Hedge Funds End Q1 on a Strong Note, up 3.2%

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The first quarter's market conditions have been supportive of hedge fund performance, posting solid gains while the S&P 500 index is down year-to-date. Looking back at the quarter, there are many positive points worth highlighting, following a lacklustre 2014. Once again monetary policies took the front seat, driving hedge fund returns:

• Equity-focused strategies and CTA funds have benefited from the large impact of European and Japanese QEs, as well as the Fed's patience. European L/S Equity funds, while cautious, managed to limit volatility and catch the rally. Systems, mainly trend-followers, are still gaining from the "central bank" play, and generating gains on long equity and bond positioning.

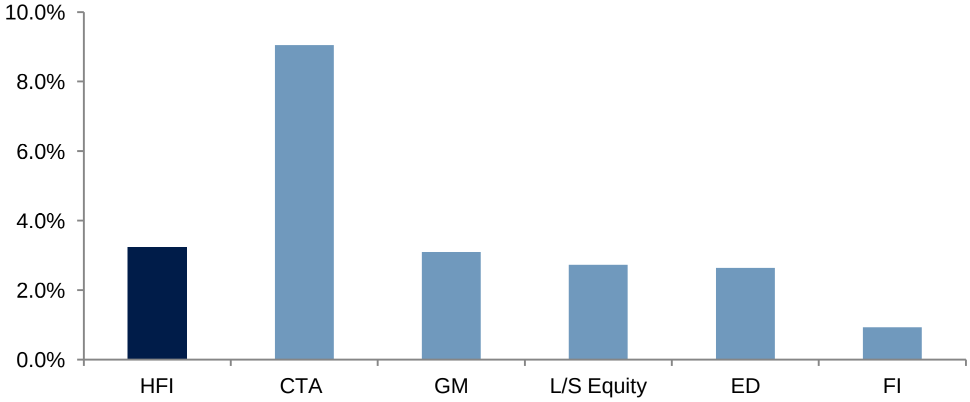
• Global macro funds were well positioned at the start of the year to gain from fundamental differences between economic zones, mainly thanks to their short Euro positioning and relative value trades on rates. On the negative side, long positions on EM and commodity markets experienced downside moves as the US dollar surged.

• Hedge funds gained from the first signs of Fed normalization and its consequences. Event-Driven gained on recovering valuation, significant corporate actions. The quarter was characterized by periods of higher volatility: This helped tactical managers and systems, mainly U.S. equity managers and short-term CTAs, to gain from short-lived opportunities.

As a consequence, hedge fund returns were generated with low volatility, thanks to different alpha drivers over the quarter. Heading into Q2, we are confident that hedge funds will benefit from a more fragmented environment, after highly macro-driven markets in Q1.

CTAs continue to outperform in Q1-15, up almost 10%

(Performance of Lyxor hedge fund indices in Q1-15, %)



Source: Lyxor AM

THE WEEK IN 3 CHARTS

Hedge Fund Snapshot: CTA Funds still Outperform in 2015

	WTD*	MTD	YTD
Lyxor Hedge Fund Index	**-0.3%**	**1.0%**	**3.2%**
CTA Broad Index	**-0.5%**	**3.5%**	**9.1%**
Event Diven Broad Index	-0.3%	0.9%	2.6%
Fixed Income Broad Index	-0.2%	**-0.3%**	**0.9%**
L/S Equity Broad Index	**-0.1%**	1.2%	2.7%
Global Macro	-0.3%	0.2%	3.1%
S&P 500	*-1.1%*	*-2.2%*	*-0.6%*
10 Y US Treasury (in Bps)	*5.0*	*-5.7*	*-26.4*

*From 24 March to March 31,2015

Source: Bloomberg, Lyxor AM

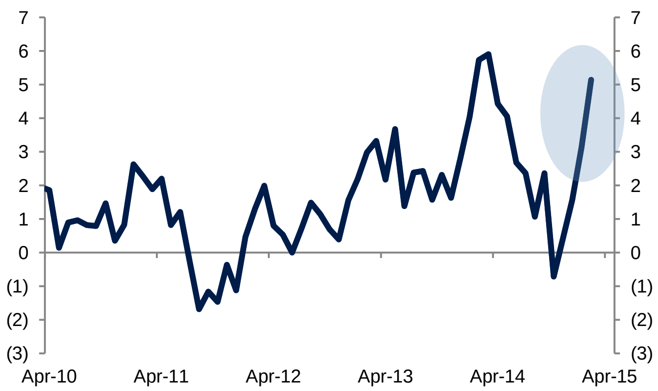
All hedge fund strategies ended the first quarter on positive ground, with CTAs clearly the outperformers. Fixed income underperformed, though was still positive.

