

# Alceda Quarterly UCITS Review

# Q3 2013

## SUMMARY

With equity markets continuing their rally into the third quarter, the demand for alternative UCITS strategies has continued. In particular we have seen a significant increase in the demand for equity strategies as investors increasingly appear to be seeking higher returns and diversification through alpha.

- >> In order to continue the development of this quarterly report, and to reflect the increasingly global nature of alternative UCITS we have decided to expand the universe we analyse. We have therefore expanded our database methodology to include alternative UCITS funds regardless of their geographic registration. Previously the database was focused only on alternative strategies with a UK registration – a restriction that was put in place at the founding of the Absolute Hedge database. In order to reflect this change we have backdated the previous quarters. The new and revised universe now includes 454 funds with assets under management of €154.5bn, a growth of 2.6% on the previous quarter.
- >> After a difficult second quarter alternative UCITS strategies rebounded in Q3 with the AH Global UCITS Index advancing 1.09%. The constructive equity market backdrop has proved fertile for Equity Long Short managers with the AH Equity Long Short Index the top performing alternative UCITS strategy this year up 7.68%. 2012 saw a similar pattern with Equity Long Short also leading alternative strategies with a return of 6.19%. Given this strong performance it is unsurprising that funds in this space have been generating strong investor interest, with strong net asset flows into equity strategies this year.
- >> Equity Long Short UCITS funds have performed only marginally behind their offshore equivalent funds however they have achieved this with a lower level volatility. On a risk adjusted basis alternative UCITS funds have performed in line with their offshore peers but have outperformed the DJ EURO STOXX 50 Index significantly. The MSCI World Index has benefited from its large allocation to US equities and has outperformed Equity Long Short strategies significantly since the start of 2010 where there is a lack of US focussed products.
- >> Despite a general investor preference for low fee paying products some of the more expensive equity long short and market neutral funds have seen strong net inflows year to date. This suggests that investors are still willing to pay up for high quality managers with strong performance.
- >> The environment remained challenging for Macro, FX and Managed Futures strategies in the third quarter. With political uncertainty high around the world, these managers are finding it difficult to identify fundamental factors driving market trends. This poor environment is reflected in declining assets in both Managed Futures and FX strategies. Only Macro funds were able to buck the trend and post another quarter of net inflows.

For more information on  
Alceda or Alternative  
UCITS please visit  
[www.alceda.lu/en](http://www.alceda.lu/en)

## PERFORMANCE

## 1 AH UCITS INDEX PERFORMANCE: GLOBAL

	Q3 2013 (%)	YTD (%)	Last 12 Months (%)
AH Global UCITS Index	1.09	3.12	3.94
HFRI Fund Weighted Composite Index	2.28	5.56	7.13
J.P. Morgan GBI Broad	0.67	-0.29	0.47
MSCI World Index (TR)	6.52	19.37	23.04

Source: Kepler Partners, [www.absolutehedge.com](http://www.absolutehedge.com)

## 2 AH UCITS INDEX PERFORMANCE: STRATEGY

	Jul 2013 (%)	Aug 2013 (%)	Sep 13 (%)	Q3 2013 (%)	YTD
AH Global UCITS Index	1.11	-0.60	0.62	1.09	3.12
AH Credit Index	0.56	0.15	0.50	1.11	2.11
AH Equity Long Short Index	2.38	-0.62	1.23	2.98	7.68
AH FX Index	-0.91	-1.27	-1.19	-3.29	-1.53
AH Macro Index	0.11	-0.72	0.24	-0.31	0.87
AH Managed Futures Index	-0.06	-2.61	0.29	-2.42	-2.56
AH Market Neutral Index	-0.09	-0.42	-0.09	-0.55	2.84
AH Multi Asset	1.56	-1.11	0.57	1.02	0.78

Source: Kepler Partners, [www.absolutehedge.com](http://www.absolutehedge.com)

