

Alceda Quarterly UCITS Review

in Association with
Kepler Partners LLP

Q3
2012

SUMMARY

Alternative strategies within a UCITS framework have continued to see accelerating demand, with growth in both the number of funds and assets under management. The universe is currently dominated by macro and equity long short funds, but there are a wide range of other strategies available to investors from merger arbitrage to insurance linked credit. With its long history and well established relationships within the UCITS market, Alceda is in a unique position to provide commentary on the market.

- >> The alternative UCITS sector continued to grow in the third quarter of the year, despite a difficult market backdrop. The fund universe on the Absolute Hedge database has grown from 292 funds at the end of Q2 to 299 funds at the end of Q3, managing total assets of € 84.7 bn. This reflects a growth in the number of funds of 2.4 % with an increase in AuM of 3 %. Four funds have been closed in Q3.
- >> Markets rose strongly over the quarter, with equities recording three monthly gains in succession. Risk appetite was strengthened by policy action from the Federal Reserve, European Central Bank and Bank of Japan, while US economic data was generally positive.
- >> Against this backdrop the AH UCITS Index added 1.81 % for the quarter taking YTD gains to 2.21 %. Given the equity markets over the quarter it was no surprise that Equity Long/Short was the best performing UCITS sector, with the AH Equity Long/Short Index advancing 2.88 % for the quarter. All other UCITS sectors that we track recorded positive numbers for the quarter except managed futures, with the AH Managed Futures Index declining 0.81 %.
- >> It was another muted quarter for fund launches in the alternative UCITS space. Despite the continued growth in the sector, Fund managers remain cautious.

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

PERFORMANCE

1 AH UCITS INDEX PERFORMANCE: GLOBAL

	Q3/2012 (%)	YTD (%)	Last 12 Months (%)
AH Global UCITS Index	1.81	2.21	2.37
HFRI Fund Weighted Composite Index	2.97	4.76	5.65
J.P. Morgan GBI Broad	1.48	3.85	4.50
MSCI World Index (TR)	5.73	12.95	21.89

Source: Kepler Partners, www.absolutehedge.com

2 AH UCITS INDEX PERFORMANCE: STRATEGY

	Jul 2012 (%)	Aug 2012 (%)	Sep 12 (%)	Q3 2012 (%)	YTD
AH Global UCITS Index	0.97	0.31	0.52	1.81	2.21
Credit Index	0.59	0.49	0.51	1.60	4.28
Equity Long Short Index	0.90	0.62	1.33	2.88	3.99
FX Index	1.61	-0.93	0.29	0.96	4.53
Macro Index	0.92	0.32	0.36	1.61	1.50
Managed Futures Index	3.21	-1.92	-2.01	-0.81	-5.46
Market Neutral Index	0.96	0.61	0.47	2.05	1.91

Source: Kepler Partners, www.absolutehedge.com

It was a good quarter for alternative UCITS strategies with the AH Global UCITS Index adding 1.81%.

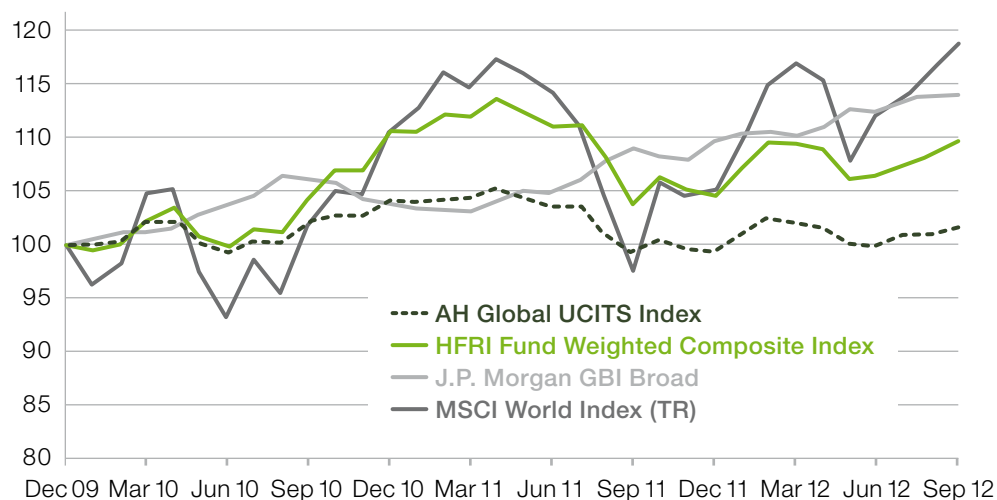
The AH Equity Long Short Index advanced 2.88 % during the quarter as managers capitalised on the rally in equity markets.

