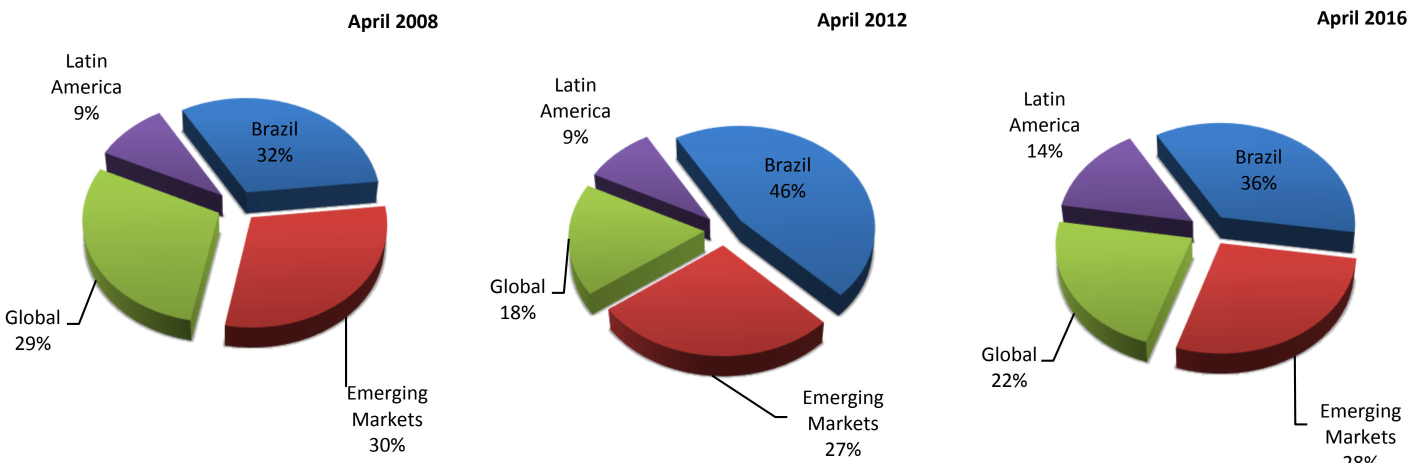


Source: Eurekahedge Source: Eurekahedge

Geographic mandates

In terms of distribution on assets by geographic mandate, Brazilian and emerging markets funds have collectively seen their shares increase slightly from 62% in 2008 to 64% in 2016. However, from 2012 to 2015, both of these mandates' collective market shares declined from 73% in April 2012 to 64% in April 2016 with the total assets managed by Brazil mandated hedge funds falling from 46% in 2012 to 36% in 2016. In 2012, the share of assets by geographic mandates was the largest for Brazil as investors seeking to diversify their investments increased their exposure into emerging markets. However, political and economic challenges in the Latin American region tipped the scales towards globally mandated hedge funds which saw their market share increase from 18% in 2012 to 22% in 2016 as the need to diversify remains a key theme in an increasingly uncertain market environment.

Figures 8a-8c: Geographic mandates by assets under management

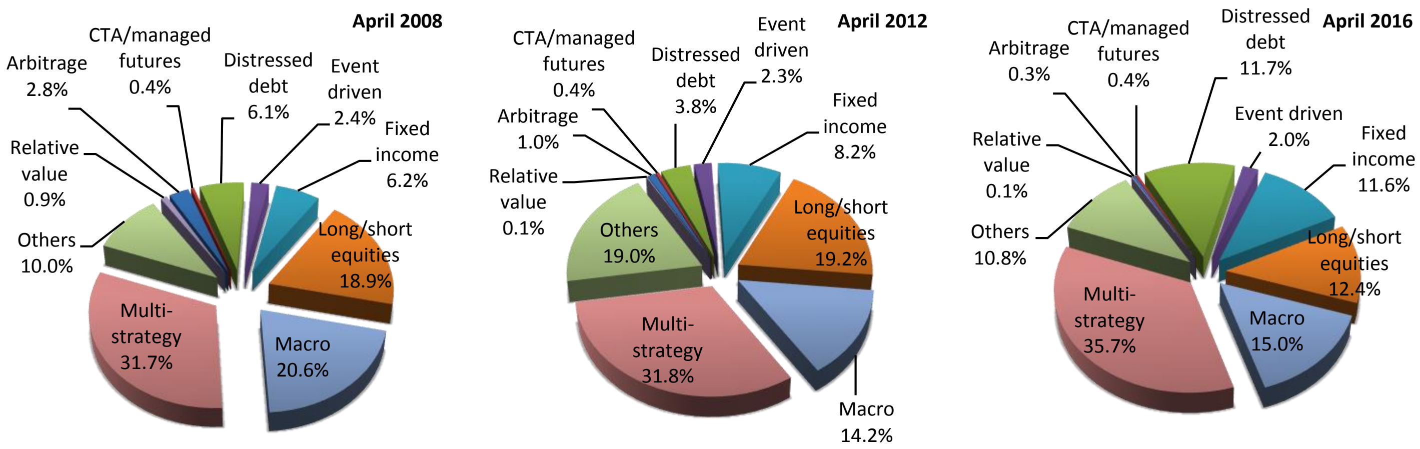


Source: Eurekahedge   Source: Eurekahedge   Source: Eurekahedge

Strategic mandates

Multi-strategy mandated hedge funds are the most sought after strategic mandate by asset under management with the share of asset allocations into this strategy increasing from 31.8% in April 2008 to 35.7% in April 2016. Long/short equities, fixed income and macro strategies are the next most popular mandates for Latin American hedge funds. The four strategies highlighted here collectively account for three-quarters of market share in April 2016. Fixed income hedge funds gained 5.4% in market share since 2008 while distressed debt hedge funds gained 5.6% over the same period though it is pertinent to note that distressed debt hedge funds have a small asset base to begin with. On the other hand, long/short equities mandated hedge funds have seen their market share decline from 18.9% in April 2008 to 12.4% in April 2016. Majority of long/short equities hedge funds are based in Brazil and manager performance has been largely affected by the volatile nature of the markets, political instability and the country's anaemic economic growth.

