ML CAPITAL

Alternative UCITS Barometer

Quarter 1, 2012

Introduction

ML Capital Asset Management, the investment manager and promoter of the MontLake UCITS platform, is delighted to present the 5th edition of the quarterly ML Alternative UCITS Barometer (ML Barometer).

The Barometer is designed to help identify and anticipate key trends in the demand for the major strategies within the Alternative UCITS sector.

The range of allocators surveyed is purposely diverse, to reflect the widening of the Alternative UCITS investor base as hedge funds move from the offshore periphery to the onshore mainstream. Respondents range from insurance and pension funds to private banking organisations, with a significant constituent of financial advisers that deal with the primary source of Alternative UCITS inflows, the mid-net-worth investor.

ML Capital surveyed a diverse range of 50 active investors in Alternative Investments, who collectively manage over €80 billion and today invest upwards of €30 billion of those assets into Alternative UCITS. Questions are aimed at discovering their forthcoming strategy allocations and the same respondents are questioned each quarter, in order to track asset flows between UCITS strategies.

Commenting on the latest survey, John Lowry, Co-Founder and Chairman of ML Capital; *"Investors are starting 2012 with a positive view and recognize the benefits of using alternative strategies in a volatile environment. Once you drill down, you are seeing a markedly changing Alternative UCITS landscape evolving, as evidenced from the latest Barometer results with demand shifting to some of the classic hedge fund strategies, Global Macro and Managed Futures balanced with a renewed interest in Global Emerging Markets strategies."*

We trust the Barometer will provide a useful insight into this new and rapidly growing area of alternatives. Our thanks go out to all the survey respondents.

Cyril Delamare, CEO

Investors most positive on Global Macro and Global Emerging Markets Alternative UCITS Strategies

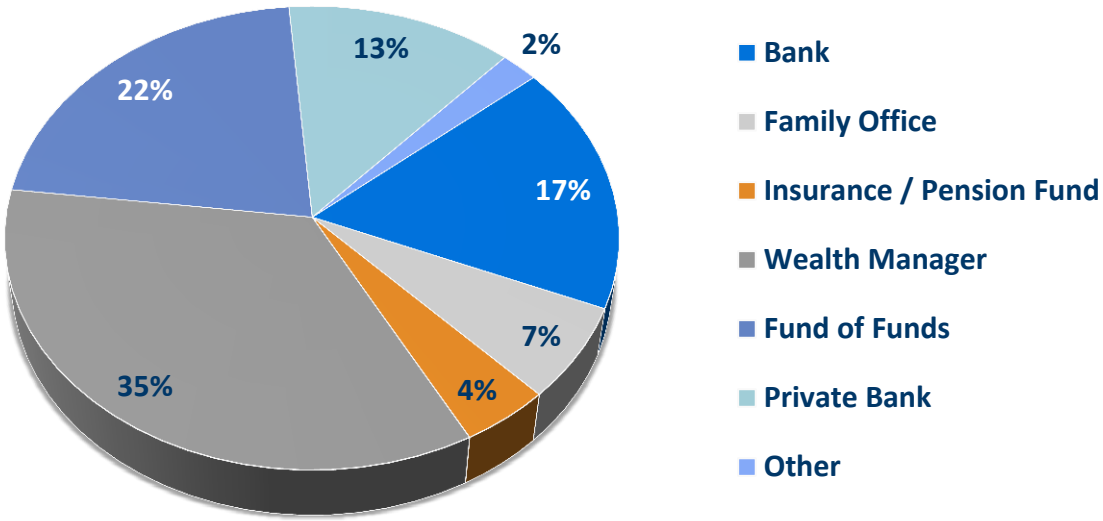
- Allocations to CTA's and Global Macro strategies are once again the biggest winners of this quarter's barometer with a strong bias toward Global Macro-Discretionary funds. With 54% of respondents looking to increase their exposure to Global Macro-Discretionary, this strategy is currently the most popular.

- There is also considerable demand this quarter for equity managers, with a preference for Global and US managers. Indeed all equity strategies have seen a rise in demand excluding Japanese and Latin American strategies.

