



UCITS Alternative Index Industry Survey

Q3 2011

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1. Introduction

Alix Capital, Index Provider to the UCITS Alternative Index, is pleased to present the results of the latest edition of the UAI Quarterly Industry Survey. Based on answers from industry participants, the report provides insight information on the evolution and current issues of the UCITS hedge funds industry.

The first part of the survey focuses on recent performances while the second part concentrates on future allocation trends and investment opportunities.

The survey was sent mid-September 2011 to all recipients of the UCITS Alternative Index performance updates. At the close of the survey on September 30th, 56 respondents had answered to the questionnaire (please see breakdown of respondents on page 3).

We have summarized the most interesting findings in this report. We hope this issue of the UAI Quarterly Investor Survey will provide useful insights on the evolution of the UCITS hedge funds industry.

Geneva, October 11th 2011

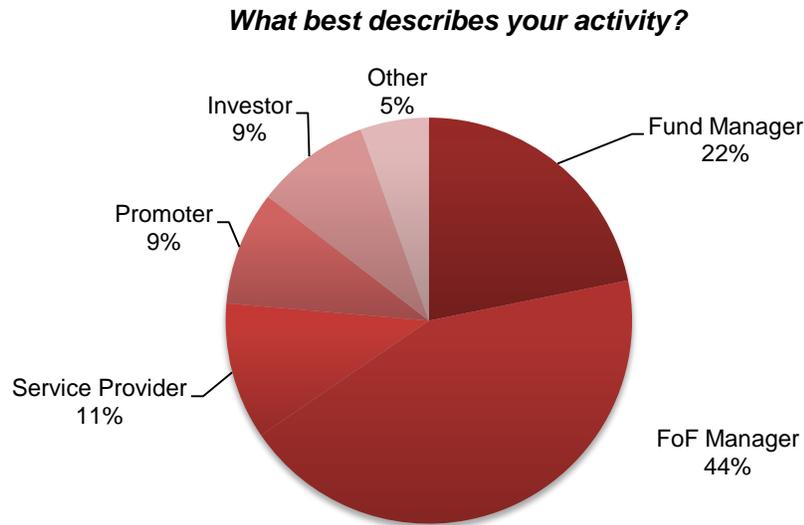
UCITS Alternative Index Team

Key Findings

- Fund of Hedge Funds and Long/Short Equity funds are the most disappointing strategies in 2011.
- Investors are most likely to increase their allocation to Macro and CTA funds, rather than decrease it, and are most likely to decrease their allocation to Event Driven and Long/Short Equity funds.
- 44% of respondents expect systematic strategies to perform better than discretionary strategies in Q4.
- 51% of respondents believe the current market environment will have either a positive impact or no impact at all on the growth of UCITS hedge funds...
- ...however 60.7% of respondents believe recent performances will have a negative impact on new UCITS hedge funds launches.

2. Participants Profile

Two thirds of the respondents were either Funds or Funds of Hedge Funds managers. Other respondents were split between Service Providers, Promoters or Investors. 53% of all respondents are investors (FoF and Investors).



