

Alceda Quarterly UCITS Review

Q4 2013

SUMMARY

The final quarter of 2013 capped a strong year for alternative UCITS strategies both in terms of performance and asset growth. Year on year the alternative UCITS sector grew by a healthy 21 % with total assets under management now standing at €159.4bn. Equity markets rallied strongly into the year-end supporting strong demand for Equity Long Short strategies as investor confidence in the global economic recovery continues to grow.

- >> The alternative UCITS universe saw further growth in Q4 with assets under management now standing at €159.4 bn, a growth of 3.2 % for the quarter. For the full year 2013 the universe saw growth of over €25 bn translating to a growth rate of 21 %. With investor confidence increasing we expect this positive trend to continue into 2014.
- >> Alternative UCITS strategies had a strong final quarter with the AH Global UCITS Index advancing 2.74 % bringing year to date gains to 5.95 %. Over the full year, alternative UCITS funds underperformed their offshore counterparts with the HFRI Index adding 9.32 %. Much of this can be attributed to the generally lower volatility targets of UCITS funds which have historically tended to outperform in bearish market environments and underperform in bullish market environments.
- >> Equity markets had yet another strong quarter which Equity Long Short funds were able to capitalise on. The AH Equity Long Short Index was up 4.33 % last quarter and up a healthy 12.34 % for the year. After a weak third quarter, Managed Futures funds rebounded into the year-end adding 6.08 % in the final quarter. Much of the gain seen from the sector came from trend following in equities as funds were able to capture the strong uptrend.
- >> Our analysis has highlighted a significant dispersion in performance between the best and worst performing funds in the alternative UCITS space. This is most pronounced in the Equity Long Short strategy where the best performing fund last year outperformed the worst performing fund by over 60 %. This highlights the importance of good fund selection and monitoring in the sector.
- >> Our research has found investors are increasingly happy to support new products, with recently launched funds achieving significantly higher launch assets than launches earlier in the year. Increased confidence is also supporting a healthy pipeline of new fund launches. Given the dislocation in bonds markets seen in 2013 investors are increasingly looking for alternative Credit strategies and this is reflected in a strong pipeline of new issues in this space.
- >> Overall Macro funds still control the largest share of total assets under management despite a relatively challenging year for the strategy with the AH Macro Index advancing just 2.29 %. Should the equity market rally continue we would expect Equity Long Short funds to be the main benefactor, with Market Neutral funds also remaining popular with investors.

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

PERFORMANCE

1 AH UCITS INDEX PERFORMANCE: GLOBAL

	Q4 2013 (%)	YTD (%)	Last 12 Months (%)
AH Global UCITS Index	2.74	5.95	5.95
HFRI Fund Weighted Composite Index	3.65	9.32	9.32
J.P. Morgan GBI Broad	0.00	-0.29	-0.29
MSCI World Index (TR)	8.55	29.57	29.57

Source: Kepler Partners, www.absolutehedge.com

2 AH UCITS INDEX PERFORMANCE: STRATEGY

	Oct 2013 (%)	Nov 2013 (%)	Dec 2013 (%)	Q4 2013 (%)	YTD
AH Global UCITS Index	1.35	0.62	0.75	2.74	5.95
AH Credit Index	0.79	0.10	0.34	1.23	3.37
AH Equity Long Short Index	1.99	1.00	1.28	4.33	12.34
AH FX Index	0.98	-0.17	-0.61	0.19	-1.34
AH Macro Index	0.84	0.05	0.51	1.40	2.29
AH Managed Futures Index	2.24	2.63	1.10	6.08	3.37
AH Market Neutral Index	0.38	0.33	0.15	0.86	3.73
AH Multi Asset	1.92	-0.22	-0.16	1.53	2.33

Source: Kepler Partners, www.absolutehedge.com

>> Alternative UCITS strategies performed strongly in 2013 with the AH Global UCITS Index up 5.95 % <<

