Lipper TASS Asset Flows Report

Hedge Funds—Second Quarter 2008

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Executive Summary

Net hedge fund industry inflows edged marginally higher to US$4.03 billion during second quarter 2008. This compared to an inflow of US$41.10 billion in second quarter 2007 and US$2.62 billion in first quarter 2008 and reversed albeit modestly a slide in inflows that had been experienced over the previous three quarters. This, combined with the overall broad hedge fund index performance of 2.58% over second quarter, produced a modest increase in global hedge fund assets from US$1.75 trillion to US$1.80 trillion as of the end of June 2008.

Second quarter inflows rose 53% (US$1.40 billion), and this reversed the previous four consecutive quarters of successively smaller inflows. Hedge fund allocators favored increasing exposure to directional strategies such as Global Macro and Managed Futures in this period as a number of trends took hold in the equity, commodity, foreign exchange, and fixed income markets. These positive factors outweighed reductions in Relative-Value and Event-Driven strategies.

In U.S.-dollar terms the largest hedge fund substrategy inflows were experienced by Global Macro at US$5.68 billion, Managed Futures at US$5.65 billion, and Multi-Strategies at US$778 million. Combined inflows across these strategies amounted to US$12.11 billion and compared to US$3.80 billion across the same strategies in the first quarter. Hedge fund allocators made significant changes in portfolio allocations, favoring the directional strategies that had produced the best absolute returns.

In U.S.-dollar terms the largest hedge fund substrategy outflows in the second quarter were experienced by Long/Short Equity at US$7.14 billion, then Event-Driven at US$739 million and Convertible Arbitrage at US$461 million. Combined outflows across these strategies amounted to US$8.34 billion and compared to outflows of US$2.92 billion in the first quarter. Hedge fund allocators are believed to have suffered steep losses in the previous two quarters in Long/Short Equity strategies, and as global equity markets slumped they redeemed at the start of the second quarter.

Looking at the percentage of period assets under management minus quarterly flows, the three highest quarterly growth rates were experienced by Managed Futures at 4.30%, Global Macro at 4.03% and Equity Market-Neutral at 1.03%. Conversely, the three lowest quarterly growth rates were exhibited by Long/Short Equity at minus 1.53%, Convertible Arbitrage at minus 1.40%, and Fixed Income Arbitrage at minus 0.42%.

The second quarter pace of global hedge fund net inflows was 0.26%, compared to 0.18% for first quarter 2008. This was below the 2.62% quarterly average pace seen since January 1994. A total of five of the ten hedge fund substrategies posted positive quarterly inflows this time around.

In absolute terms the performance of the Credit Suisse/Tremont Hedge Fund Index came in at 2.58%. This followed first quarter performance of minus 2.01%, which had been the worst since third quarter 1998. Second quarter performance of the broad hedge fund index compared to minus 2.73% for the S&P 500 Index, minus 1.43% for the MSCI World Index US TR, and minus 4.38% for the JPMorgan Global GBI TR Index.

The swing factors coming into play over the second quarter included: a continued slump in the real estate markets, including a record pace of foreclosures; lower corporate earnings estimates; heightened stagflation fears; a seizing up of credit conditions in the asset-backed commercial paper market; and significant deleveraging in banking sector balance sheets in the aftermath of the Bear Stearns-inspired equity market rally.

Commodity prices were a particular focus–either directly or indirectly and across a number of hedge fund strategies. A popular trading theme involved going long commodities and short financials. This dominated a number of strategies and correlations, with the commodity markets picking up significantly. Crude oil hit US$140 per barrel, and this weighed on financial markets as well as on the emerging market economies, where subsidies were cut and inflation ticked higher.

Financial stocks suffered the most in terms of returns on asset write-downs, continuing credit market concerns, and lower expectations for economic growth. Meanwhile, international equity markets fell in the face of inflationary concerns, led by worrisome food and energy prices. Japan posted positive returns because of its limited credit crisis exposure, while the depreciating yen benefited exporters.

Emerging market returns turned out mixed. Resource-rich Latin America and Russia posted positive returns, while emerging Asia posted negative returns on inflationary fears. U.S. Treasuries posted negative returns as interest rates rose along the yield curve.

On the economic front positive momentum at the start of the quarter quickly soured by quarter-end as inflation concerns combined with evidence of a slowdown among developed economies. The Fed responded in April by cutting interest rates a quarter of a point, while the European Central Bank stayed put and later hiked rates in early July.

With regard to hedge fund returns, the three top-performing hedge fund strategies over the second quarter included Managed Futures at 4.02%, Long Short Equity at 3.78%, and Event-Driven: Multi-Strategies at 2.98%. In contrast, the three worst performing strategies were Event-Driven: Risk Arbitrage at 0.58%, Event-Driven: Distressed Securities at 1.23%, and Equity Market Neutral at 1.98%.

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Performance Overview

The following table depicts the performance of the Credit Suisse/Tremont Hedge Fund Index with the component subindices, as well as major market indices.

Table 2 Indices' Performance, Second Quarter 2008

	% Growth Total Return 3M 31/03/2008 To 30/06/2008	% Growth Total Return YTD To 30/06/2008	% Growth Total Return 1Y 29/06/2007 To 30/06/2008	Annualized Total Return 174M 31/12/1993 To 30/06/2008	Annualized Standard Deviation 174M 31/12/1993 To 30/06/2008	Annualized Sharpe Ratio 31/12/1993 To 31/3/2008
Credit Suisse/Tremont Hedge Fund USD	**2.58**	**0.51**	**4.08**	**10.68**	**7.44**	**0.85**
Credit Suisse/Tremont Hedge Fund Cnvrt Arb USD	2.25	-5.56	-5.56	8.01	4.89	0.79
Credit Suisse/Tremont Hedge Fund Ded Sh Bs USD	1.93	11.95	21.32	-0.98	16.90	-0.29
Credit Suisse/Tremont Hedge Fund ED Dstrss USD	1.23	-1.36	-2.05	12.62	6.12	1.28
Credit Suisse/Tremont Hedge Fund ED Mlt Strtgy USD	2.98	-1.02	2.85	10.73	6.05	1.03
Credit Suisse/Tremont Hedge Fund ED Rsk Arb USD	0.58	3.39	7.19	7.79	4.09	0.90
Credit Suisse/Tremont Hedge Fund Emg Mkts USD	0.68	-3.55	6.13	9.37	15.37	0.32
Credit Suisse/Tremont Hedge Fund Eq Mkt Ntr USD	1.98	3.79	7.85	9.88	2.79	2.07
Credit Suisse/Tremont Hedge Fund Evnt Drvn USD	2.26	-1.12	1.02	11.35	5.55	1.21
Credit Suisse/Tremont Hedge Fund Fx Inc Arb USD	2.87	-4.10	-4.02	5.74	4.07	0.41
Credit Suisse/Tremont Hedge Fund Global Mac USD	2.19	9.22	18.75	13.98	10.36	0.90
Credit Suisse/Tremont Hedge Fund Ln/Sh Eq USD	3.78	-0.48	3.11	11.71	9.80	0.74
Credit Suisse/Tremont Hedge Fund Mlt Strtgy USD	1.92	-2.07	-0.47	9.26	4.36	1.14
Credit Suisse/Tremont Hedge Fund Mngd Fut USD	4.02	14.86	13.40	7.24	11.93	0.26
JP Morgan Global GBI TR	-4.38	4.76	16.72	6.40	6.31	0.37
MSCI World TR USD	-1.43	-10.25	-10.18	8.17	13.41	0.29
S&P 500 TR	-2.73	-11.91	-13.12	9.18	14.15	0.34