Figures 9a-9c: Strategic mandates by assets under management

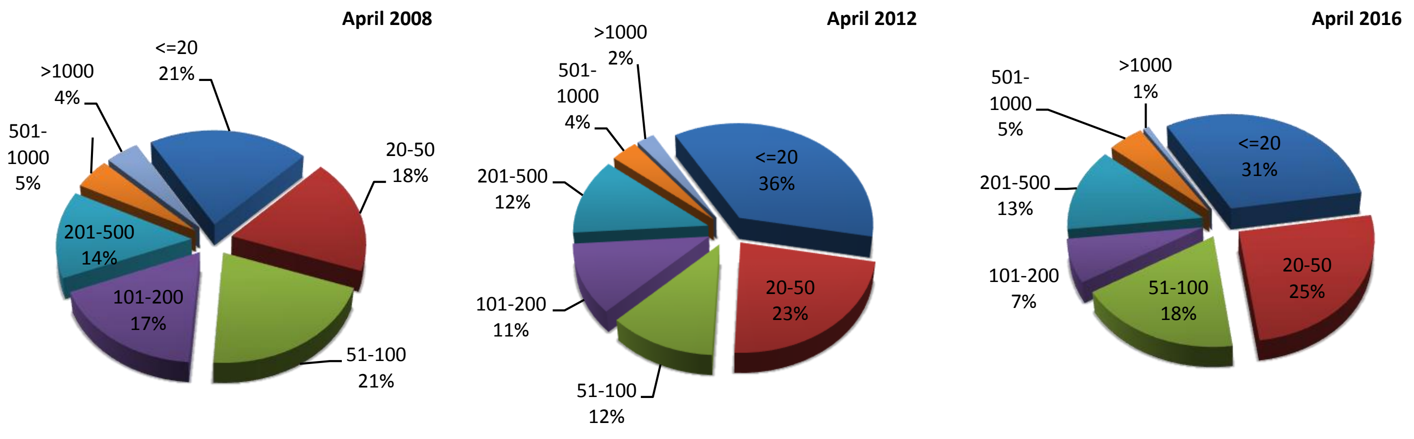


Source: Eurekahedge   Source: Eurekahedge   Source: Eurekahedge

Fund size

Seen in Figures 10a-10c, the percentage of hedge funds with AUM of US$100 million or less has increased from 60% in April 2008 to roughly three-quarters of the industry's total in April 2016. Within this bracket, the percentage of hedge funds with AUM of US$20 million or less has increased from 21% in April 2008 to 31% in April 2016. The percentage of hedge funds overseeing AUM between US$20 million to US$50 million has also increased by 7% while those within the bracket of US$51 million to US$100 million have seen their percentage decline from 21% to 18%. Managers overseeing smaller-sized hedge funds are challenged on multiples fronts; the difficult trading environment would mean that it can get tough conserving current capital, and in bad months could result in contraction of AUM as a result of both investor redemption and lacklustre performance. The percentage of hedge funds managing US$50 million or less has increased since 2008. On the other hand, large and well-established hedge funds managing assets above US$500 million have maintained their share of the pie, accounting for 6% since 2012 thus indicating that the industry still has a high 'barrier to entry' into the circle of the larger players.

Figures 10a-10c: Industry breakdown of hedge funds by fund size (USD million)

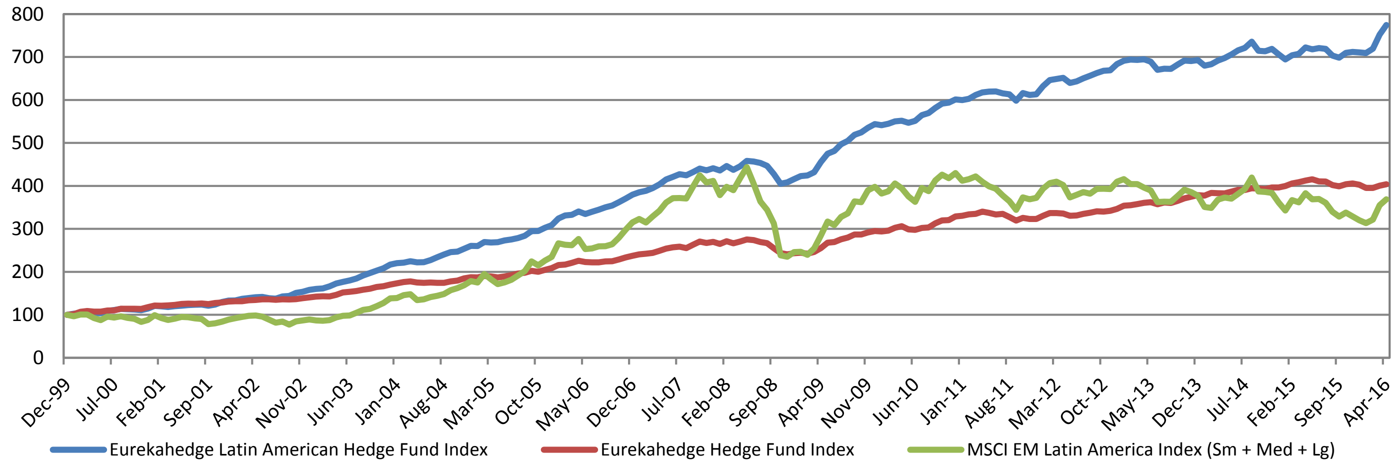


Source: Eurekahedge Source: Eurekahedge Source: Eurekahedge

Performance review

In this section of the report, we compare the performance of the Latin American hedge fund industry against global hedge funds, and with the underlying markets as denoted by the MSCI Latin America Index[5]. We further dissect their performance according to geographic and strategic mandates, and conclude with a performance review across various hedge fund sizes in the Latin American hedge fund space.

Figure 11: Performance of Latin American hedge funds vs. underlying markets



Source: Eurekahedge

[5] MSCI EM Latin America Index (Local)

Figure 11 displays the *Eurekahedge Latin American Hedge Fund Index*, *Eurekahedge Hedge Fund Index* and the MSCI Latin America Index[6] since December 1999. The overall performance of the *Eurekahedge Latin American Hedge Fund Index* has far surpassed the other two indices in part due to rapid economic growth in the underlying markets over the last 16 years and also the ability of the managers to guard against the downside risk which is inherent to investing in emerging markets. Since December 1999, Latin American fund managers have returned 674.51%, far outperforming the MSCI Latin America Index[7] which gained 268.85% in comparison.

Table 2 shows that Latin American hedge funds have underperformed their peers in the broader hedge fund industry when compared over the three year time horizon but outperformed both underlying markets and global peers over the five year period. The *Eurekahedge Latin American Hedge Fund Index* was up 3.69% and 4.63% respectively over the three and five year period. The same results also hold true in terms of risk-adjusted returns, with Latin American fund managers reporting Sharpe ratios of 0.31 and 0.52 over the three and five year period respectively.

Table 2: Performance of Latin American hedge funds vs. underlying markets

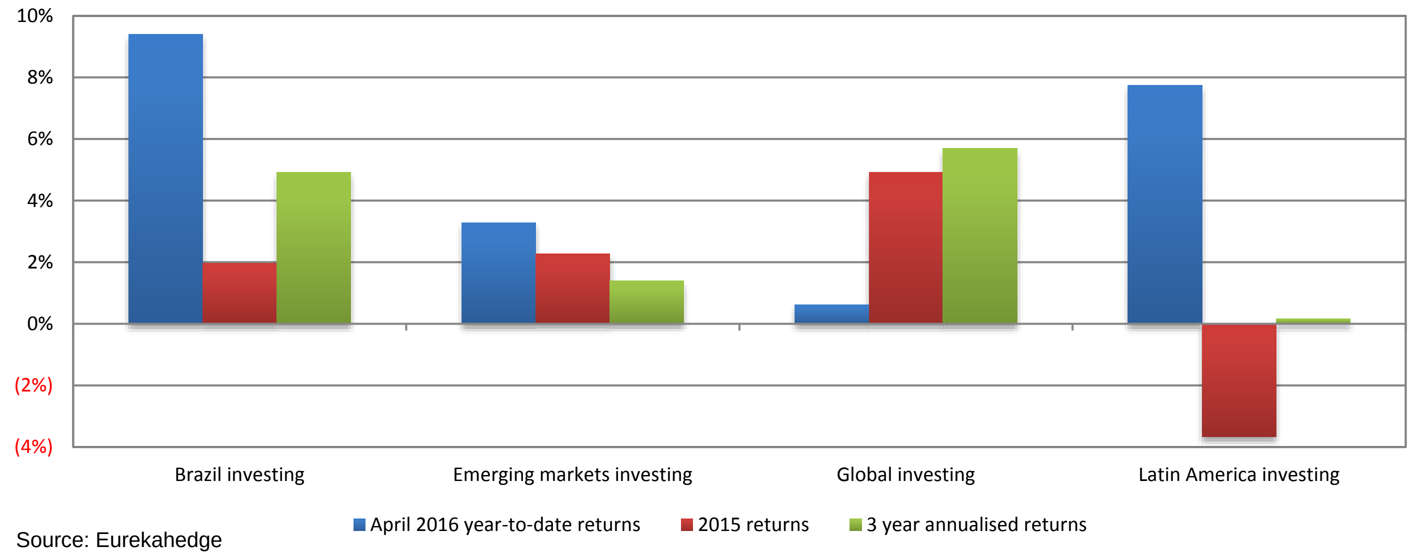
	EH Latin American Hedge Fund Index	EH Hedge Fund Index	MSCI Latin American Index
April 2016 year-to-date returns	8.96%	0.37%	15.24%
2015 returns	0.64%	1.52%	(11.42%)
3 year annualised returns	3.69%	3.87%	(2.33%)
3 year annualised volatility	5.40%	3.31%	15.05%
3 year Sharpe Ratio (RFR = 2%)	0.31	0.57	(0.29)
5 year annualised returns	4.63%	3.51%	(2.05%)
5 year annualised volatility	5.02%	3.80%	13.89%
5 year Sharpe Ratio (RFR = 2%)	0.52	0.40	(0.29)
Maximum drawdown (5 years)	(5.61%)	(6.10%)	(25.37%)

