

# Alceda Quarterly UCITS Review

# Q1 2013

## SUMMARY

Alternative UCITS funds have had a good start to 2013 with the sector growing both in terms of number of funds as well as assets under management. Performance over this period has been strong and with an expanding range of funds to choose from, we believe that more investors will continue to come to the space. With uncertainty in global markets remaining high, the need for absolute returns and diversification has never been higher.

- >> Alternative UCITS strategies made a positive start to the year with the AH Global Index advancing 2.56%. Given the strong performance of equity markets over the period it is unsurprising that the AH Long Short Equity Sub-Index was the strongest performing UCITS sector adding 4.17% for the quarter.
- >> As at March 2013, assets under management in alternative UCITS funds stood at € 96.6 bn, a 5.1% rise over the quarter. The number of funds in the AH UCITS Universe also grew to 321 from 310 at the end of the fourth quarter – encouraging growth from the sector.
- >> To better reflect the alternative UCITS universe and to capture the exceptional growth and popularity of multi asset funds a further strategy index was recently added which saw several new funds joining the universe. The AH Multi Asset Index now comprises of 12 funds with € 18.1 bn assets under management. The new index was the third best performing strategy group last quarter, advancing 3.19%.
- >> Managed futures strategies continued to see outflows with strategy assets declining 15% to € 3.5 bn despite the AH Managed Futures Index delivering positive performance of 3.79% in Q1. In our opinion the uncertain regulatory environment surrounding the use of total return swaps in a UCITS structure is impacting investor sentiment towards the strategy. In response to these worries we have already seen several funds launches that no longer require a swap to meet the UCITS guidelines.
- >> It was a healthy quarter for new fund launches with several equity long short funds launching against the positive market backdrop. A notable launch over the quarter was the Odey Swan Fund, a UCITS version of Crispin Odey's flagship offshore strategy. It is encouraging to see well known fund managers continue to embrace the UCITS structure with investors benefiting from the access to a wider range of funds.
- >> An investor survey conducted during Q1 amongst alternative UCITS investors showed that the vast majority of investors (73%) are planning to increase their allocation to alternative UCITS funds, marginally down from the prior figure of 80% in Q3 2012. In our opinion this is in part due to the uncertain regulatory backdrop for a number of strategies, with 57% of those surveyed stating that the threat of regulation is adversely affecting the way they are investing (up from 43% in Q3 2012). For the full survey results see the end of this report.

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

	Q1/2013 (%)	YTD (%)	Last 12 Months (%)
AH Global UCITS Index	2.56	2.56	2.91
HFRI Fund Weighted Composite Index	3.87	3.87	5.52
J.P. Morgan GBI Broad	0.79	0.79	5.00
MSCI World Index (TR)	9.93	9.93	14.95

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

UCITS Hedge Funds have had a good start to the year, advancing 2.56% in Q1. Whilst this is an encouraging start, they continue to trail their offshore counterparts and we believe that this is due to alternative UCITS funds being a more conservative and lower volatility subset of offshore hedge funds.



## 2 AH UCITS INDEX PERFORMANCE: STRATEGY

	Jan 2013 (%)	Feb 2013 (%)	Mar 2013 (%)	Q1 2013 (%)	YTD
AH Global UCITS Index	1.68	0.31	0.55	2.56	2.56
AH Credit Index	0.65	0.18	0.03	0.86	0.86
AH Equity Long Short Index	2.62	0.80	0.71	4.17	4.17
AH FX Index	0.21	0.14	0.86	1.21	1.21
AH Macro Index	1.15	-0.01	0.12	1.26	1.26
AH Managed Futures Index	2.62	-0.23	1.38	3.79	3.79
AH Market Neutral Index	1.35	0.46	0.12	1.93	1.93
AH Multi Asset	1.66	0.55	0.96	3.19	3.19

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

Benefitting from strong equity markets in Q1, the AH Long Short Equity Index advanced 4.17% and was the best performing strategy index for the second quarter running. Managed Futures were able to add 3.79% marking a comeback for a strategy that has not posted a positive quarter in over 2 years. Despite the improved returns, the strategy as a whole continues to lose assets.