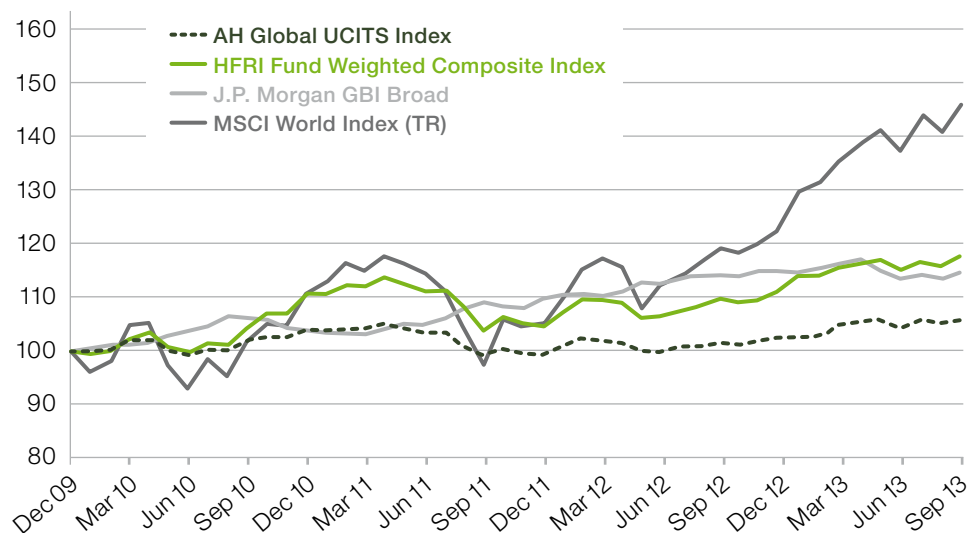
>>> Equity Long Short was the top performing strategy over the quarter and is also the top performing strategy YTD. <<<

## 3 STRATEGY HEAT MAP: QUARTERLY

Q2/2011	Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012	Q4/2012	Q1/2013	Q2/2013	Q3/2013
JPM GBI 1.60%	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%
Multi Asset 0.71%	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%
Market Neutral 0.38%	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%
Credit 0.09%	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%
MSCI World -0.43%	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
Equity Long Short -0.53%	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
Managed Futures -1.22%	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
FX Index -1.74%	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
Macro -1.82%	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 %

Source: Kepler Partners, www.absolutehedge.com

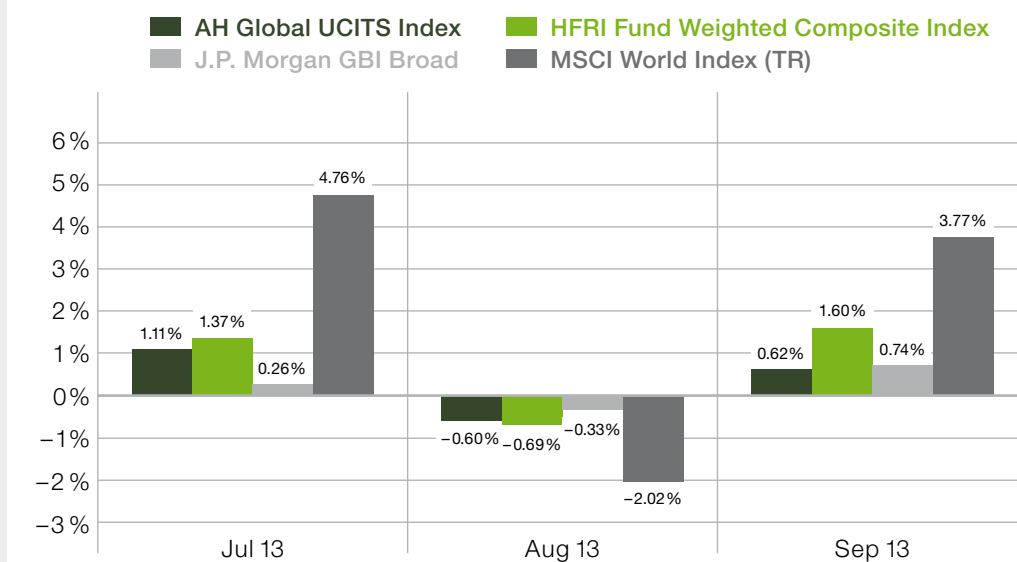
## 4 AH UCITS INDEX PERFORMANCE: SINCE INCEPTION



Source: Kepler Partners, www.absolutehedge.com

Global equity markets remain strong with the 5th consecutive quarterly advance. Macro and Trend strategies continue to struggle in this environment.

