Citco 2024 Q1 Hedge Fund Report

Quarterly Review

Executive Summary

Hedge funds enjoyed the best quarter since the pandemic in Q1 2024, with a weighted average return of 7.3%, as Equity funds delivered near double-digit returns.

In total, 79.85% of funds administered by the Citco group of companies (Citco) achieved positive returns in Q1, with all strategy and Assets Under Administration (AUA) groupings in positive territory.

Equity strategies were the top performers overall, with a weighted average return of 8.49% after three positive months in a row year-to-date, while Multi-Strategy funds were next at 7.59%. Event Driven funds achieved weighted average returns of 4.03% in Q1, followed by Fixed Income Arbitrage at 3.49%.

Commodities and Global Macro funds also saw weighted average returns of 2.75% and 2.58% respectively. On an AUA basis, the largest funds with more than $3B of AUA were the top performers once again, at 8.26%.

The quarter saw net outflows of $4.4B overall, with Equities once again seeing the majority of net outflows having achieved near double-digit returns year-to-date (YTD). In total, Equities strategies had net outflows of $4.1B, followed by Multi-Strategy funds at $1.8B, and Emerging Markets at $0.6B.

However, a number of strategies also saw net inflows in Q1, led by Hybrid funds which had net inflows of $1.1B. Hybrid funds saw net inflows every quarter in 2023 and have continued this trend so far in 2024.

The first quarter of 2024 also saw record trading volumes, eclipsing the high we witnessed in the final quarter of 2023. Activity was largely driven by high-frequency trading strategies resulting in significant trading volume in equities and equity swaps, while there was also sustained interest in fixed income products and derivatives on commodities, rates and indices.

Continuing the record-breaking theme, treasury payment volumes also set a new quarterly record high in Q1. The total number of treasury payments came in at 141,806, just ahead of Q4's previous record of 140,665, and some 17% ahead of Q1 2023.

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

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

Equity strategies stood out once again as the top performers in Q1 2024, building on the momentum seen in Q4. They achieved a weighted average return of 8.49% in Q1, a fraction below the 8.51% seen in Q4.

Overall, hedge funds delivered a weighted average return of 7.3%, making Q1 the best quarter for hedge fund performance since the pandemic. It also marks six consecutive quarters of positive performance for hedge funds.

Multi-Strategy funds were the second best performers in Q1, with a weighted average return of 7.59%, followed by Event Driven funds at 4.03%, and then Fixed Income Arbitrage funds at 3.49%. Commodities funds delivered a weighted average return of 2.75%, while Global Macro funds saw the lowest weighted average return of 2.58% in Q1.

Returns across all assets under administration (AUA) categories were once again also positive in Q1.

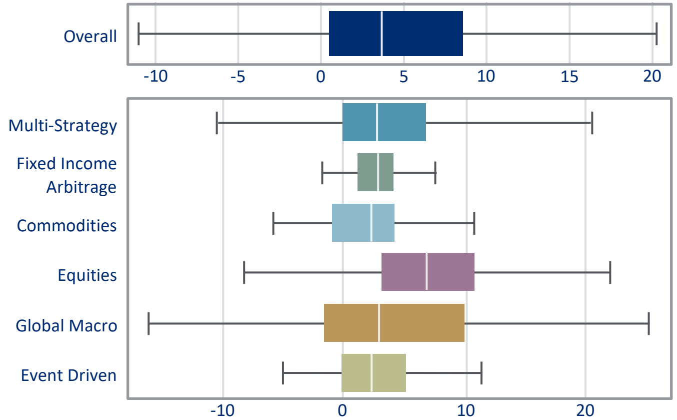
The largest funds with more than $3B of AUA were the top performers for the second consecutive quarter, with a weighted average return of 8.26%. Returns tracked fund sizes, with funds with AUA between $1B-$3B the second best performers at 6.69%, followed by the $500M-$1B of AUA category which came in at 5.15%.

Funds with between $200M-$500M of AUA achieved a weighted average return of 4.72%, followed by funds with below $200M at 3.54%.

