

Alceda Quarterly UCITS Review

Q4
2012

SUMMARY

As the Alternative UCITS sector matures, we expect to see more specialist strategies launching in a UCITS format. The last couple of years have been dominated by large and diverse funds appealing to more risk adverse investors. As risk appetite returns, we expect smaller and more nimble managers to increase their market share.

- >> Equity markets advanced in the fourth quarter with the MSCI World adding 3.07 % to finish the year 16.42 % higher. Volatility, as measured by the Volatility Index (VIX), increased from September's lows and US equities underperformed as investors focused on negotiations around the US fiscal cliff and hurricane Sandy, which caused extensive damage in New York. Bonds made further gains with the JPMorgan Global Index finishing the year up 4.64 %.
- >> Against this backdrop, the AH Global UCITS Index had another positive quarter advancing 0.8 % to bring yearly gains to 3.02 %. In spite of the volatility, Equity Long/Short Managers were able to benefit from advancing markets with a quarterly gain of 2.12 % and 6.19 % for the year. Despite a late rally, Managed Futures had another negative quarter with the AH Managed Futures Index losing 2.43 %. This capped off a dismal year for the strategy, which lost 7.75 % in 2012 after losing 10.10 % in 2011.
- >> As at December 2012, assets under management in alternative UCITS funds stood at € 86.0 bn, a 1.5 % rise over the quarter. The number of funds in the AH UCITS Universe also grew to 307 from 299 at the end of the third quarter.
- >> Given the challenging performance of Managed Futures, which declined 10.9 % over the quarter, it is perhaps unsurprising that it was the main loser in terms of assets under management. It was predominantly the larger funds in this space that lost significant assets over the quarter. The recently published guidelines of the European Securities and Markets Authority (ESMA) may have compounded this effect by putting off potential investors considering the strategy for the time being. The Global Macro Strategies continued to attract the most assets, with flows concentrated into the larger blue-chip names.
- >> Looking back at 2012, it was a case of the biggest funds getting even bigger. The majority of asset flows were once again captured by funds from well established and diversified asset management houses. In our view, this highlights the importance of a good distribution network and brand recognition amongst investors.

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

PERFORMANCE

1 AH UCITS INDEX PERFORMANCE: GLOBAL

	Q4/2012 (%)	YTD (%)	Last 12 Months (%)
AH Global UCITS Index	0.80	3.02	3.02
HFRI Fund Weighted Composite Index	1.27	6.16	6.16
J.P. Morgan GBI Broad	0.76	4.64	4.64
MSCI World Index (TR)	3.07	16.42	16.42

Source: Kepler Partners, www.absolutehedge.com

>> The AH Global UCITS Index advanced 3.02% compared to an annual gain of 6.16% for the HFRI Fund Weighted Composite Index last year. In a better year for hedge funds, it is not entirely unexpected that UCITS funds should underperform their offshore equivalent. Being regulated, transparent and more liquid means that UCITS funds are a lower volatility alternative to their offshore peers. <<

2 AH UCITS INDEX PERFORMANCE: STRATEGY

	Oct 2012 (%)	Nov 2012 (%)	Dec 2012 (%)	Q4 2012 (%)	YTD
AH Global UCITS Index	-0.16	0.40	0.55	0.80	3.02
AH Credit Index	0.64	0.40	0.58	1.62	5.97
AH Equity Long Short Index	0.67	0.61	0.83	2.12	6.19
AH FX Index	-1.12	-0.29	-1.48	-2.86	1.54
AH Macro Index	-0.23	0.11	0.36	0.23	1.73
AH Managed Futures Index	-3.28	0.27	0.61	-2.43	-7.75
AH Market Neutral Index	-0.11	0.69	-0.11	0.47	2.39