CTAs closed the first quarter up 9.1%, consolidating the very strong H2-14. Global Macro is also delivering healthy returns, up 3% on the back of long exposure to European equities and long USD positioning.

L/S Equity and Event Driven also report strong Q1 returns, up 2.7% and 2.6% respectively. Within L/S managers, EM funds outperformed, in particular Asian focused ones.

Inflows into Alternative UCITS accelerated in February 2015

Monthly flows into alternative UCITS funds (EUR bn)



Universe of funds available for sale in Europe. Source: Morningstar, Lyxor AM

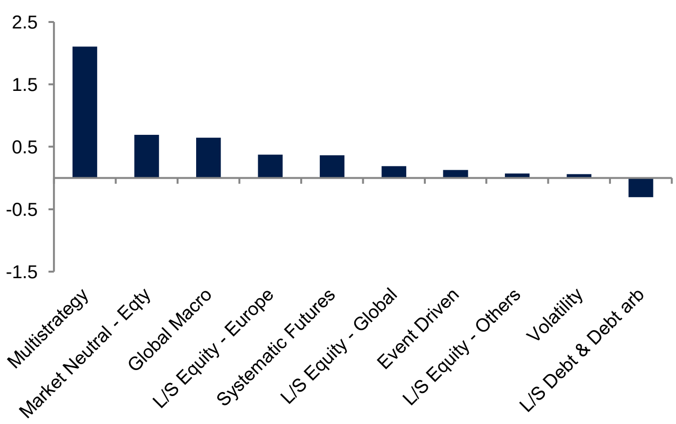
Alternative UCITS funds started 2015 on the right foot with inflows above EUR 8bn for the first two months, of which EUR 5bn were in February.

Such level of monthly inflows, not seen since March 2014, is in stark contrast with Q4-14, when Newcits only collected EUR 1.3bn for the full quarter. Multi strategy, Macro and L/S equity collected the bulk of the money in February.

This follows healthy inflows in January and highlights the strong appetite for alternative mutual funds in Europe.

Multistrategy, Macro and L/S Equity have attracted the bulk of the UCITs flows in February

Flows into alternative UCITS by strategy in February 2015 (EUR bn)



Universe of funds available for sale in Europe. Source: Morningstar, Lyxor AM

With regards to Alternative UCITs, most strategies saw positive inflows in February.

Inflows into L/S equity and multistrategy UCITs reflect the appetite observed throughout 2014, while continued flows into managed futures is a dramatic change compared to the previous year.

Between January and November 2014, managed futures UCITs saw cumulated flows barely above EUR 500mn, less than half the cumulated inflows over the last three months. In December 2014, January and February 2015, managed futures UCITs saw inflows up to EUR 1.2bn in total.

CTAs

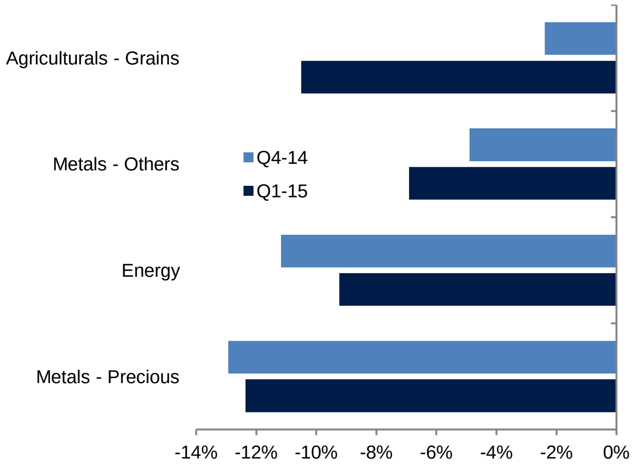
Diversified Gains in Q1

	WTD*	MTD	YTD
CTA Broad Index	-0.5%	3.5%	9.1%
CTA Long Term	*-0.4%*	*4.0%*	*9.7%*
CTA Short Term	*-1.4%*	*0.0%*	*3.6%*

*From 24 March to March 31,2015

CTAs have slightly reduced net shorts on energy

(Net Exposure on Commodities, % NAV)



Asset weighted. Source: Lyxor AM

CTA funds ended the quarter with a mixed performance, after a strong start this year. Both short and long-term funds had trouble adapting to market conditions last week, with lower equity prices across the board, and higher U.S. rates.