Source: Eurekahedge

Figure 12 shows the performance of Latin American hedge funds across regional mandates, with Brazil investing funds leading April 2016 year-to-date returns, up 9.40%. The Brazil IBOVESPA index returned 24.36% over the same year-to-date period. Further, cheap valuations over the past year in 2015 would mean that managers are able to reap impressive gains during this four month period. Latin America investing hedge funds also posted impressive year-to-date gains, up 7.75% thanks to a variety of factors including improved risk appetite, resilient oil and commodity prices and some positive developments in Brazil's political scene. Emerging market investing hedge funds were also up 3.28% on a year-to-date basis, while globally investing hedge funds gained a modest 0.62% over the same period. Over the past year, globally investing hedge funds posted the best returns and were up 4.93%, beating other geographic mandates despite much market turbulence in 2015. Being diversified in nature, globally investing funds are able to reduce downside risks from being heavily exposed into a concentrated region.

[6] Ibid
[7] Ibid

Figure 12: Performance of geographic mandates



Source: Eurekahedge

As seen in Table 3, globally investing hedge funds have the lowest volatility among the various geographic mandates over the three year time period while Brazil mandated funds have the lowest volatility over the five year time period. Globally investing funds have the best risk reward profile over the three year period, posting a Sharpe ratio of 1.00, while Brazil investing hedge funds had the best five year risk reward profile – Sharpe ratio of 0.83. Brazil investing hedge funds have also posted the lowest five-year maximum drawdown among all geographic mandates (4.94%).

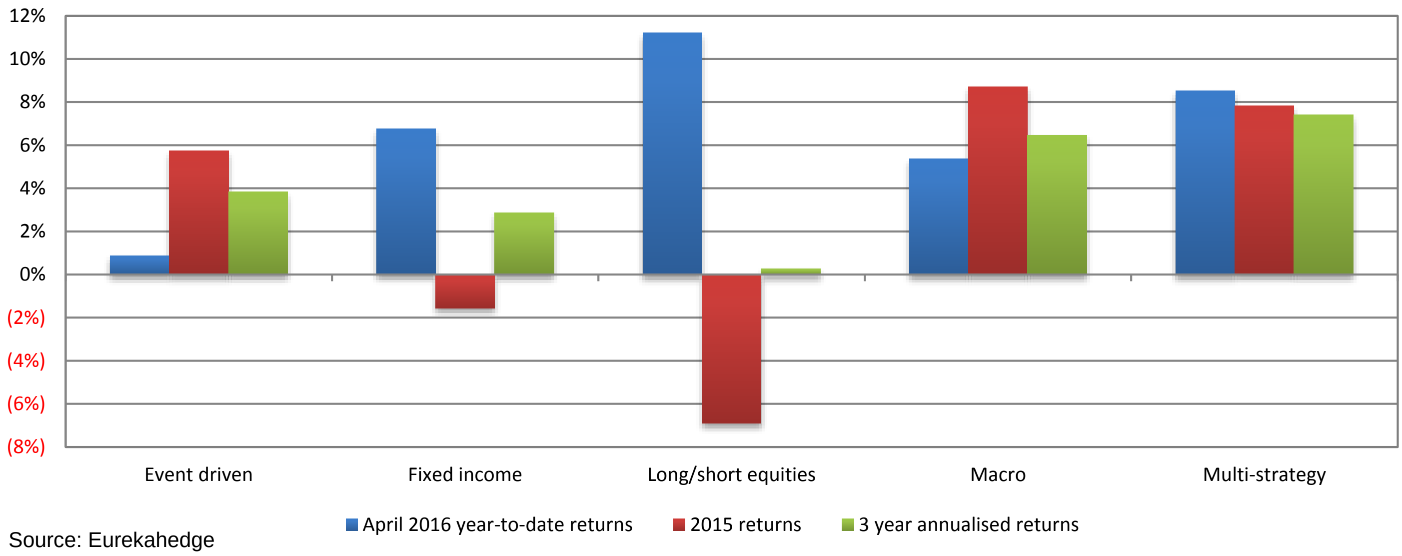
Table 3: Performance of geographic mandates

	Brazil investing	Emerging markets investing	Global investing	Latin America investing
April 2016 year-to-date returns	9.40%	3.28%	0.62%	7.75%
2015 returns	1.97%	2.27%	4.93%	(3.66%)
3 year annualised returns	4.93%	1.39%	5.69%	0.16%
3 year annualised volatility	5.33%	7.05%	3.69%	6.13%
3 year Sharpe Ratio (RFR = 2%)	0.55	(0.09)	1.00	(0.30)
5 year annualised returns	5.97%	3.39%	7.72%	1.12%
5 year annualised volatility	4.80%	9.19%	7.30%	5.99%
5 year Sharpe Ratio (RFR = 2%)	0.83	0.15	0.78	(0.15)
Maximum drawdown (5 years)	(4.94%)	(12.25%)	(7.50%)	(11.77%)

Source: Eurekahedge

In terms of April 2016 year-to-date returns, long/short equities led the table with gains of 11.21% as a rally in Brazilian equities propped up manager performance. Multi-strategy mandated hedge funds also posted good year-to-date gains so far and were up 8.53%. This is followed by fixed income and macro mandated hedge funds which were up 6.77% and 5.36% respectively while event driven hedge funds were up a modest 0.88%. Over the past year, Latin American long/short equities were down 6.91% - the strategy's worst annual return since 2008. Much of investor assets were poised for the rise in US interest rates in 2015, with the Fed hike acting as a pull factor while political instability and depressed oil prices for most part of 2015 acting as push factors, tipping the balance of global capital towards the developed world.

Figure 13: Performance across strategic mandates



Source: Eurekahedge

Table 4 summarises key performance statistics across the different strategic mandates. Macro funds posted the best risk reward profile over the three and five year time horizon with Sharpe ratios of 1.71 and 1.97 respectively. Multi-strategy hedge funds have also posted good risk-adjusted returns over both three and five year period with Sharpe ratios of 1.10 and 1.20 respectively. Despite the relatively good performance of macro and multi-strategy hedge funds within the Latin American hedge fund space, these two strategies have seen contracting fund population since 2008.