Note: Index data begin January 1994—excluding Multi-Strategy data—which begin April 1994, and all of the above indices include dividends.
Annualized Sharpe Ratio is calculated using 90-Day U.S. T-Bill
Past performance as described herein is not necessarily indicative of future results.

The second quarter 2008 hedge fund performance of 2.58% represented a 458-bp swing on the positive side after a miserable first quarter, which had been weighed down by sharp losses in global equity markets. On a relative basis the broad hedge fund index outpaced the S&P 500 Index by 531 bps, the MSCI World Index by 401 bps, and the JP Morgan GBI TR by 696 bps.

The dominant swing factors during this period continued to be the "Great Deleverage" and the run-up in commodity prices. The former widened geographically, engulfing U.S. government-sponsored enterprises (GSEs), in addition to the U.K. where the solvency of so-called building societies hit the headlines. The latter swing factor saw crude oil jump from over US$40 per barrel.

U.S. equities returned minus 2.7%, the Russell 3000 Index returned minus 1.7%, and the NASDAQ returned 0.6% because of the relative strength of technology stocks. Small- and mid-caps outperformed large-cap stocks, while value outperformed growth because of a significant decline in the financials sector. The S&P 500 financials sector returned minus 18.66% as the negative impact of the credit crisis and the U.S economic slowdown continued.

International equities provided mixed returns on concerns related to higher energy prices and global inflation, which led central banks in many countries to raise interest rates. While international growth stocks outpaced value, Japanese stocks were firmer as the yen depreciated and boosted by the outlook for Japanese exporters. European equities posted negative returns on concerns over declining corporate profits and the lingering credit crisis.

Emerging markets declined 1.6% in local-currency terms and 0.9% in U.S.-dollar terms as energy-rich Brazil and Russia provided positive U.S.-dollar returns of 18.4% and 10.8%, respectively. Indian stocks declined 19.7% in U.S.-dollar terms as double-digit inflation prompted a heavy bout of foreign portfolio redemptions.

The JP Morgan Global Bond Index TR returned minus 4.38% over the second quarter as interest rates increased across the yield curve. Treasuries posted their largest quarterly loss in four years in spite of a modest gain in June as intermediate Treasuries outperformed the long end by 15 bps and shorter-duration bonds were less impacted by rising rates. Investment-grade securities fell less than the JP Morgan GBI TR Index, while high-yield bonds posted positive returns for the quarter even though spreads widened without any meaningful pickup in defaults. Nondollar-denominated bonds declined close to 5% as the strengthening U.S. dollar hurt their performance during the quarter.

U.S. REITs fell 4.9% in the second quarter, underperforming the broad equity markets on declining commercial real estate values and turmoil in the financial sector, resulting in curtailed lending.

The U.S. economy expanded only slightly in the second quarter as GDP rose 1.9% from the 0.9% of first quarter 2008. The second quarter uptick was buoyed by approximately US$90 billion in stimulus checks sent out by the Treasury to taxpayers through the end of July. Additionally, U.S. exports expanded at a 9.2% pace in the second quarter, while imports declined 6.6%.

But cracks in the economy widened in the second quarter. The U.S. economy shed 62,000 jobs month over month (June), while the Case Schiller Real Estate Index fell 15.3% year over year as a falling housing market continued apace. All this, together with tighter credit standards, high energy prices, and increased food costs, weighed on consumer sentiment.

Flows Overview – All Strategies

Hedge fund managers experienced net inflows of US$4.03 billion during second quarter 2008. This reversed briefly the slide in industry inflows, which had peaked in the second quarter 2007 at US$41.11 billion but had fallen to a meager US$2.62 billion over first quarter 2008.

The largest positive dollar inflows were led by Global Macro (US$5.65 billion), Managed Futures (US$5.65 billion), and Multi-Strategies (US$778 million). Their combined inflow total of US$12.1 billion was only half of that observed over the same strategies in the first quarter of US$23.1 billion, indicating that the recent sharp declines in inflows may yet have more to go.

Though positive, the pullback in Multi-Strategies inflows was noteworthy, since this is a typical core investment for many institutional investors but had suffered a steep performance hit of minus 3.92% over the first quarter.

With regard to the outflows, the largest negative dollar flows were experienced by Long/Short Equity (US$7.1 billion), Event-Driven (US$739 million), and Convertible Arbitrage (US$461 million). Their combined outflow total of US$8.34 billion compared to the positive inflow total of US$15.46 billion experienced by the same substrategies in the first quarter. Clearly, steep outflows impacted Long/Short Equity and Event-Driven over the quarter and likely reflected the fact that both suffered steep performance losses of minus 4.10% and minus 3.30%, respectively, over the first quarter.

Furthermore, the previously positive inflow pace into Emerging Markets also showed initial signs of a turnaround in the second quarter. This followed a performance retreat of 4.20% during the first quarter. Relative-Value trading strategies such as Convertible Arbitrage and Fixed Income Arbitrage also suffered net outflows over the second quarter.