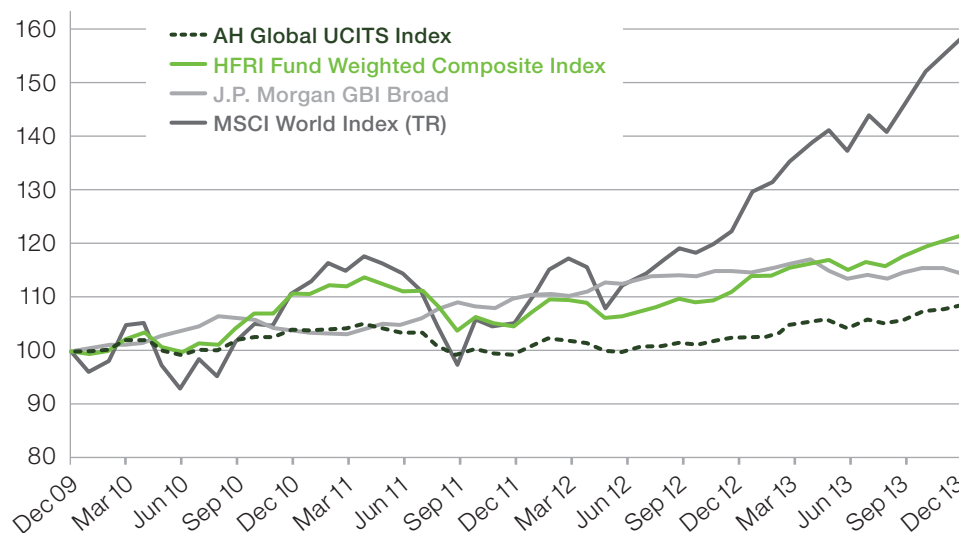
3 STRATEGY HEAT MAP: QUARTERLY

Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012	Q4/2012	Q1/2013	Q2/2013	Q3/2013	Q4/2013
JPM GBI 4.01 %	MSCI World 7.92 %	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 %
Market Neutral -0.48 %	Multi Asset 1.24 %	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 %
Multi Asset -0.86 %	FX Index 1.08 %	Credit 2.44 %	Credit 0.20 %	Equity Long Short 2.88 %	Credit 1.62 %	Managed Futures 3.79 %	Equity Long Short 0.38 %	Credit 1.11 %	Equity Long Short 4.33 %
FX Index -1.36 %	Macro 1.04 %	FX Index 2.20 %	Multi Asset -0.63 %	Market Neutral 2.05 %	JPM GBI 0.76 %	Multi Asset 3.19 %	Credit 0.13 %	Multi Asset 1.02 %	Multi Asset 1.53 %
Managed Futures -1.97 %	Credit 0.79 %	Macro 2.07 %	Market Neutral -2.05 %	Macro 1.61 %	Market Neutral 0.47 %	Market Neutral 1.93 %	Macro -0.07 %	JPM GBI 0.67 %	Macro 1.40 %
Credit -2.67 %	JPM GBI 0.63 %	Market Neutral 1.94 %	Managed Futures -2.14 %	Credit 1.60 %	Macro 0.23 %	Macro 1.26 %	FX Index -0.39 %	Macro -0.31 %	Credit 1.23 %
Macro -3.26 %	Market Neutral 0.22 %	Multi Asset 1.34 %	Macro -2.15 %	JPM GBI 1.49 %	Multi Asset -0.79 %	FX Index 1.21 %	JPM GBI -1.74 %	Market Neutral -0.55 %	Market Neutral 0.86 %
Equity Long Short -6.24 %	Equity Long Short -0.15 %	JPM GBI 0.44 %	Equity Long Short -2.77 %	FX Index 0.96 %	Managed Futures -2.43 %	Credit 0.86 %	Multi Asset -3.32 %	Managed Futures -2.42 %	FX 0.19 %
MSCI World -14.71 %	Managed Futures -4.47 %	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 %

