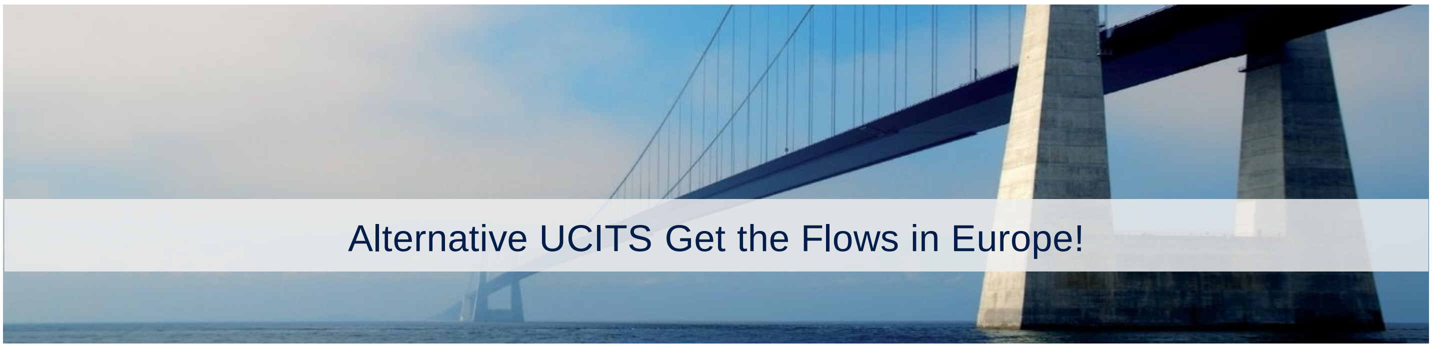


Alternative UCITS Get the Flows in Europe!

Philippe Ferreira
Senior Strategist
philippe.ferreira@lyxor.com

Anne Mauny
Research Analyst
anne.mauny@lyxor.com

Jean-Baptiste Berthon
Senior Strategist
jean-baptiste.berthon@lyxor.com

Lionel Melin
Strategist
lionel.melin@lyxor.com

Jeanne Asseraf-Bitton
Global Head
of Cross Asset Research
jeanne.asseraf-bitton@lyxor.com

There has been much discussion over the recent weeks on the outflows suffered by the hedge fund industry. Several data providers estimated the decline in global hedge fund capital in the first quarter of 2016 at about USD 15bn.

Yet, in front of that, strong inflows into alternative UCITS in Europe have gone somewhat unnoticed. According to Morningstar, alternative UCITS experienced net inflows of EUR 3.6 billion in March, bringing the cumulated figure to EUR 7.7 billion in Q1-16 (based on the universe of funds available for sale in Europe).

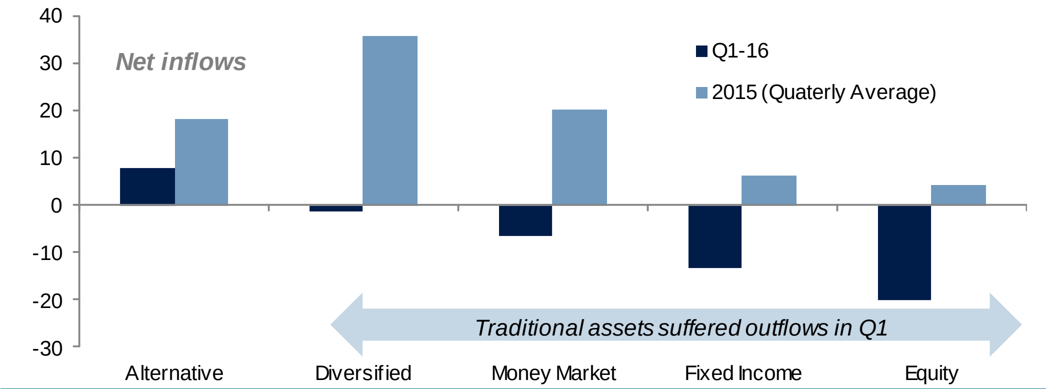
The strong appetite for alternative UCITS is also in stark contrast with the outflows experienced by traditional asset classes: in Q1-16, equity mutual funds experienced outflows of EUR 20bn and fixed income & credit funds saw outflows near EUR 13bn. Meanwhile, money market and diversified funds also suffered outflows. Conversely, alternative UCITS is the only asset class experiencing inflows in Europe during the first quarter.