7.3%

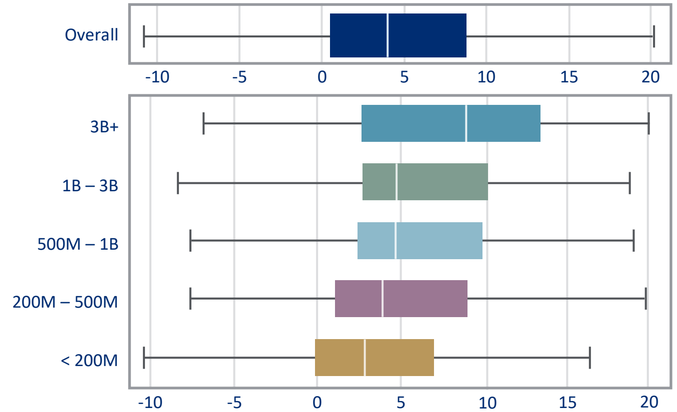
The weighted average return achieved by all hedge funds in Q1.

Q1 2024 PERFORMANCE BY STRATEGY



Strategy	Median Return	Weighted Average Return
Overall	3.66%	7.3%
Multi-Strategy	2.77%	7.59%
Fixed Income Arbitrage	2.84%	3.49%
Commodities	2.36%	2.75%
Equities	7.05%	8.49%
Global Macro	3%	2.58%
Event Driven	2.34%	4.03%

Q1 2024 ASSETS UNDER ADMINISTRATION PERFORMANCE DISTRIBUTION



Strategy	Median Return	Weighted Average Return
Overall	3.66%	7.3%
3B+	8.93%	8.26%
1B - 3B	4.88%	6.69%
500M - 1B	4.76%	5.15%
200M - 500M	3.94%	4.72%
< 200M	2.9%	3.54%

Trade Volumes

JANUARY:

The first month of 2024 saw trading volumes maintain the elevated levels we have seen since the start of Q3 2023. In a departure from the trend seen for the start of the year when volumes are typically lower, January 2024 saw daily average volumes that were in line with those seen in December, itself one of the busiest months of 2023. Across the vast majority of managers, we witnessed the largest volume increases in credit default swaps and corporate bonds. Market volatility was expectedly subdued at the start of the year but continued in February and March.

FEBRUARY:

Trading volumes were up

9.8%

month over month in comparison to January. The increase in volumes was seen across managers but was most evident amongst high-frequency trading strategies. Fixed income products were again more prominent than prior months, while equity and equity swaps volumes were also up significantly.

MARCH:

The daily average trade volume rose a further 1.2% in March, building on the near 10% increase in February. High-frequency trading strategies were again one of the key drivers behind the higher volumes. Equity market volatility remained low, continuing the pattern seen since Q4 2023. Currency futures and commodity/index options trades increased over 50% for the month. Credit default swap trades were also up 51.3% in March.

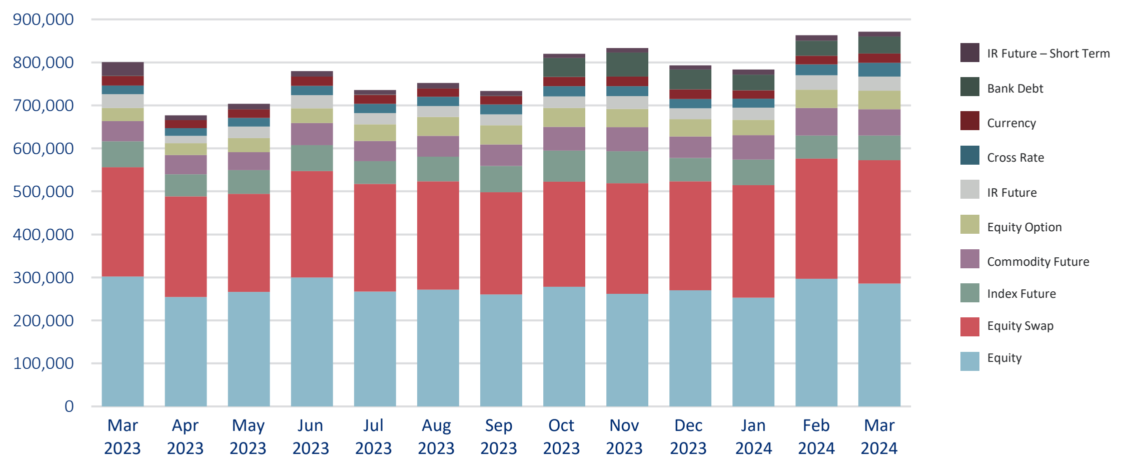
SUMMARY:

The first quarter of 2024 saw record trading volumes, eclipsing the high we witnessed in the final quarter of 2023. While activity has been largely driven by high-frequency trading strategies resulting in significant trading volume in equities and equity swaps, we've also seen a sustained interest in fixed income products and derivatives on commodities, rates and indices. February and March have always been busy months and while 2024 continued that pattern, the difference this time was that the increased activity was in the face of dwindling volatility in equity markets. Overall, our trade ingestion STP rate was a healthy 97.4% for the quarter.

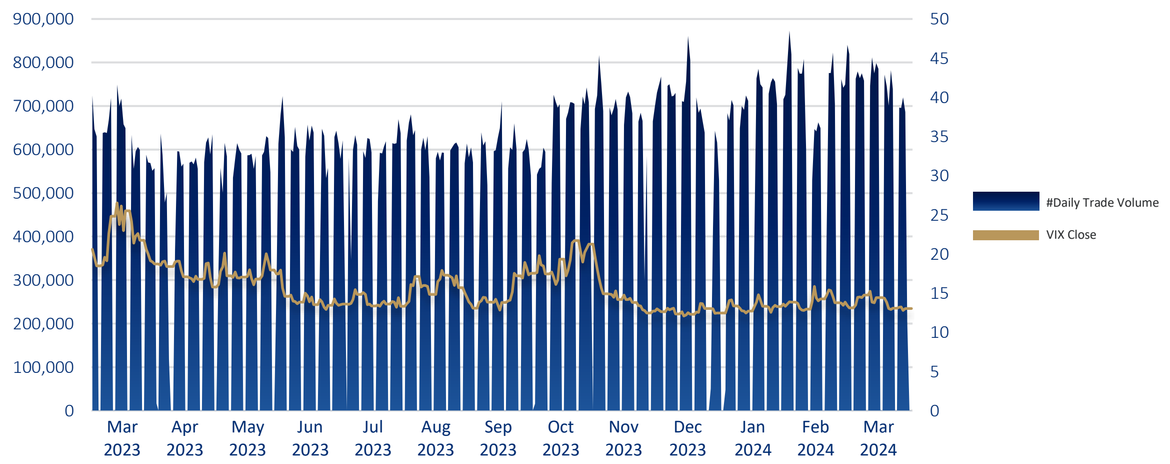
> "The first quarter of 2024 saw record trading volumes, eclipsing the high we witnessed in the final quarter of 2023."

Trade Volumes (cont.)