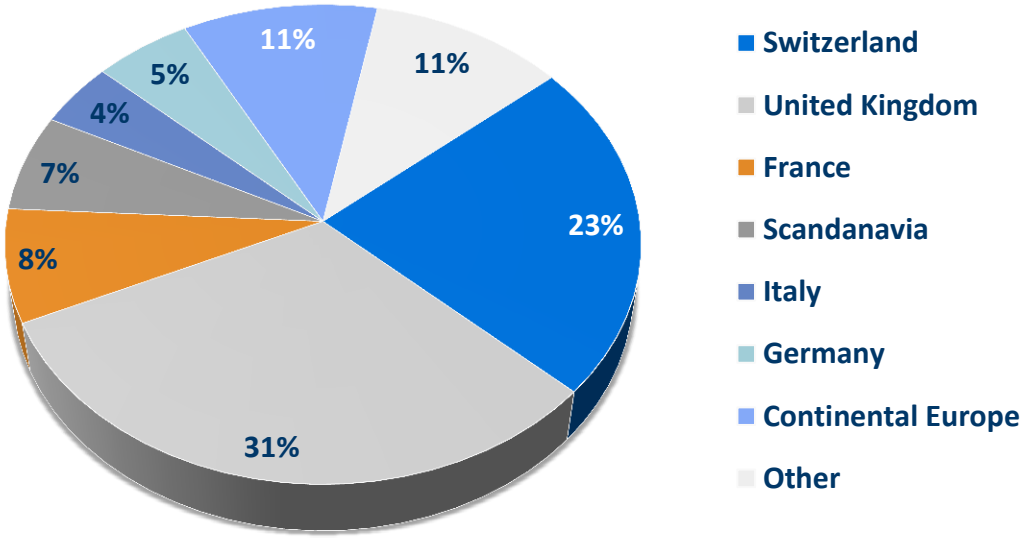
- Global Emerging L/S is once again the preferred equity strategy this quarter with 52% of respondents looking to increase exposure. This is in sharp contrast with Latin American strategies, where it is noted that only 15% of investors were willing to increase their allocations.

- The biggest losers this month are European L/S and UK L/S strategies. However we have noted a stabilisation in the reduction of exposure to UK L/S and some respondents increasing their allocation for the first time in 3 quarters.

Profile of Respondents



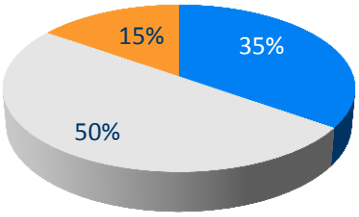
Primary Place of Business



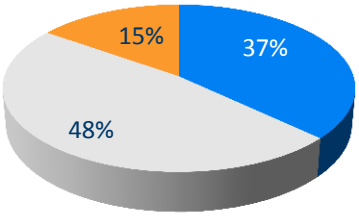
Long Short Equities

• MORE • SAME • LESS

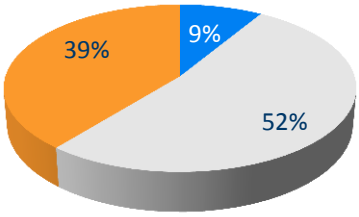
Global L/S



US L/S



UK L/S

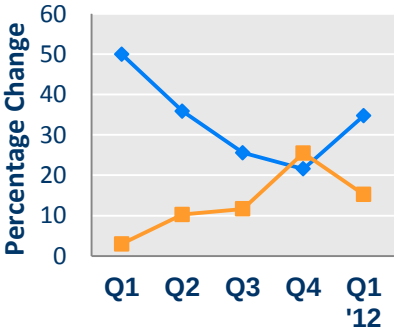


There is a wide diversity of results in this sector. The most popular are US and Global funds, with 37% and 35% respective levels of interest. This result leaves US long short as the second most popular equity strategy for the quarter with a significant number of US Equity hedge funds likely to be launched sometime during 2012.

