Citco 2024 Q2 Hedge Fund Report

Quarterly Review

Executive Summary

Hedge funds achieved an overall weighted average return of 1.09% in the second quarter, marking a seventh consecutive quarter of positive returns, while Q2 also saw a return to net inflows for the first time since early 2022.

While overall performance was significantly below the returns seen in Q1, the gains in Q2 took the overall weighted average return year-to-date (YTD) to 7.62%[1], with 80.2% of funds administered by the Citco group of companies (Citco) achieving positive returns so far in 2024.

Global Macro and Equity funds stood out in Q2, with weighted average returns of 2.26% and 2.25% respectively, to take their YTD performance to 7.45% and 10.86% respectively. Commodity, Fixed Income Arbitrage and Multi-Strategy funds were also positive in Q2, with weighted average returns of 1%, 0.53% and 0.09% respectively. This took YTD returns for Commodities to 3.66%, with Fixed Income Arbitrage at 0.8%, and Multi-Strategy at 5.93%.

Hedge funds saw net inflows of $4.7B in Q2, driven by net inflows in April and May, making Q2 the first quarter since Q1 2022 to see net inflows.

Inflows were observed in a number of strategies, with Hybrids the standout seeing net inflows each month in Q2 with a cumulative quarterly inflow of $6.5b. Hybrids had also seen net inflows of $1.1B in Q1.

Multi-Strategy funds also saw net inflows of $1.3B in Q2 despite a jump in outflows in June, while Fund of Funds were next at $1B, followed by Fixed Income Arbitrage strategies at $0.5B.

The quarter was also the busiest to date when it came to trade volumes, surpassing the high seen in Q1. The main drivers of the volume fluctuations were the high frequency trading strategies, which accounted for a large share of the total trades as managers reacted to changes in market volatility.

Meanwhile, Treasury volumes set another record in Q2 after three of the busiest months on record. Treasury payment volumes climbed to 147,267 overall in the second quarter, up 4% quarter-on-quarter.

Declan Quilligan
Head of Hedge Fund Services, Citco Fund Services (Ireland) Ltd.

1. Includes an update to Q1's numbers.

Overview of data

PERFORMANCE DATA

We have considered funds for which we deliver daily PNL/NAV reporting. We only include returns for those strategies where we believe we have sufficient daily service delivery on that strategy.

TREASURY

Data on payments volumes are constituted by all dispatched payments including Letter of Acceptances (LOAs). Excludes all payments to investors/ limited partners.

Performance

Equities, Global Macro and Commodities-focused funds were all among the winners in Q2 as hedge funds delivered another positive quarter of performance.

The overall weighted average return came in at 1.09%, resulting in an overall weighted average return for Hedge Funds of 7.62% YTD.

Global Macro and Equity funds stood out in Q2, with weighted average returns of 2.26% and 2.25% respectively, to take their YTD performance to 7.45% and 10.86% respectively after strong starts to the year from both strategies.

Commodity, Fixed Income Arbitrage and Multi-Strategy funds were also positive in Q2, with weighted average returns of 1%, 0.53% and 0.09% respectively. This took YTD returns for Commodities to 3.66%, with Fixed Income Arbitrage at 0.8%, and Multi-Strategy at 5.93%, with all three seeing consecutive quarters of positive performance so far in 2024.

The outliers in Q2 were Event Driven funds. In the second quarter the funds saw a weighted average return of -0.24%, to leave them with a YTD weighted average return of 3.99%.