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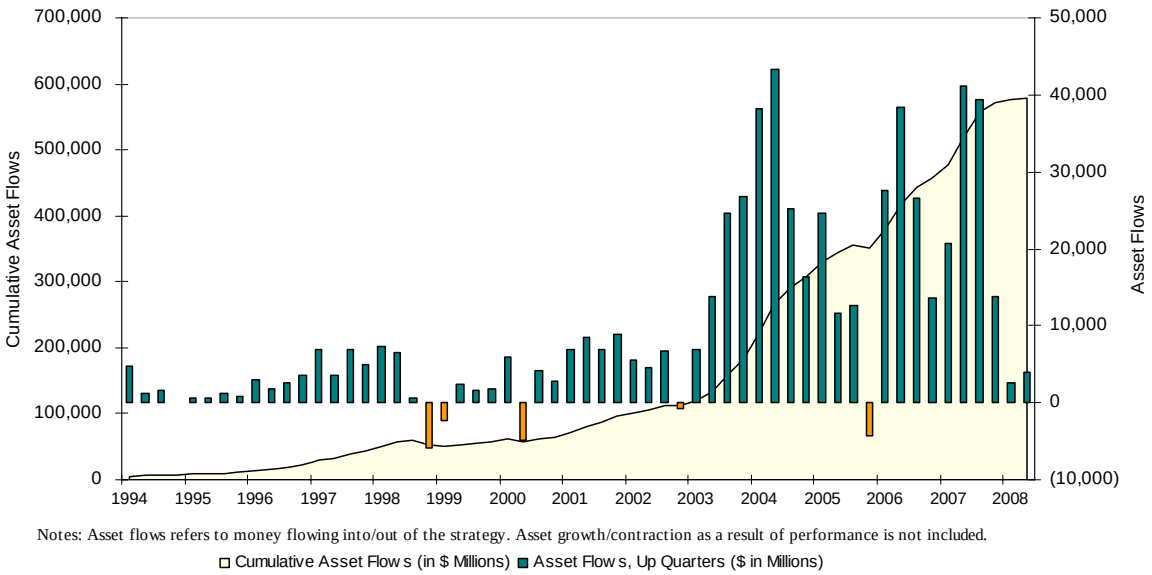
Table 2 Net Flows (US$ Mil) – Second Quarter 2008

Strategy	Net Asset Flow	Total Net Investments	Total Net Redemptions
All Funds	4,027.87	45,396.63	-41,368.76
Convertible Arbitrage	-461.01	597.65	-1,058.66
Dedicated Short Bias	50.12	183.63	-133.51
Emerging Markets	-135.65	2,913.62	-3,049.27
Equity Market Neutral	655.45	2,277.29	-1,621.84
Event Driven	-738.88	6,871.15	-7,610.03
Fixed Income Arbitrage	-317.12	1,508.50	-1,825.61
Global Macro	5,682.99	8,073.48	-2,390.49
Long/Short Equity Hedge	-7,135.40	7,993.17	-15,128.57
Managed Futures	5,648.92	7,852.22	-2,203.31
Multi-Strategy	778.46	7,125.93	-6,347.47

Figure 1 All Strategies Net Flows (US$Mil) – 1994-2008 (Second Quarter)

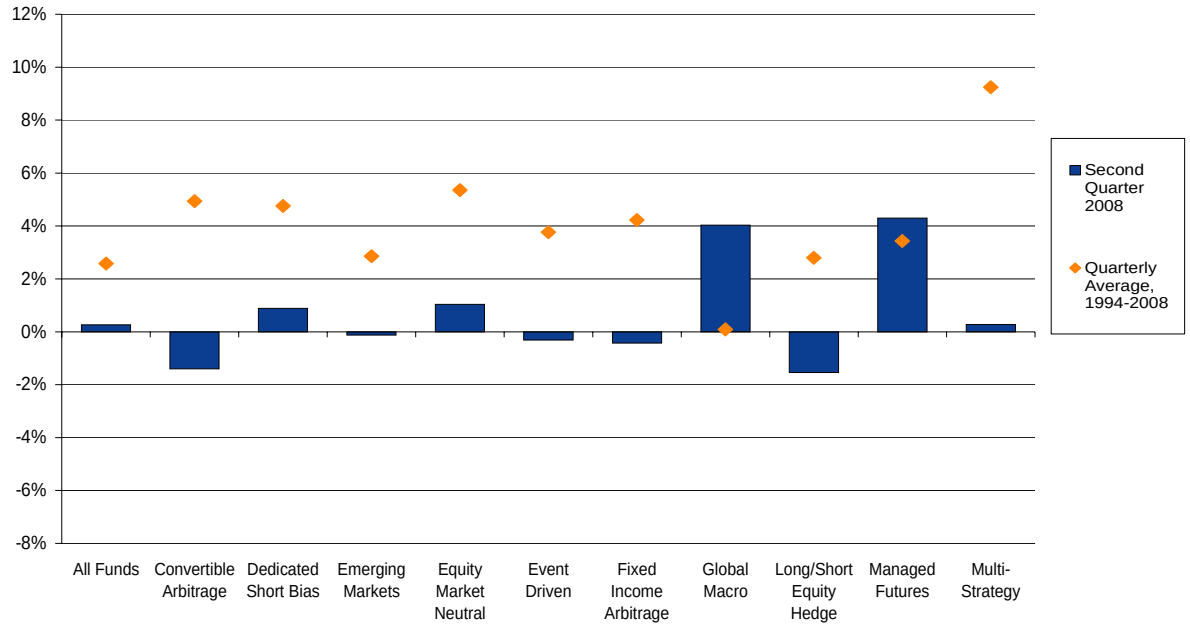


The Table 3 below shows selected period flows as a percentage (%) of end of period assets minus quarterly flows versus average quarterly flows as a percentage (%) of end of period assets minus quarterly flows from January 1994 to June 2008.

Table 3 Hedge Fund Category Average Quarterly Flows, Selected Quarters

Strategy	Quarter 2 2008	Quarter 1 2008	Quarter 2 2007	Quarterly Average
All Funds	0.26%	0.18%	3.42%	2.58%
Convertible Arbitrage	-1.40%	3.98%	3.92%	4.94%
Dedicated Short Bias	0.88%	9.70%	3.24%	4.75%
Emerging Markets	-0.12%	0.52%	5.46%	2.86%
Equity Market Neutral	1.03%	0.58%	3.11%	5.35%
Event Driven	-0.31%	1.96%	4.67%	3.77%
Fixed Income Arbitrage	-0.42%	-0.08%	1.99%	4.23%
Global Macro	4.03%	3.15%	-0.78%	0.09%
Long/Short Equity Hedge	-1.54%	-1.56%	3.97%	2.79%
Managed Futures	4.30%	0.08%	-1.34%	3.43%
Multi-Strategy	0.28%	-0.60%	3.93%	9.25%

Figure 2 Hedge Fund Category Flows Versus Quarterly Average – Second Quarter 2008



The overall pace of hedge fund inflows grew at a 0.26% pace in the second quarter—above the 0.18% rate experienced in the first quarter but well below the 2.58% quarterly pace experienced since 1994.

Among hedge fund strategies Managed Futures (+4.30%) and Global Macro (+4.03%) were the only strategies enjoying inflows above their respective quarterly inflow averages of 3.43% and 0.09%. This reflected the growing set of trading opportunities and strong performance gains generated over a number of asset classes. Energy markets were the main drivers for these gains, followed by agriculturals such as corn and soybeans; both gained over 30% during the quarter, continuing a trend established in the previous quarter. The next largest second quarter inflow rate came from Equity Market at 1.03%, although this was below its quarterly average pace of 5.35%.