3 STRATEGY HEAT MAP – QUARTERLY

Q3/2010	Q4/2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012
MSCI World 9.40%	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%
Equity Long Short 4.20%	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%
Macro 2.74%	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 2.32%	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 2.31%	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%
Managed Futures 1.53%	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%
Market Neutral 1.44%	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%
FX Index 0.28%	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%

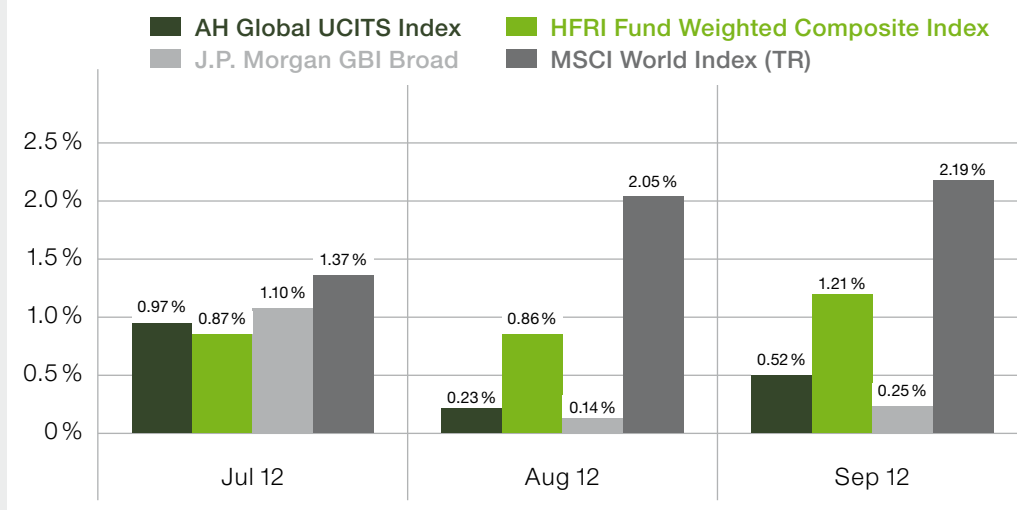
Source: Kepler Partners, www.absolutehedge.com

4 AH UCITS INDEX PERFORMANCE: SINCE INCEPTION



Source: Kepler Partners, www.absolutehedge.com

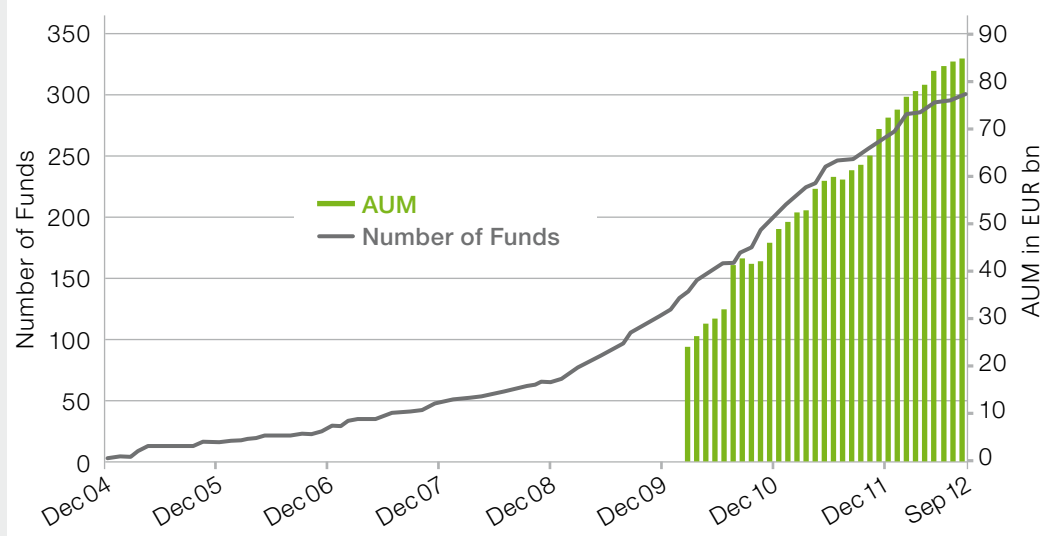
5 MONTHLY PERFORMANCE: Q3 2012



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 sector saw continued growth, with both the number of funds and AUM rising.

Both the Macro and Market Neutral sectors saw good growth in Q3.