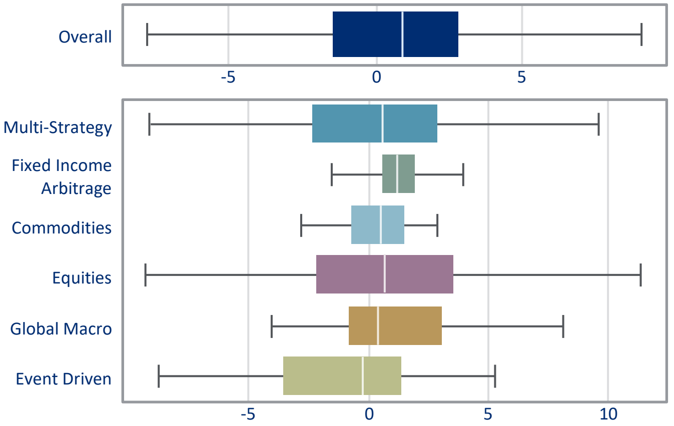
There was more divergence between larger and smaller funds in the second quarter, with the median return for certain strategy groups – including Fixed Income Arbitrage and Multi-Strategy funds – above the weighted average return, suggesting better performance from funds with lower assets under management (AUM).

The spread between the best and worst performers is currently at double-digit levels, running at 21.39% overall, after widening significantly in Q2 from the 16.23% seen in Q1.

7.62%

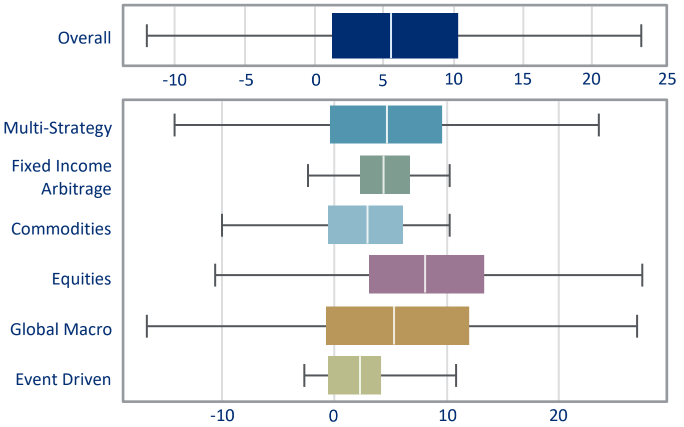
The overall weighted average return year-to-date.

Q2 2024 PERFORMANCE BY STRATEGY



Strategy	Median Return	Weighted Average Return
Overall	0.91%	1.09%
Multi-Strategy	0.62%	0.09%
Fixed Income Arbitrage	1.26%	0.53%
Commodities	0.57%	1%
Equities	0.69%	2.25%
Global Macro	0.4%	2.26%
Event Driven	-0.19%	-0.24%

YTD (TO END OF Q2) 2024 PERFORMANCE BY STRATEGY



Strategy	Median Return	Weighted Average Return
Overall	5.5%	7.62%
Multi-Strategy	4.64%	5.93%
Fixed Income Arbitrage	4.39%	0.8%
Commodities	2.96%	3.66%
Equities	8.09%	10.86%
Global Macro	5.34%	7.45%
Event Driven	2.19%	3.99%

Performance (cont.)

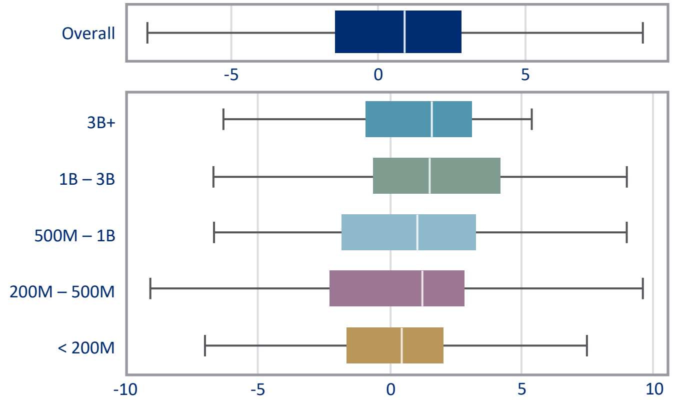
All assets under administration (AUA) categories posted positive weighted average returns in Q2, bar the smallest funds which dipped into negative territory.

Funds with between $1B-$3B of AUA were the top performers at 1.49%, followed by funds with between $500M-$1B of AUA at 1.39%. Next were funds with more than $3B of AUA, at 1.11%, while funds with between $200M-$500M of AUA were just positive at 0.09%.