The reasons for such appetite are multiple. On the one hand, the market environment has deteriorated over the last twelve months. European equities suffered a double digit drawdown with annualized volatility in excess of 20%, while Euro area sovereign bonds also experienced higher volatility than usual. On the other hand, the outlook for traditional assets is clouded by many uncertainties: valuations across asset classes are rich, economic and earnings growth face dim prospects and a huge share of risk-free assets in the eurozone are yielding less than 0%... In this context, investors have piled into alternative strategies that offer higher risk adjusted returns in relative terms.

With regards to recent performance, the Lyxor hedge fund index is down 0.4% during the last week of April, and down 0.9% in April. Fixed income and credit arbitrage outperformed while CTAs underperformed as a result of the rise in bond yields.

Alternative UCITS Experience Strongest Inflows In Europe in Q1-16

Net Flows into Mutual Funds – Universe of funds available for sale in Europe (€ billion)



As of 31/03/2016. Source: Morningstar, Lyxor AM

THE WEEK IN 3 CHARTS

Hedge Fund Snapshot: L/S Credit outperformed in April; CTAs underperformed

	WTD*	MTD	YTD
Lyxor Hedge Fund Index	**-0.4%**	**-0.9%**	**-2.8%**
CTA Broad Index	**-2.2%**	**-1.8%**	-0.7%
Event Driven Broad Index	-0.2%	-0.8%	-2.5%
Fixed Income Broad Index	**1.0%**	**1.5%**	**0.9%**
L/S Equity Broad Index	-0.9%	-1.5%	**-4.4%**
Global Macro Index	0.5%	-0.4%	-2.5%
S&P 500	*-0.4%*	*1.8%*	*0.6%*
10 Y US Treasury (Change in bps)	*14*	*12*	*-38*

*From 19 April to April 26, 2016

The Lyxor hedge fund index is down 0.4% during the last week of April, and down 0.9% for the full month.

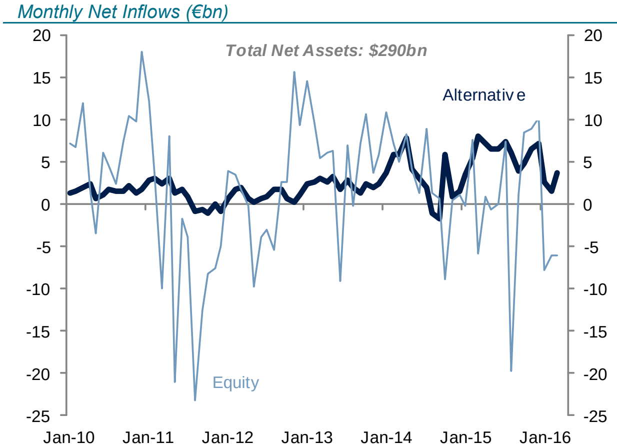
Fixed income and credit arbitrage outperformed, buoyed by dovish central banks and the significant credit spread tightening across the board (US and Europe; investment grade and high yield). Asian credit funds did particularly well in April.

Meanwhile, CTAs underperformed as a result of the rise in bond yields in the US and Europe. Over the last two months, they reduced markedly their long fixed income exposure but were still exposed to the rise in bond yields.

Finally, Event Driven funds continue their recovery.

Appetite for Alternative UCITS Remains Strong in Europe

Inflows into Alternative UCITS in Europe top EUR 3.6bn in March
Monthly Net Inflows (€bn)



As of 31/03/2016. Source: Morningstar, Lyxor AM

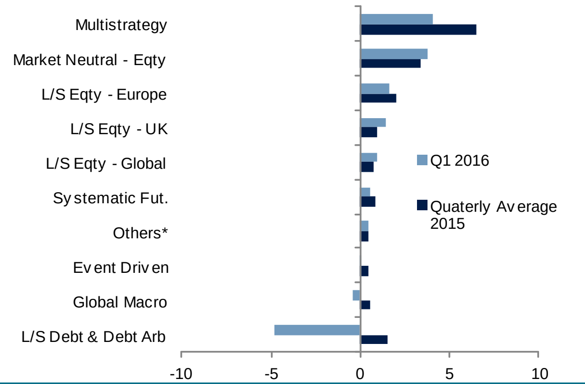
After having experienced lower flows in February, alternative UCITS were again favored by investors in March.