Long/Short Equity (-1.54%) and Convertible Arbitrage (-1.40%) experienced the largest negative inflow growth rates over the quarter. It is worth noting that the Long/Short Equity decline mirrored a 1.56% fall in the first quarter. And, while strategy performance rebounded to 3.78% for the quarter for Long/Short Equity, the heightened volatility and a gloomy outlook for the U.S. economy led allocators to tilt their portfolios away from many long-biased equity managers and to favor macro and managed futures.

The negative rate of quarterly growth experienced by the Convertible Arbitrage strategy (-1.40%) was a turnaround from the first quarter pace of 3.98% and the quarterly average pace of 4.94%. Returns in this space saw a brief rebound in May, based upon a healthy spate of new issuance. However, they remained pressured by widening credit spreads and quality concerns surrounding financial names, despite general perceptions that many convertible bonds now look cheap.

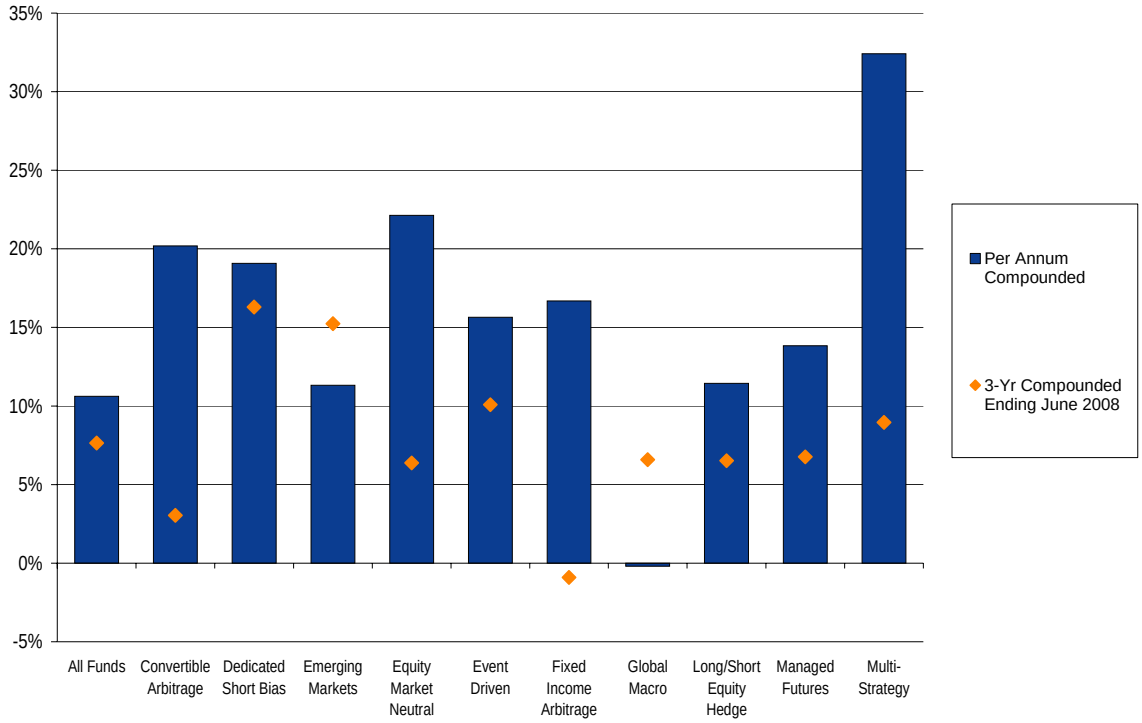
While the quarterly inflow pace for Multi-Strategies picked up to a meager 0.28% for the second quarter versus a negative 0.60% for the first quarter, this was well below the 9.25% historical average inflow pace.

Table 4 and Figure 3 below show per-annum compounded flows as a percentage (%) of beginning period assets versus three-year compounded flows as a percentage (%) of beginning-period assets from January 1994 to June 2008.

Table 4 Hedge Fund Category Average Quarterly Flows, 1994-2008 (Second Quarter)

Strategy	Per Annum Compounded	Three-Year Compounded Ending June 2008
All Funds	**10.61%**	**7.64%**
Convertible Arbitrage	20.19%	3.05%
Dedicated Short Bias	19.07%	16.30%
Emerging Markets	11.33%	15.24%
Equity Market Neutral	22.14%	6.38%
Event Driven	15.65%	10.09%
Fixed Income Arbitrage	16.69%	-0.91%
Global Macro	-0.19%	6.59%
Long/Short Equity Hedge	11.44%	6.52%
Managed Futures	13.83%	6.77%
Multi-Strategy	32.42%	8.96%

Figure 3 Hedge Fund Categories Flows, 1994-2008 (Second Quarter)



The table 5 below lists total strategy assets by percentage for each hedge fund strategy for the quarters ended June 30, 2008, and June 30, 2007.

Table 5 Total Strategy Assets by Percentage – Second Quarters 2008 and 2007

Strategy	June 30, 2008	June 30, 2007
Convertible Arbitrage	2.11%	2.97%
Dedicated Short Bias	0.37%	0.25%
Emerging Markets	7.10%	7.38%
Equity Market Neutral	4.15%	4.84%
Event Driven	15.36%	21.98%
Fixed Income Arbitrage	4.82%	5.51%
Global Macro	9.48%	8.62%
Long/Short Equity Hedge	29.44%	31.35%
Managed Futures	8.87%	4.06%
Multi-Strategy	18.30%	13.05%

Flows Overview – Long/Short Equity Strategy

The Long/Short Equity hedge fund substrategy posted its second consecutive quarterly outflow after 19 consecutive quarters of quarterly inflows. Beating out the previous quarterly outflow it represented the largest such outflow since first quarter 1994. Interestingly, the percentage of total observed industry assets in Long/Short Equity fell from 31.4% for the second quarter of 2007 and 30.1% for the first quarter of 2008 to under 30% for the latest quarter. This may reflect a secular shift in portfolio allocations away from a set of trading strategies that appeared to largely benefit and produce positive absolute returns from a high beta (or market risk) component.

It is worth remembering that the vast majority of Long/Short Equity managers were highly correlated to the MSCI World US TR Index and the S&P 500 Index, and some shrewd investors noted an alarmingly high correlation of the strategy to commodities as many managers flocked to trade the popular long commodity-short financial trade. There were also some rumors late in the quarter that the SEC would eventually curtail so-called “naked” short-selling of financial stocks.

These factors along with the strategy’s first quarter poor performance prompted a substantial realignment of allocator portfolios away from a number of losing Long/Short managers. Those with very poor performance, including those in Asia and Japan, tended to suffer the first quarter performance blight the most.

Looking ahead, investors are likely to “clean out” their portfolios in the face of further potential losses and look to managers with low-beta exposure and clearly defined trading success to generate returns from the short side of the P&L book. The major swing factors include: the economic environment in which the U.S., the U.K., and Spain appeared to be hardest hit; emerging markets suffering a general flight to quality as a number of countries such as Turkey faced high inflation and growing current account deficits; consumer sentiment continuing to sour in the U.S. as auto, construction, and retailers started to lay off workers; and a number of central banks raising interest rates to stem a growing inflationary threat. The Credit Suisse/Tremont Long/Short Equity Index returned 3.78% for the quarter compared to minus 4.10% over the first quarter.

