



May 2009 Hedge Fund Performance Commentary

Eurekahedge

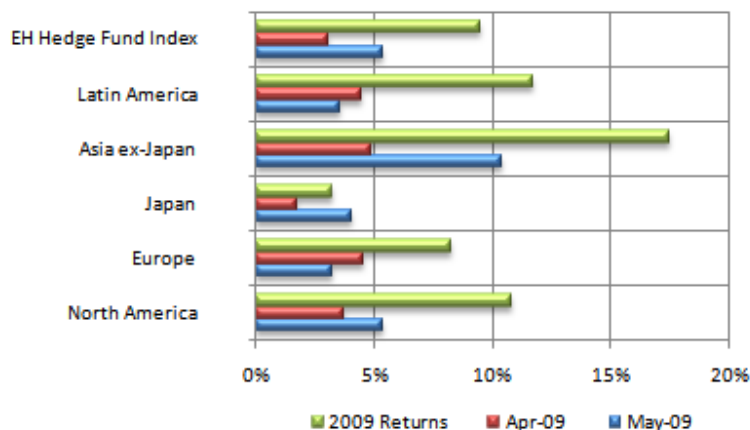
Introduction

Hedge funds produced record returns in May, with the Eurekahedge Hedge Fund Index up a remarkable 5.4%¹ - its best monthly return in almost a decade. The month's performance was achieved on the back of strongly rallying equity markets – which surged for the third consecutive month (the MSCI World Index rose 8.6%) amid increasing investor sentiment and healthier risk appetites. Hedge funds also saw net inflows in May, the very first time in 10 months; redemptions of US\$8 billion were more than offset by gross inflows of 19.3 billion during the month.

In terms of geographical investment mandates, Asia ex-Japan investing funds turned in the best returns (averaging 10.4%), as most regional equity markets rallied strongly on visible signs of a slowing economic contraction; the MSCI Asia Pacific ex-Japan Index rose 13.9% during the month. Broader emerging market managers also benefited from their exposure to equities in Asia, while allocations to other regions that benefited from the upturn in crude and commodity prices (the CRB Index had a record month, returning 14% in May), also proved rewarding; the Eurekahedge Emerging Markets Hedge Fund Index rose 8% during the month.

North American managers turned in returns in line with the region's equity benchmark – the S&P 500, which was up 5.3% during the month. European managers (3.2%), however, marginally underperformed the markets in the region. While most returns from both regions came from long equity positions, market-neutral and short positions by managers hedging their exposure to the equity markets resulted in flat to negative returns. Gains in the aforementioned regions were also realised from trading commodities and currencies; long euro/short US dollar trades proved rewarding as the US dollar depreciated 7% against the euro, partly on the back of waning risk aversion.

Eurekahedge Performance Indices – Regions



Source: Eurekahedge

Although hedge funds marginally underperformed the broad equity markets over the past three months, they continue to outperform YTD, as the Eurekahedge Hedge Fund Index is up 9.5% YTD while the MSCI World Index and the S&P 500 are up 5.4% and 1.8% respectively. These returns suggest that...

¹ Based on 55% of the funds reporting their May 2009 returns as at 15 June 2009.