Source: Kepler Partners, www.absolutehedge.com

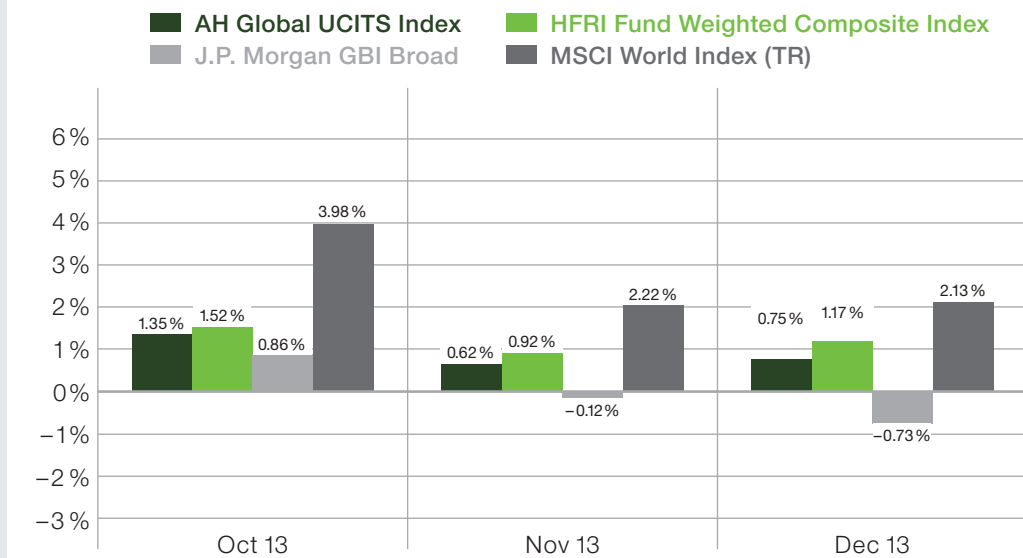
Equities remain the strongest performing sector for the sixth quarter in a row. After a disappointing third quarter, Managed Futures were able to capture the strong up-trend in equities and rebound strongly in the final quarter.

4 AH UCITS INDEX PERFORMANCE: SINCE INCEPTION



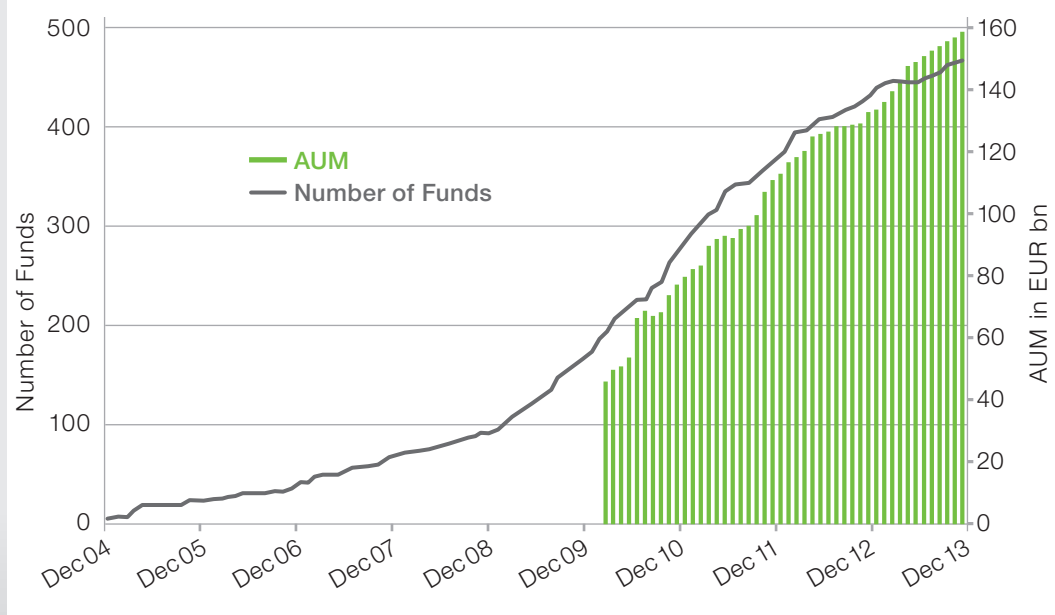
Source: Kepler Partners, www.absolutehedge.com

5 MONTHLY PERFORMANCE: Q4 2013

Source: Kepler Partners, www.absolutehedge.com

ASSETS UNDER MANAGEMENT

6 ALTERNATIVE UCITS FUNDS: NUMBER AND AUM EVOLUTION

Source: Kepler Partners, www.absolutehedge.com

The alternative UCITS universe continues to grow both in terms of number of funds and assets under management. Assets under management increased by 21% in 2013.