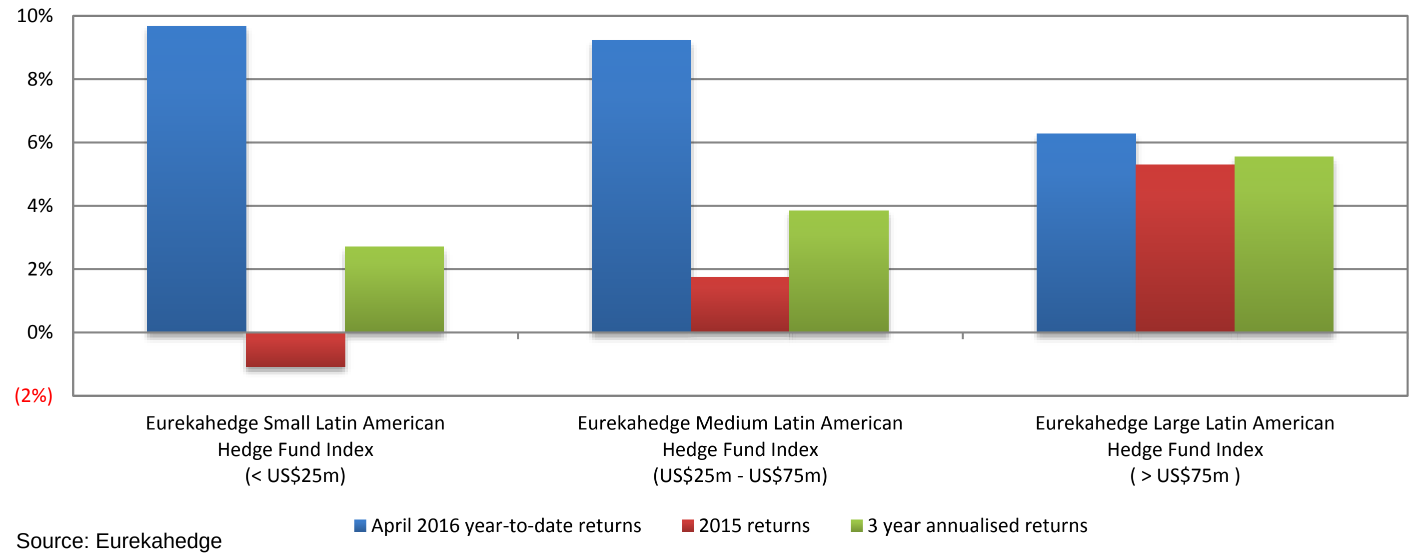
Table 4: Performance across strategic mandates

	Event driven	Fixed income	Long/short equities	Macro	Multi-Strategy
April 2016 year-to-date returns	0.88%	6.77%	11.21%	5.36%	8.53%
2015 returns	5.75%	(1.56%)	(6.91%)	8.71%	7.84%
3 year annualised returns	3.84%	2.87%	0.27%	6.46%	7.40%
3 year annualised volatility	8.72%	4.60%	8.07%	2.60%	4.93%
3 year Sharpe Ratio (RFR = 2%)	0.21	0.19	(0.21)	1.71	1.10
5 year annualised returns	(1.14%)	3.86%	2.45%	7.49%	7.11%
5 year annualised volatility	9.76%	4.34%	7.54%	2.79%	4.26%
5 year Sharpe Ratio (RFR = 2%)	(0.32)	0.43	0.06	1.97	1.20
Maximum drawdown (5 years)	(23.52%)	(5.60%)	(14.14%)	(1.20%)	(3.14%)

Source: Eurekahedge

In Figure 14, small funds (AUM < US$25m) have outperformed both the medium funds (AUM US$25m-US$75m) and large funds (AUM > US$75m), returning 9.68% in April 2016 year-to-date. Over the past year, large hedge funds have outperformed both small and medium-sized hedge funds and were up 5.29% while simultaneously posting the best three and five-year risk-adjusted returns with Sharpe ratios of 0.72 and 0.95 respectively. Large sized hedge funds also have the lowest three and five year volatility across fund sizes while posting the lowest maximum drawdown among fund sizes (4.68%).

Figure 14: Performance across fund size



Source: Eurekahedge

Table 5: Performance across fund size

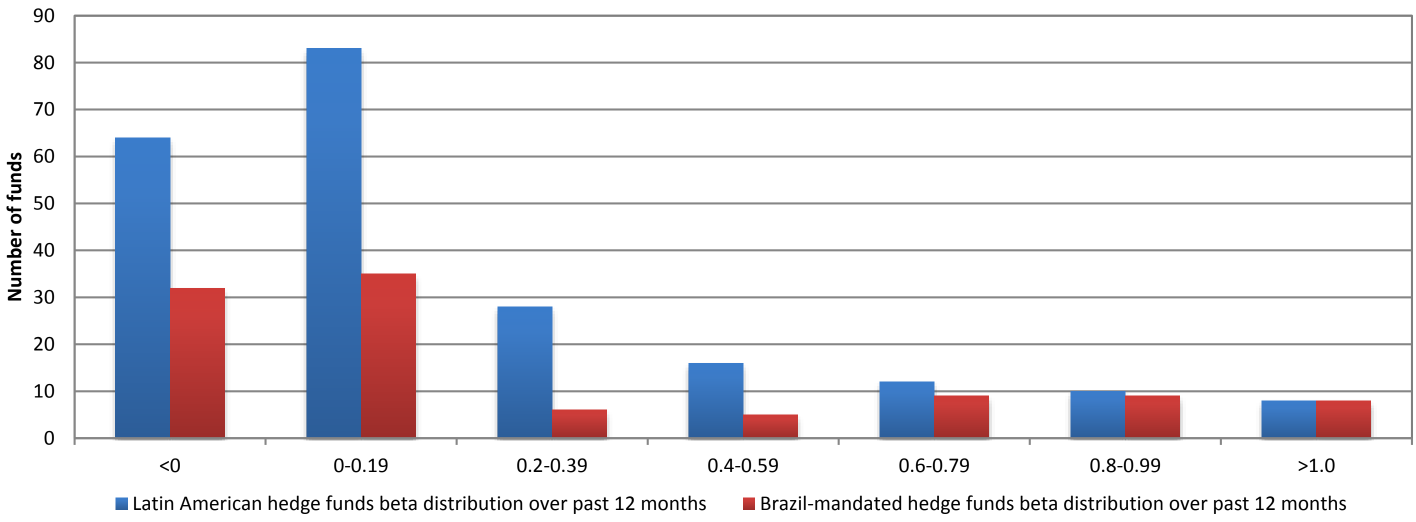
	Eurekahedge Small Latin American Hedge Fund Index (< US$25m)	Eurekahedge Medium Latin American Hedge Fund Index (US$25m - US$75m)	Eurekahedge Large Latin American Hedge Fund Index (> US$75m)
April 2016 year-to-date returns	9.68%	9.22%	6.27%
2015 returns	(1.09%)	1.75%	5.29%
3 year annualised returns	2.70%	3.84%	5.55%
3 year annualised volatility	5.62%	5.77%	4.96%
3 year Sharpe Ratio (RFR = 2%)	0.13	0.32	0.72
5 year annualised returns	3.38%	5.36%	6.38%
5 year annualised volatility	5.27%	5.24%	4.61%
5 year Sharpe Ratio (RFR = 2%)	0.26	0.64	0.95
Maximum drawdown (5 years)	(5.98%)	(6.30%)	(4.68%)

Source: Eurekahedge

Figure 15a shows the beta distribution of Latin American hedge funds and Brazil mandated hedge funds over the past 12 months, benchmarked against the MSCI Latin America Index[8]. Seen below, gains are largely not beta-driven for the majority of Latin American and Brazil mandated hedge funds over the past 12 months. A low beta to the underlying market ensures that these hedge funds are able to offer uncorrelated returns to their investors, especially during down markets where hedge funds generally tend to outperform underlying markets. However, it is also pertinent to note that some of these Latin American hedge funds also carry exposure to developed markets which can contribute to their low betas to underlying Latin American equity benchmarks. Over the past 12 months, Latin American hedge funds were up 7.39%, outperforming underlying markets as represented by the MSCI Latin America Index, which was down 3.67%.