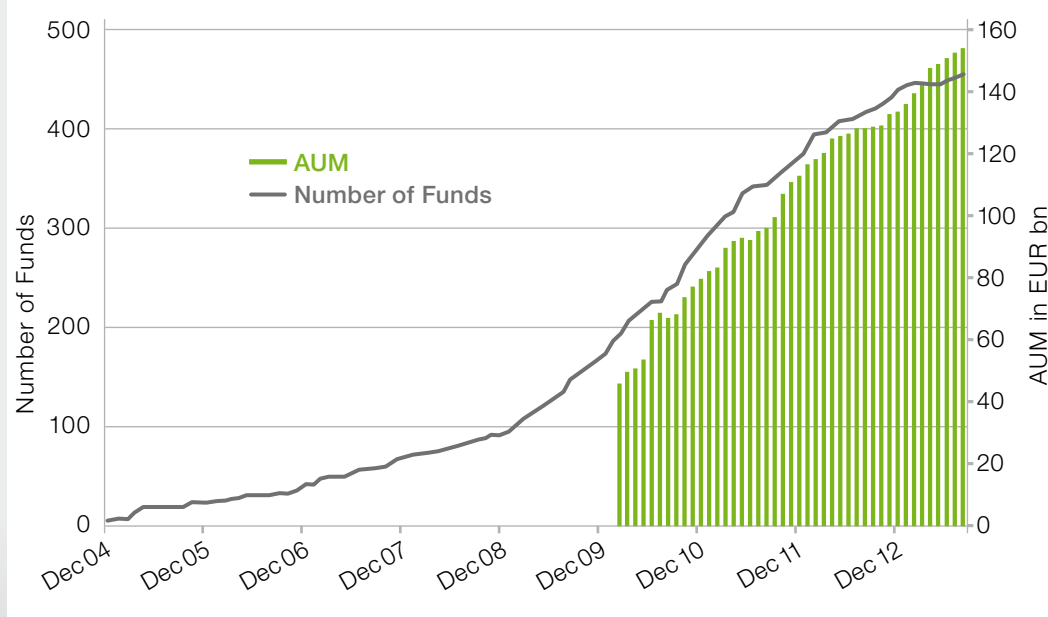
## 5 MONTHLY PERFORMANCE: Q3 2013



Source: Kepler Partners, [www.absolutehedge.com](http://www.absolutehedge.com)

## ASSETS UNDER MANAGEMENT

### 6 ALTERNATIVE UCITS FUNDS: NUMBER AND AUM EVOLUTION



Source: Kepler Partners, [www.absolutehedge.com](http://www.absolutehedge.com)

The alternative UCITS sector continues to see good asset growth with an ever increasing range of funds available.

Multi Asset strategies remain popular despite weaker performance in 2013.

## 7 STRATEGY OVERVIEW: NO. OF FUNDS

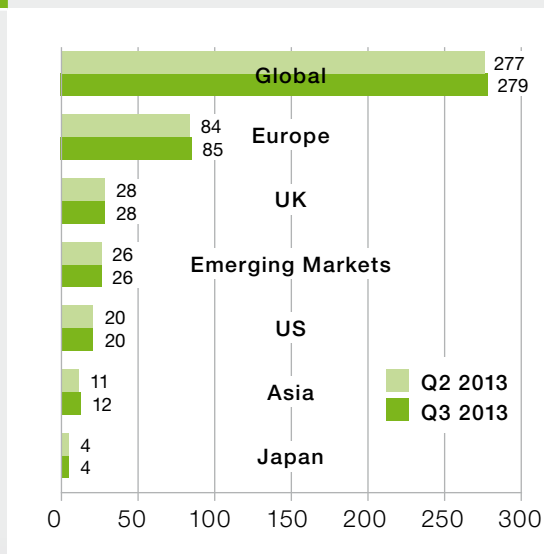
	Jun 13	Sep 13	% change
Equity Long Short	163	165	1.2
Macro	65	66	1.6
Credit	43	44	2.3
FX	13	13	0
Market Neutral	44	43	-2.3
Managed Futures	29	30	3.4
Event Driven	22	22	0
Fund of Funds	21	21	0
Multi Asset	19	19	0
Other	31	31	0
<b>Total</b>	<b>450</b>	<b>454</b>	<b>0.9</b>

