

Hedge Fund Strategies	Aug 2011	YTD*	Annual Average Return since January 2001	Annual Std Dev since January 2001	Sharpe Ratio
Convertible Arbitrage	-2.09%	0.4%	6.6%	7.4%	0.36
CTA Global	0.27%	0.0%	7.2%	8.7%	0.36
Distressed Securities	-4.08%	-0.3%	10.6%	6.2%	1.07
Emerging Markets	-3.90%	-3.7%	11.3%	10.4%	0.70
Equity Market Neutral	-1.64%	0.8%	4.5%	3.0%	0.18
Event Driven	-3.78%	-2.0%	8.0%	6.0%	0.67
Fixed Income Arbitrage	-0.68%	3.8%	6.1%	4.5%	0.48
Global Macro	-0.34%	0.3%	7.3%	4.4%	0.74
Long/Short Equity	-4.07%	-3.2%	5.4%	7.1%	0.20
Merger Arbitrage	-1.20%	0.8%	5.4%	3.3%	0.42
Relative Value	-1.86%	0.6%	6.6%	4.7%	0.54
Short Selling	6.97%	5.2%	0.8%	13.8%	-0.23
Funds of Funds	-2.57%	-2.9%	3.9%	5.1%	-0.02

* Cumulative return since January 1st of the current year

In August, the deterioration in the stock markets continued and accelerated. The S&P 500 index (-5.43%) suffered its most severe losses since May 2010, bringing its YTD performance (-1.77%) well below par. The increasing nervousness of investors resulted in another surge (+6.3%) in implicit volatility (31.6%), which reached its highest level since June 2010.

The situation on the fixed-income market did not improve. Like the stock markets, convertible bonds (-4.49%) dropped sharply, with a fourth consecutive month of losses sweeping its YTD profits away. In the US, regular bonds (-0.06%) struggled for stability whereas, worldwide, the Lehman Global Bond Index (+2.78%) performed remarkably well. The credit spread (-3.16%) registered its most acute shrinkage since the crisis of 2008. The commodities market (-1.66%) continued its ebb and flow.

Most hedge fund strategies were impacted by the reverses in the stock markets.

Besides Short Selling, the only profitable strategy in August was CTA Global (+0.27%), which, like the commodities market, managed its smallest change over the past fourteen months. The plummeting convertible bonds and shrinking credit spread heavily penalised the Convertible Arbitrage strategy (-2.09%), which recorded a fourth consecutive month of losses and its worst since May 2010. Despite its limited exposure to the stock market, the Equity Market Neutral strategy (-1.64%) took an unusually heavy blow.

Although they outperformed the stock markets this month, the more exposed Event Driven (-3.78%), Long/Short Equity (-4.07%), Distressed Securities (-4.08%) and Emerging Markets (-3.90%) strategies all saw their YTD performances drop into negative territory, and along with the Merger Arbitrage (-1.20%) and Relative Value (-1.86%) strategies, recorded their worst monthly performance since the subprime-induced financial crisis. Conversely, the Fixed-Income Arbitrage strategy (-0.68%) became the best-performing YTD strategy behind Short Selling.

Overall, in August, the Funds of Funds strategy (-2.57%) outperformed the S&P 500 Index, but its YTD performance continued to lag behind.