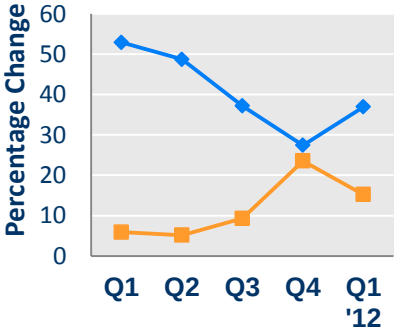
Long Short Equities Evolution

• MORE • LESS

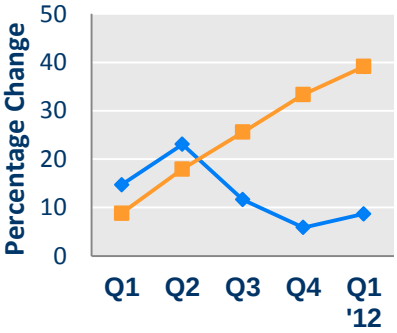
Global L/S



US L/S



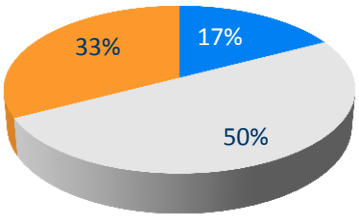
UK L/S



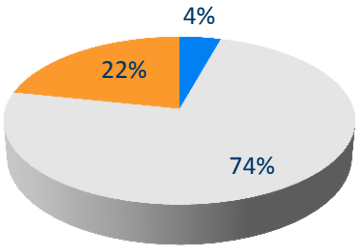
Long Short Equities

• MORE • SAME • LESS

European L/S



Japan L/S

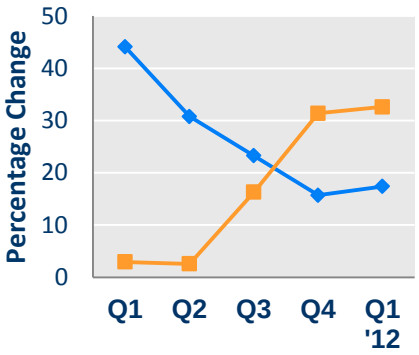


Least popular are Japan and UK funds, at 4% and 9%. European equity funds are placed in the middle of the field with 17% seeking to raise their allocations to the area.

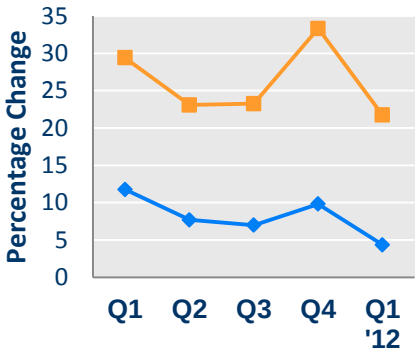
Long Short Equities Evolution

• MORE • LESS

European L/S



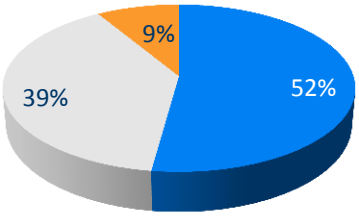
Japan L/S



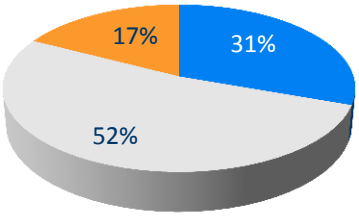
Emerging Markets

• MORE • SAME • LESS

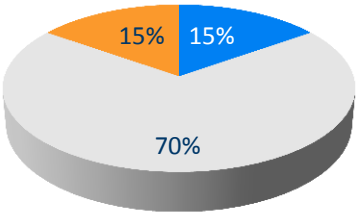
Global Emerging



Pan Asia



Lat Am

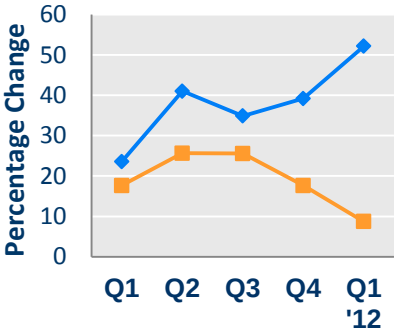


There is a particularly strong level of support this quarter for Global Emerging markets funds with 52% of respondents indicating a desire to raise their holdings. This makes the category the second most popular strategy overall this quarter after Global Macro-Discretionary. Of the two primary regional options, there is good news for Asian managers with over 30% of the survey's participants looking to raise their exposures, representing a modest increase over the last quarter's results. There is less good news for Latin American managers as there is a significant decline in interest with only 15% of new investments expected.