3. UCITS Hedge Fund Recent Performance

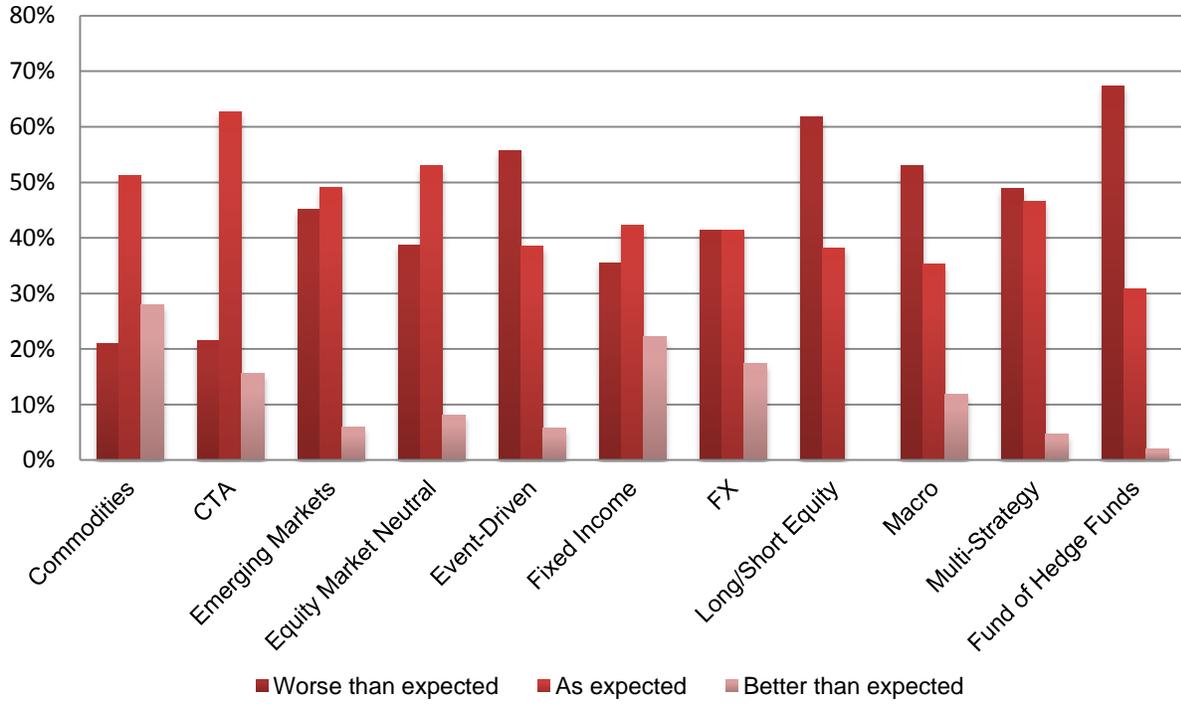
One of the goals of this survey is to assess the perception of industry participants concerning recent UCITS hedge funds performances.

The first question refers to the period from January to September 2011 while the second question refers specifically to the month of August 2011, the latter being seen as one of the most difficult period for hedge funds since the 2008 crisis.

The performances achieved by UCITS hedge funds during those two periods were generally in line with expectations. On a year to date basis 6 out of 10 strategies performed as expected for the majority of the respondents.

Fund of Hedge Funds, Long/Short Equity, Event-Driven and Macro were the worst performing strategies for more than 50% of respondents (even 60% for the two first one). On the other hand, Commodities, CTA, Emerging Markets and Equity Market Neutral performed as expected.

From the start of 2011, do you think that UCITS hedge funds strategies have performed?



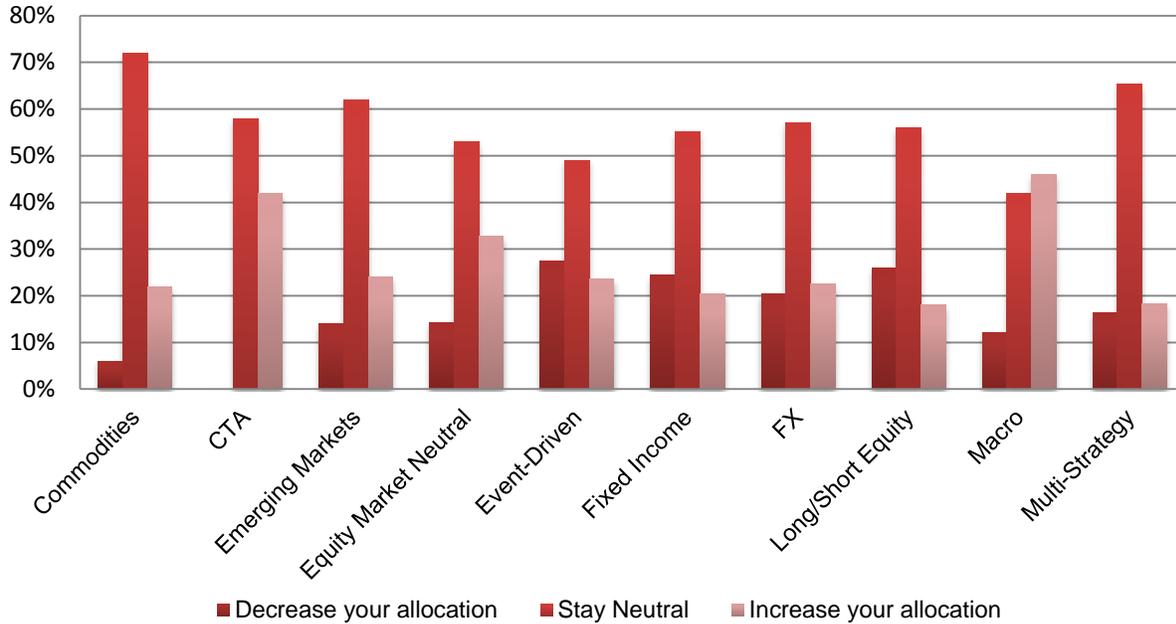
As for the year to date performance, Long/Short Equity, Funds of Hedge Funds and Event-Driven are regarded as the most disappointing strategy in August. CTA and Commodities funds were the only funds that performed better than expected. It is important to note that the questionnaire does not – or only partially – takes into account the month of September performance. This could potentially bring slightly different answers should the same questions be asked now.

