

Alceda UCITS Review

No.1 2014

SUMMARY

The first half of 2014 saw very strong growth in the alternative UCITS universe with assets under management growing by 16% to reach €184bn, a new milestone for the sector. In a continuation of a trend seen last year equity long short strategies have benefitted from strong investor demand with event driven strategies also proving popular in 2014 as global M&A volumes increase.

- >> Having advanced 5.95% in 2013 Alternative UCITS strategies had a more muted first half of 2014 with the AH Global Index advancing just 0.52% to the end of June. Macro strategies have continued to struggle with the AH Macro Index down -0.41%. The AH Equity Long Short Index is flat to the end of June, underperforming most long only equity indices. April was a particularly difficult month for equity long short managers, as despite relatively nominal moves at the Index level there were significant underlying style rotations and unwinding of consensus positions which hurt active managers.
- >> Multi Asset is the top performing alternative UCITS strategy YTD with the AH Multi Asset Index up 3.52%. These strategies have been helped by rises in equity and bond markets which are both up over 4% YTD. Another strategy successfully capturing this market dynamic is managed futures with the AH Managed Futures Index up 1.42% YTD.
- >> The alternative UCITS universe experienced very strong growth in the first half of 2014 with AUM rising 15.6% to €184.2bn. Equity long short and event driven strategies were in particularly strong demand with assets rising 66.8% and 99.2% respectively since the end of last year. Managed futures was the only sector to lose assets however performance has generally improved and we are seeing tentative signs of investors re-examining the sector after a difficult couple of years.
- >> Our research has highlighted an increasing number of funds acting to limit capacity after seeing strong inflows over the last couple of years. Our analysis shows that 6% of funds in the universe are now limiting capacity, which together these account for 13.6% of AUM. The issue of capacity is most acute in equity long short where 48% of AUM is currently invested in closed funds. In our opinion this is compelling evidence of the strong demand for high quality alternative UCITS products and should encourage managers to launch further strategies in UCITS format.
- >> There was a healthy number of new launches in the first half of 2014 with several well-known US hedge funds managers launching UCITS versions of their flagship funds, which is a further evidence of the global appeal of the UCITS brand.

For more information on
Alceda or Alternative
UCITS please visit
www.alceda.lu/en

PERFORMANCE

1 AH UCITS INDEX PERFORMANCE: GLOBAL

	H1 2014 (%)	YTD (%)	Last 12 Months (%)
AH Global UCITS Index	0.52	0.52	4.39
HFRI Fund Weighted Composite Index	1.86	1.86	7.70
J.P. Morgan GBI Broad	4.14	4.14	4.84
MSCI World Index (TR)	5.82	5.82	22.35

Source: Kepler Partners, www.absolutehedge.com

>> Multi Asset strategies led the way in the H1
helped by advancing bond and equity markets. <<

2 AH UCITS INDEX PERFORMANCE: STRATEGY

	Q1 2014	Q2 2014	YTD	12M
AH Global UCITS Index	0.35	0.16	0.52	4.39
AH Credit Index	1.17	0.82	2.00	4.41
AH Equity Long Short Index	0.83	-0.81	0.01	7.45
AH Event Driven Index	0.58	0.25	0.83	5.33
AH FX Index	0.81	-0.23	0.57	-2.55
AH Macro Index	-0.23	-0.18	-0.41	0.67
AH Managed Futures Index	-3.06	4.62	1.42	4.99
AH Market Neutral Index	0.42	-1.12	-0.71	-0.40
AH Multi Asset	0.51	2.99	3.52	6.51