Source: Kepler Partners, www.absolutehedge.com

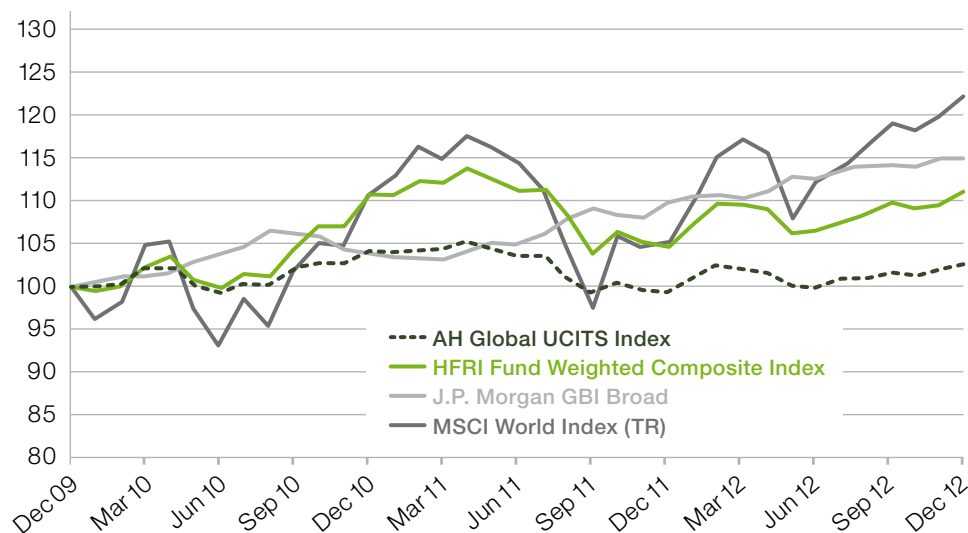
>> Benefiting from rising equity markets, the AH Equity Long Short Index was the best performing strategy in three out of four quarters last year. At the same time, the AH Managed Futures Index was generally to be found at the bottom of the table as trends were weak and reversed several times during the year. <<

3 STRATEGY HEAT MAP: QUARTERLY

Q4/2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012	Q4/2012
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 %
Equity Long Short 3.68 %	Credit 1.35 %	Market Neutral 0.38 %	Market Neutral -0.48 %	FX Index 1.08 %	Equity Long Short 3.96 %	FX Index 1.32 %	Equity Long Short 2.88 %	Equity Long Short 2.12 %
Macro 1.48 %	Market Neutral 0.72 %	Credit 0.09 %	FX Index -1.36 %	Macro 1.04 %	Credit 2.44 %	Credit 0.20 %	Market Neutral 2.05 %	Credit 1.62 %
Managed Futures 0.56 %	Equity Long Short 0.04 %	MSCI World -0.43 %	Managed Futures -1.97 %	Credit 0.79 %	FX Index 2.20 %	Market Neutral -2.05 %	Macro 1.61 %	JPM GBI 0.76 %
Credit 0.55 %	Macro -0.06 %	Equity Long Short -0.53 %	Credit -2.67 %	JPM GBI 0.63 %	Macro 2.07 %	Managed Futures -2.14 %	Credit 1.60 %	Market Neutral 0.47 %
Market Neutral 0.50 %	FX Index -0.12 %	Managed Futures -1.22 %	Macro -3.26 %	Market Neutral 0.22 %	Market Neutral 1.94 %	Macro -2.15 %	JPM GBI 1.49 %	Macro 0.23 %
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 %
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 %

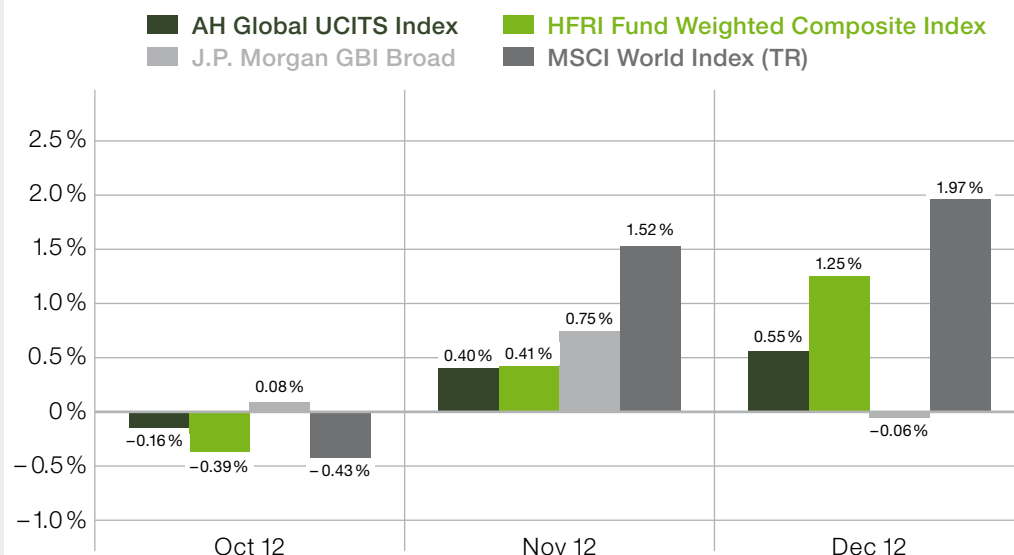
Source: Kepler Partners, www.absolutehedge.com