On a YTD basis, the largest funds remain in top spot, with a weighted average return of 8.18%, followed by the $1B-$3B category at 8.07%, and the $500M-$1B grouping at 6.54%. The $200M-$500M grouping was next at 4.99%.

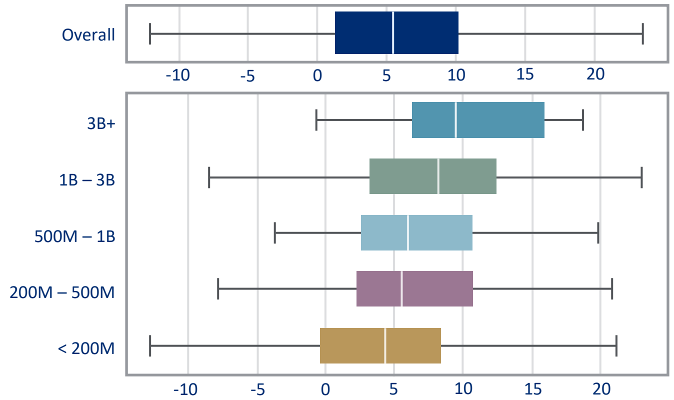
Only funds with less than $200M of AUA posted a negative return in Q2, coming in at -0.29%. This leaves them with a YTD return of 2.83% after a positive opening quarter.

Q2 2024 ASSETS UNDER MANAGEMENT PERFORMANCE DISTRIBUTION



AUA	Median Return	Weighted Average Return
Overall	0.91%	1.09%
3B+	1.63%	1.11%
1B - 3B	1.54%	1.49%
500M - 1B	1.10%	1.39%
200M - 500M	1.27%	0.09%
< 200M	0.42%	-0.29%

YTD (TO END OF Q2) 2024 ASSETS UNDER MANAGEMENT PERFORMANCE DISTRIBUTION



AUA	Median Return	Weighted Average Return
Overall	5.5%	7.62%
3B+	9.5%	8.18%
1B - 3B	8.26%	8.07%
500M - 1B	6.06%	6.54%
200M - 500M	5.57%	4.99%
< 200M	4.38%	2.83%

Trade Volumes

APRIL:

The total number of trades processed in April went up by 7.9% compared to the month before, mainly driven by the high frequency trading strategies. The highest volumes in April happened in the week of April 14th, when the Vix Index rose above 19 for the first time in seven months, ending the period of relative calm since October 2023. Volumes rose in exchange traded derivatives, futures, and options on commodities and indices. Credit default swaps (CDS) volumes however reduced by 7%.

MAY:

In May, most managers traded more, but trade volumes fell slightly as high frequency trading strategies - which typically drive a lot of trading activity - experienced a fall in their volumes; without high-frequency strategies, the daily average trade volume rose by over

20%

in May. Amid relative stability in equity markets, there were more trades in index derivatives, increasing more than two times from April. CDS trades dropped sharply in May, falling by 46%, after a 7% fall in April.

JUNE:

Daily average volumes reached a new high in June, led by larger managers and high-frequency trading strategies, which had a large effect on overall trade volumes. The numbers show that the volumes in high-frequency trading strategies grew by 10.4% month over month, with growth in almost all clients in this category. Equity markets have been stable throughout the quarter, and June was no different, with the Vix averaging 12.67 for June. This was the lowest Vix level since Citco started tracking it for this report, indicating calm equity markets. Some specific investments stood out, such as a 49% fall in index derivatives volumes, and a 38% rise in CDS trades, reversing the previous month's 46% drop for CDS.

