





Hedge Fund Research, Inc.

ASIAN HEDGE FUND INDUSTRY SURGES TO RECORD IN 2014

*HFRX Japan, China Indices drive performance gains and asset growth in 2013;
Total Asian hedge fund capital surpasses pre-Crisis, 2007 peak*

CHICAGO, (February 12, 2014) – Investor capital continued to pour into the Asian hedge fund industry in late 2013 and early 2014, with record inflows and performance driving total investor capital to surpass the record level set in 2007, prior to the 2008 Financial Crisis. Total capital invested in the Asian hedge fund industry grew to \$112.3 billion USD (Japanese ¥: 11.48 trillion; Chinese Renminbi: 680.9 billion), according to the latest *HFR Asian Hedge Fund Industry Report*, released today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

Asset growth for both 4Q and January 2014 was driven by investor allocations, as well as performance gains. Investors allocated \$4.2 billion (Japanese ¥: 430 billion; Chinese Renminbi: 25.46 billion) of new capital to the region's hedge funds in 4Q, the highest quarterly inflows since HFR began tracking in 1Q08, bringing full year 2013 inflows to \$10.5 billion (Japanese ¥: 1.07 trillion; Chinese Renminbi: 63.7 billion), also a calendar year record.

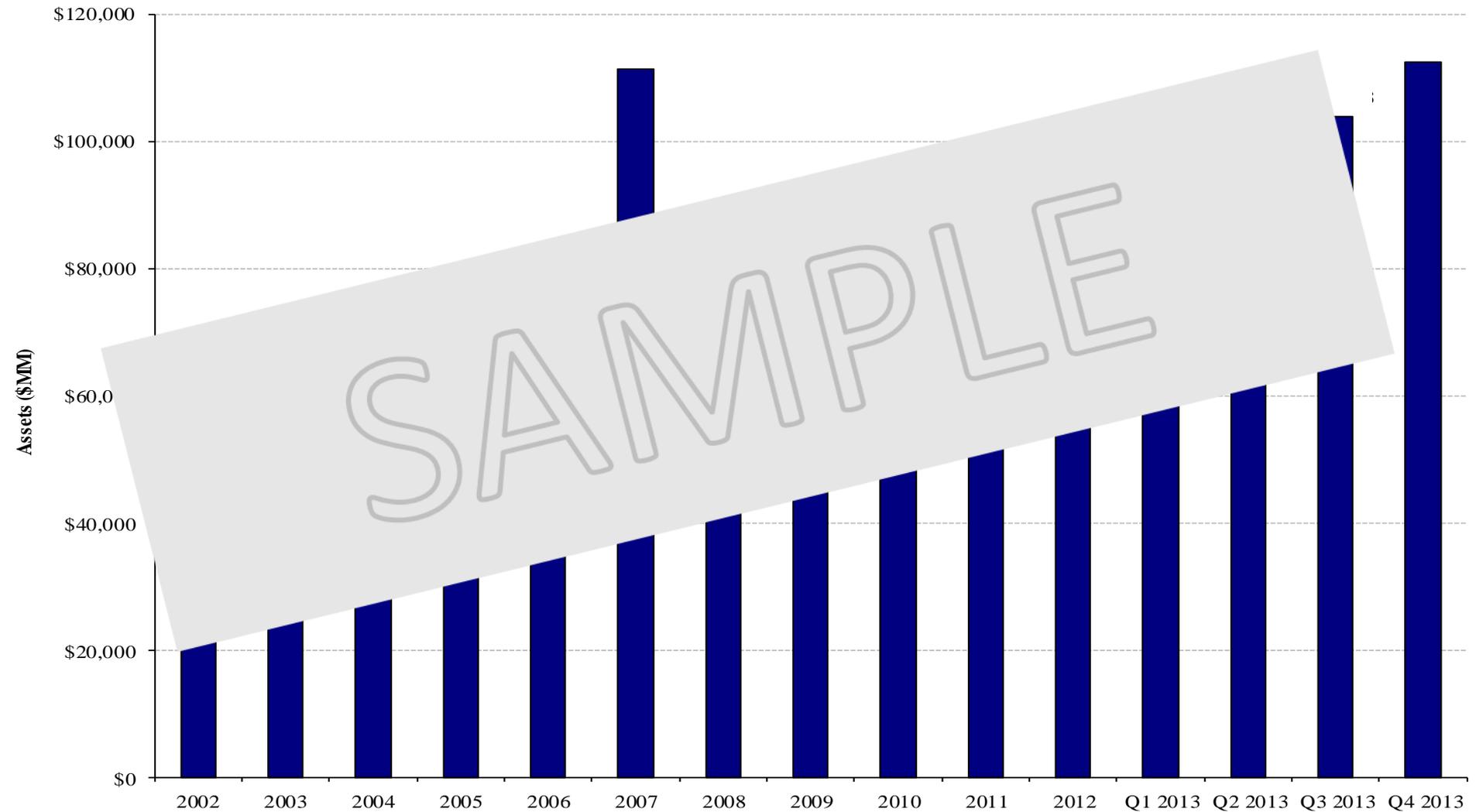
Inflows by hedge fund strategy were dominated by Equity Hedge and Event Driven, which typically exhibit high directional beta to Asian equity and credit markets. Asian Equity Hedge and Event Driven, including Activist and Distressed strategies, experienced inflows of \$2.5 billion and \$1.4 billion in 4Q, respectively, while Macro, including CTA, and fixed income based Relative Value Arbitrage experienced smaller inflows. For the full year 2013, investors allocated \$6.9 billion to Asian Equity Hedge and \$2.2 billion to Asian Event Driven.