Figure 4 Long/Short Equity Strategy Flows as Percentage of Beginning-Period Assets Versus Performance, 1994-2008 (Second Quarter)

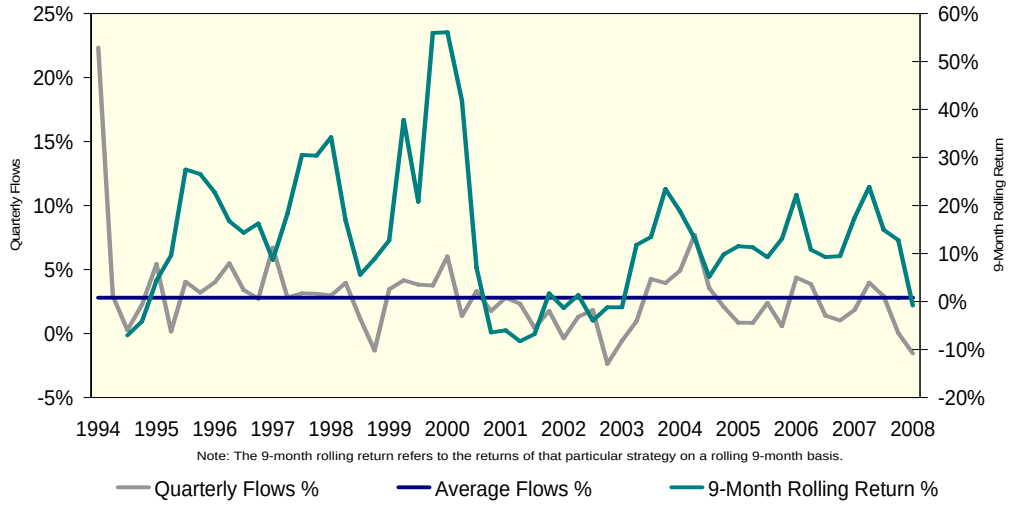
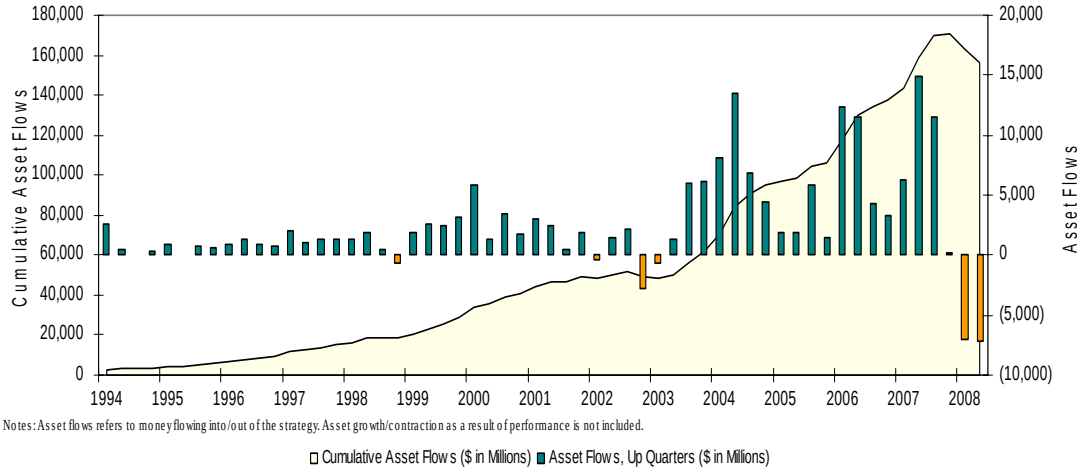


Figure 5 Long/Short Equity Strategy Asset Flows (US$Mil), 1994-2008 (Second Quarter)



Notes: Asset flows refers to money flowing into/out of the strategy. Asset growth/contraction as a result of performance is not included.

Flows Overview – Event-Driven Strategy

The Event-Driven substrategy underwent a significant change in the second quarter. An outflow of US$739 million at a minus 0.31% pace took place for the first time after 20 consecutive quarterly inflows and the previous quarter's historical quarterly inflow of 3.77%. While it may be too soon to say whether this marked a secular portfolio shift among allocators, given the small negative outflow, the downturn was noteworthy. It followed a heavy marketing campaign during the first quarter when many hedge fund managers mounted aggressive capital-raising initiatives focusing on Special Situations and Distressed Securities.

In all events, second quarter performance was tough-going for Event-Driven specialists. Many whose performance had been bruised in the first quarter in long-biased strategies focused on quality securities and deals and kept exposure at defensive levels. Interestingly, the Event-Driven strategy also exhibited a high and growing correlation to traditional commodity indices as managers often played on one side of the long commodity-short financial trade.

One positive performance swing factor for a number of managers involved positive special situations in the financials sector, which suffered a steep downdraft of over 6.0% in the U.S. and the U.K. in May. A few managers reported that in risk arbitrage the spreads on deals in Europe and Australia remained tight compared to deals in the U.S. A consistent theme remained the positive performance from deals in the energy and mining sectors, while inflation, a weaker economic backdrop, and credit concerns pressured spreads across distressed securities.

The Credit Suisse/Tremont Event-Driven Index returned 2.26% over the quarter, the Credit Suisse/Tremont Event-Driven: Distressed Securities Index returned 1.23%, the Credit Suisse/Tremont Event-Driven: Risk Arbitrage Index returned 0.58%, and the Credit Suisse/Tremont Event-Driven: Multi-Strategies Index returned 2.98% for the quarter.