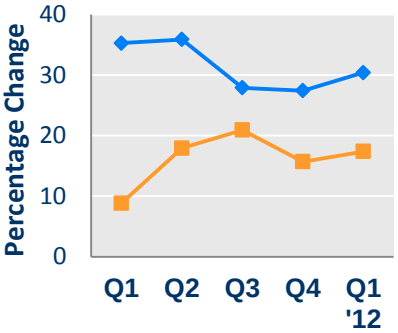
Emerging Markets Evolution

• MORE • LESS

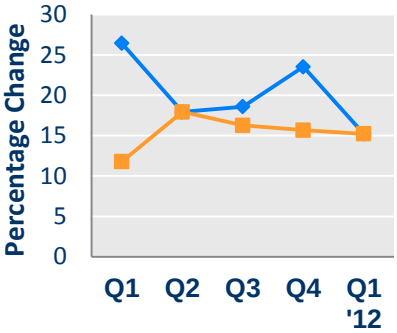
Global Emerging



Pan Asia



Lat Am



Relative Value

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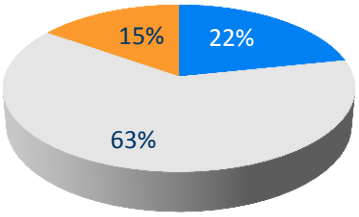
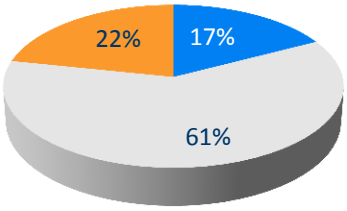
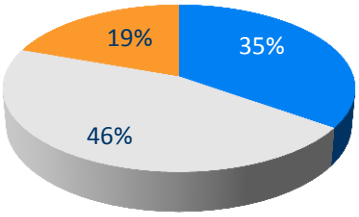
Market Neutral



Convertable Arbitrage



Fixed Income

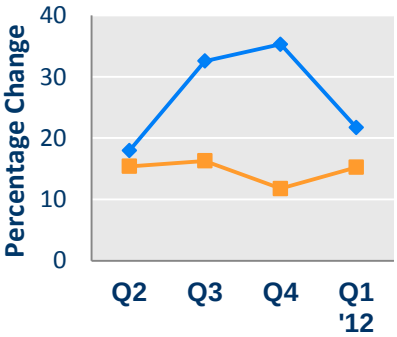


The Relative Value sector is a mixed bag, with the slow and steady up-trend in popularity for Fixed Income funds continuing this quarter. The strategy remains under represented in the Alternative UCITS space, although this deficit is now being addressed. Convertible Arbitrage sees a modest spike up in demand with 17% of survey respondents looking for an increased exposure here. One of the most surprising results this quarter, is the significant drop off in demand for Market Neutral funds, a category that had been winning a lot of investor interest in the previous surveys.