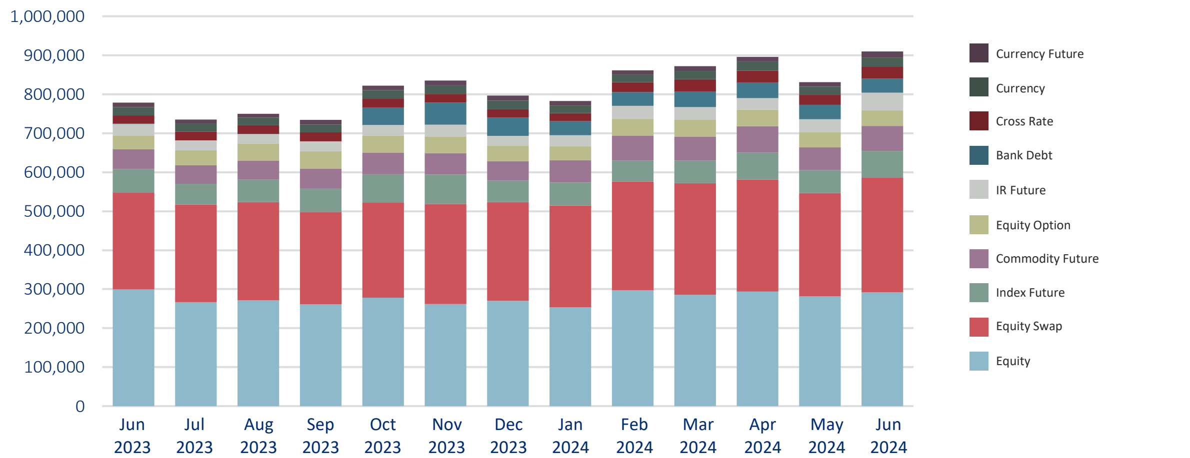
SUMMARY:

Q2 of 2024 is Citco's busiest quarter to date. The main drivers of the volume fluctuations were the high frequency trading strategies, which accounted for a large share of the total trades as managers reacted to changes in market volatility. Among the different asset classes, exchange-traded derivatives, especially index derivatives, showed the most significant variation, surging by more than 100% in May and dropping by 49% in June. CDS also exhibited a reversal, falling by 46% in May and rising by 38% in June, after a steady increase in previous quarters. The trade ingestion STP rate remained high throughout the quarter, averaging 96.6%, indicating a robust and efficient trade processing system.

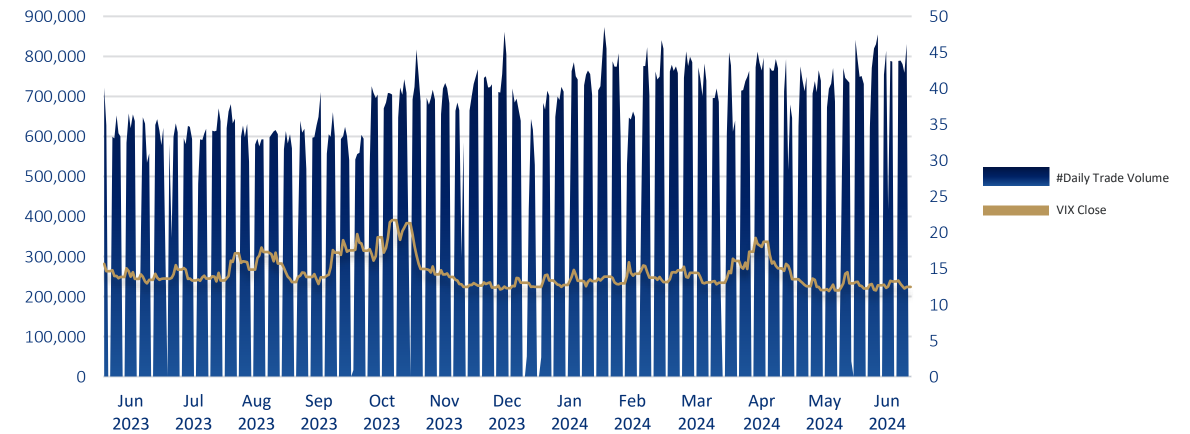
> "The quarter was the busiest to date when it came to trade volumes, surpassing the high seen in Q1."

Trade Volumes (cont.)