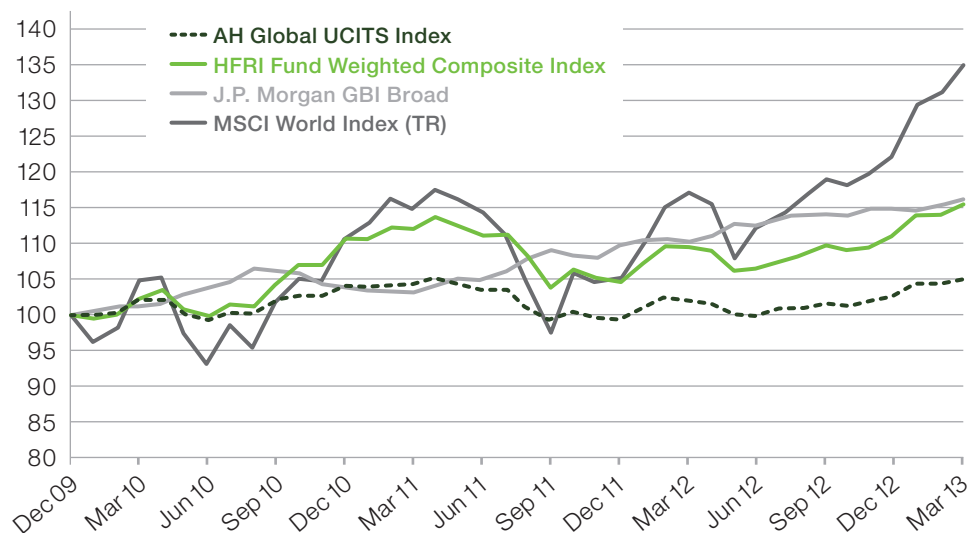


## 3 STRATEGY HEAT MAP: QUARTERLY

Q4/2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012	Q4/2012	Q1/2013
MSCI World 8.42%	MSCI World 3.70%	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%
Equity Long Short 3.68%	Credit 1.35%	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%
Multi Asset 1.92%	Market Neutral 0.72%	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%
Macro 1.48%	Equity Long Short 0.04%	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%
Managed Futures 0.56%	Macro -0.06%	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%
Credit 0.55%	FX Index -0.12%	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%
Market Neutral 0.50%	Multi Asset -0.15%	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%
FX Index -1.12%	JPM GBI -0.60%	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%
JPM GBI -2.31%	Managed Futures -2.81%	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%

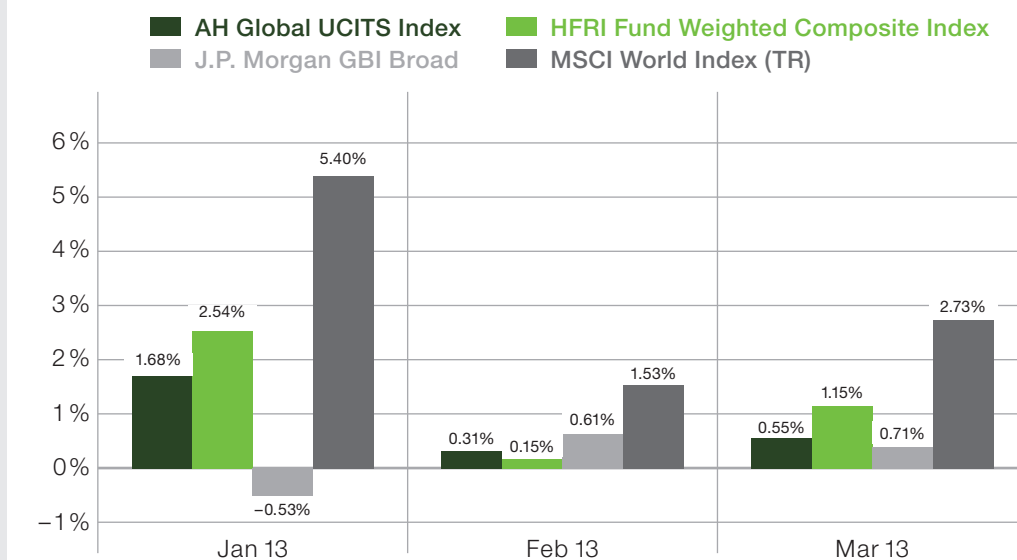
Source: Kepler Partners, [www.absolutehedge.com](http://www.absolutehedge.com)

## 4 AH UCITS INDEX PERFORMANCE: SINCE INCEPTION

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

All Alternative  
 UCITS strategies  
 recorded positive  
 performance in Q1,  
 making this one of  
 the best quarters  
 on record.