Currency and commodity markets proved supportive nonetheless, with the euro down against the dollar. Managers are still long on the greenback, with lower commodity prices as a consequence. To that extent, their current exposure on commodities is quite diversified, with short positions on all sectors: metals, agricultural and energy. Only energy proved detrimental last week, with oil and natural gas ending marginally higher.

As a whole, CTA managers are still positioned to gain from a dovish monetary stance, and a stronger U.S. Dollar. Over the first quarter, long-term funds outperformed on the back of the strong trends of 2014, which were still running at full tilt this year. However, short-term systems acted as a diversifier and provided returns in February on the back of higher volatility and market reversals, when trend-followers had a harder time generating gains.

GLOBAL MACRO

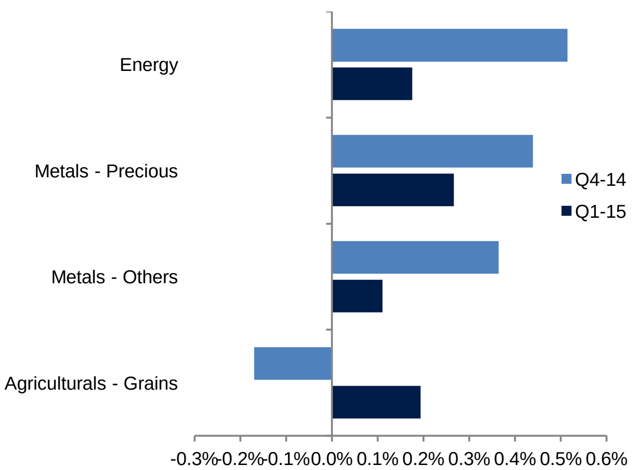
Resilient to Equity Downside

	WTD*	MTD	YTD
Global Macro	-0.3%	0.2%	3.1%

*From 24 March to March 31,2015

Global Macro have limited exposure to commodities

(Net Exposure on Commodities, % NAV)



Asset weighted. Source: Lyxor AM

In spite of a positive Q1, the last week of the quarter was tough for macro managers as markets experienced a reversal in themes that so far had proven profitable. FX was the main positive contributor last week and along Q1. Over the period, short Euro has been a major theme that stole the show from other trades that proved rewarding on the bucket.

After weeks of rallying stock markets, exposure to equities detracted from the strategy's performance. The asset class, however, had been strongly rewarding along Q1, especially in Europe as the Eurostoxx was up 17.90% on a year-to-date basis. Fixed income was negative last week. The small increase in US rates proved detrimental as macro managers had shifted from a short to long US duration stance. The asset-class still finished Q1 slightly negative, despite managers turning to long positions.

Commodities were the worst contributors during Q1. Last week's negative return was illustrative of quarterly performance as losses were concentrated on base metals with precious metals and agricultural being slightly negative, while energy ended flat.

L/S EQUITY

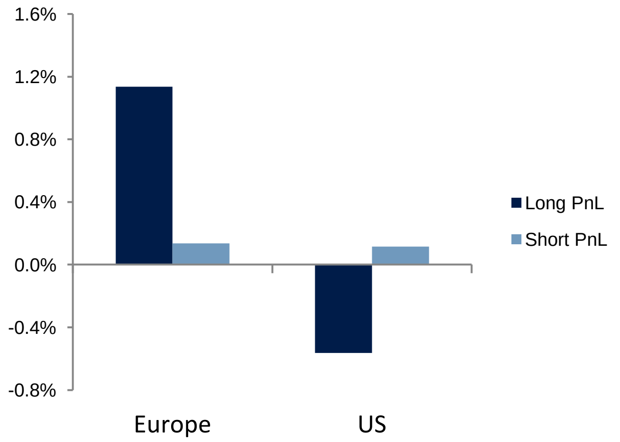
Strong U.S. Alpha

	WTD*	MTD	YTD
L/S Equity Broad Index	-0.1%	1.2%	2.7%
Long Bias	*-0.3%*	*2.4%*	*3.5%*
Market Neutral	*0.3%*	*0.4%*	*-0.3%*
Variable Bias	*-0.2%*	*1.0%*	*3.9%*

*From 24 March to March 31,2015

Short Books outperform in March in the US and Europe

(Median PnL contribution, in percentage points)



Equally weighted. Source: Lyxor AM

March saw very strong performance and alpha generation for our variable bias managers in the US. In a month when the S&P 500 was down 2.25%, our US variable bias managers returned between 0.3% and 1.94% with the short book helping to boost returns and the long book creating significant alpha. . One of the strongest performers was a quantitative liquidity arbitrage fund which returned 1.2% over the period.