Source: Kepler Partners, www.absolutehedge.com

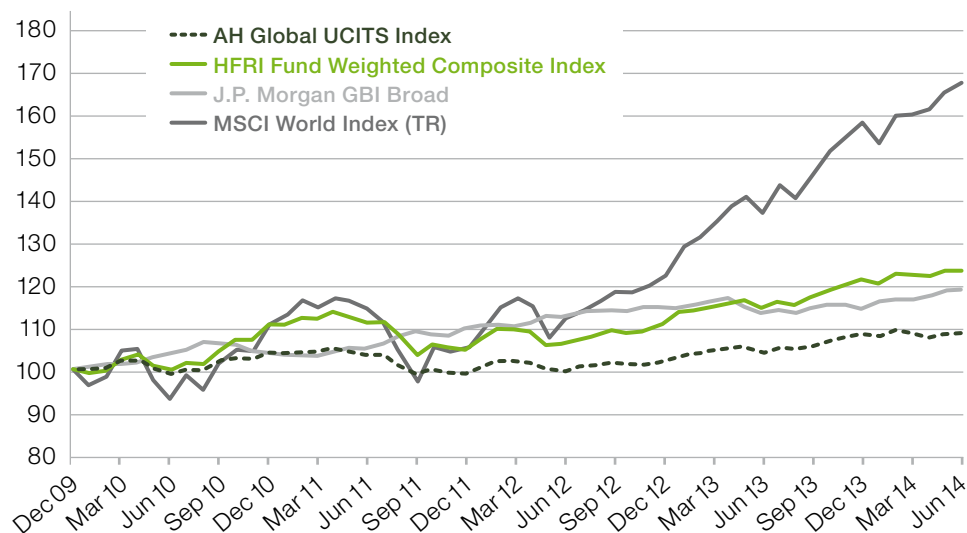
3 STRATEGY HEAT MAP: QUARTERLY

Q1/2012	Q2/2012	Q3/2012	Q4/2012	Q1/2013	Q2/2013	Q3/2013	Q4/2013	Q1/2014	Q2/2014
MSCI World 11.34 %	JPM GBI 1.88 %	MSCI World 5.73 %	MSCI World 3.07 %	MSCI World 9.93 %	MSCI World 1.94 %	MSCI World 6.52 %	MSCI World 8.55 %	JPM GBI 2.18 %	Managed Futures 4.62 %
Equity Long Short 3.96 %	FX Index 1.32 %	Multi Asset 3.03 %	Equity Long Short 2.12 %	Equity Long Short 4.17 %	Market Neutral 1.45 %	Equity Long Short 2.98 %	Managed Futures 6.08 %	Credit 1.17 %	MSCI World 4.61 %
Event Driven 3.37 %	Credit 0.20 %	Equity Long Short 2.88 %	Credit 1.62 %	Managed Futures 3.79 %	Event Driven 0.63 %	Event Driven 2.73 %	Equity Long Short 4.33 %	MSCI World 1.15 %	Multi Asset 2.99 %
Credit 2.44 %	Multi Asset -0.63 %	Market Neutral 2.05 %	Event Driven 0.82 %	Multi Asset 3.19 %	Equity Long Short 0.38 %	Credit 1.11 %	Event Driven 1.69 %	Equity Long Short 0.83 %	JPM GBI 1.91 %
FX Index 2.20 %	Market Neutral -2.05 %	Macro 1.61 %	JPM GBI 0.76 %	Market Neutral 1.93 %	Credit 0.13 %	Multi Asset 1.02 %	Multi Asset 1.53 %	FX Index 0.81 %	Credit 0.82 %
Macro 2.07 %	Managed Futures -2.14 %	Credit 1.60 %	Market Neutral 0.47 %	Event Driven 1.54 %	Macro -0.07 %	JPM GBI 0.67 %	Macro 1.40 %	Event Driven 0.58 %	Event Driven 0.25 %
Market Neutral 1.94 %	Macro -2.15 %	JPM GBI 1.49 %	Macro 0.23 %	Macro 1.26 %	FX Index -0.39 %	Macro -0.31 %	Credit 1.23 %	Multi Asset 0.51 %	Macro -0.18 %
Multi Asset 1.34 %	Equity Long Short -2.77 %	FX Index 0.96 %	Multi Asset -0.79 %	FX Index 1.21 %	JPM GBI -1.74 %	Market Neutral -0.55 %	Market Neutral 0.86 %	Market Neutral 0.42 %	FX Index -0.23 %
JPM GBI 0.44 %	Event Driven -3.01 %	Event Driven 0.29 %	Managed Futures -2.43 %	Credit 0.86 %	Multi Asset -3.32 %	Managed Futures -2.42 %	FX 0.19 %	Macro -0.23 %	Equity Long Short -0.81 %
Managed Futures -2.60 %	MSCI World -4.05 %	Managed Futures -0.81 %	FX Index -2.86 %	JPM GBI 0.79 %	Managed Futures -3.79 %	FX -3.29 %	JPM GBI 0.00 %	Managed Futures -3.06 %	Market Neutral -1.12 %