Equity Long Short strategies continued to attract assets under management as investors continue to allocate to more risk seeking funds.

7 STRATEGY OVERVIEW: NO. OF FUNDS

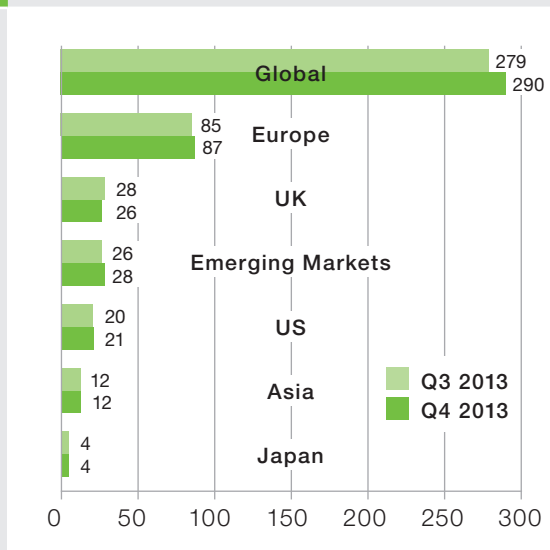
	Sep 13	Dec 13	% change
Equity Long Short	165	169	2.4
Macro	66	69	4.5
Credit	44	51	15.9
FX	13	11	-15.4
Market Neutral	43	43	0.0
Managed Futures	30	31	3.3
Event Driven	22	22	0.0
Fund of Funds	21	22	4.8
Multi Asset	19	19	0
Other	31	31	0
Total	454	468	3.1

8 STRATEGY OVERVIEW: AUM (EUR BN)

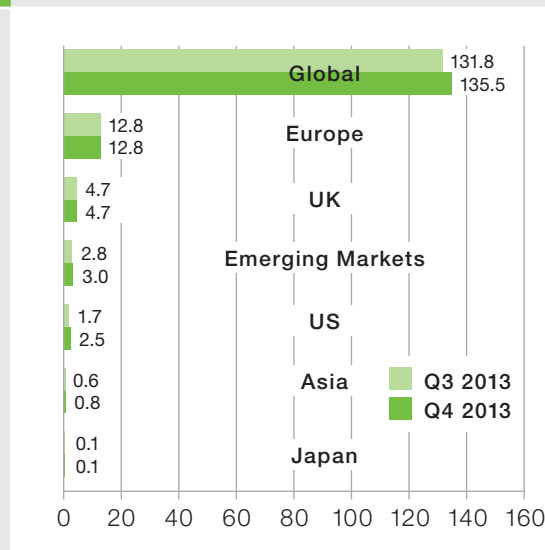
	Sep 13	Dec 13	% change
Equity Long Short	15.7	18.4	17.2
Macro	40	42.4	6.0
Credit	29.2	32.0	9.6
FX	0.9	0.6	-33.3
Market Neutral	7.6	8.1	6.6
Managed Futures	3.1	3.0	-3.2
Event Driven	1.6	1.7	6.2
Fund of Funds	1.7	1.8	5.9
Multi Asset	48.4	46.2	-4.5
Other	6.3	5.2	-17.5
Total	154.5	159.4	3.2

Source: Kepler Partners, www.absolutehedge.com

9 REGIONAL FOCUS: NO. OF FUNDS



10 REGIONAL FOCUS: AUM (EUR BN)



Source: Kepler Partners, www.absolutehedge.com

US focused strategies saw significant growth over the last quarter as investors single out the geography that is likely to be the driver of any future economic recovery.