The universe of alternative UCITS funds available for sale in Europe received inflows above EUR 3.6bn in March. Only one asset class received more inflows: corporate bonds (+EUR 4bn).

For the first quarter of 2016, alternative UCITS stand above the crowd, with cumulated inflows to EUR 7.7 billion.

Diversified and market neutral strategies experience large inflows

Market Neutral Equity & Multistrategy receive most inflows
Net Inflows into Alternative UCITS (€bn)



*Includes volatility, currency, L/S Equity US/ EM/ Others.
As of 31/03/2016.Source: Lyxor AM.

The strategies that received the largest inflows within alternative UCITS have not changed much over the recent quarters.

Diversified funds (multi-strategy) have been receiving the largest inflows but this is related to the fact that it is also the largest strategy in terms of AuMs.

Beyond multistrategy funds, L/S Equity also continues to experience strong investor appetite. This is particularly the case for L/S Equity market neutral and L/S Equity strategies with an European bias.

Finally, it is important to note the continued appetite for systematic futures.

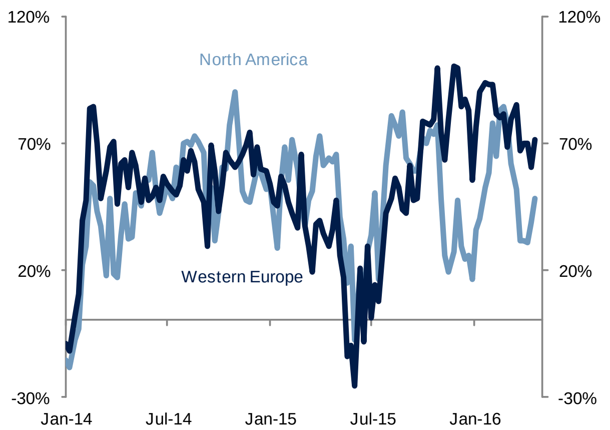
CTAs

Higher bond yields detracted

	WTD*	MTD	YTD
CTA Broad Index	**-2.2%**	**-1.8%**	**-0.7%**
CTA Long Term	-2.4%	-1.8%	-0.6%
CTA Short Term	-0.1%	-1.8%	-4.0%

*From 19 April to April 26, 2016

Long fixed income exposures caused losses recently
Net Exposure to fixed income, % NAV



As of 19/04/2016. Equally weighted. Source: Lyxor AM

Almost all systematic funds ended in negative territory last week, penalized by the rise in bond yields across the globe. Overall, short-term players performed better and managed to contain losses.

Fixed income allocations remain significant within systems, especially on the long exposure to US and German bonds, which were the main drivers of the disappointing performance. The equity cluster couldn't mitigate the losses, although some short term players recorded meager profits. Medium term models suffered mainly from their long positioning on US equities.

In the FX bucket, long bias on the Japanese Yen vs USD was the main detractor as FX markets were pricing in the possibility that the BoJ would had adopted additional easing measures last week. The BoJ stayed put in the end and this will support CTAs. Long exposed funds also signed losses on the depreciation of the Canadian Dollar.

Finally, with reshuffled exposures to energy and agricultural sectors, systems recorded only limited P&L despite the important moves in commodity prices.

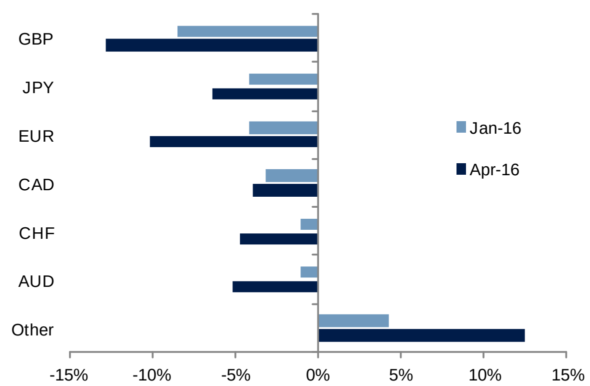
GLOBAL MACRO

Fuelled by gains on equity & FX

	WTD*	MTD	YTD
Global Macro Index	**0.5%**	**-0.4%**	**-2.5%**

*From 19 April to April 26, 2016

Short exposures to JPY and EUR vs USD were rewarding
Net Exposure to FX vs US Dollar, % NAV



As of 19/04/2016. Equally weighted. Source: Bloomberg, Lyxor AM

In a week marked by investor's caution before central bank meetings, most macro managers signed a positive performance driven by profits on equities and FX. With exposures still tilted toward a strong US dollar, the majority of the gains came from the short bias on the Japanese yen and Euro, as the currencies depreciated vs. the greenback. Nevertheless, several managers suffered from the appreciation of the British pound.