4 AH UCITS INDEX PERFORMANCE: SINCE INCEPTION



Source: Kepler Partners, www.absolutehedge.com

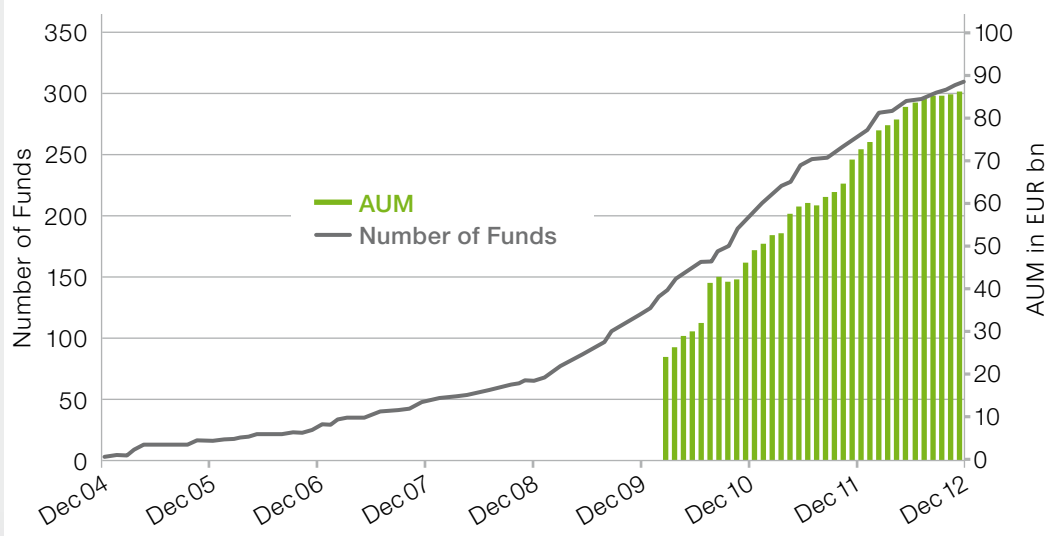
5 MONTHLY PERFORMANCE: Q4 2012



Source: Kepler Partners, www.absolutehedge.com

ASSETS UNDER MANAGEMENT

6 ALTERNATIVE UCITS FUNDS: NUMBER AND AUM EVOLUTION



Source: Kepler Partners, www.absolutehedge.com

Equity Long/Short Strategies continue to be the largest strategies in the alternative UCITS fund space. They are simple to manage and also the easiest strategies to convert into a UCITS structure. Macro remains the largest strategy by assets under management, controlling a staggering 40 % of assets despite only accounting for 18 % of funds by number in the sector. The Macro Strategy continued to be the most popular strategy for investors with the largest increase in AuM.

7 STRATEGY OVERVIEW: NO. OF FUNDS

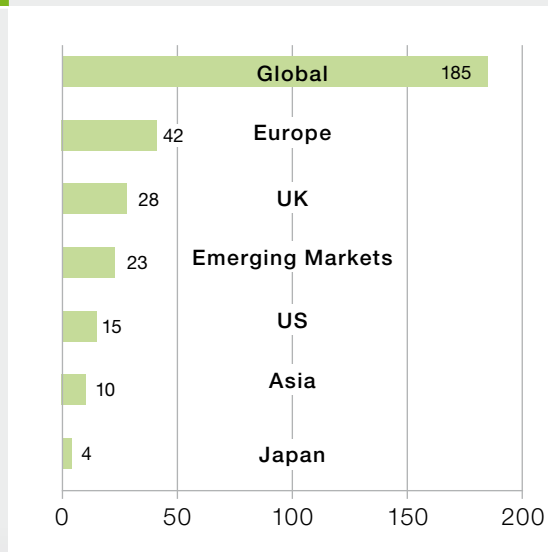
	Sep 12	Dec 12	% change
Equity Long Short	113	117	3.5
Macro	53	54	1.9
Credit	28	29	3.6
FX	11	11	0
Market Neutral	25	25	0
Managed Futures	19	20	5.3
Event Driven	14	14	0
Fund of Funds	19	19	0
Other	17	18	5.9
Total	299	307	2.7