[8] Ibid

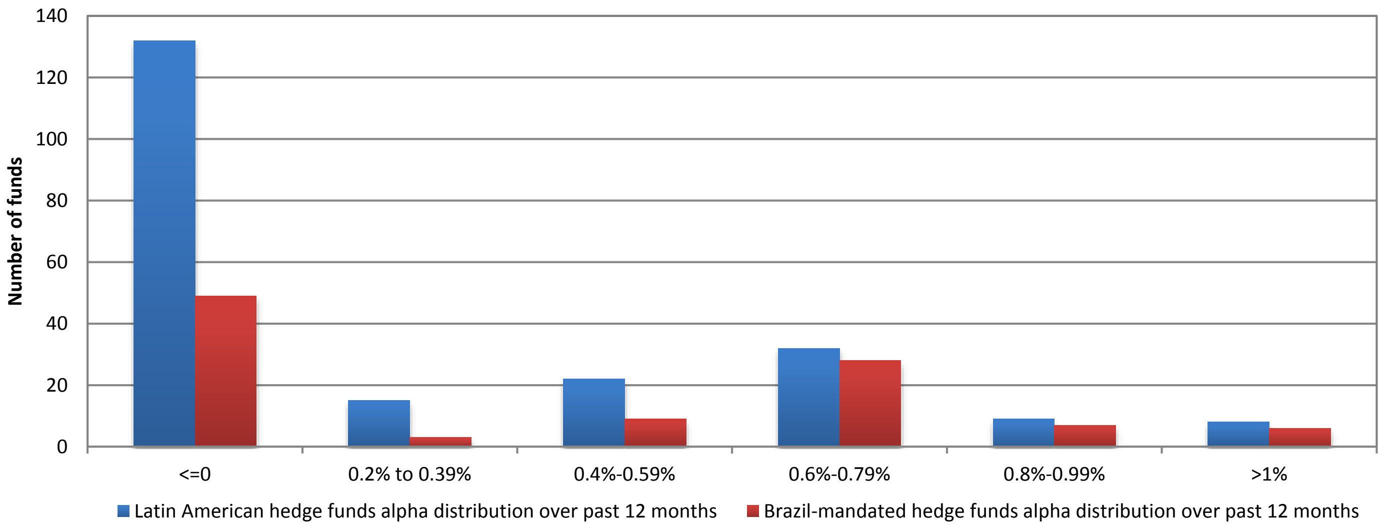
Figure 15a: Beta distribution over past 12 months



Source: Eurekahedge

Figure 15b displays the alpha[9] distribution of both Latin American hedge funds and Brazil-mandated hedge funds over the past 12 months. Over the period analysed, managers have had a difficult time delivering alphas with 61% of Latin American hedge funds and 48% of Brazil-mandated hedge funds returning negative alphas. On the other hand, Latin American hedge funds with positive alphas have performed well on average and were up 12.50% over the past 12 months with their median alpha at 0.45%. These funds have also outperformed the *Eurekahedge Latin America Hedge Fund Index* which was up 7.39% over the same period. Some of these managers have managed to reap good returns from assets priced at cheaper valuations during the 2H 2015 bear market. Over the past six years, Latin American managers have been struggling with diminishing alpha with 42% of Latin American managers returning positive alpha in 2015 compared to 69% of managers in 2010.

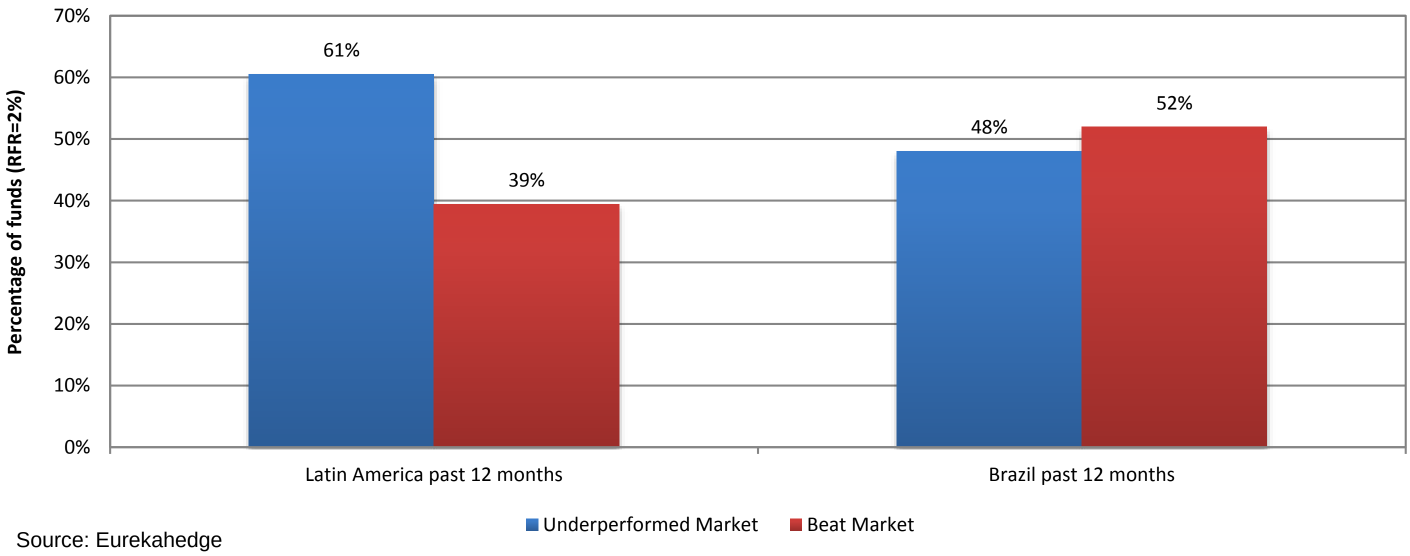
Figure 15b: Alpha distribution over past 12 months



Source: Eurekahedge

[9] Using 1-year Treasury Bill Rate, end April 2016 as risk-free rate

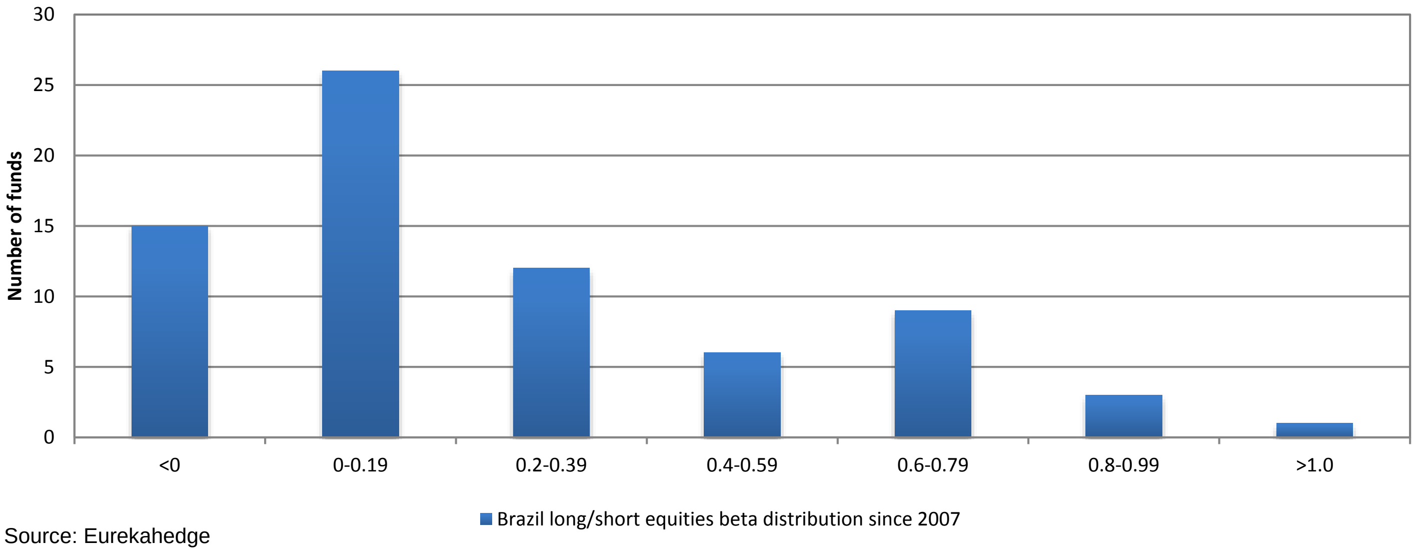
Figure 15c: Alpha performance over past 12 months



Source: Eurekahedge

In Figure 16a, we see the beta distribution for Brazil long/short equities hedge funds since 2007, benchmarked against the Brazilian IBOVESPA Index. Overall, a significant part of gains for Brazilian long/short equity hedge funds is also not beta-driven, with three-quarters of them having a beta of less than 0.40. Being too exposed towards the volatile nature of the stock market would be disadvantageous especially so when Brazil is in the midst of political reforms and the global economy is still stuck in low-growth. This sentiment is also reflected based on the tendency of managers to have a lower beta. Looking at the performance over the past 12 months, Brazil long/short equities hedge funds were up 8.42% on average while the benchmark was down 4.12%. It is pertinent to note that some of these hedge funds adopt a market neutral strategy, thus enabling them to reap gains regardless of market direction as managers have matching long and short positions. Noted in Figure 16c, the 12-month rolling beta, over the past nine years, has been within the range of 0.10 to 0.35.