VOLUMES ASSET CLASS



DAILY TRADE VOLUMES AND VOLATILITY INDEX



Treasury

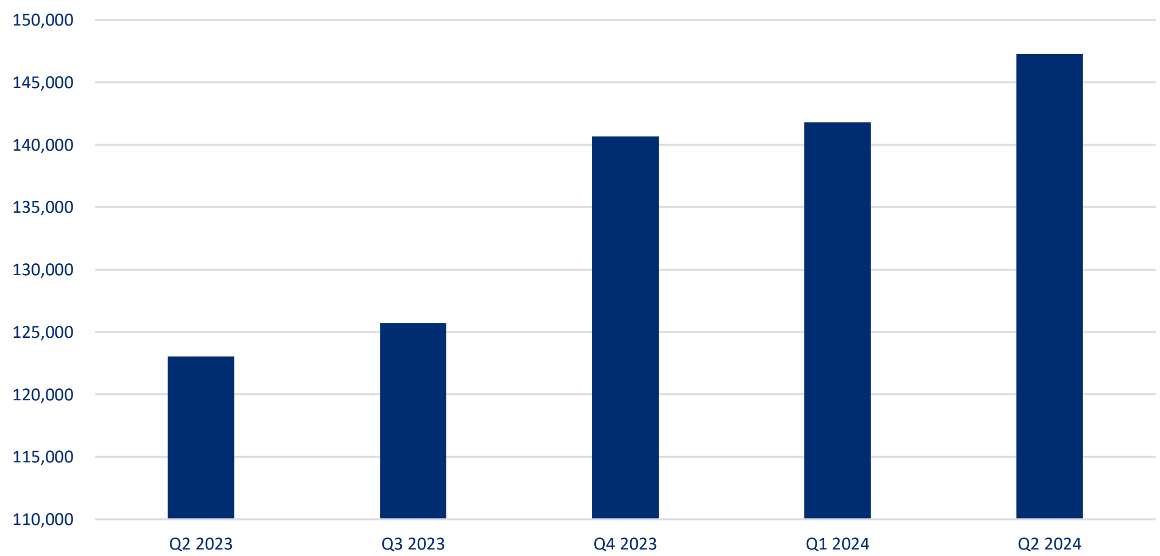
Treasury volumes set another record in Q2, closing in on the 150,000 mark after three of the busiest months of record.

Treasury payment volumes climbed to 147,267 overall in the second quarter, up 4% quarter-on-quarter. The record-breaking quarter was driven by particularly strong volumes in April and May, representing the second and third highest volumes on a monthly basis since Citco started reporting the data. Overall in Q2, volumes were also 20% higher versus the same quarter last year.

Volumes have now risen consecutively every quarter since Q2 2023 as the trend towards outsourced middle office solutions continues.

Markets are expecting two rate cuts by the US Federal Reserve this year amid a drop in US inflation which has fallen back towards target. Rates have been at 5.25%-5.5% in the US since July last year.

QUARTERLY TREASURY VOLUMES



Active treasury management converts excess cash into working capital that, in the end, creates alpha.

Investor Flows

In Q2, hedge funds saw their first quarterly net inflows since the start of 2022, with inflows in April and May outweighing June's redemptions.

In total, hedge funds saw net inflows of $4.7B in Q2, with subscriptions of $50.3B outweighing redemptions of $45.6B. This was driven by net inflows of $6.6B and $7.1B in April and May respectively, which more than countered June's redemptions of $8.9B.

Inflows were seen into a number of strategies, with Hybrids the standout after seeing net inflows every month in Q2 to give them $6.5B of net inflows overall. Hybrids continue to attract inflows having already seen net inflows of $1.1B in Q1.