Source: Kepler Partners, www.absolutehedge.com

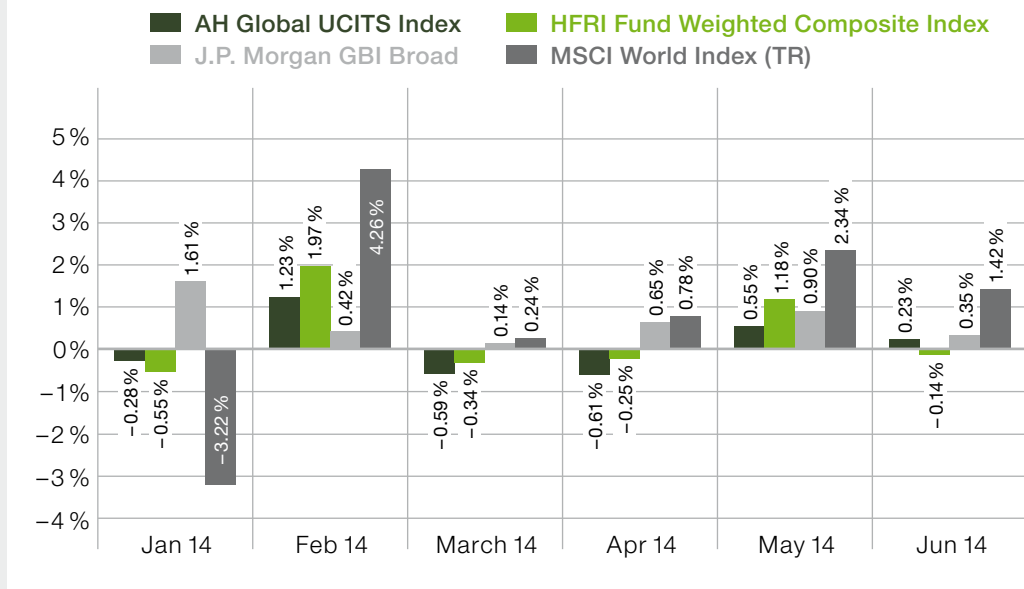
>> Managed futures returns remained volatile losing money in Q1 and making it in Q2. <<

4 AH UCITS INDEX PERFORMANCE: SINCE INCEPTION



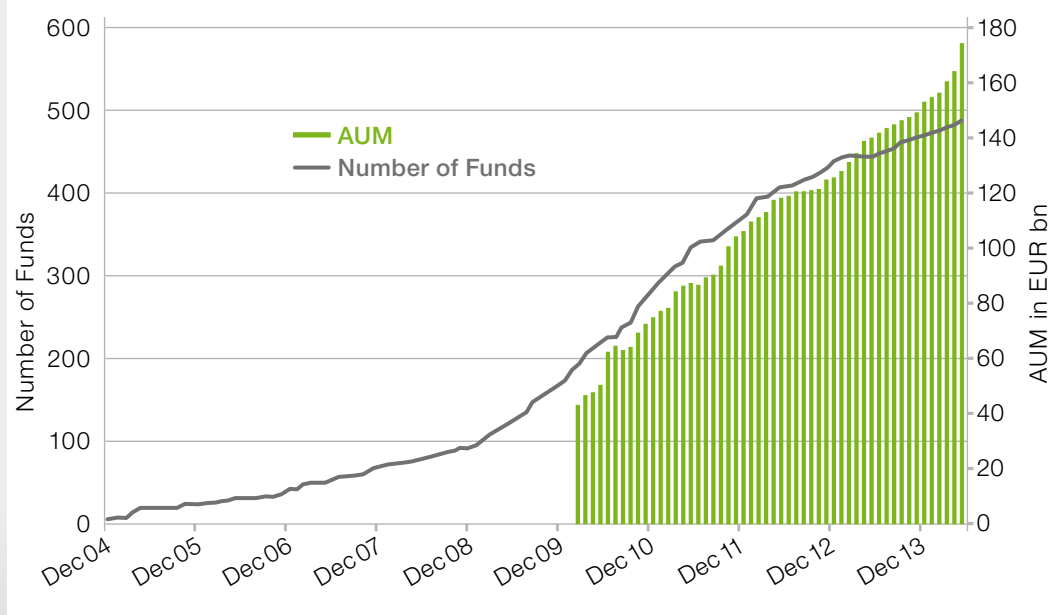
Source: Kepler Partners, www.absolutehedge.com