8 STRATEGY OVERVIEW: AUM (EUR BN)

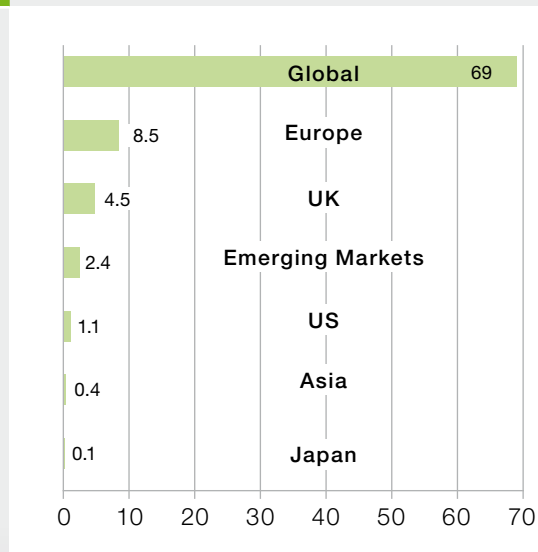
	Sep 12	Dec 12	% change
Equity Long Short	11.1	10.9	-1.8
Macro	32.2	34.7	7.8
Credit	21.5	21.4	-0.5
FX	1.4	1.4	0
Market Neutral	5.3	4.9	-7.5
Managed Futures	4.6	4.1	-10.9
Event Driven	1.2	1.0	-16.7
Fund of Funds	1.3	1.4	7.7
Other	6.1	6.2	1.6
Total	84.7	86.0	1.5

Source: Kepler Partners, www.absolutehedge.com

9 REGIONAL FOCUS: NO. OF FUNDS



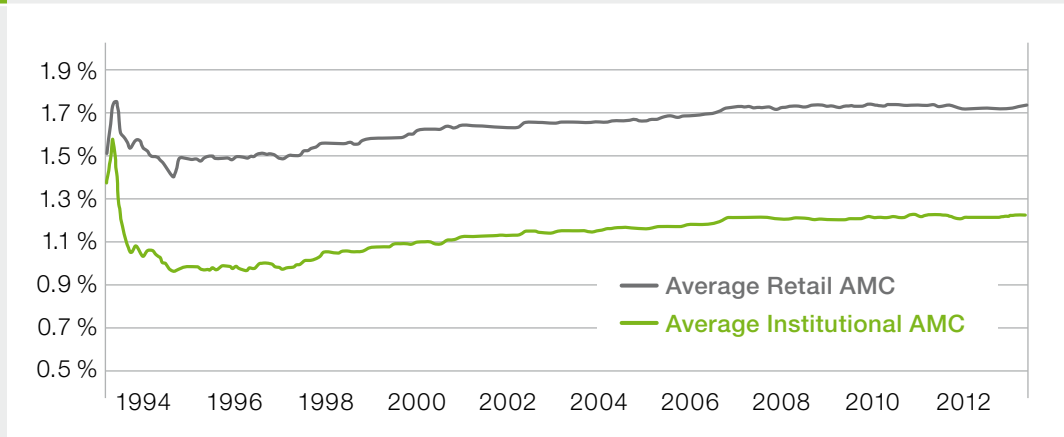
10 REGIONAL FOCUS: AUM (EUR BN)