Figure 16a: Beta distribution since 2007



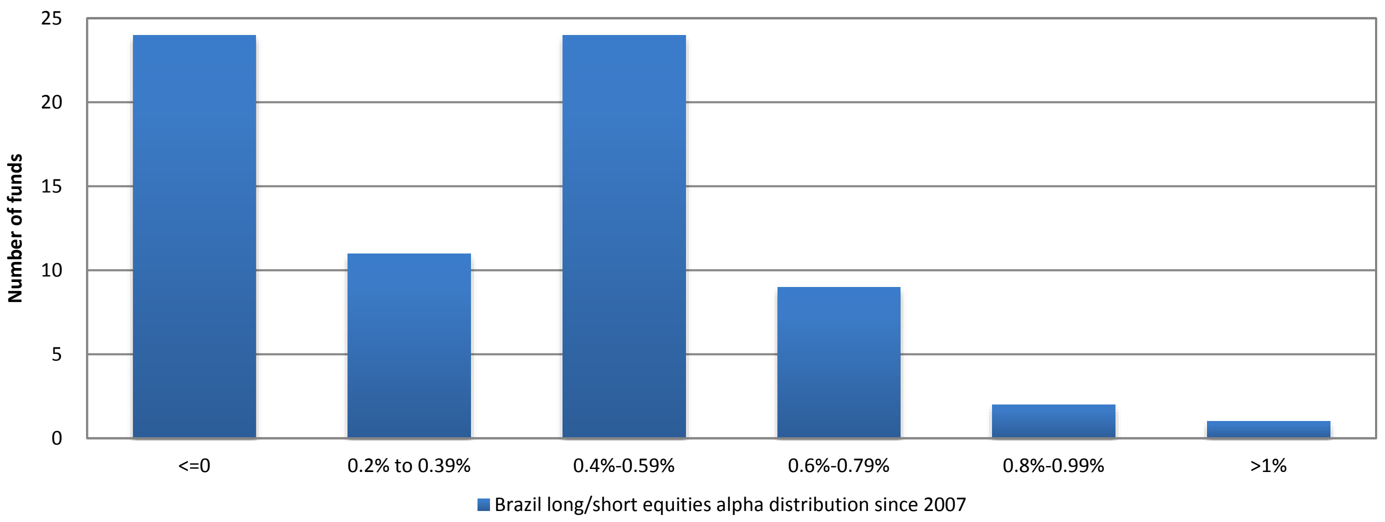
Source: Eurekahedge

Figure 16b shows the alpha[10] distribution for Brazil long/short equities since 2007, benchmarked against the IBOVESPA Index. Overall, majority (66%) of Brazil long/short equities managers have managed to return positive alpha since 2007, with three-quarters of these managers returning alpha between 0.2% and 0.59%. However, the fact that managers are struggling with

[10] Using 1-year Treasury Bill Rate, end April 2016 as risk-free rate

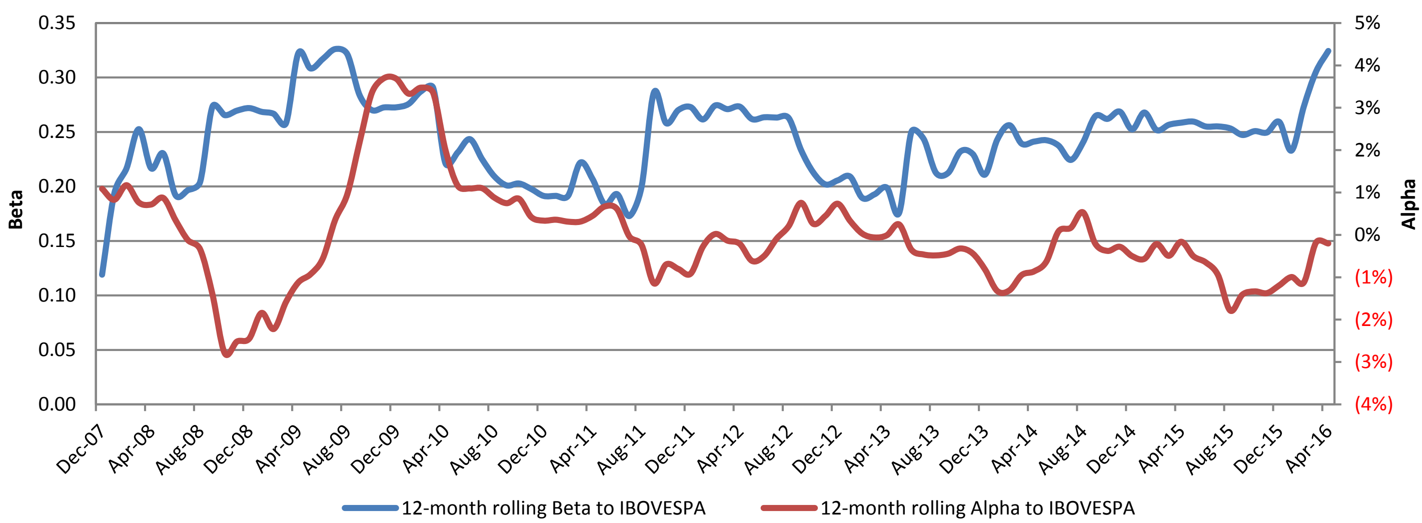
diminishing alpha remains, with the 12-month rolling alpha seeing a steady decline post-financial crisis. Over the past six years, 28% of Brazilian long/short equities hedge fund managers returned positive alpha in 2015 compared to 75% of managers in 2010.

Figure 16b: Alpha distribution since 2007



Source: Eurekahedge

Figure 16c: 12-month rolling Beta and Alpha



Source: Eurekahedge

May 2016 Returns (%)*	
Sparta Cíclico	4.66
Sagil Latin American Opportunities Fund - Class A	4.40
Horizon Growth Fund NV	3.62
Vegasoul Fund	3.62
Brasil Capital FIC FIA	3.40
GAP Long Short FIM	3.24
Ibiuna Long Short STLS FIC FIM	3.14
STK Capital Global Equities	2.95
Polo Macro FIM	2.79
Brasil Capital FIC FIM	2.62

3-Month Returns (%)	
Brasil Capital Equity Fund	34.03
Squadra Equity Fund Ltd - Brazil Long-Biased Equity Class USD	24.26
Brasil Capital FIC FIA	24.07
Brasil Capital Long Biased FIC FIA	21.52
Oceana Brazil Equities Fund	19.27
Sparta Cíclico	16.94
Oceana Valor FIA	16.70
Sagil Latin American Opportunities Fund - Class A	15.28
Quantum Leap Program	15.15
Oceana Long Biased FIA	14.81