Figure 6 Event-Driven Flows as Percentage of Beginning-Period Assets Versus Performance, 1994-2008 (Second Quarter)

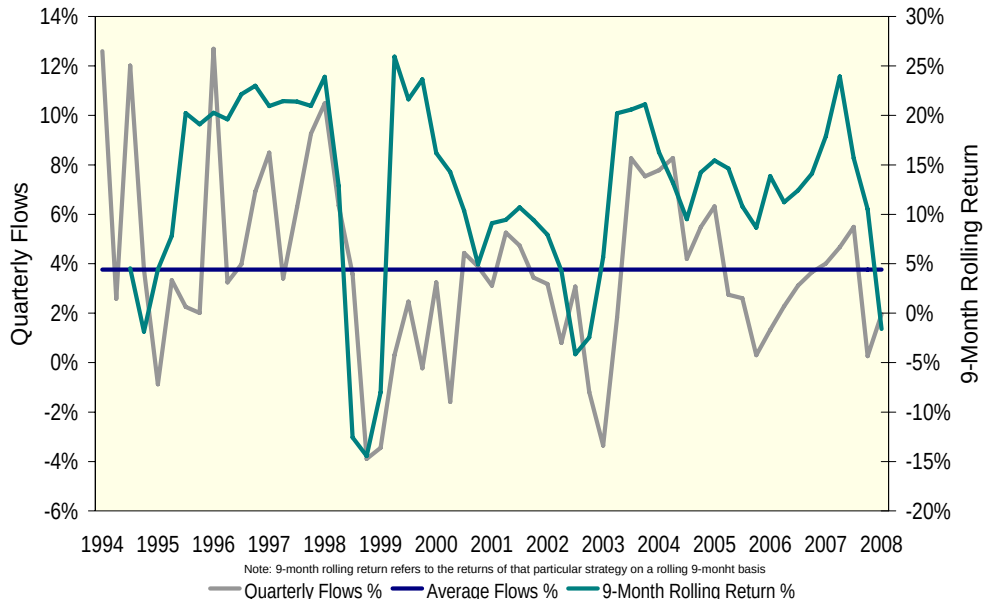
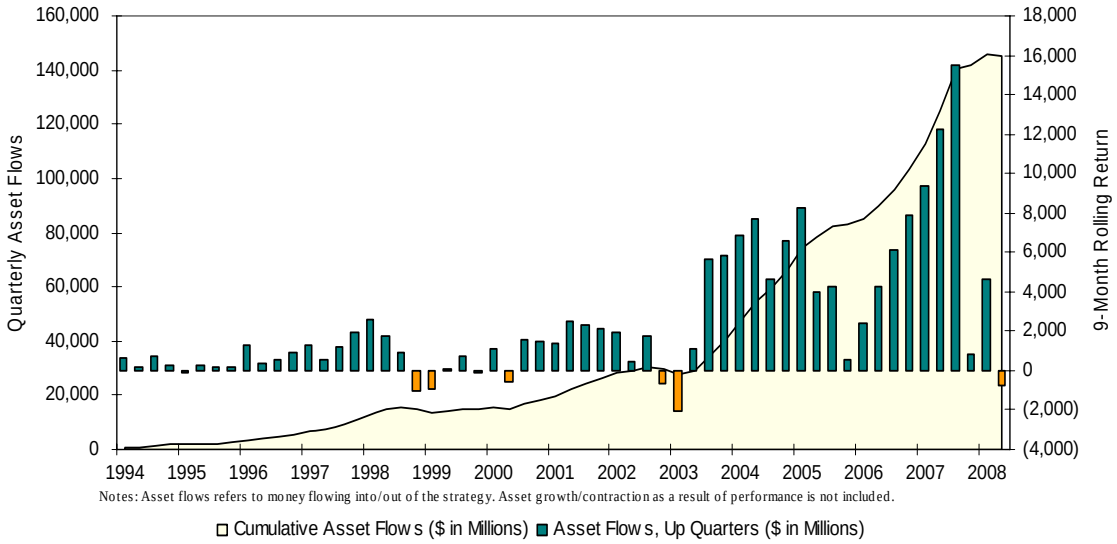


Figure 7 Event-Driven Asset Flows (US$Mil), 1994-2008 (Second Quarter)



Flows Overview – Global Macro Strategy

The Global Macro substrategy benefited from continued allocations during the second quarter. The quarterly pace of inflows reached 4.03%—well over the historical inflow pace of 0.09%, while the inflow amount of US$5.7 billion compared to the US$3.8-billion inflow during the first quarter.

It appears that both discretionary and systematic macro managers benefited from the resurgence in investor allocations. The strategy benefited from a number of trending asset classes, with the key swing factor being a growing uncertainty surrounding the state of the U.S. economy. Initially, the U.S. equity markets benefited form the sharp selloffs in emerging and international equity markets.

A long U.S. dollar together with a long energy bias appeared to be a winning trade as, for example, WTI crude oil rose 12.28%, with natural gas up 7.93% in May alone. Nonferrous metal trading suffered, although short copper and nickel trades proved profitable. Toward quarter-end global fixed income specialists had positioned for steepening yield curve trades, although the front-end of the U.S. dollar, euro, and eurodollar curves spiked higher toward the end of June. Agriculturals also hit record highs as wet weather in the Midwest lowered overall U.S. crop supply expectations.

The Credit Suisse/Tremont Global Macro Index returned 2.19% over the quarter compared to 6.88% for the previous one.

Figure 8 Global Macro Flows as Percentage of Beginning-Period Assets Versus Performance, 1994-2008 (Second Quarter)

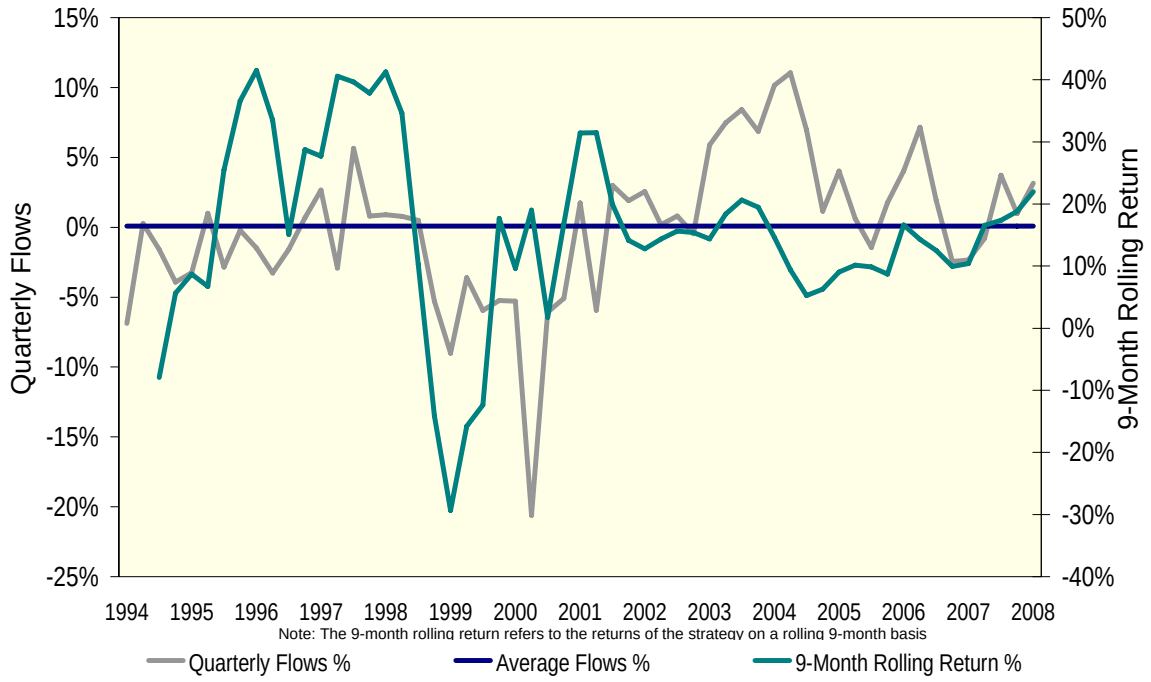
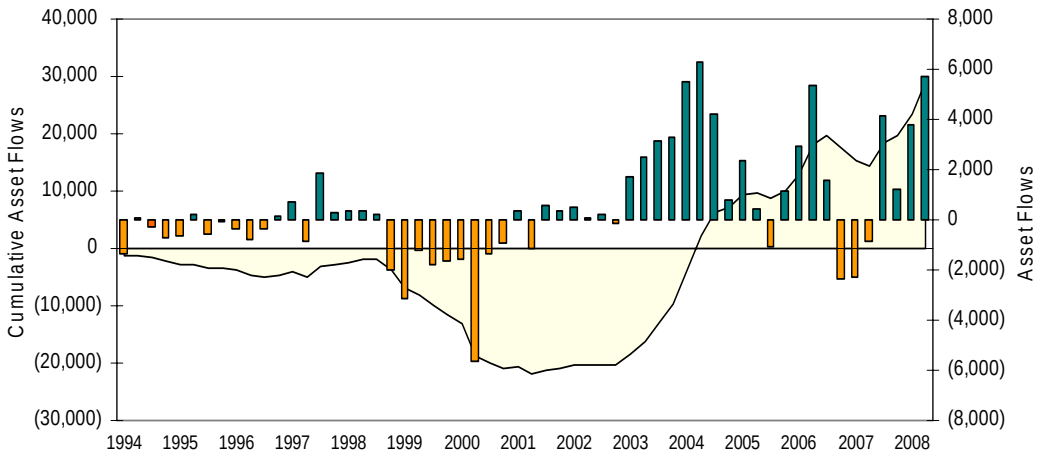


