



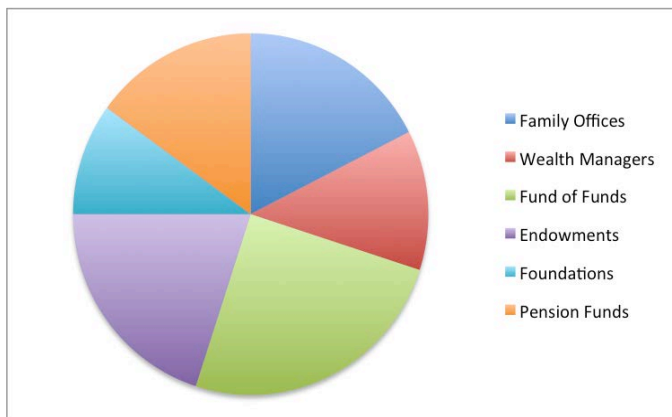
The Vantage Point

Q1 2014

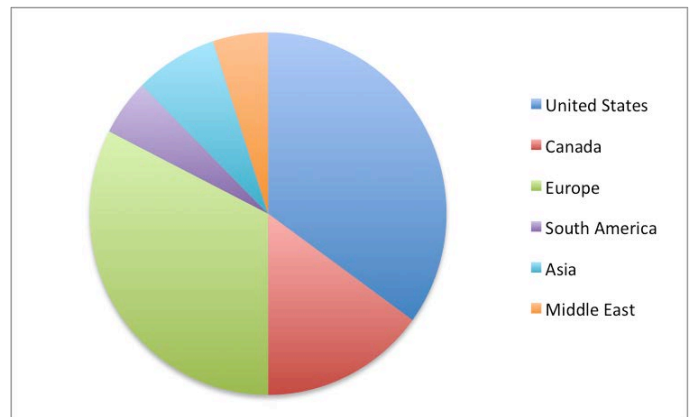
In The Vantage Point newsletter, the principals of the firm look to share their insights and feedback on hedge fund market trends gathered from hundreds of calls with institutional investors across the globe. The purpose of this letter is to provide hedge fund managers and allocators with color on the investor landscape. After compiling and analyzing our investor feedback, we sit down as a group to identify the predominant trends in the fundraising environment. Investor data and sentiment is based on our conversations over the last quarter.

VantagePoint Alternative Investments is a boutique third-party fund placement group focusing exclusively on capital raising for single strategy hedge funds and private equity funds.

Investors Surveyed By Type



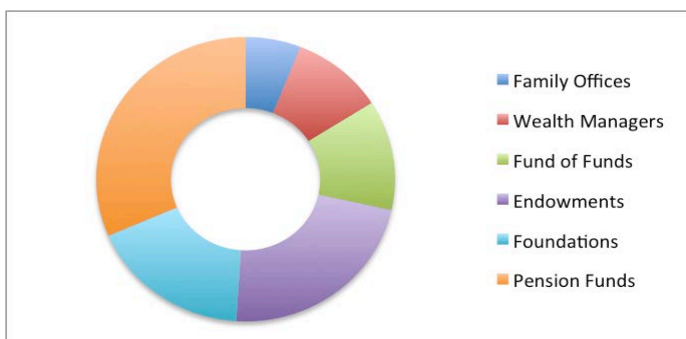
Investors Surveyed By Location



2013 FUNDRAISING RECAP

2013 was a strong year of fundraising for single-manager hedge funds. As we reported in our previous newsletter, L/S Equity was the big winner last year. Many of the institutional investors we speak to have become concerned with the rapid rise in the markets in 2013 and say they will be focusing on strategies that are less dependent on beta, namely Event Driven, Market Neutral and European Equities. We are now two months into the year and many of these investors are being proven right. Stock picking and good shorts have saved some good managers from what for many funds was a tough January.