2016 YTD Returns (%)	
Brasil Capital Equity Fund	31.16
Squadra Equity Fund Ltd - Brazil Long-Biased Equity Class USD	27.34
Brasil Capital FIC FIA	24.17
Brasil Capital Long Biased FIC FIA	21.53
Oceana Brazil Equities Fund	20.39
Oceana Selection FIA	18.15
Sparta Cíclico	18.01
Oceana Valor FIA	17.20
Oceana Long Biased FIA	16.97
GAP Equity Value I FIC FIA	13.88

2015 Returns (%)	
CSHG Verde FIC FIM	28.66
Seguridad Financiera Program	28.66
Knossos Multi-Strategy Segregated Portfolio - Class A	28.56
Constancia Equity Hedge FIC FIM	25.59
Sparta Cíclico	24.63
NEO Multi Estrategia Fund	21.97
Advis Enduro FIC de FIM	20.75
Owl Creek Argentina Recovery Fund LP	19.64
Copernico Latin America Strategic Fund - Series A	19.43
Ibiuna Hedge STR FIC de FIM	19.13

Annualised Returns (%)**	
Dynamo Cougar	53.12
Sparta Cíclico	31.44
Brasil Capital FIC FIA	28.18
Advis Enduro FIC de FIM	23.43
Vegasoul Fund	21.59
Horizon Growth Fund NV	19.82
Paineiras Hedge FIC FIM	18.86
Polo CSHG FIC FIA	18.21
GAP Hedge FIM	18.04
Bresser Açoes FIA	16.80

Annualised Standard Deviation**	
Sparta Premium Renda Fixa	0.61
Sparta Top Renda Fixa	0.69
BNY Mellon ARX FI Referenciado DI LP	0.83
Sparta Dinâmico FIM	1.09
BNY Mellon ARX Cash FI CP	1.14
GAP Institucional FIM	1.38
Aquilla Dinamico FIM	1.48
Aquilla Hedge FIM	1.80
Polo Crédito Privado FIM	1.88
Ibiuna Long Short FIC FIM	2.17

Sharpe Ratio**	
Sparta Premium Renda Fixa	17.67
Sparta Top Renda Fixa	16.28
BNY Mellon ARX FI Referenciado DI LP	13.40
BNY Mellon ARX Cash FI CP	11.06
Sparta Dinâmico FIM	10.84
Polo Crédito Privado FIM	8.79
GAP Institucional FIM	8.79
Aquilla Hedge FIM	6.99
Aquilla Dinamico FIM	6.61
NEO Multi Estrategia Fund	5.82

Sortino Ratio**	
Aquilla Dinamico FIM	68.19
Polo Crédito Privado FIM	65.92
GAP Hedge FIM	53.94
GAP Long Short FIM	32.42
NEO Multi Estrategia Fund	32.26
Bresser Hedge FIM	25.34
Oceana Long Short FIM	20.27
Ibiuna Long Short FIC FIM	16.47
Kadima FIC FIM	16.32
GAP Multiportfolio FIM	15.13

* Based on 6466% of funds which have reported May 2016 returns as at 16 June 2016
** For funds with a track record of at least 5 months as at end-May 2016

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HEDGE FUNDS STRATEGY TOP 10 TABLES (MAY YTD)**

Arbitrage	
Phoenix Capital Fund LP	20.83
Polaris Capital Management	15.83
Tempo Volatility Fund LLC	11.26
Hellebore Credit Arbitrage A Share - EUR	9.60
Dorset Fund	8.60
Clover Options Fund LP	7.40
Pine River Convertibles Fund LP	6.49
Orsay Merger Arbitrage Fund - Class 3 EUR	6.30
OPEX Capital Partners Fund LP	6.14
Lancing Liquid Relative Value Fund - Class B	5.53

CTA/Managed Futures	
SafePort Silver Mining Fund	115.04
SafePort Gold & Silver Mining Fund	92.58
Brandywine Symphony Preferred Fund LP	52.59
Kinkopf Capital S&P	29.16
Quantitative Global Fund - 3x	23.29
AIS Futures Fund LP (3x-6x)	21.70
Martin Fund LP	17.49
HonTe Advisors LLC	16.95
Klassik Strategy	16.05
AIS Futures Fund II LP (2x-4x)	14.43

Distressed Debt	
JLP Credit Opportunity Fund LP	14.37
Hof Hoorneman Phoenix Fund	11.42
Simplon International Ltd	10.41
Scoggin Worldwide Distressed Fund LLC	5.55
Polygon Distressed Opportunity Fund Ltd	3.25
KS Capital Partners LP	2.03
KS International Inc	1.95
PENN Distressed Fund LP	0.42
Dalton High Yield Mortgage Fund Ltd	0.22
Knighthead Master Fund	0.14

Event Driven	
G10-Rosseau Special Situations Fund (US) LP	121.80
Rosseau LP	101.37
Accendo Capital	14.85
ECF Value Fund I LP	14.80
Equinox Russian Opportunities Fund Ltd	13.45
Corre Opportunities Qualified Onshore Fund LP	11.64
GrizzlyRock Value Partners LP	11.26
Tosca Opportunity Class A Series 1 USD	11.04
Kairos Pegasus Fund Ltd - Class E2 EUR	9.81
CFP Opportunity Fund	9.55

Fixed Income	
Pantera Bitcoin Fund	24.08
Serica Credit Balanced Fund	13.68
Bradesco Global Funds - Brazilian Hard Currency Bond Fund - Class I USD	13.46
Brasil Capital FIC FIM	11.98
Galloway Emerging Markets High Yield Bond Fund	10.65
Silverdale Fund SP-1	9.05
Seven Fixed Income Fund (Share I)	8.39
Venator Income Fund - Class F	7.99
Copernico Latam High Yield Fund - Class B USD	7.96
Marathon Loan Opportunities Fund Ltd	7.59

Long/Short Equities	
AIS Gold Fund LP	83.70
Sofaer Capital Asian Hedge Fund - B	51.83
Left Brain Capital Appreciation Fund LP	44.46
Primevestfund	44.43
GRT Energy & Income LP	41.72
Teraz Fund	41.08
Brasil Capital Equity Fund	31.16
Squadra Equity Fund Ltd - Brazil Long-Biased Equity Class USD	27.34
Brasil Capital FIC FIA	24.17
Brasil Capital Long Biased FIC FIA	21.53

Macro	
Geneva Global Macro	59.02
Doshi Gama Fund	34.86
Finamatrix Quant Fund	20.24
Sparta Cíclico	18.01
Vontobel Fund - Harcourt Dynamic Commodity - Class I USD	13.36
Vontobel Fund - Harcourt Commodity - Class I USD	11.97
IPM Systematic Macro Fund - Class E USD	10.86
IPM Systematic Macro UCITS Fund - Class I USD	10.43
Vontobel Fund - Harcourt Non-Food Commodity - Class B USD	10.34
Robust Methods	10.18

Multi-Strategy	
SAC Global Energy and Mining Fund	69.71
Oceana Selection FIA	18.15
Oceana Long Biased FIA	16.97
Luminance Global Fund	16.45
CQS Directional Opportunities Feeder Fund Ltd	14.86
GAP Equity Value I FIC FIA	13.88
Dynamo Cougar	12.92
MBA Latin America Opportunity Fund	12.75
Kayne Anderson Capital Income Partners (QP) LP	12.29
Advis Enduro FIC de FIM	12.00

Relative Value	
Runestone Capital Fund - Class B	30.08
SAR Volatility Arbitrage (VOLA) Managed Account	26.67
Blue Diamond Non-Directional Fund	17.47
Gondor Partners Fund LP	9.89
Twin Tree Capital Partners LP	9.66
Snow Capital Investment Partners LP	7.90
Pine River Liquid Rates Fund LP	5.28
The Cassiopeia Fund - Class A CHF	4.81
Value Partners Taiwan Fund	4.72
DB Platinum IV Clinton Equity Strategies I1C-U	4.43

* Based on 64.66% of funds which have reported May 2016 returns as at 16 June 2016
** For funds with a track record of at least 5 months as at end-May 2016