Figure 9 Global Macro Asset Flows (US$Mil), 1994-2008 (Second Quarter)



Notes: Asset flows refers to money flowing into/out of the strategy. Asset growth/contraction as a result of performance is not included.

Cumulative Asset Flows ($ in Millions) Asset Flows, Up Quarters ($ in Millions)

Flows Overview – Convertible Arbitrage Strategy

The Convertible Arbitrage strategy endured a US$461-million outflow for the second quarter. This amounted to a quarterly inflow pace of minus 1.40% and compared to its historical quarterly pace of 4.94%. The outflow was in contrast to a US$1.3-billion inflow reported for the first quarter.

The convertibles market could be described as schizophrenic. The mid-quarter rally in most global equity markets was a major factor for the rebound in sentiment in the convertibles market. With credit markets stabilized somewhat there was a renewed demand from long-only and other investors following a period of deleveraging. In May the VIX fell 14.24% as stocks rallied and the "fear factor" retreated to levels seen before the summer of 2007. Since longer-dated volatility levels were stable, many convertibles richened. In this environment issuance was heavy, with a number of attractively priced global deals.

By quarter-end, however, sentiment had again turned gloomy, and convertibles markets suffered in unison with declines in developed and emerging equity markets. The VIX rebounded to stay over 34% at the end of June. The Credit Suisse/Tremont Convertible Arbitrage Index returned 2.25% for the second quarter after minus 7.64% for first quarter 2008.

Figure 10 Convertible Arbitrage Flows as Percentage of Beginning-Period Assets Versus Performance, 1994-2008 (Second Quarter)

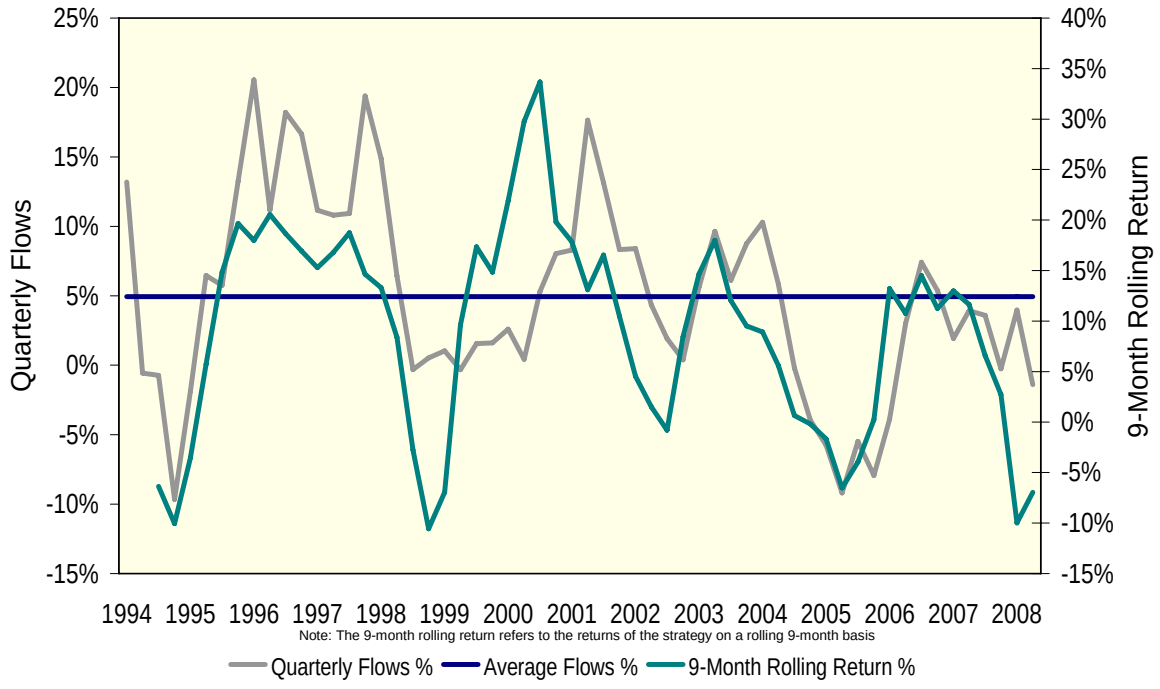
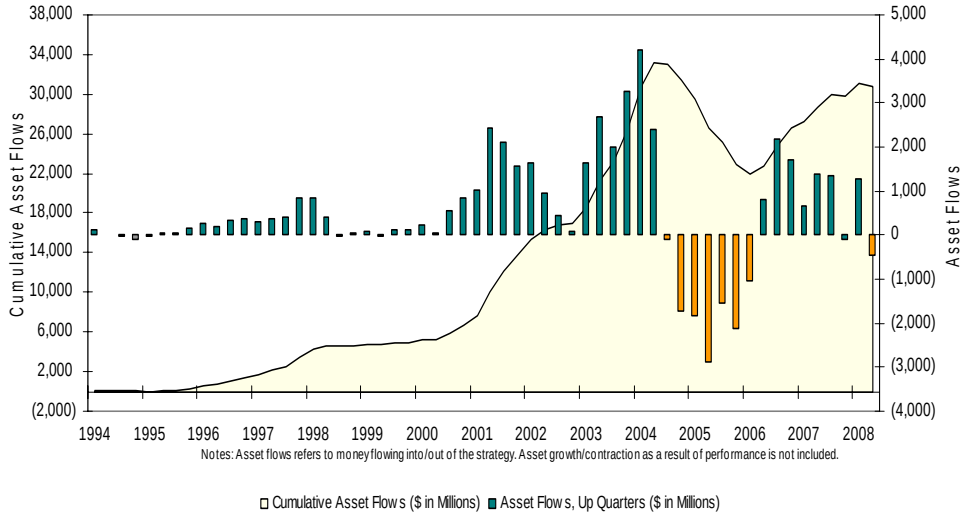