## 8 STRATEGY OVERVIEW: AUM (EUR BN)

	Jun 13	Sep 13	% change
Equity Long Short	15.1	15.7	4.0
Macro	38.5	40	3.9
Credit	28.2	29.2	3.5
FX	1	0.9	-10.0
Market Neutral	7.3	7.6	4.1
Managed Futures	3.2	3.1	-3.1
Event Driven	1.5	1.6	6.7
Fund of Funds	1.7	1.7	0
Multi Asset	47.9	48.4	1.0
Other	6.2	6.3	1.6
<b>Total</b>	<b>150.6</b>	<b>154.5</b>	<b>2.6</b>

Source: Kepler Partners, [www.absolutehedge.com](http://www.absolutehedge.com)

## 9 REGIONAL FOCUS: NO. OF FUNDS



## 10 REGIONAL FOCUS: AUM (EUR BN)



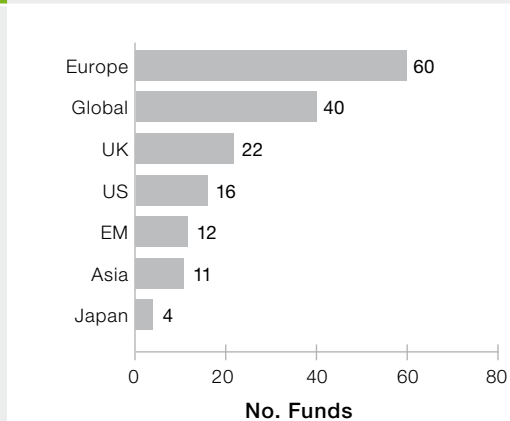
Source: Kepler Partners, [www.absolutehedge.com](http://www.absolutehedge.com)

European fo-  
cussed strategies  
dominate the  
Equity Long Short  
space both in  
terms of number of  
funds and assets  
under manage-  
ment. Global  
strategies have the  
largest average  
fund size of all  
regions at €144m.  
Despite some  
large funds, the  
median fund size  
remains very small  
across all  
geographies.

Global funds  
control significant  
levels of AUM  
however the space  
is dominated by a  
relatively small  
number of large  
funds run by  
blue-chip asset  
management  
houses. Signifi-  
cant regions such  
as the US, Japan  
and Emerging  
Markets remain  
underserved by  
alternative UCITS  
funds.