On the equity side, some long exposed funds benefited from the rally in Japan, coupled with the positive performance of the financial sector worldwide. The rise in bond yields had a limited impact, as directional positioning on fixed income instruments were reduced within most funds and with exposures often turned in favor of relative value trades. Steepening trades on the UK and US curve were the most profitable positions, while outright long exposure on Chinese rates detracted for a specific manager.

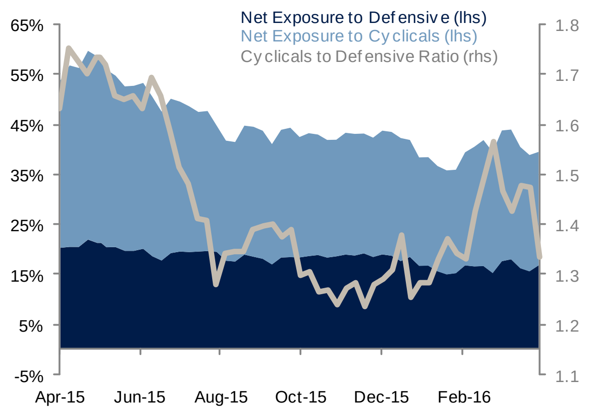
Finally, small short allocations to agricultural and energy sectors turned detrimental due to some significant moves in commodity prices.

L/S EQUITY

	WTD*	MTD	YTD
L/S Equity Broad Index	**-0.9%**	**-1.5%**	**-4.4%**
Long Bias	-0.4%	0.1%	-1.8%
Market Neutral	-0.8%	-2.2%	-3.9%
Variable Bias	-1.1%	-2.1%	-6.3%

*From 19 April to April 26, 2016

L/S Equity Funds cut their net exposure to cyclical stocks
Net Exposure to Defensive and Cyclical sectors (% NAV)



Defensive sectors: Consumer non cyclicals, energy, utilities, communications. Cyclical sectors: basic materials, consumer cyclicals, financials, industrials, technology. As of 19/04/2016. Equally weighted. Source: Lyxor AM

Market neutral struggles

After two weeks of strong performance, major equity benchmarks ended mostly lower for the week. The Lyxor L/S Equity index finished last week down 0.9% as it struggled to cope with higher implied volatility.

Looking at the cyclicals to defensive ratio on a net exposure basis, it is interesting to note that Equity L/S funds had started 2016 with this ratio close to a 1-year low. Broadly speaking, they were still positioned for the strong performance of defensive stocks witnessed in 2015 to continue. As the junk rally took shape, hedge funds increased their positions in cyclical stocks but this ratio has come down again since the beginning of March.

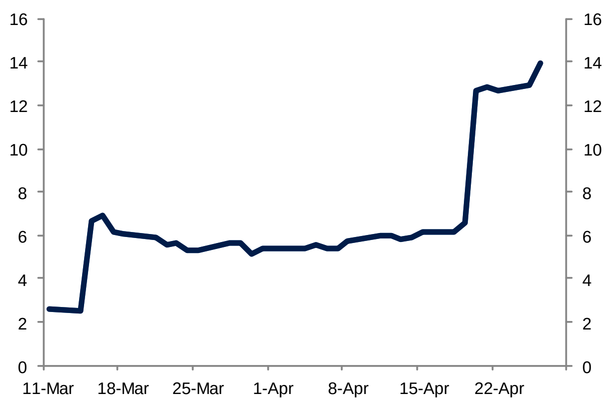
It was therefore not surprising to only see few funds finishing last week in positive territory. Once again, energy stocks were the best performer for last week ahead of financials which finally joined the cyclicals party. On the other hand, the poor showing of utilities and consumer staples over the period was the major detractor to performance.

EVENT DRIVEN

	WTD*	MTD	YTD
Event Driven Broad Index	**-0.2%**	**-0.8%**	**-2.5%**
Merger Arbitrage	-0.4%	-1.9%	-1.4%
Special Situations	0.1%	1.7%	-4.1%

*From 19 April to April 26, 2016

The Alere vs Abbott deal spread widened, a negative for Event Driven
Alere vs Abbott Laboratories deal spread (USD)



As of 26/04/2016. Equally weighted. Source: Bloomberg, Lyxor AM

Mixed Results

Event Driven funds posted mixed performance last week with special situations managers outperforming their merger arbitrage peers.

