



February 2009 Hedge Fund Performance Commentary

Eurekahedge

Introduction

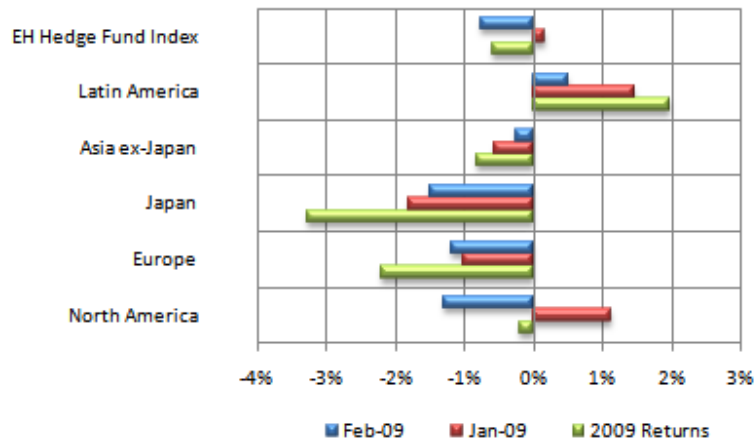
Hedge funds had another month of strong outperformance to the underlying markets with the Eurekahedge Hedge Fund Index down 0.8%. In contrast, the MSCI World Index shed 10.5% during the month while the Reuters CRB Index lost close to 4%. The month's negative return was realised against the backdrop of concerns surrounding the solvency of some major financial institutions and talks regarding the nationalisation of distressed US banks, which, despite the approval of the US\$787 billion economic stimulus package in the US, spooked equities across the board. Furthermore, deepening recessionary pressures across some major economies and the resultant negative economic news flow took a toll on the markets; for instance, the news of a record Japanese trade deficit impacted regional equities causing a sharp depreciation in the yen.

In terms of geographical investment mandates, Japan fared the worst, with the average Japanese hedge fund down 1.5% during the month. This, however, compares impressively with the 12.4% downturn in the MSCI Japan Index. Other Asian managers fared reasonably well, losing a mere 0.3% on average, against a 6.2% slide in the MSCI Asia Pacific ex-Japan Index.

European and North American managers registered losses averaging 1.2% and 1.3% respectively. Continued distress across major banks in both regions, among other factors, had an adverse impact on equities across their respective regions. Latin America was the only region to record gains (0.5%) in February, with all strategies under the region finishing in the black.

The charts below show the current month, previous month and 2009 YTD returns across broad regional and strategic mandates.

Eurekahedge Performance Indices – Regions



Source: Eurekahedge

Most major equity indices are positive for March month-to-date, partly owing to the recent optimism-based rally seen on the back of factors like: positive news about the profitability of some large banks, and evident efforts by central banks and governments to contain recessionary pressures on their respective economies. We expect such upturns in the markets, though short-lived, to work in favour of managers employing short-term trading strategies. Additionally, we expect managers of most strategies to allocate a portion of their assets towards short-term trades, in order to cash in on the inherent volatility across asset classes until the markets reach a state of normalcy.



On the regulatory front, there is growing pressure from policy makers and market regulators for tougher regulations across the hedge fund industry. This is in light of frauds uncovered in recent months, leaving institutional and individual investors poorer by billions of dollars. It will be interesting to watch this debate unfold and to see its impact on the hedge fund industry going forward.