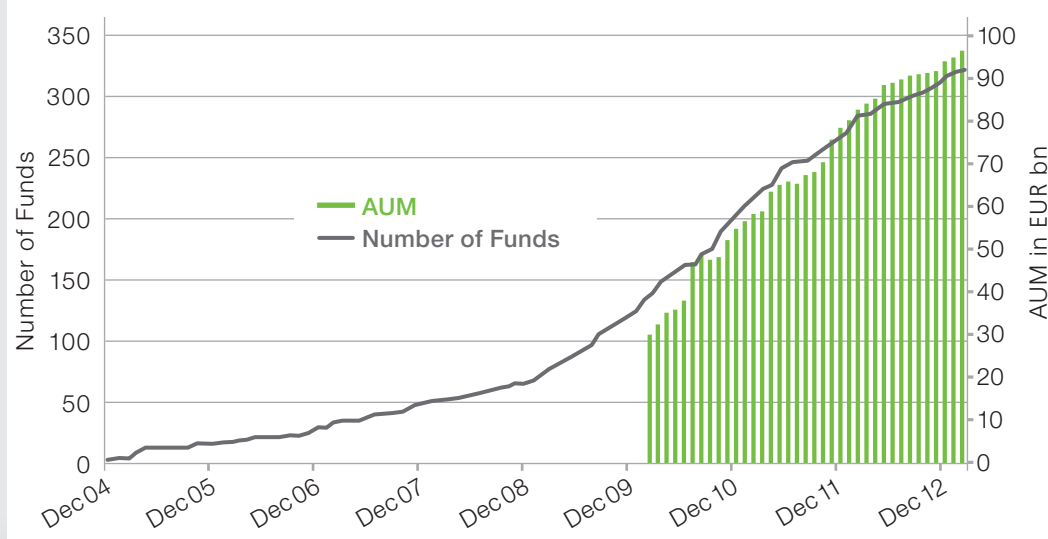
5 MONTHLY PERFORMANCE: Q1 2013



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 new year saw renewed vigour in the alternative UCITS market with a good number of new fund launches. The only sector to see a decline in number of funds was FX where two funds closed during the quarter due to performance and size related issues.

Assets under management increased in Q1 as investors continue to look for absolute returns and portfolio diversification. Most of the growth was concentrated once again in Macro and Multi Asset Funds whilst assets under management in Equity Long Short Funds declined despite their good performance.

## 7 STRATEGY OVERVIEW: NO. OF FUNDS

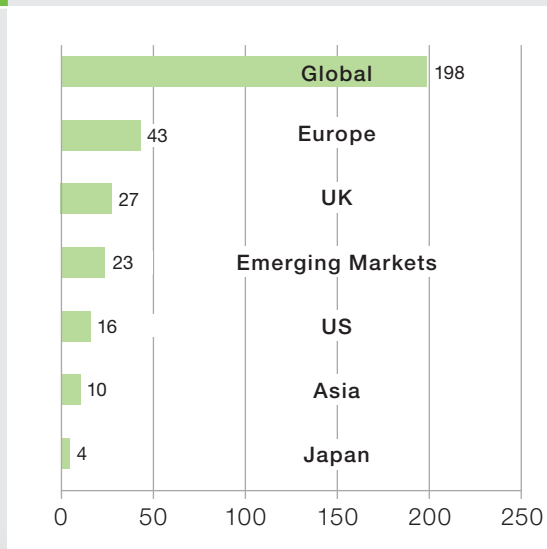
	Dec 12	Mar 13	% change
Equity Long Short	117	120	2.6
Macro	49	51	4.1
Credit	29	30	3.4
FX	11	9	-18.2
Market Neutral	21	21	0
Managed Futures	20	24	20
Event Driven	14	15	7.1
Fund of Funds	19	20	5.3
Multi Asset	12	12	0
Other	18	19	5.6
<b>Total</b>	<b>310</b>	<b>321</b>	<b>3.5</b>