2013 REVIEW

Equity Long Short funds drove the performance of the AH Global UCITS Index in 2013.

FX funds were the only strategy group to contribute negatively last year.

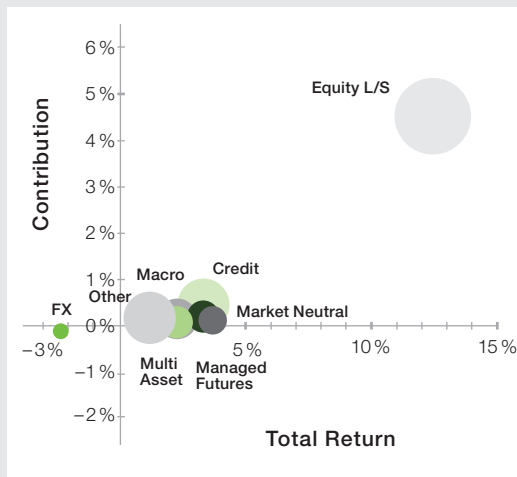
There were some particularly strong performing funds in the universe last year, particularly in Equity Long Short, Managed Futures and Multi Asset strategies.

Equity Long Short, Macro, and Credit strategies saw the bulk of inflows in 2013 while Managed Futures and FX strategies saw redemptions.

Alternative UCITS strategies had a strong start to the year rising 3.4% (AH Global UCITS Index) by the end of May which was then followed by June, a particularly challenging month which saw losses from the majority of strategies as most asset classes sold off simultaneously. Despite a small wobble in August the AH Global UCITS Index recouped June's losses into the year end with a particularly strong fourth quarter. AUM in alternative UCITS strategies continued to grow with flows centred on equity long short, credit, and macro strategies (see Fig 13).

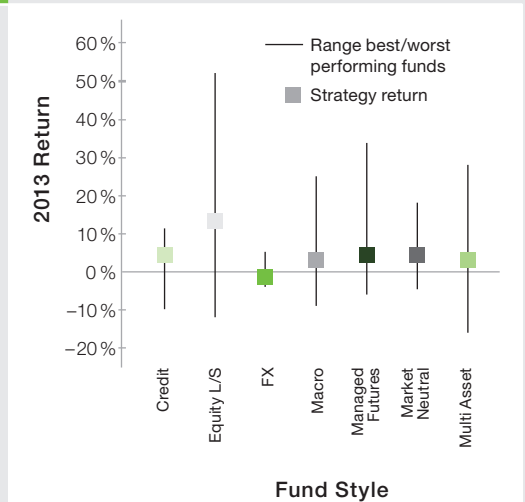
11 2013 PERFORMANCE SPLIT:

AH GLOBAL UCITS INDEX



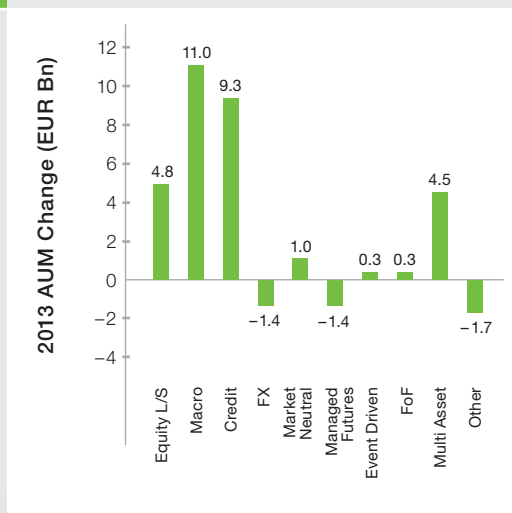
Source: Kepler Partners, www.absolutehedge.com