7 STRATEGY OVERVIEW: NO. OF FUNDS

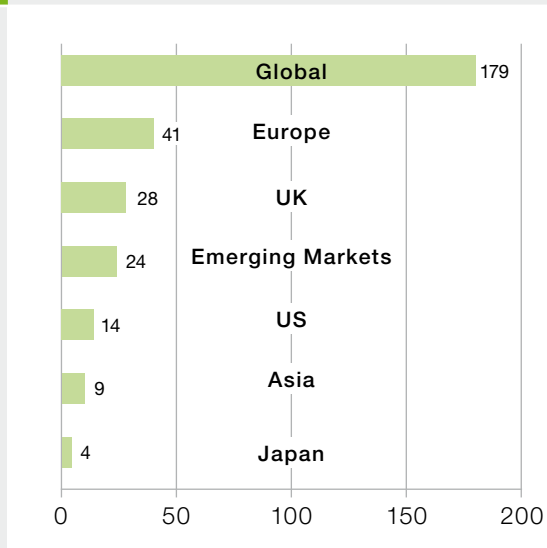
	Jun 12	Sep 12	% change
Equity Long Short	115	113	-2 %
Macro	50	53	4 %
Credit	27	28	4 %
FX	10	11	10 %
Market Neutral	22	25	14 %
Managed Futures	19	19	0 %
Event Driven	14	14	0 %
Fund of Funds	19	19	0 %
Other	16	17	6 %
Total	292	299	2 %

8 STRATEGY OVERVIEW: AUM (EUR BN)

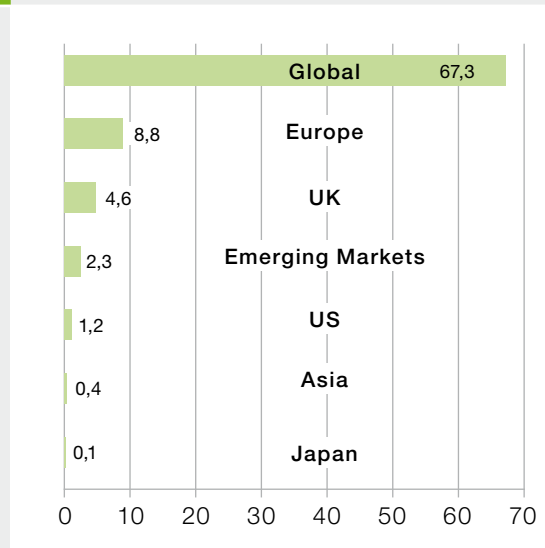
	Jun 12	Sep 12	% change
Equity Long Short	11.5	11.1	-3 %
Macro	30.6	32.2	5 %
Credit	20.8	21.5	3 %
FX	1.4	1.4	-3 %
Market Neutral	5.1	5.3	3 %
Managed Futures	4.8	4.6	-4 %
Event Driven	1.2	1.2	-6 %
Fund of Funds	1.3	1.3	6 %
Other	5.8	6.1	5 %
Total	82.5	84.7	3 %

Source: Kepler Partners, www.absolutehedge.com

9 REGIONAL FOCUS: NO. OF FUNDS



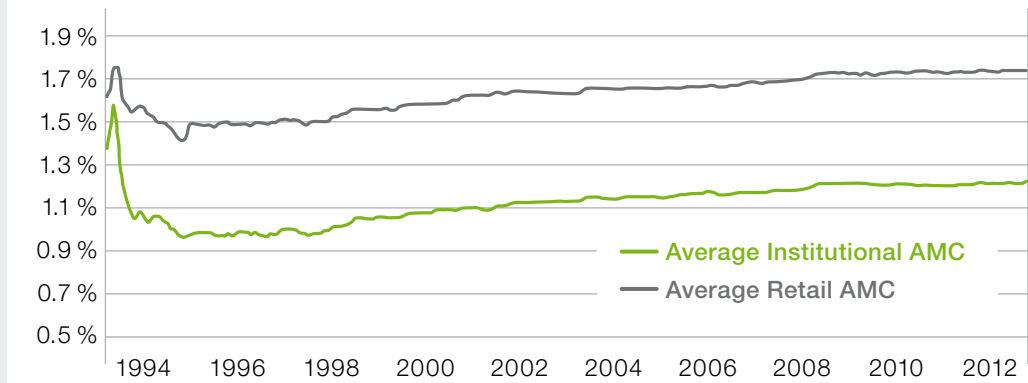
10 REGIONAL FOCUS: AUM (EUR BN)