## 8 STRATEGY OVERVIEW: AUM (EUR BN)

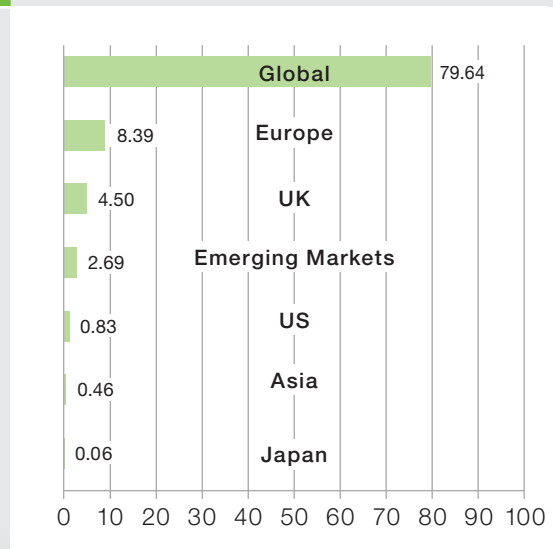
	Dec 12	Mar 13	% change
Equity Long Short	10.9	10.8	-0.9
Macro	25.7	28.9	12.5
Credit	21.4	23.1	7.9
FX	1.4	1.0	-28.6
Market Neutral	3.2	3.2	0.0
Managed Futures	4.1	3.5	-14.6
Event Driven	1.0	0.9	-10.0
Fund of Funds	1.4	1.5	7.1
Multi Asset	16.9	18.1	7.1
Other	5.9	5.6	-5.1
<b>Total</b>	<b>91.9</b>	<b>96.6</b>	<b>5.1</b>

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

## 9 REGIONAL FOCUS: NO. OF FUNDS



## 10 REGIONAL FOCUS: AUM (EUR BN)



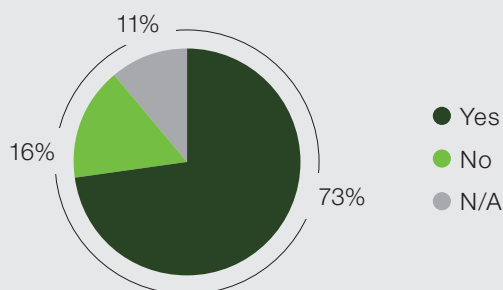
Source: Kepler Partners, [www.absolutehedge.com](http://www.absolutehedge.com)

## INVESTOR SURVEY

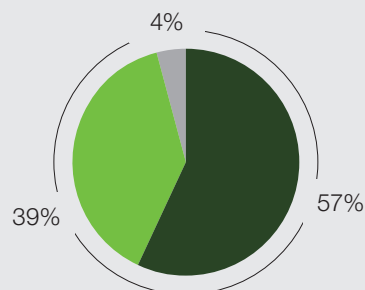
The following results are based on a survey of 44 institutional investors at a UCITS Conference held in London in March 2013.

### 11 INVESTOR SURVEY RESULTS

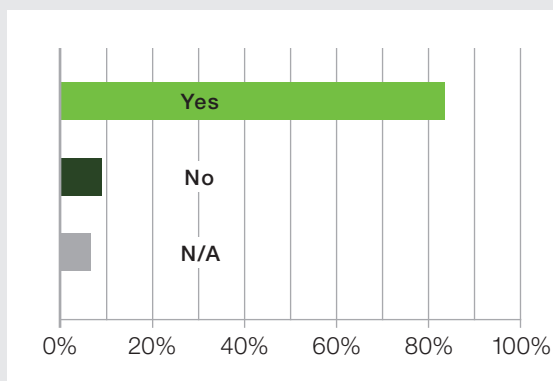
1. Are you planning to increase your allocation to alternative UCITS funds?