12 2013 STRATEGY RETURN DISPERSION



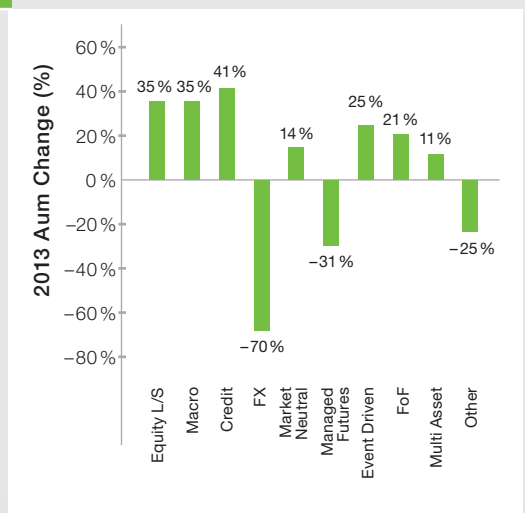
Source: Kepler Partners, www.absolutehedge.com

13 2013 AUM CHANGE (EUR BN)



Source: Kepler Partners, www.absolutehedge.com

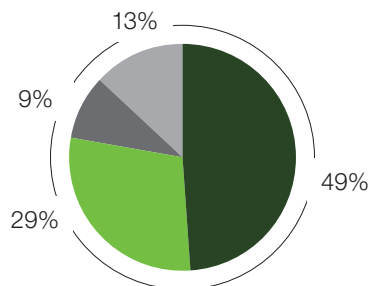
14 2013 AUM CHANGE (%)



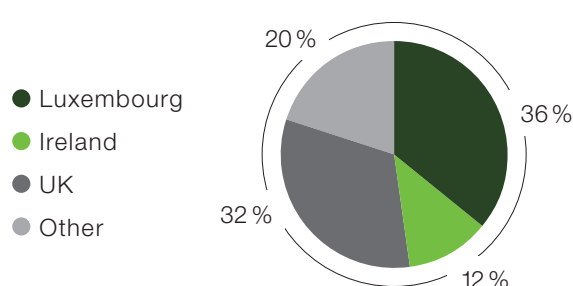
Source: Kepler Partners, www.absolutehedge.com

FUND DOMICILE

15 FUND DOMICILE: BY NO. OF FUNDS



16 FUND DOMICILE: BY ASSETS



Source: Kepler Partners, www.absolutehedge.com

UCITS LAUNCHES

17 NEW ALTERNATIVE UCITS LAUNCHES: Q4 2013

New Fund Launches	Date	Launch AuM in EUR m	Strategy	Geography
Montlake FVC Alternative Risk Premia	23/09/13	15	Macro	Global
Sanlam FOUR European Long/Short	26/09/13	–	Equity L/S	Europe
GLG Global Equity Alternative	30/09/13	120	Market Neutral	Global
Emirates Emerging Market Corporate Absolute Return	01/10/13	22	Credit	EM
Alpha UCITS Amber Equity	02/10/13	9	Equity L/S	Europe
Eiffel Equity Alpha	04/10/13	27	Equity L/S	Europe
MS Broadwalk Tactical Plus UCITS	11/10/13	19	Equity L/S	US
DB Platinum Loomis Sayles	23/10/13	19	Credit	US
Neuberger Berman Absolute Return Multi Strategy	30/10/13	16	FoF	Global
VAM Enhanced Equity	08/11/13	9	Equity L/S	US
Muzinich Global Tactical Credit	20/11/13	92	Credit	Global
Vontobel Pure Momentum Strategy	21/11/13	27	Managed futures	Global
HI Sibilla Macro	22/11/13	27	Macro	Global
Ignis Absolute Return Emerging Market Debt	26/11/13	77	Credit	EM
Legg Mason Western Asset Macro Opportunities	29/11/13	65	Credit	Global
CS IRIS Catastrophe Bond	02/12/13	–	Credit	Global
Vontobel Pure Premium Strategy	09/12/13	4	Macro	Global

Source: Kepler Partners, www.absolutehedge.com

Recent fund launches have seen good day one interest from investors. The dislocation in credit markets seen in 2013 is driving a strong pipeline of alternative credit strategies coming to market.

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