May 2016 Returns (%)*	
Eastspring Investments Dinasti Equity Fund	6.98
CIMB Islamic Greater China Equity Fund	6.64
Kuwait Investment Fund	6.30
Public China Ittikal Fund	6.19
PB Islamic Asia Strategic Sector Fund	5.69
Public Asia Ittikal Fund	4.99
CIMB Islamic Asia Pacific Equity Fund - MYR	4.91
Manulife Investment Shariah Asia-Pacific Fund	4.79
PB Islamic Asia Equity Fund	4.79
Public Islamic Asia Dividend Fund	4.74

3-Month Returns (%)	
Deutsche Noor Precious Metals Securities - Class A	18.98
Meezan Islamic Fund	16.46
Al Meezan Mutual Fund	16.42
Meezan Tahaffuz Pension Fund - Equity Sub Fund	15.32
Atlas Islamic Stock Fund	14.51
Atlas Pension Islamic Fund - Equity Sub Fund	14.23
NewFunds Shariah Top 40 Index ETF	12.46
Al Rajhi Petrochemical and Cement Equity Fund	10.64
Meezan Balanced Fund	10.34
The Iman Fund	10.07

2016 YTD Returns (%)	
Deutsche Noor Precious Metals Securities - Class A	58.90
AmPrecious Metals	42.38
NewFunds Shariah Top 40 Index ETF	14.91
Al Meezan Mutual Fund	10.72
Meezan Islamic Fund	10.58
Atlas Islamic Stock Fund	8.85
Atlas Pension Islamic Fund - Equity Sub Fund	8.50
Meezan Tahaffuz Pension Fund - Equity Sub Fund	7.90
Meezan Balanced Fund	7.38
WSF Asian Pacific Fund - USD I	5.64

2015 Returns (%)	
Eastspring Investments Asia Pacific Shariah Equity Fund	32.24
Eastspring Investments Dinasti Equity Fund	19.01
Public Islamic Opportunities Fund	18.70
Public Islamic Select Treasures Fund	18.35
CIMB Islamic Greater China Equity Fund	17.63
CIMB Islamic Small Cap Fund	17.06
RHB Dana Islam	16.54
Meezan Tahaffuz Pension Fund - Equity Sub Fund	16.50
Public Asia Ittikal Fund	15.42
CIMB Islamic Asia Pacific Equity Fund - MYR	14.87

Annualised Returns (%)**	
Atlas Pension Islamic Fund - Equity Sub Fund	20.94
Meezan Tahaffuz Pension Fund - Equity Sub Fund	18.86
Atlas Islamic Stock Fund	15.27
Public Islamic Select Enterprises Fund	12.86
Public Islamic Opportunities Fund	12.51
Jadwa Saudi Equity Fund	11.86
WSF Global Equity Fund - USD I	11.29
Jadwa GCC Equity Fund	10.15
Public Islamic Equity Fund	9.93
Jadwa Arab Markets Equity Fund	9.65

Annualised Standard Deviation**	
Boubyan USD Liquidity Fund	0.05
Boubyan KWD Money Market Fund	0.06
Public Islamic Money Market Fund	0.14
PB Islamic Cash Management Fund	0.15
CIMB Islamic Deposit Fund	0.16
CIMB Islamic Money Market Fund	0.17
PB Islamic Cash Plus Fund	0.22
Emirates Islamic Money Market Fund Limited Institutional Share Class I USD	0.24
FALCOM SAR Murabaha Fund	0.28
Watani USD Money Market Fund	0.33

Sharpe Ratio**	
Public Islamic Money Market Fund	20.13
PB Islamic Cash Management Fund	17.60
Boubyan KWD Money Market Fund	17.29
PB Islamic Cash Plus Fund	12.05
Boubyan USD Liquidity Fund	11.32
Meezan Tahaffuz Pension Fund - Money Market Sub Fund	9.94
Meezan Tahaffuz Pension Fund - Debt Sub Fund	6.42
Al Rajhi Commodity Mudarabah Fund - USD	6.38
Atlas Pension Islamic Fund - Debt Sub Fund	6.37
FALCOM SAR Murabaha Fund	5.80

Sortino Ratio**	
CIMB Islamic Money Market Fund	59.75
Atlas Pension Islamic Fund - Debt Sub Fund	25.55
Meezan Tahaffuz Pension Fund - Debt Sub Fund	24.79
MNC Dana Syariah	17.31
Public Islamic Income Fund	11.53
Public Islamic Select Bond Fund	6.17
PB Islamic Bond Fund	5.67
Public Islamic Bond Fund	5.67
Atlas Pension Islamic Fund - Money Market Sub Fund	3.30
Public Islamic Select Enterprises Fund	2.75

* Based on 64.15% of funds which have reported May 2016 returns as at 16 June 2016
** For funds with a track record of at least 12 months as at end-May 2016

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EUREKAHEDGE REGION/STRATEGY INDEX RETURN MATRIX

	Arbitrage		CTA/managed futures		Distressed debt		Event driven		Fixed income		Long/short equities		Macro		Multi-strategy		Relative value		Insurance-linked securities		All strategies	
	May 2016	2016 YTD Returns	May 2016	2016 YTD Returns	May 2016	2016 YTD Returns	May 2016	2016 YTD Returns	May 2016	2016 YTD Returns	May 2016	2016 YTD Returns	May 2016	2016 YTD Returns	May 2016	2016 YTD Returns	May 2016	2016 YTD Returns	May 2016	2016 YTD Returns	May 2016	2016 YTD Returns
Asia	0.41	2.41	0.88	4.89			2.26	(1.98)	0.39	2.43	0.26	(2.49)	0.45	(1.82)	(0.31)	(1.83)					0.37	(1.96)
Asia ex Japan			0.75	2.52			0.73	(3.56)	0.10	1.92	0.18	(2.51)	4.86	1.11	(0.44)	(3.52)					0.23	(2.11)
Asia inc Japan	0.25	2.40	0.88	4.89			0.34	(1.96)	0.36	3.19	0.14	(2.55)	0.45	(1.82)	(0.50)	(2.12)					0.16	(1.76)
Australia / New Zealand											3.48	(0.44)									3.37	0.30
Emerging markets	0.25	2.80	(0.02)	0.98	1.28	(0.45)	0.84	0.33	0.42	4.56	(0.31)	0.12	0.37	2.31	(0.50)	4.16					(0.14)	1.96
Europe	(0.04)	1.64	(0.07)	(4.03)			0.50	2.47	0.48	0.96	1.24	(2.26)	0.34	(2.56)	1.81	(0.32)	(0.14)	3.35			1.00	(1.25)
Greater China									0.03	1.93	(1.53)	(5.91)			(3.80)	(7.63)					(1.48)	(5.80)
India			0.12	(0.62)							0.87	0.54			1.24	(2.56)					0.81	0.04
Japan							6.09	(4.12)	0.59	(5.56)	0.58	(2.59)			0.65	0.03					1.00	(2.96)
Korea																						
North America	1.18	3.04	0.87	1.43	1.50	1.52	0.63	7.23	1.15	1.67	1.10	1.07	0.40	0.49	1.01	4.32	0.77	3.06			1.03	1.94
Latin America							0.41	1.29	1.03	7.87	0.26	11.46	0.39	6.14	(0.56)	7.66					0.03	8.93
Latin America (Offshore)											(0.15)	11.32			(2.73)	2.77					(0.98)	5.81
Latin America (Onshore)									1.16	7.89	0.48	11.54	0.39	6.57	0.10	8.93					0.36	9.85
All Regions	0.94	2.51	(0.75)	1.03	1.66	2.66	1.29	2.96	0.63	1.93	0.91	(0.55)	(0.37)	0.28	0.24	1.58	0.34	2.32	0.33	1.87	0.40	0.75

* Based on 64.66% of funds which have reported May 2016 returns as at 16 June 2016

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