2013 Commitments by Investor Type



Inside this Issue:

- (1) 2013 Fundraising Recap
- (2) 2013 Commitments by Investor Type
- (3) Fundraising in Europe
- (4) Emerging Manager Update
- (5) Investor Interest by Fund Size

Off The Cuff

- We're hearing from certain investors that they are looking at European Equities in the belief that in the medium term there are more opportunities there than in US equities.
- We have heard more investors, especially Family Offices and Fund of Funds, looking for hedge fund managers to dial up their leverage as they become more comfortable with risk-taking.
- Esoteric ABS has been a strategy of interest for a number of Endowments, Foundations, and Fund of Funds.
- Investors are willing to accept longer lock-ups in return for opportunities with greater upside.
- Multiple investors have informed us that they are searching for managers in frontier markets.
- Many investors are looking at illiquid strategies in an effort to find performance.
- A large European investor told us they are only seeing 1/3 of the manager flow than they previously had as a result of AIFMD.
- A prominent L/S Equity investor informed us that the bar is quite high for considering new funds given the strong relative performance of their portfolio last year.
- Interest in SMAs has been light for the start of 2014. That said, more investors have been willing to look at smaller funds.
- Following a disappointing year for global macro, investors been looking for managers playing in specific niches, as a way to drive upside in the space.
- We are continuing to see an upsurge in investors looking for niche and opportunistic strategies.

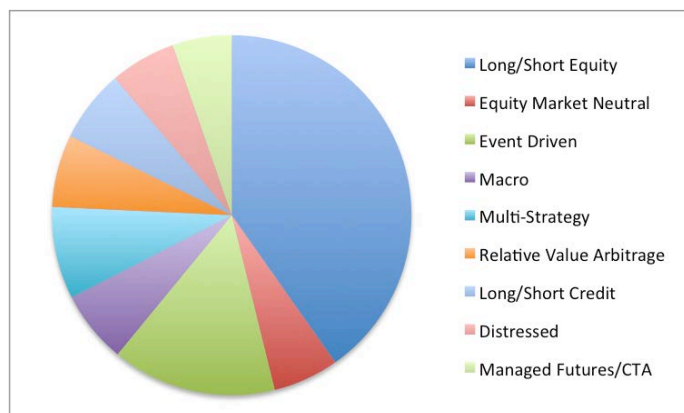
FUNDRAISING IN EUROPE

Managers looking to raise capital in Europe have been left confused by the opacity of current AIFMD legislation. This has resulted in firms taking three differing directions when it comes to European marketing: (1) completely shutting down all marketing to European investors, (2) only reaching out to select, prequalified investor relationships, and (3) continuing to market to Europe in the same way as they had prior to the implementation of AIFMD. A number of our European investor contacts have informed us that they have seen significantly less fund flow. Even some of the most active institutions and fund of funds in the UK and Western Europe have noticed many fewer prospective funds reaching out to their investment teams. The new marketing rules have posed a particular issue for North American fund managers looking to build an offshore presence, as most Middle Eastern & Asian investors tend to favor larger, more established fund managers. Many early stage investors are located in the financial epicenters of Europe such as London, Paris, Geneva and Zurich. This may pose an issue for early stage fund managers who are trying to reach critical mass (especially through managed accounts and offshore funds); requiring them to register in each locale and meet heavy transparency and reporting requirements. While the new AIFMD poses issues for managers looking to market to the EU there are still ways to access European investors.

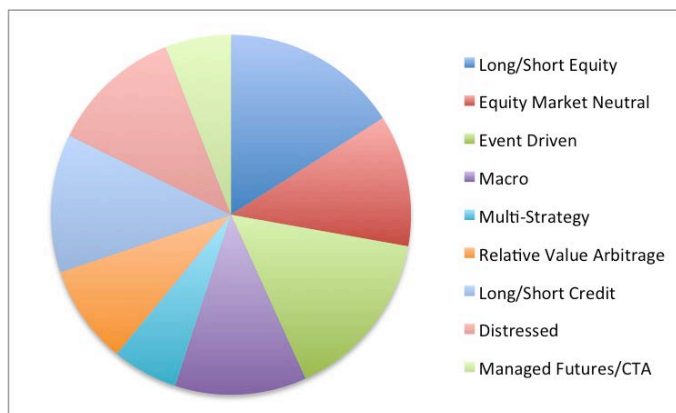
Jan. 2014 Performance HFRI Indices	Jan. ROR	Total Return		
		1 YR	3 YR	3 Yr Ann.
HFRI Fund Weighted Composite Index	-0.60%	5.83%	8.88%	2.88%
HFRI Equity Hedge (Total) Index	-0.73%	9.84%	11.22%	3.61%
HFRI EH: Equity Market Neutral Index	0.72%	6.10%	7.45%	2.42%
HFRI EH: Quantitative Directional	-0.77%	6.99%	9.64%	3.12%
HFRI EH: Short Bias Index	0.38%	-15.50%	-31.85%	-12.00%
HFRI Event-Driven (Total) Index	-0.37%	9.67%	16.16%	5.12%
HFRI ED: Distressed/Restructuring Index	0.02%	11.55%	21.48%	6.70%
HFRI ED: Merger Arbitrage Index	-0.14%	4.79%	8.43%	2.73%
HFRI Macro (Total) Index	-1.13%	-3.07%	-5.06%	-1.72%
HFRI Macro: Systematic Diversified Index	-1.79%	-4.11%	-7.48%	-2.56%
HFRI Relative Value (Total) Index	0.54%	5.74%	17.83%	5.62%
HFRI RV: Fixed Income-Asset Backed	1.18%	8.84%	35.65%	10.70%
HFRI RV: Fixed Income-Convert Arb Index	1.15%	7.36%	10.60%	3.42%
HFRI RV: Fixed Income-Corporate Index	1.24%	5.31%	18.06%	5.69%
HFRI RV: Multi-Strategy Index	0.23%	6.33%	13.15%	4.21%
HFRI RV: Yield Alternatives Index	0.57%	13.18%	35.28%	10.60%
HFRI Emerging Markets (Total) Index	-2.60%	-0.63%	-2.34%	-0.79%