Source: Kepler Partners, www.absolutehedge.com

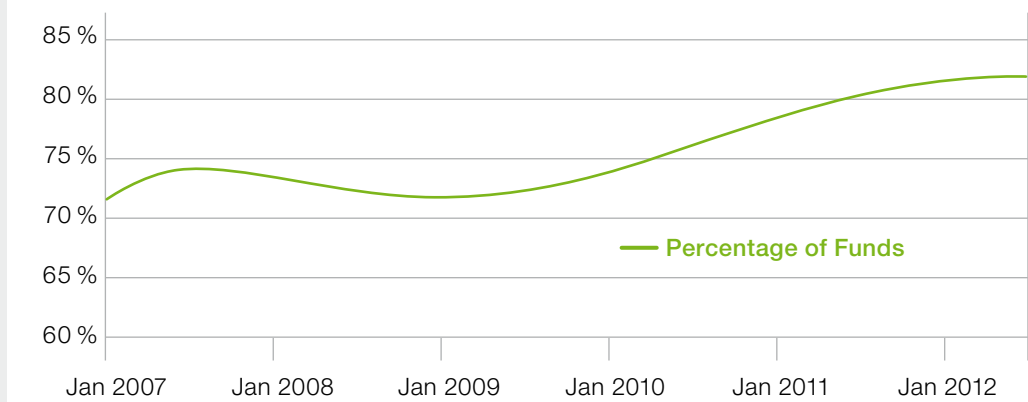
ALTERNATIVE UCITS: FEE LEVELS

11 AVERAGE FEES (%)



Source: Kepler Partners, www.absolutehedge.com

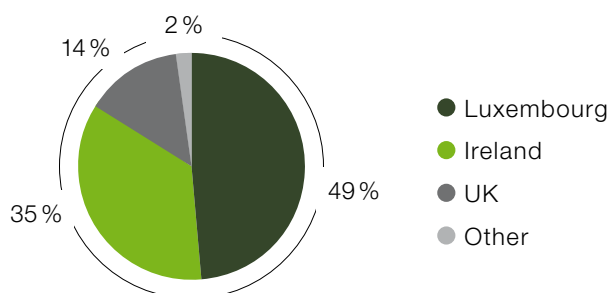
12 % OF FUNDS WITH PERFORMANCE FEE



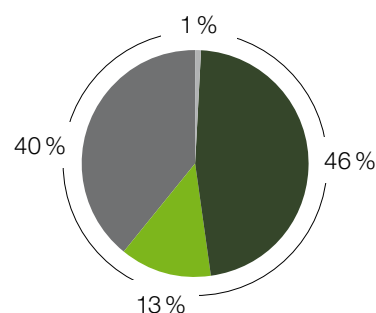
Source: Kepler Partners, www.absolutehedge.com

FUND DOMICILE

13 FUND DOMICILE: BY NO. OF FUNDS



14 FUND DOMICILE: BY ASSETS



Source: Kepler Partners, www.absolutehedge.com

UCITS LAUNCHES

15 NEW ALTERNATIVE UCITS LAUNCHES: Q3 2012

New Fund Launches	Date	Launch AuM in Mio. EUR	Strategy	Geography
Ignis Absolute Return Credit	31/07/2012	17	Credit	Global
AC Risk Parity 17	01/08/2012	18	Market Neutral	Global
Trient Dynamic Equity	08/08/2012	8	Equity L/S	Europe
UBS Global Equity Long Short	24/08/2012	10	Equity L/S	Global
Torrus HCM Tail-Risk	29/08/2012	43	Macro	Global
AQR Risk Parity	30/08/2012	255	Market Neutral	Global
THEAM Alpha Commodity	07/09/2012	12	Commodity	Global
Lyxor Absolute Return Multi-Assets 8	08/09/2012	62	Market Neutral	Global
QS Investors Liquid Alpha	14/09/2012	0.8	Macro	Global
Threadneedle Multi Asset Target Alpha	18/09/2012	0.8	Macro	Global
JB Absolute Return Commodities	28/09/2012	8	Commodity	Global

Source: Hedge Fund Research, www.hedgefundresearch.com; Kepler Partners, www.absolutehedge.com

The average
launch assets
remain low.

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DATABASE METHODOLOGY: Funds on the Absolute Hedge database have been screened against a range of quantitative and qualitative factors, with the research team at Kepler Partners also applying a 'quality' filter to maintain a universe that is relevant for investors. In general terms a fund will be considered for inclusion if it meets any of the following criteria: uses a recognised hedge fund or other sophisticated strategy, has a non-benchmarked approach to investing, has a sister offshore fund or charges a performance fee.

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