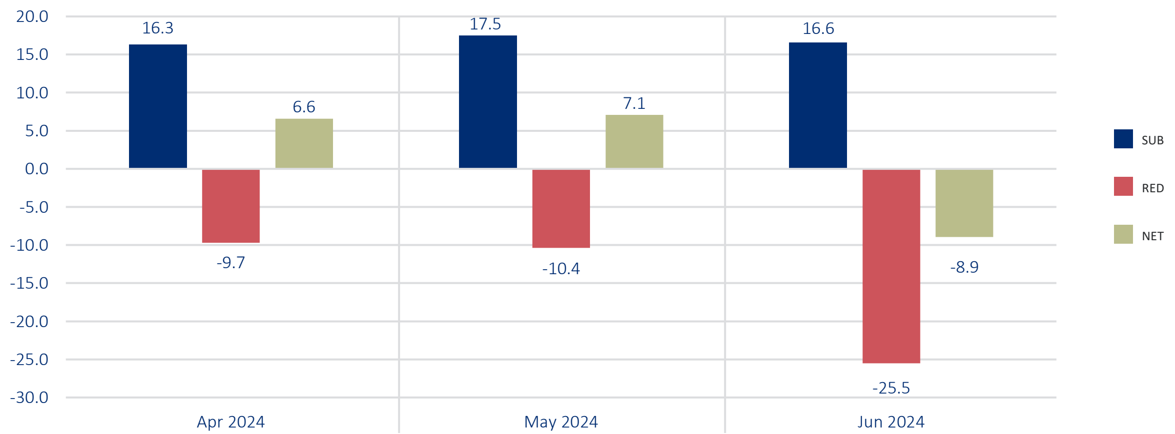
Multi-Strategy funds had net inflows of $1.3B in Q2 despite a jump in outflows in June, while Fund of Funds were next at $1B, followed by Fixed Income Arbitrage strategies at $0.5B.

In comparison, Equity strategies experienced another quarter of net outflows in Q2, at $3.6B overall, as investors once again assessed positions following the gains made by many major equity markets so far this year. Emerging markets and Event Driven funds also saw small net outflows of $0.3B and $0.5B respectively.

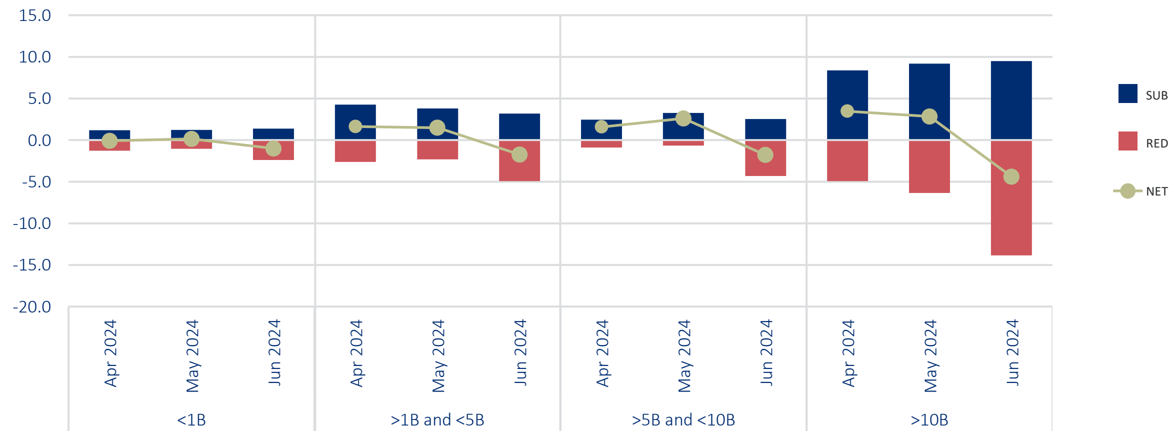
All AUA categories saw net inflows in Q2 bar the smallest funds with less than $1B of AUA. Funds with between $5B-$10B of AUA had the highest net inflows overall in the quarter, $2.4B, followed by the largest funds with more than $10B of AUA which came in at $1.9B. Funds with between $1B-$5B of AUA had net inflows of $1.3B, while the smallest funds had net outflows of $0.7B.

Funds in the Americas were the only category to see net inflows on a regional basis, with total net inflows in Q2 coming in at $6.3B. Europe and Asia both saw small net outflows of $0.7B and $0.8B respectively.