VOLUMES ASSET CLASS



DAILY TRADE VOLUMES AND VOLATILITY INDEX



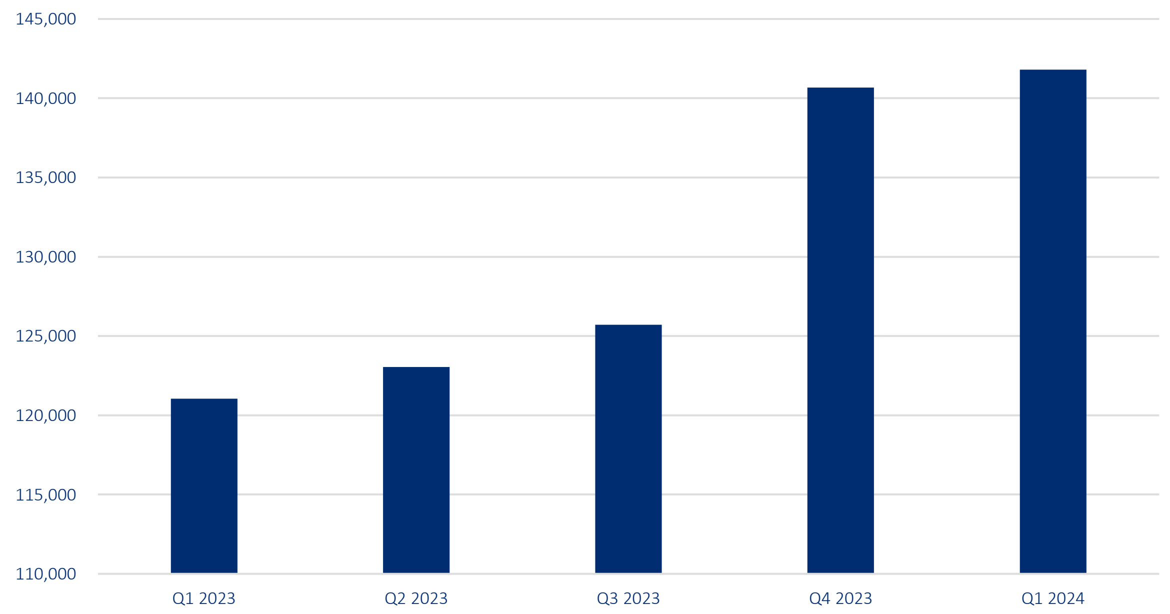
Treasury

Treasury payment volumes for hedge funds administered by Citco set a new quarterly record high in Q1 amid positive signs for the US economy.

The total number of treasury payments came in at 141,806, just ahead of Q4's previous record of 140,665, and some 17% ahead of Q1 2023.

There was a lot of talk about rate cuts at the outset of the year, but there have been no moves on interest rates from the US Federal Reserve so far in 2024 as economic data continues to be viewed positively. Expectations for the first rate cut in June have diminished in recent weeks amid this brighter outlook, and the current status quo continues to present opportunities, hence the elevated levels of treasury market activity being seen.

QUARTERLY TREASURY VOLUMES



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

Investor Flows

The first quarter of 2024 saw investors initially add to hedge funds, before a surge in activity in March which resulted in net outflows overall.

There were net inflows of $1.2B and $1.8B in January and February before a jump in redemptions in March which led to net outflows of $7.4B for the month. This resulted in net outflows of $4.4B for the quarter.

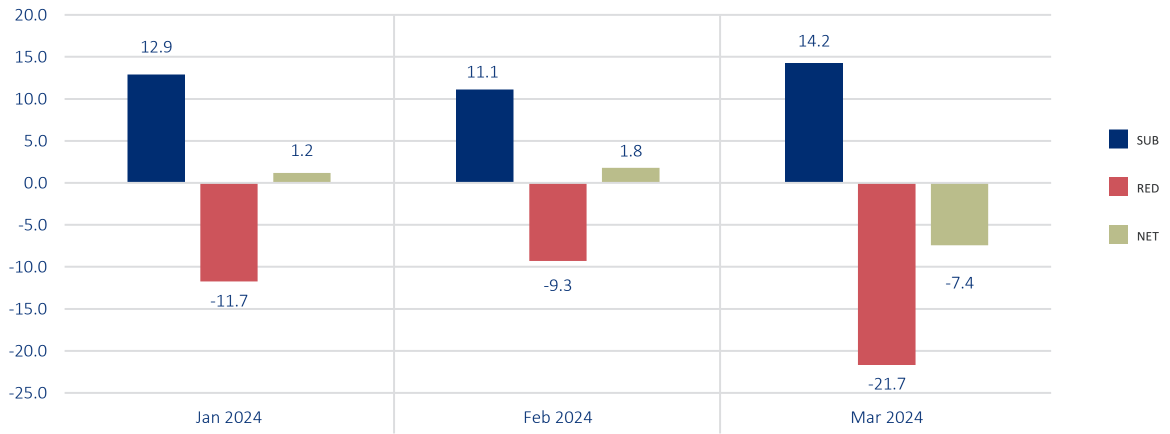
At an investment strategy level, Equities once again saw the majority of net outflows after seeing redemptions outweigh subscriptions each calendar month throughout Q1. In total, Equity strategies had net outflows of $4.1B, followed by Multi-Strategy funds at $1.8B, and Emerging Markets at $0.6B.

However, a number of strategies saw net inflows in Q1, led by Hybrid funds which had net inflows of $1.1B. Arbitrage funds also saw net inflows of $0.9B, followed by Fund of Funds at $0.4B, and Global Macro funds which were just positive at $0.1B.