5 MONTHLY PERFORMANCE: H1 2014

Source: Kepler Partners, www.absolutehedge.com

ASSETS UNDER MANAGEMENT

6 ALTERNATIVE UCITS FUNDS: NUMBER AND AUM EVOLUTION

Source: Kepler Partners, www.absolutehedge.com

The AUM in the alternative UCITS sector jumped 16% in H1 to reach a new high of EUR 184bn.

Macro still dominates AUM but both credit and equity long short strategies saw good asset flows.

7 STRATEGY OVERVIEW: NO. OF FUNDS

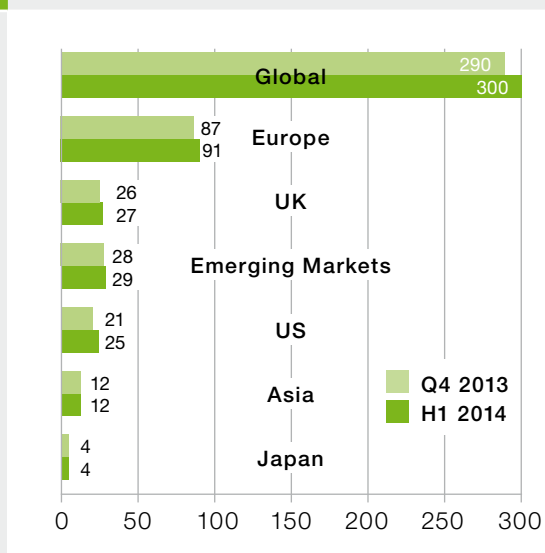
	Dec 13	Jun 14	% change
Equity Long Short	169	176	4.1
Macro	69	71	2.9
Credit	51	54	5.9
FX	11	11	0.0
Market Neutral	43	46	7.0
Managed Futures	31	32	3.2
Event Driven	22	24	9.1
Fund of Funds	22	24	9.1
Multi Asset	19	20	5.3
Other	31	30	-3.2
Total	468	488	4.3

8 STRATEGY OVERVIEW: AUM (EUR BN)

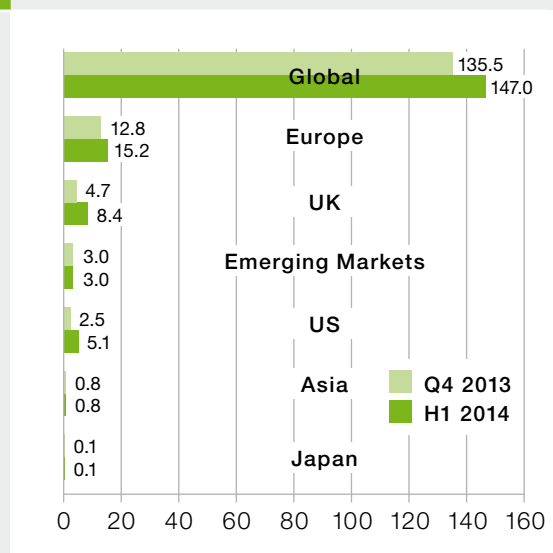
	Dec 13	Jun 14	% change
Equity Long Short	18.4	30.7	66.8
Macro	42.4	45.9	8.3
Credit	32.0	37.8	18.1
FX	0.6	0.6	0.0
Market Neutral	8.1	9.9	22.2
Managed Futures	3.0	2.8	-6.7
Event Driven	1.7	3.2	88.2
Fund of Funds	1.8	1.8	0.0
Multi Asset	46.2	46.1	-0.2
Other	5.2	5.5	5.8
Total	159.4	184.2	15.6