Strong performance gains for Asian hedge funds accelerated in 4Q13, with the HFRX Japan Index gaining +6.0 percent, ending FY13 up +32.8 percent, only slightly below the record gain of +33.1 percent from 2005. HFRX China Index, which gained +7.8 percent in 4Q and +19.0 percent for FY 2013, exhibited strong negative correlation to the Shanghai Composite, which declined of -6.75 percent for the year. The FY 2013 gain for the HFRX China Index was the best full year performance since the Index gained +50.4 percent in 2009.

Asian capital inflows by region were led by allocations into Japanese-focused hedge funds. For 4Q13, investors allocated \$1.7, \$1.4 and \$1.1 billion, respectively, to pan-Asian, Japan and Emerging Asian hedge fund strategies. For the full year 2013, investors allocated \$2.9, \$4.5 and \$3.0 billion to each of these regions, respectively.

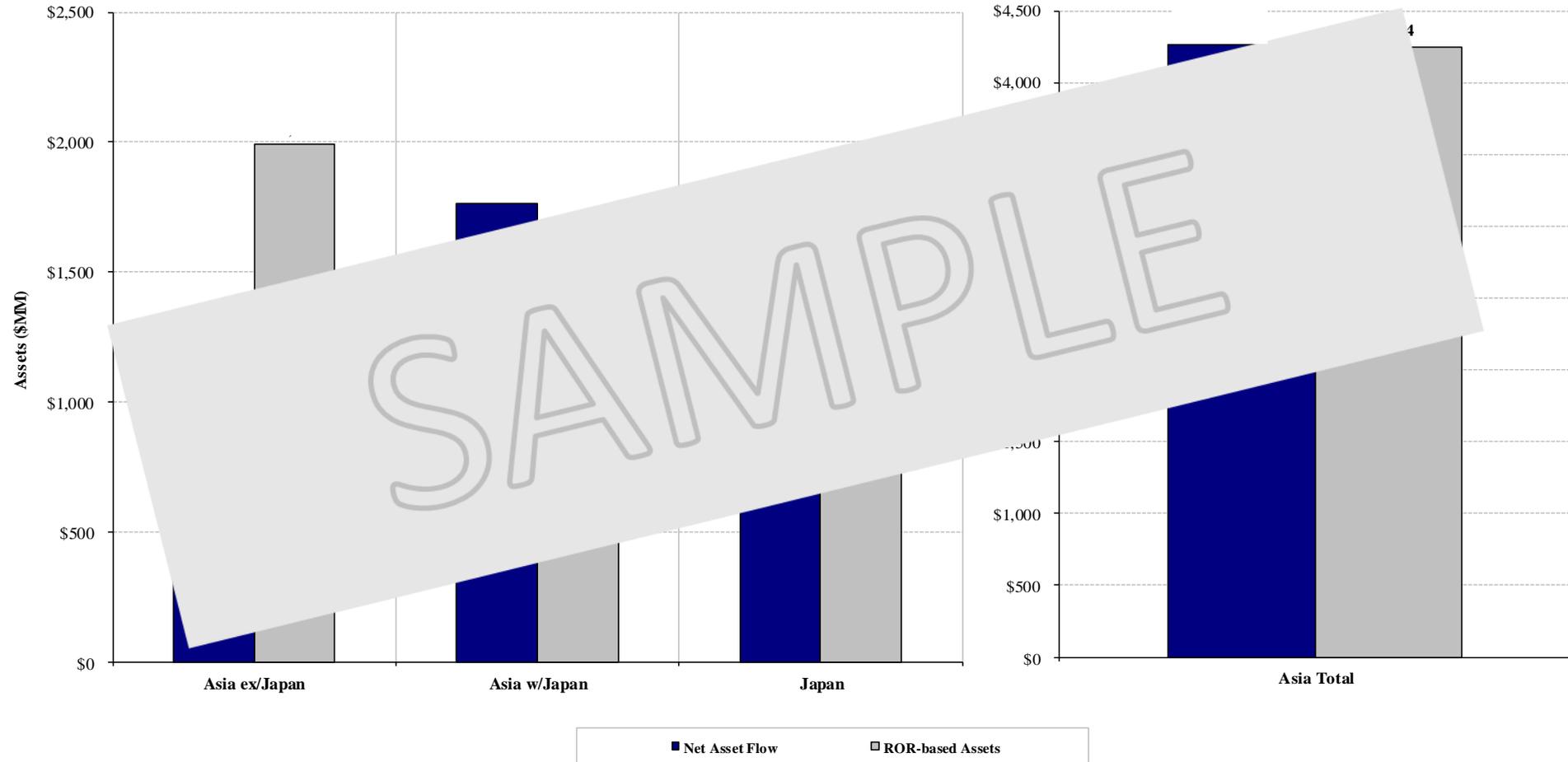
“2013 was an exceptional year for the Asian hedge fund industry, posting strong performance gains across the region as assets surpassed the pre-financial crisis peak, both despite divergent equity market trends across developed and emerging Asia,” stated Kenneth J. Heinz, President of HFR. “The Asian hedge fund industry has now emerged as the preferred mechanism for both global and Asian investors to participate in the exciting growth opportunities while mitigating complex risks associated with quantitative easing, currency devaluation or prospective RMB appreciation and structural concerns regarding banking institutions. Despite EM-centric currency and equity volatility to begin 2014, investors are likely to increase allocations to Asian hedge funds as these themes evolve in 1H14.”