In Europe, the opposite seems to have happened with shorts creating alpha and longs adding to performance in a rising market. Encouragingly, performance was positive on both sides of the book as correlations between stocks came back down following the month of February . The only exception was our quant market neutral manager who performed strongly on the long book whilst the short book detracted. Yet, the fund was the best European performer finishing the month up more than 2%.

The overall best performers were our EM managers, up 3% on average. Performance came from long exposure to China, mostly by stock specific picks which rallied over the period upon strong earnings.

EVENT DRIVEN

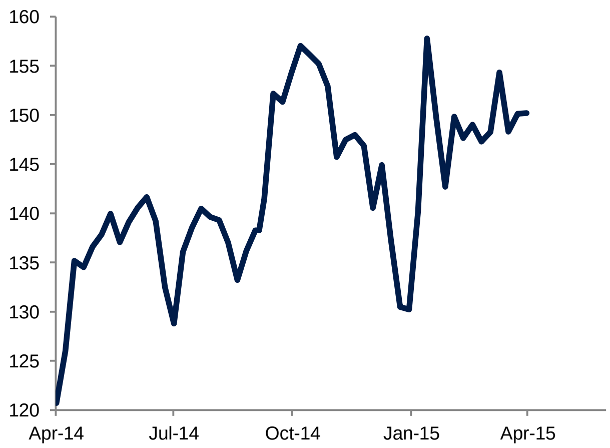
Mega deals support ED revival in Q1

	WTD*	MTD	YTD
Event Diven Broad Index	-0.3%	0.9%	2.6%
Merger Arbitrage	*-0.2%*	*1.3%*	*2.7%*
Special Situations	*-0.4%*	*0.4%*	*2.4%*

*From 24 March to March 31,2015

Event Driven managers putting their money to work

(Average Gross exposure of ED managers, % of NAV)



Equally weighted Source: Lyxor AM

Last week witnessed a US cable merger spree led by Charter Communication. On the 31st March Charter Communication announced a $10.4 bn cash and stock acquisition of cable operator Bright House Networks. The latter being the 6th largest cable operator in the US, the combined company will ultimately become the 2nd biggest player standing up to Comcast. Charter's stock price jumped 7% on the announcement. Interestingly this is perceived by the market as a tailwind to the pending Comcast/TWC deal as it would increase the odds of the completion of the transaction. As a consequence, the spread narrowed over the week, benefiting the Event Driven managers.

Meanwhile, the February upward trend continued throughout March. Event Driven funds ended the first quarter of the year on a positive note with M&A managers leading the pack. Several mega deals in the healthcare sector, including AbbVie's takeover of Pharmacyclics, Actavis's acquisition of Allergan and Valeant's purchase of Salix, were the impetus to this positive performance.

CB & VOL ARBITRAGE

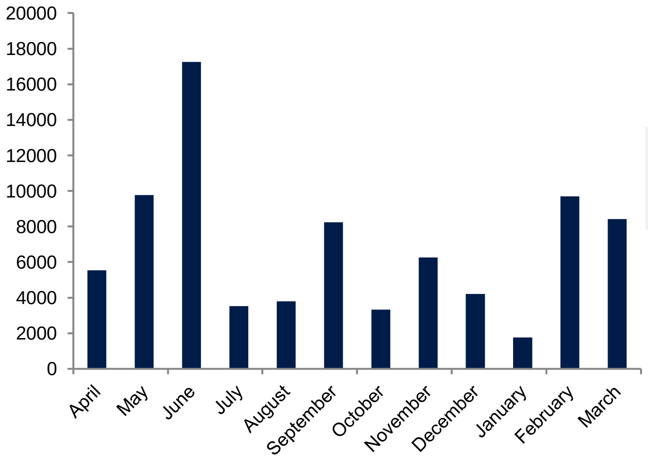
Down 1% in Q1

	WTD*	MTD	YTD
Fixed Income Broad Index	-0.2%	-0.3%	0.9%
Convertible Arb	*0.4%*	*-0.4%*	*-1.0%*

*From 24 March to March 31,2015

New issues in March consolidated their February upturn

Convertibles Bonds New Issues (M USD)



Source: Bloomberg

Convertible bond arbitragers ended the week up 0.4%, but were down 1% for the full quarter.