4. Future Allocation Trends

When asked about their future strategy allocation, the majority of respondents say that they will maintain their current strategy allocation. However the survey shows that investors are more likely to increase their allocation in Macro and CTA funds and decrease their allocation in Event Driven and Long/Short Equity funds.

With the exception of Macro funds, the result is a direct consequence of the performance of each strategy during last quarter: the best performing strategies for the previous months receiving the highest interests and the worst performing ones the lowest.

By the end of the year, for each of these UCITS hedge fund strategies, do you plan to?



In term of future allocation trends, the most notable changes compared to Q3 are witnessed in Long/Sort Equity and Event-Driven strategies. The survey shows that respondents have shifted their investment intentions from increase to decrease. Simultaneously, investment intentions for Emerging Markets funds have moved from decrease to neutral and Macro strategies from decrease to increase.

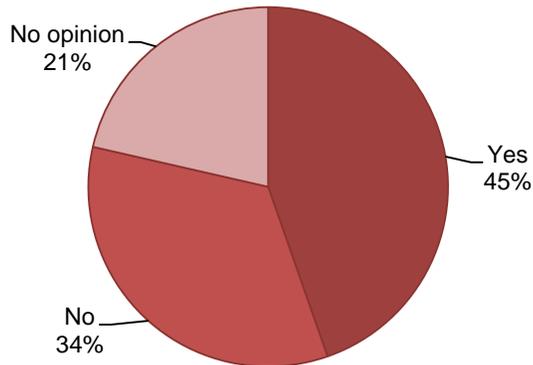
Allocation trends Q4 2011

	Q3	Q4
Commodities	➡	➡
CTA	⬆	⬆
Emerging Markets	⬇	➡
Equity Market Neutral	⬆	⬆
Event-Driven	⬆	⬇
Fixed Income	⬇	⬇
FX	⬇	⬇
L/S Equity	⬆	⬇
Macro	⬇	⬆
Multi-Strategy	➡	➡

5. Investment Opportunities

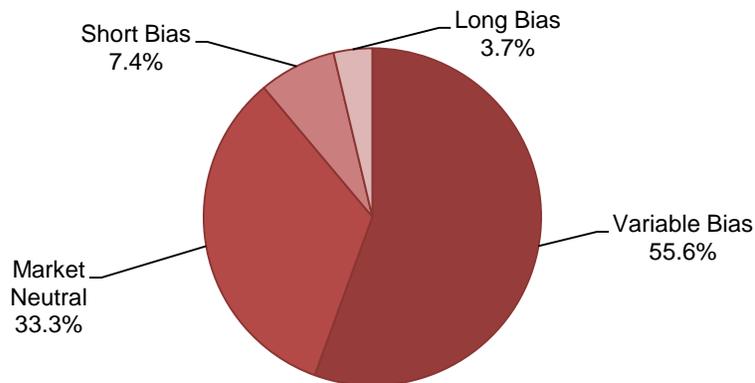
When questioned about Investment Style, 44% of respondents expect systematic strategies to perform better than discretionary strategies in Q4. This confirms our previous results, which are showing a clear interest from investors for CTA strategies.

Until the end of the year, do you expect systematic strategies to perform better than discretionary strategies?