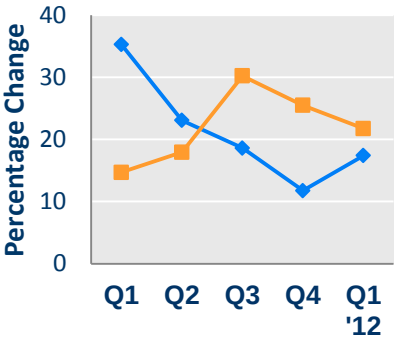
Relative Value Evolution

• MORE • LESS

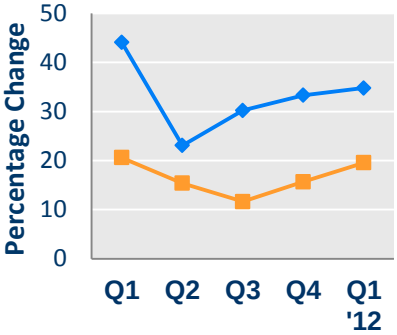
Market Neutral



Convertible Arbitrage



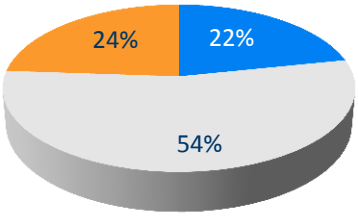
Fixed Income



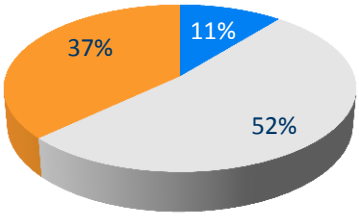
Event Driven

• MORE • SAME • LESS

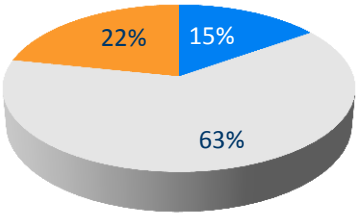
Multi-Strategy



Distressed



Merger Arbitrage

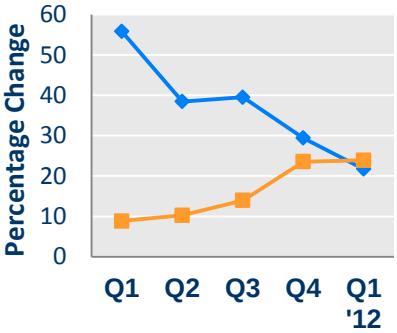


All Event Driven strategies see a decline in interest this quarter, continuing the trend since the launch of the barometer one year ago. Distressed funds, a tough strategy to fit within the UCITS rules – is showing one of the lowest levels of interest of all strategies. This trend is also very much evident in the Merger Arbitrage category which has seen demand fall off the proverbial cliff; six months ago, 50% of investors had planned to increase their allocation against a paltry 15% today. Multi-Strategy funds have also seen a decline in demand, although they have proven more popular than their event-driven peers, as 22% plan to increase their exposure.

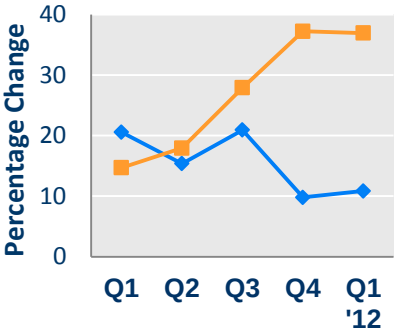
Event Driven Evolution

• MORE • LESS

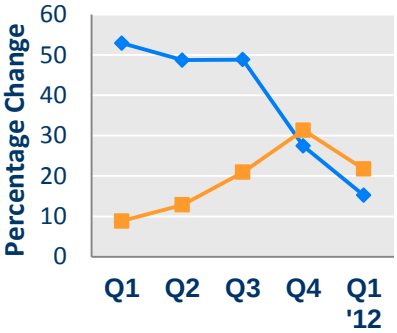
Multi-Strategy



Distressed



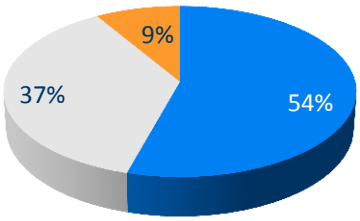
Merger Arbitrage



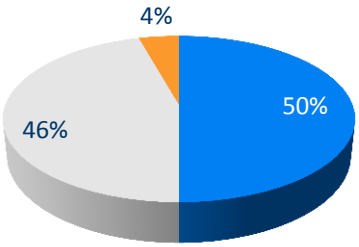
Macro & CTA

• MORE • SAME • LESS

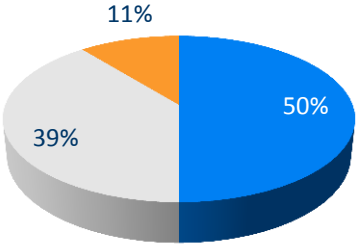
Global Macro-Discretionary



Global Macro-Systematic



Managed Futures / CTA

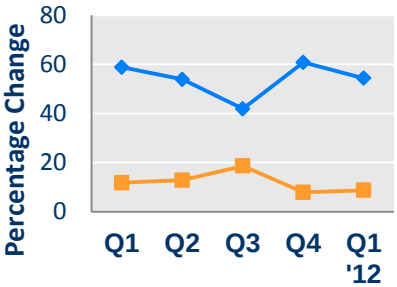


Global Macro-Discretionary has knocked the CTA/Managed Futures category off pole position this quarter. With challenging economic and financial conditions, investors continue their search for positive returns from diversified strategies. The demand for CTAs remains very strong and they are still in relatively short supply in UCITS. However, reflecting the relative immaturity of the Alternative UCITS industry, Global Macro-Discretionary funds are also in very short supply as reflected by the 54% of respondents looking for more exposure to this strategy.