Special situations managers benefited from various recovery stories in healthcare, financial and energy sectors. In particular, investments in Valeant, Baxter, Greek Banks and Solar City were among the top contributors last week.

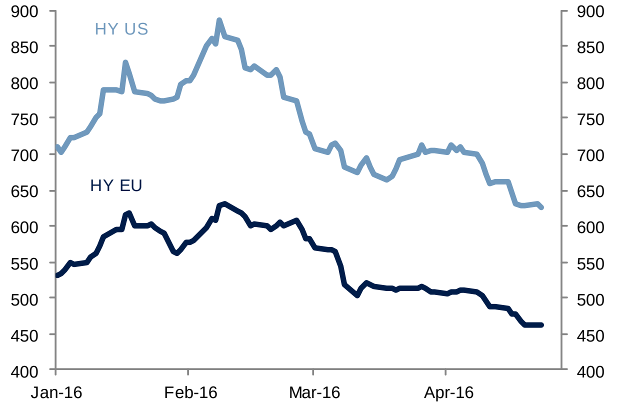
As for merger arbitrage, losses were mainly attributable to the Alere vs. Abbott Laboratories deal. Abbott's CEO actually declined to reaffirm his commitment to completing a proposed $5.8 bn acquisition of Alere. Another detractor from performance was the Office Depot vs. Staples deal which encountered challenges from the FTC. The regulator considers the combination could lead to higher prices and that concessions offered were insufficient. On the bright side, the Time Warner Cable vs. Charter Communications deal received federal regulators' conditional approval. Spread tightened and partially offset the losses.

L/S CREDIT ARBITRAGE

	WTD*	MTD	YTD
Fixed Income Broad Index	1.0%	1.5%	0.9%

*From 19 April to April 26, 2016

The credit rally continues
Bank of America Merrill Lynch US and Pan-European HY (prices)



As of 26/04/2016. Source: Bloomberg, Lyxor AM

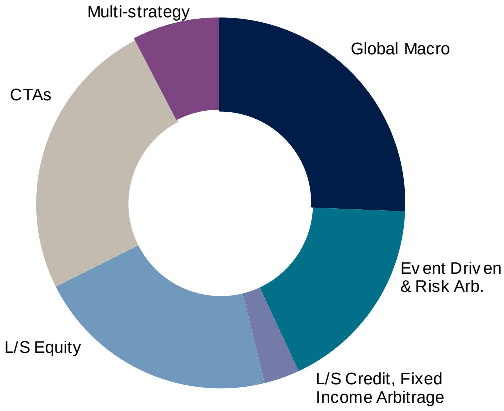
Commodity & ECB tailwinds

Last week, credit markets proved resilient and outperformed equities. Spreads continued to tighten for the fourth week in a row, on the back of higher commodity prices and ECB support. With regards to financials, contingent convertibles posted a positive +80 bps return over the last week, while spreads of both subordinated and senior indices finished relatively flat.

On the Lyxor side, all long/short credit funds ended last week in positive territory. One of our European funds outperformed its peers, driven by gains from its convexity and financial buckets. Other European funds were slightly up despite a rather defensive stance. Gains were recorded in particular in the energy, basic material and consumer cyclical sectors. Finally, Asian funds ended last week in positive territory as well after recording a strong month in April.

METHODOLOGY

Breakdown of AUM by strategy



- **62 funds** on the platform

- **USD 8.1 billion** of assets under management (as of March 31, 2016)

- Replicating approximately **USD 241 billion** of AUM

Lyxor Hedge Fund Indices

Based on the complete range of funds available on the Lyxor Managed Account Platform, a universe of funds eligible for inclusion in the indices is defined on a monthly basis taking into account the following elements:

- Investability Threshold

  To be included in any index, the managed account must have at least $3 million of AuM.

- Capacity Constraints

  All index components must possess adequate capacity to allow for smooth index replication in the context of a regular increase in investments.

- Index Construction

  For each index, the relative weightings of the component funds are computed on an asset-weighted basis as adjusted by the relevant capacity factors.

- Each Lyxor Hedge Fund Index is reviewed and rebalanced on a monthly basis.

- The Index construction methodology has been designed to mitigate well-known measurement biases. Inclusions and exclusions of new Hedge Funds do not impact the historical index track record.

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