Source: Kepler Partners, www.absolutehedge.com

9 REGIONAL FOCUS: NO. OF FUNDS



10 REGIONAL FOCUS: AUM (EUR BN)



Source: Kepler Partners, www.absolutehedge.com

CLOSING IN ON CAPACITY

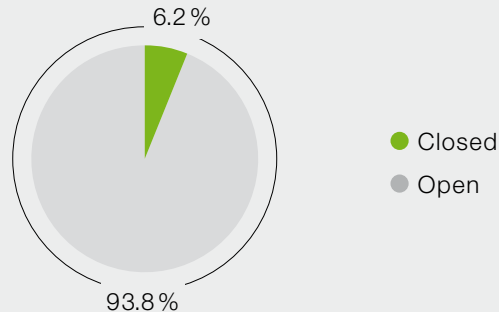
Assets in the alternative sector have swelled in 2013 and 2014 and capacity is increasingly becoming an issue, with an ever increasing number of funds limiting access to their products. This underlines the strong demand seen for alternative products and should encourage further high quality managers to launch strategies in UCITS format, further supporting the growth of the sector. To support these assertions we have undertaken analysis of funds and capacity in the sector and reached the following conclusions:

- >> 6% of funds in the universe are closed but they represent 13.6% of the assets under management.
- >> Equity Long Short, Credit, Macro, Event Driven, and Multi Asset strategies all contain funds at or near capacity
- >> Flows into equity long short funds have been concentrated on a relatively small group of managers – 7.4% of funds are closed but represent a staggering 48% of AUM in the strategy.
- >> There is an increasing trend for event driven managers at or near capacity.

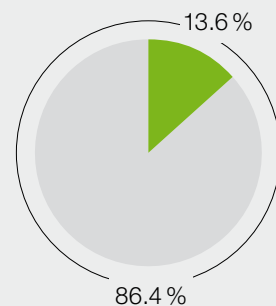
An increasing number of alternative UCITS products are reaching capacity.

7% of equity long short funds are currently closed however they control 48% of AUM in sub sector.