OVERALL FLOW

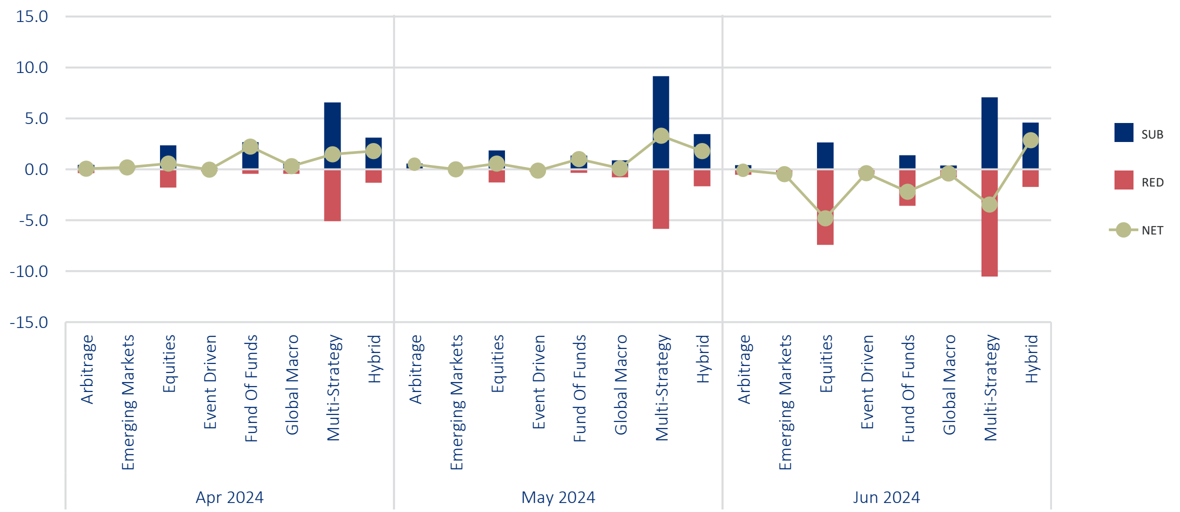


NET FLOW BY AUA BUCKET

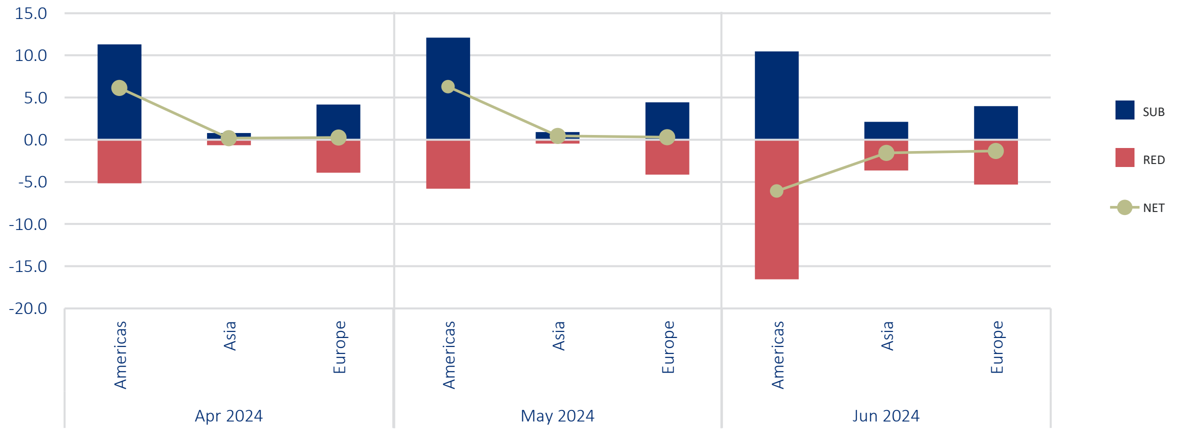


Investor Flows (cont.)

NET FLOW BY INVESTMENT STRATEGY



NET FLOW BY REGION



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