Source: Kepler Partners, www.absolutehedge.com

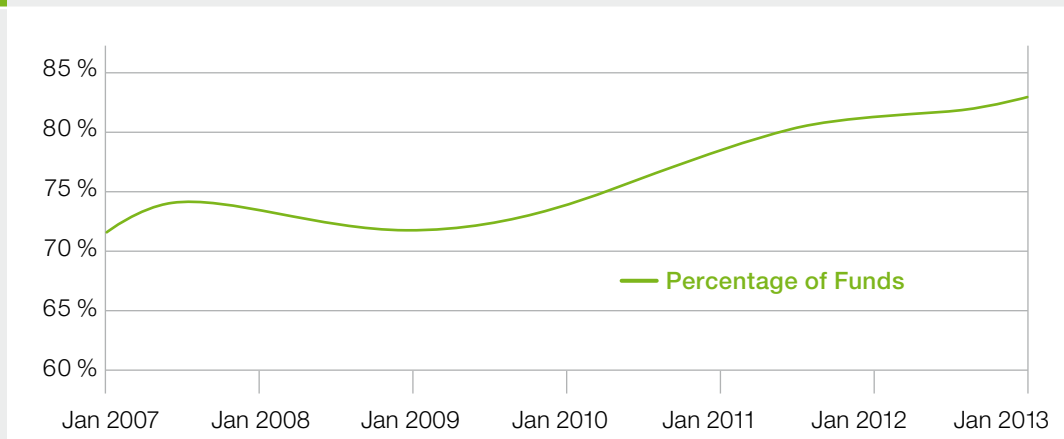
ALTERNATIVE UCITS: FEE LEVELS

11 AVERAGE FEES (%)



Source: Kepler Partners, www.absolutehedge.com

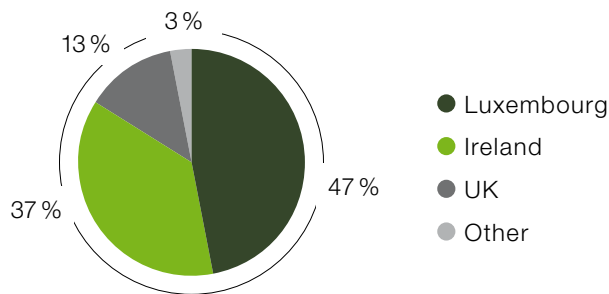
12 % OF FUNDS WITH PERFORMANCE FEE



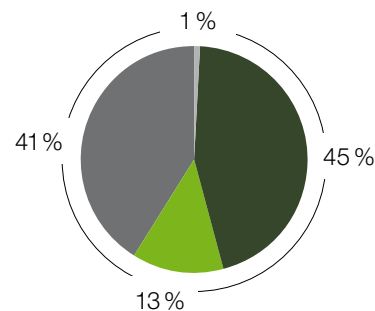
Source: Kepler Partners, www.absolutehedge.com

FUND DOMICILE

13 FUND DOMICILE: BY NO. OF FUNDS



14 FUND DOMICILE: BY ASSETS



Source: Kepler Partners, www.absolutehedge.com

Luxembourg and Ireland remain the domicile of choice for alternative UCITS managers with the two countries sharing over 80 % of all alternative UCITS funds between them. The split on an asset weighted basis shows, however, that Luxembourg and the UK have the largest share of the market.

UCITS LAUNCHES

15 NEW ALTERNATIVE UCITS LAUNCHES: Q4 2012

New Fund Launches	Date	Launch AuM in Mio. EUR	Strategy	Geography
EEA Diversified Trends UCITS	01/10/2012	4	Managed Futures	Global
Schroder GAIA Global Macro Bond	01/10/2012	36	Macro	Global
DB Platinum TT International	03/10/2012	20	Macro	Global
HI Numen Credit	05/10/2012	41	Credit	Global
Serviced Platform SICAV – Karsch Capital	05/10/2012	5	Equity L/S	US
NewSmith UK Fund	05/10/2012	20	Equity L/S	UK
MS SLJ Macro	15/10/2012	15	Macro	Global
Sturgeon Central Asia Equities Fund	15/10/2012	10	Equity L/S	Asia
MS QTI UCITS	19/10/2012	2	Managed Futures	Global
HI Principia Fund	26/10/2012	33	Equity L/S	Europe
Nuveen Gresham L/S Commodity Strategy	08/11/2012	10	Commodities	Global
F&C Real Estate Equity L/S	11/12/2012	63	Equity L/S	Global
MS Turner Spectrum	28/12/2012	21	Equity L/S	Global

Source: Kepler Partners, www.absolutehedge.com

There were several launches in Q4, with Macro and Equity Long/Short Strategies dominating. The average launch size in the fourth quarter remained low.

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