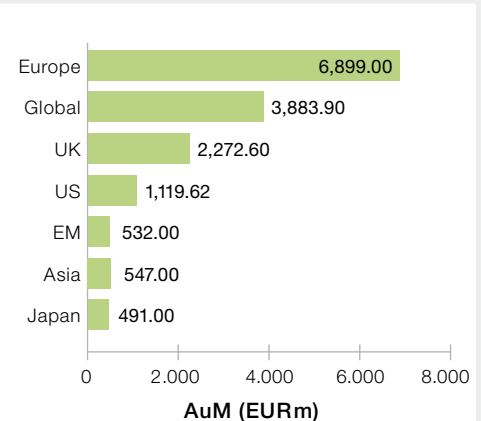
## EQUITY LONG SHORT REVIEW

### 11 EQUITY L/S: NO. OF FUNDS



Source: Kepler Partners, www.absolutehedge.com

### 12 EQUITY L/S: BY ASSETS



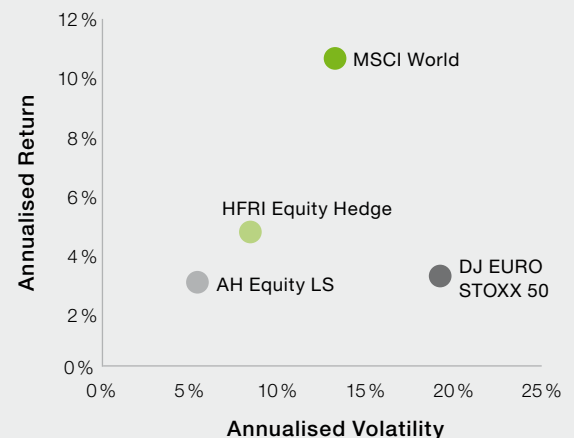
Source: Kepler Partners, www.absolutehedge.com

### 13 EQUITY L/S: FUNDS BY SIZE

Geography	Largest Fund Size (€m)	Average Fund Size (€m)	Median Fund Size (€m)
Global	1,123	144	46
Europe	773	132	60
UK	419	142	48
Japan	407	123	41
US	272	102	90
Emerging Markets	230	76	17
Asia	198	109	42

Source: Kepler Partners, www.absolutehedge.com

### 14 EQUITY L/S: PERFORMANCE SINCE DECEMBER 2009



Source: Kepler Partners, www.absolutehedge.com

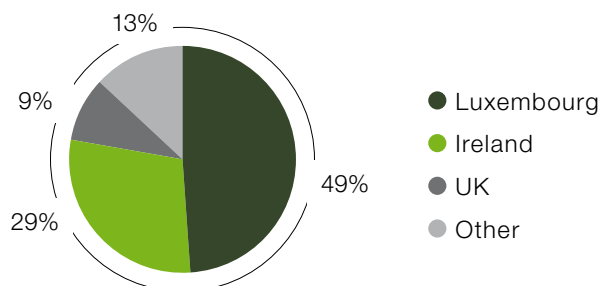
### 15 EQUITY L/S: PERFORMANCE DATA SINCE DECEMBER 2009

	DJ EURO STOXX 50	MSCI World	S&P 500	AH Equity LS	HFRI Equity Hedge
Annualised Volatility	19.17%	13.22%	14.31%	5.39%	8.36%
Annualised Return	3.09%	10.63%	13.97%	2.97%	4.64%
Sharpe ratio	0.12	0.74	0.92	0.40	0.46

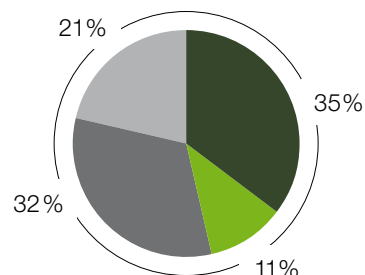
Source: Kepler Partners, www.absolutehedge.com

## FUND DOMICILE

16 FUND DOMICILE: BY NO. OF FUNDS



17 FUND DOMICILE: BY ASSETS



Source: Kepler Partners, www.absolutehedge.com

Luxembourg remains the domicile of choice for alternative UCITS Funds with over 49% of funds domiciled there.

## UCITS LAUNCHES

18 NEW ALTERNATIVE UCITS LAUNCHES: Q3 2013

New Fund Launches	Date	Launch AuM in EUR m	Strategy	Geography
Nomura Man Systematic Fixed Income	28/06/2013	19	Systematic	Global
RF Capital Sierra Europe	03/07/2013	30	Equity LS	Europe
MS Dalton Asia Pacific	07/07/2013	20	Equity LS	Asia
GAM Star QFS Global Macro Currency Fund	07/08/2013	4	FX	Global
Principal Long Short Global Opportunities	23/08/2013	–	Equity LS	Global
GLG Total Return	29/08/2013	18	Macro	Global
Invesco Global Targeted Returns	09/09/2013	20	Macro	Global

Source: Kepler Partners, www.absolutehedge.com

New launches remain small, although we have seen funds gain significant traction within their first year.

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