On both sides of the Atlantic convertible bonds ended the week in the negative territory, in line with overall poor equity market performances. Still European converts managed to outperform US ones on the back of their bond component as rates moved in the opposite side in both regions (flattening in Europe vs steepening in the U.S).

On the Lyxor platform, positive returns have been posted last week supported by a pickup of implied volatility in the US sub-investment grade segment. Still at the end of the quarter the performance keeps lagging. In January fear in the U.S Energy sector have spread through the whole credit spectrum and severely hurt assets valuations dragging down the performance for the whole quarter. Nevertheless the global environment for the asset class seems to have improved throughout the quarter, and ex-Energy names have rebounded since then. Large issuance in the asset class is another sign of renewed optimism and should broaden the spectrum of opportunities going forward.

L/S CREDIT ARBITRAGE

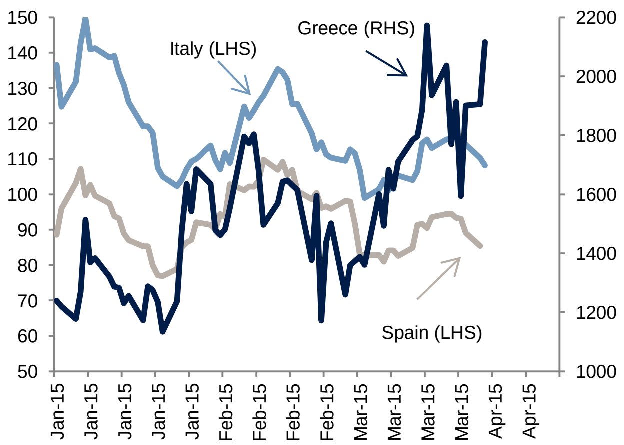
Losing momentum in March

	WTD*	MTD	YTD
Fixed Income Broad Index	-0.2%	-0.3%	0.9%
L/S Credit Arb	*-0.3%*	*-0.4%*	*0.4%*

*From 24 March to March 31,2015

Greek CDS spreads widen

Sovereign CDS Spreads (bps)



Source: Bloomberg

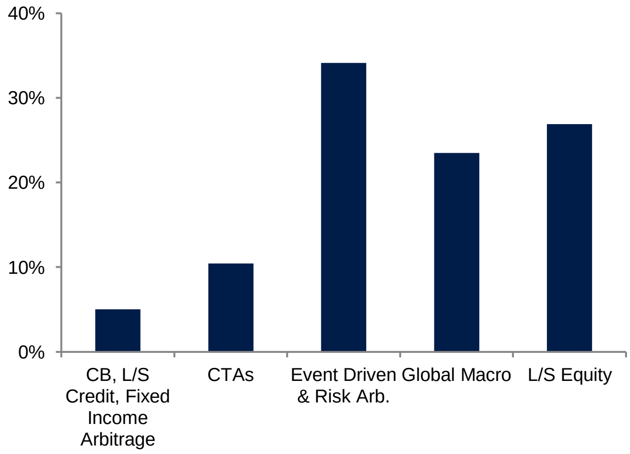
Credit markets returned negatively on the last week of March, despite a positive first quarter. Cash markets were almost stable last week, the only exception being European High Yield that saw its spread widening by 7 bps.

In Europe Greece remained the main source of volatility. Greek bonds were particularly hurt last week (down 6.5%) despite the ECB agreeing to increase the Bank of Greece's Emergency Liquidity Assistance borrowing capacity (to 71.7 bn euros). Greek 10 year spreads came close to a 3-year high. Other peripherals, such as Italy and Spain, were not contaminated by the Greek spread widening.

Credit markets posted positive performance this quarter supported by ECB's unprecedented asset purchase program and the rebounding of oil prices during February. Lyxor Credit arbitragers,however, had a disappointing start to the year. Funds were hurt due to several factors, such as: the Greek exposure in Europe, cases of investigation in the real estate sector in Asia and volatile oil prices in the U.S markets.

METHODOLOGY

Breakdown of AUM by strategy



- Approximately **80 funds** in the platform

- **USD 7.7 billion** of assets under management (as of December 30, 2014)

- Replicating **USD 200 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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Source: Lyxor Asset Management database except as noted

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