Estimated Growth of Assets: Asia-Focused Hedge Funds 2002 – Q4 2013

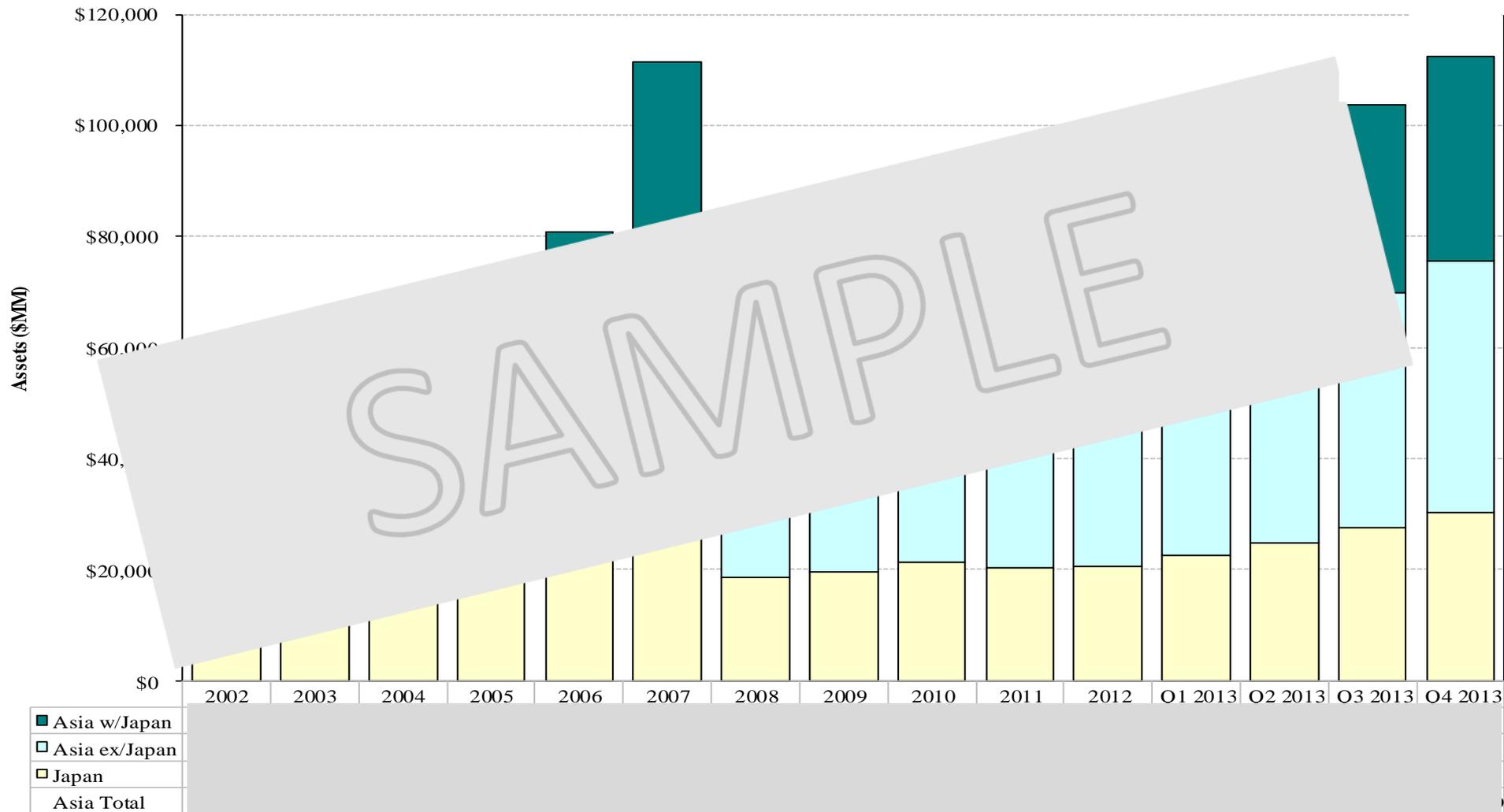


Estimated Growth of Assets: Asia-Focused Hedge Funds per Sub-Region

Net Asset Flow vs. Performance-Based Q4 2013



Estimated Sub-Regional Composition of Asia-Focused Hedge Fund Assets 2002 – Q4 2013



Estimated Management Firm Location

Asia-Focused Hedge Funds

Q4 2013