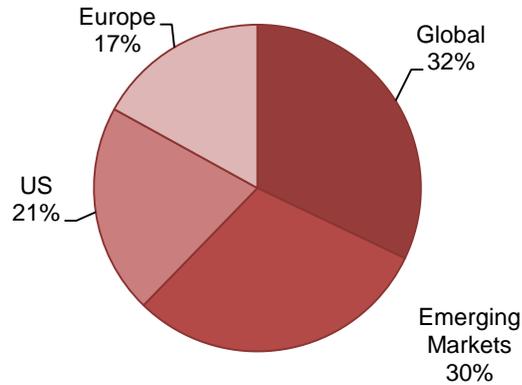
In term of market exposure, most respondents believe a variable market exposure is best suited in the current market environment. One third of respondents believe market neutral exposure is most adequate while long bias manager is perceived even less appropriate than short bias at the moment. This clearly shows that for most respondents, we will still face difficult time ahead and the time to turn outright bullish is not then yet.

Which kind of exposure is most appropriate in the current market environment?



In term of favored geographical focus, the survey suggests investment strategies with a global or emerging market focus present the best opportunities until the end of the year. Interestingly enough, none of the respondents believe investment in the UK or Japan markets currently offer the best opportunities.

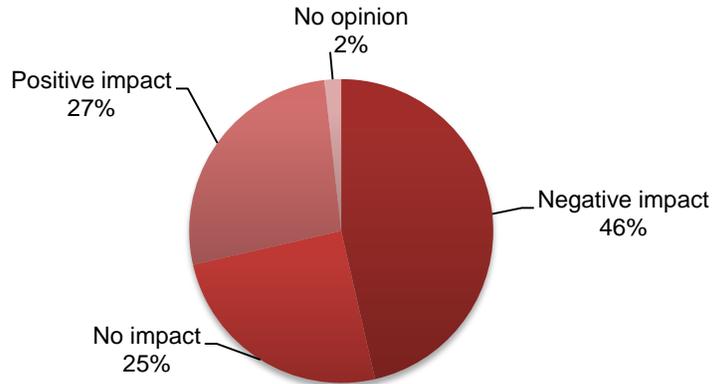
Which of the following regions offer the best opportunities until the end of the year?



6. Current Market Environment Impact on UCITS Hedge Funds

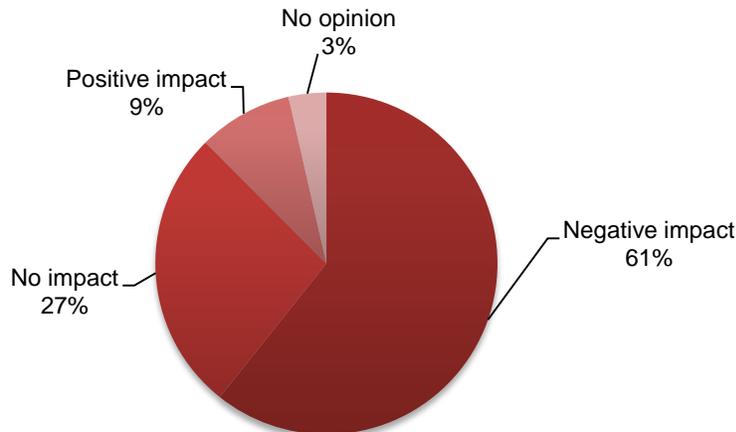
52% of the respondents believe that the recent market events will not have a negative impact on the growth of asset under management of UCITS hedge funds, while 46% percent believe that the AUM growth will be affected. This clearly shows that despite the very difficult time period, UCITS hedge funds represent a valuable investment proposal for a majority of investment professionals.

What impact do you think the recent market events will have on the growth of asset under management for UCITS Hedge Funds?



Concerning the impact on new launches, 60.7% of respondents believe the current market environment will negatively impact the number of new launches of UCITS hedge funds this year. At the same time, one third of respondents believe it will have either no or a positive impact on new launches.

What impact do you think the recent market events will have on new UCITS HFs launches this year?



In conclusion, this part of the survey shows that a majority of respondents believe that the growth of AUM in UCITS hedge funds will not be impacted negatively by the current market environment. However, for a majority of respondents, the pace of new launches shall decrease in the coming months.

7. About UCITS Alternative Index

The UCITS Alternative Index series is the industry's leading benchmark for the UCITS hedge funds universe. The series of indices track the performance of both global and strategy specific UCITS hedge funds. Index rules and statistics are accessible on the UCITS Alternative Index website www.ucits-alternative.com. UCITS Alternative Index is a registered trademark. Alix Capital is the exclusive Index Provider to the UCITS Alternative Index.

At the end of September 2011, the UCITS Alternative Index is composed of close to 700 constituent hedge funds and funds of hedge funds, totaling EUR 125 billion assets under management.

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