11 ALTERNATIVE UCITS – NUMBER

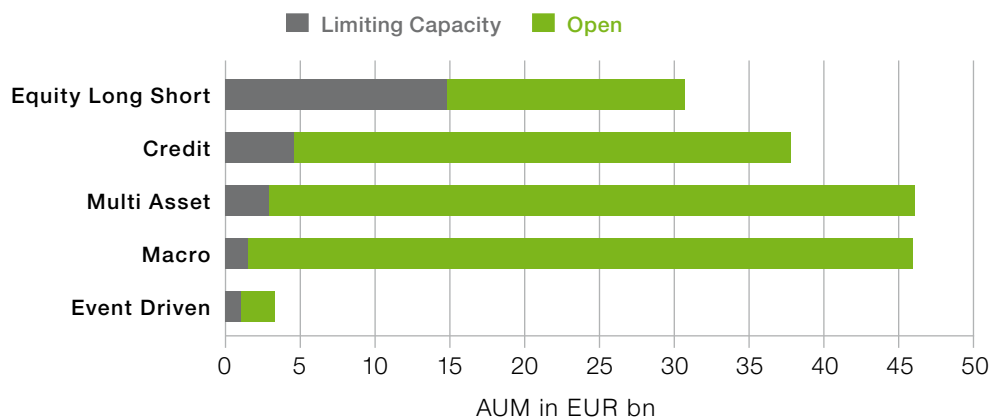


12 ALTERNATIVE UCITS – AUM



Source: Kepler Partners, www.absolutehedge.com

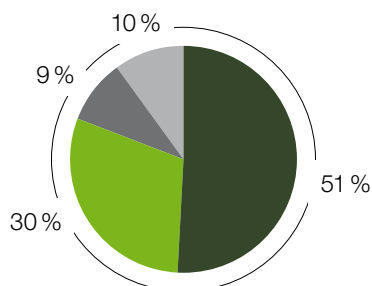
13 ALTERNATIVE UCITS – BY STRATEGY



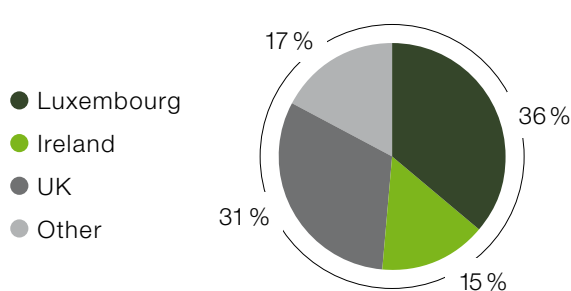
Source: Kepler Partners, www.absolutehedge.com

FUND DOMICILE

14 FUND DOMICILE: BY NO. OF FUNDS



15 FUND DOMICILE: BY ASSETS



Source: Kepler Partners, www.absolutehedge.com

Luxembourg and Ireland retain their dominant position as the two UCITS centres.

UCITS LAUNCHES

16 NEW ALTERNATIVE UCITS LAUNCHES: H1 2014

New Fund Launches	Date	AuM	Strategy	Geography
DB Platinum Chilton Diversified	03 Feb 14	65	Equity Long Short	US
Arden Diversified Alternative Strategies	10 Feb 14	25	Fund of Fund	Global
GLG Global Emerging Markets Macro Alt	12 Mar 14	22	Macro	EM
Verrazzano European Long Short	28 Mar 14	75	Equity Long Short	Europe
Kepler Alternative Growth	28 Mar 14	15	Fund of Fund	Global
HFR UCITS Advent Global Opportunity	01 Apr 14	10	Market Neutral	Global
Montlake Ardsley US Equity	01 Apr 14	20	Equity Long Short	US
Montlake North MaxQ Macro	01 Apr 14	35	Macro	Global
AC Opp – Aremus	01 Apr 14	10	Event Driven	Europe
SG Cedar	04 April 14	12	Market Neutral	US
DB Ivory Optimal	14 April 14	100	Equity Long Short	US
GLG Cred-Eq Alternative	15 May 14	45	Credit	Global
HFR UCITS MidOcean AR Credit Strategy	02 Jun 14	10	Credit	Global
MS Lynx UCITS	06 Jun 14	25	Managed Futures	Global
Schroder GAIA Paulson	25 Jun 14	180	Event Driven	Global
Blackrock Multi Strategy Absolute Return	25 Jun 14	25	Multi Asset	Global

Source: Kepler Partners, www.absolutehedge.com

The first half of 2014 saw several high profile funds launch in UCITS.

E-Mail: info@alceda.lu

Web: www.alceda.lu

Alceda Fund Management S.A.

Airport Center Luxembourg

5, Heienhaff | 1736 Senningerberg

Luxembourg

Phone: +352 248 329-1 | Fax: +352 248 329-442

Alceda Asset Management GmbH

Valentinskamp 70 | 20355 Hamburg

Germany

Phone: +49 40 471 10 77-700 | Fax: +49 40 471 10 77-701

Alceda UK Limited

Standbrook House

2-5 Old Bond Street | London W1S 4PD

Great Britain

Phone: +44 20 7317 054-1 | Fax: +44 20 7317 054-9

Alceda Asia Limited

20th floor, Central Tower | 28 Queen's Road, Central

Hong Kong

Phone: +852 2159-9619 | Fax: +852 2159-9688



Kepler

Absolute
Hedge

In Association with:

Kepler Partners LLP

9-10 Savile Row

London W1S 3PF

Great Britain

Phone: +44 20 3384 8794

www.keplerpartners.com

www.absolutehedge.com

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