Source: Hedge Fund Research, Inc. www.hedgefundresearch.com

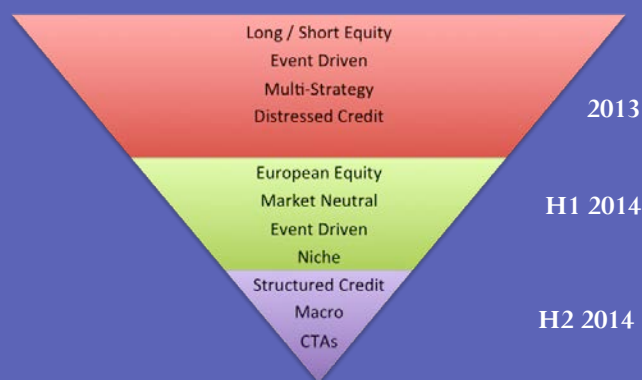
Strategies Requested in H2 2013



Strategies Requested in Jan. & Feb. 2014



Strategy Demand Over Time

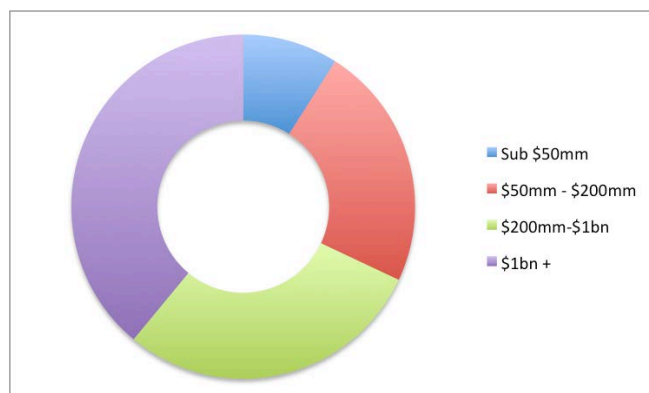


While the second half of 2013 was dominated by requests for Long/Short Equity and Equity Event Driven, strategy interest in early 2014 have been more diversified. We have seen people increasing their searches for Equity Market Neutral, Macro, and Multi-Strategy funds in the beginning of this year. Distressed has also been a key focus for certain investors who are looking to capitalize on European and EM volatility. We have also seen a slight uptick in Relative Value strategies as investors shy away from major directional bets.

Emerging Manager Update

As we reported in our last newsletter more institutional investors have been shifting their focus from larger, established managers to emerging managers. Extensive studies have shown that emerging managers are more nimble than their larger peers and are able to find Alpha where larger funds cannot. An interesting point that should be addressed is the impact AIFMD will have on the ability of European investors to find non-EU based emerging managers. With the implementation of AIFMD most non-EU based emerging managers will be unwilling to incur the cost, both monetarily and time-wise, to register with each individual EU jurisdiction so they can market to European Investors. The result is that non-EU investors are able to choose from a larger pool of emerging managers than their European counterparts. For European based Fund of Funds this will potentially impact their ability to raise investor capital. For the non-EU based Fund of Funds this will potentially increase their ability to raise investor capital. This could also potentially hamper the number of start-up hedge fund launches outside the EU as there will only be so many day one investors that they will be allowed to market to.

Investor Interest by Fund Size



Current Strategies Represented by VantagePoint

European Event Driven/Special Situations

U.S. Low Net L/S Equity

Statistical Arbitrage

Emerging Markets Macro

L/S Equity Healthcare

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