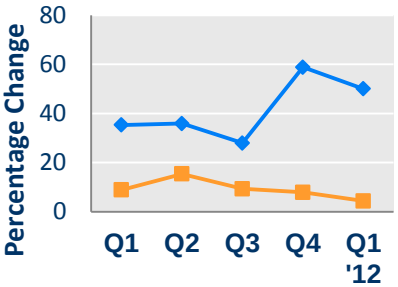
Macro & CTA Evolution

• MORE • LESS

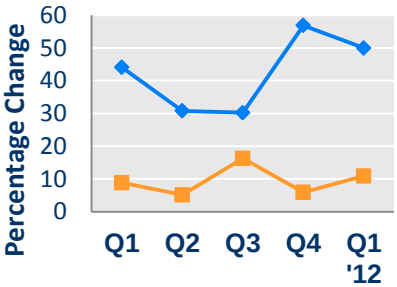
Global Macro-Discretionary



Global Macro-Systematic



Managed Futures / CTA



Tables

Long/Short Equity

	More	Same	Less
Global L/S Equity	35%	50%	15%
UK L/S Equity	9%	52%	39%
US L/S Equity	37%	48%	15%
European L/S Equity	17%	50%	33%
Japan L/S Equity	4%	74%	22%

Emerging Markets

	More	Same	Less
Global Emerging	52%	39%	9%
Latin America	15%	70%	15%
Pan Asia	31%	52%	17%

Relative Value

	More	Same	Less
Fixed Income	35%	46%	19%
Convertible Arbitrage	17%	61%	22%
Market Neutral	22%	63%	15%

Event Driven

	More	Same	Less
Multi-Strategy	22%	54%	24%
Distressed	11%	52%	37%
Merger Arbitrage	15%	63%	22%

Macro & CTA

	More	Same	Less
Global Macro-Discretionary	54%	37%	9%
Global Macro-Systematic	50%	46%	4%
Managed Futures / CTA	50%	39%	11%

About ML Capital

ML Capital is an independent and privately owned financial services group at the forefront of bringing high quality alternative investments to the mainstream. Utilising our collective industry experience and expansive network of contacts, we are dedicated to locating the very best boutique fund managers and working with them to introduce their skills to the rapidly growing market for quality onshore regulated investment products.

ML Capital has launched the MontLake UCITS Platform, which has become the fastest growing UCITS platform in the market which delivers a range of specialist boutique alternative managers to institutional and retail investors.

ML Capital also creates and sponsors a range of non-UCITS regulated European investment funds such as the QIF and PIF, for investment managers and advisors whose strategy do not fit the UCITS framework.

Our senior partners have many years of hedge fund experience in key areas incorporating manager due diligence, portfolio management, operations, risk management and distribution. Through our diverse backgrounds, extensive experience and industry knowledge, our professionals have a proven track record in delivering investment products and solutions which perform to the highest standards.

ML Capital is headquartered within the European Union in Malta and has offices in London and Geneva.

About The MontLake UCITS Platform

The MontLake UCITS Platform, domiciled in Ireland and regulated by the Central Bank of Ireland provides investment managers with a turnkey solution for launching a UCITS fund under its umbrella structure. Typical time to market is 10 weeks, or less, with the platform offering immediate access to a wide range of investors through ML Capital's distribution network.

Funds placed on the platform by ML Capital will benefit from top-tier service providers including Citi for custody, administration and trustee services, KPMG for audit, and Bridge Consulting for oversight and directorships. ML Capital has also ensured that managers utilising the MontLake UCITS Platform will have unfettered access to a network of the leading prime brokerage firms.

For more information on ML Capital please visit our website www.mlcapital.com or our platform website www.montlakeucits.com.

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