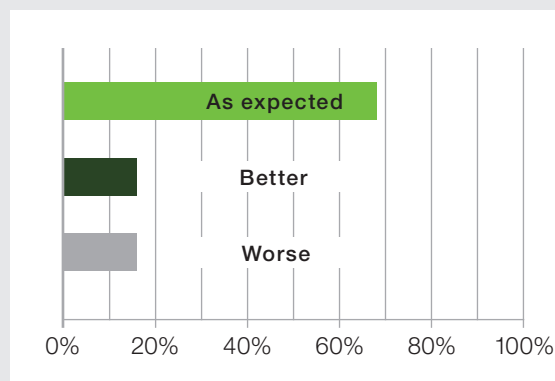
2. Is the threat of increasing regulation adversely affecting the way you are currently investing?



3. Are you actively considering an allocation to alternative credit strategies?



4. How would you rate the 2012 performance of alternative UCITS strategies versus expectations?

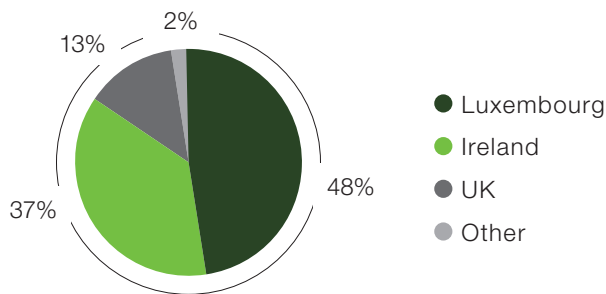


The vast majority of investors are planning to increase their allocation to alternative UCITS strategies, however the uncertain regulatory background is impacting investor sentiment towards the sector.

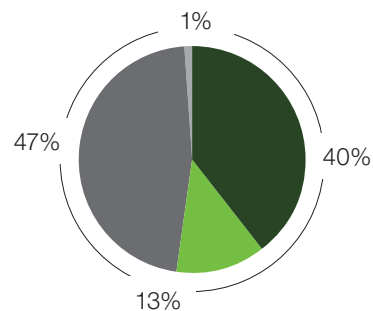
UCITS funds continue to perform in line with investors expectations.

## FUND DOMICILE

## 12 FUND DOMICILE: BY NO. OF FUNDS



## 13 FUND DOMICILE: BY ASSETS



Source: Kepler Partners, www.absolutehedge.com

## UCITS LAUNCHES

## 14 NEW ALTERNATIVE UCITS LAUNCHES: Q1 2013

New Fund Launches	Date	Launch AuM in EUR m	Strategy	Geography
MS Short Term Trends UCITS	31/12/12	€	Managed Futures	Global
MLIS Van Eck Commodities Long-Short UCITS	09/01/13	€5	Commodities	Global
Odey Orion	18/01/13	€	Equity L/S	Global
Lyxor/WNT Fund	25/01/13	€0	Managed Futures	Global
Odey Naver	29/01/13	€1	Equity L/S	Global
Sanlam Fund of Alternative UCITS	29/01/13	€0	FoHF	Global
MS Long Term Trends UCITS	01/02/13	€1	Managed Futures	Global
AXA WF Equity Volatility	12/02/13	€1	Macro	Global
Lyxor/Canyon Credit Strategy	15/02/13	€0	Credit	Global
Lyxor/Tiedemann Arbitrage Strategy	15/02/13	€5	Event Driven	Global
MS Discretionary Plus UCITS	22/02/13	€	Macro	Global
Schroder GAIA Sirios US Equity	27/02/13	€5	Equity L/S	US
Aquantum Global Systematic	01/03/13	€1	Managed Futures	Global
Odey Swan	11/03/13	€6	Equity L/S	Europe
Assenagon Credit Selection	19/03/13	€05	Credit	Global

Source: Kepler Partners, www.absolutehedge.com

Luxembourg continues to have a firm grip on the alternative UCITS sector as the domicile of choice for fund managers and platforms alike. The UK remains the largest domicile by assets reflecting the importance of this market to alternative UCITS funds.

Several well known offshore hedge funds launched UCITS version of their strategies last quarter, further underlining the importance of UCITS as an access point for investors.

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