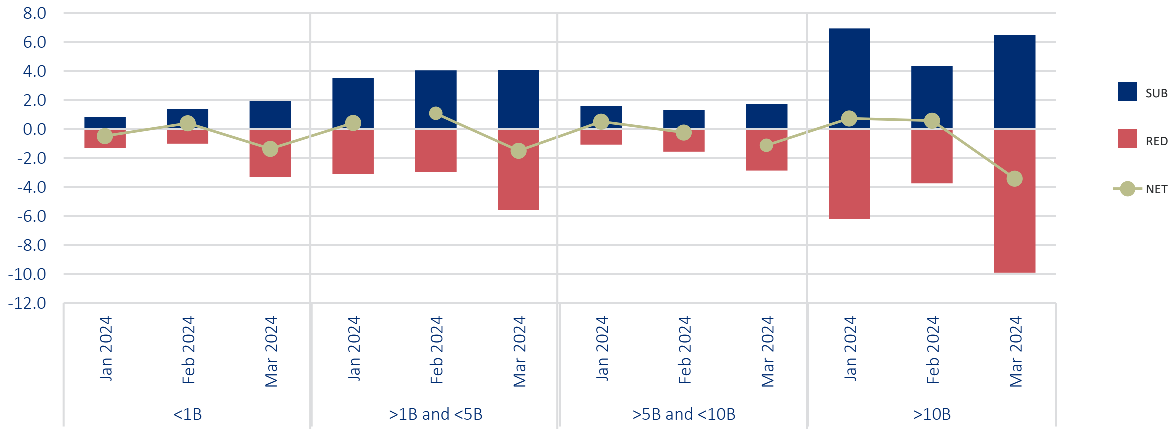
On a fund size basis, all categories were either flat or saw net outflows in Q1. The largest funds with more than $10B of assets under administration (AUA) saw net outflows of $2.1B in Q1, driven by net outflows of $3.4B in March. This was followed by the smallest funds with less than $1B of AUA which had net outflows of $1.5B overall, while funds with between $5B-$10B of AUA had net outflows of $0.8B. Funds with AUA between $1B-$5B were flat for the quarter.

On a regional basis, funds in the Americas and Asia had net outflows of $5.1B and $1.3B respectively, but Europe bucked the trend with net inflows of $2B.

OVERALL FLOW

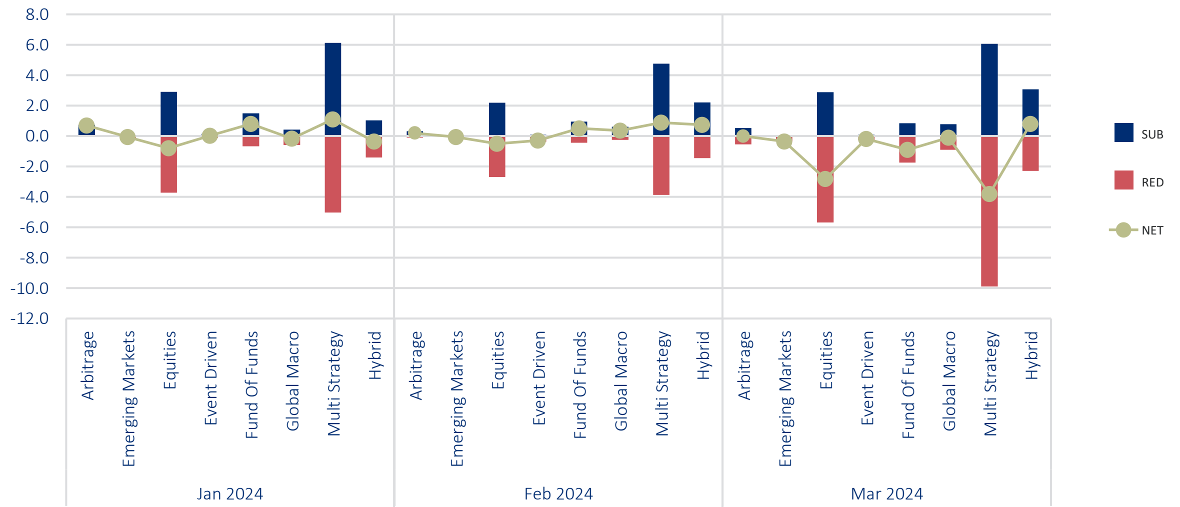


NET FLOW BY AUA BUCKET



Investor Flows (cont.)

NET FLOW BY INVESTMENT STRATEGY



NET FLOW BY REGION