Figure 11 Convertible Arbitrage Asset Flows (US$Mil), 1994-2008 (Second Quarter)



Flows Overview – Managed Futures Strategy

The Managed Futures substrategy experienced a solid US$5.65-billion inflow—a record amount since the start of data collection in 1994. This 4.30% quarterly pace was well over the 3.43% historical average quarterly rate.

As with Global Macro the backdrop of trending asset classes offered up a number of profitable trading opportunities for short-, medium-, and longer-term Managed Futures models. The rise in crude oil over the quarter to a high of US$145 per barrel as well as the spike in natural gas prices aided a number of managers who concentrated on the energy complex. Shorts in equities also contributed to the strong performance, while fixed income markets tended to be range-bound, as was foreign exchange—even though there was some appreciation among the high-yielders.

The Credit Suisse/Tremont Managed Futures Index returned 4.02% for the second quarter after a robust 10.42% gain for the first quarter.

Figure 12 Managed Futures Flows as Percentage of Beginning-Period Assets Versus Performance, 1994-2008 (Second Quarter)

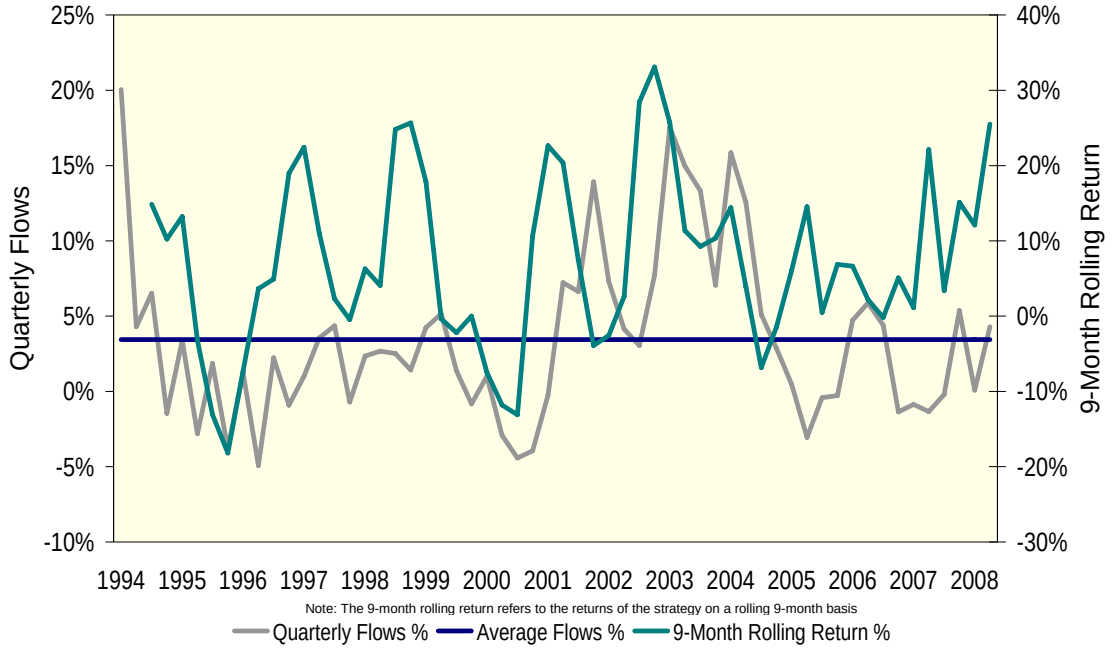
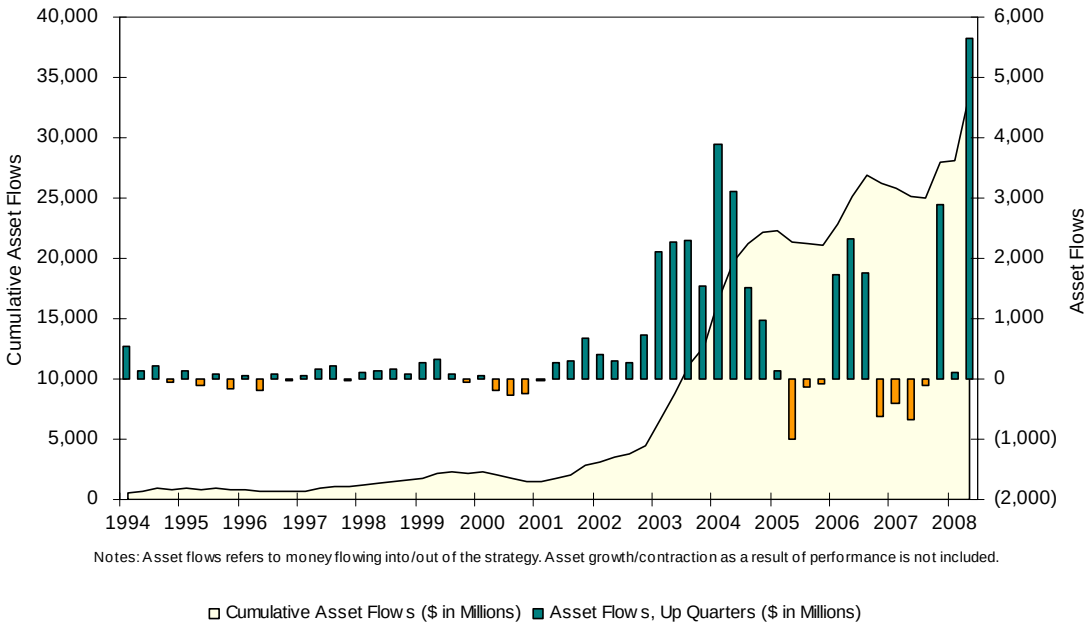


Figure 13 Managed Futures Asset Flows (US$Mil), 1994-2008 (Second Quarter)



Flows Overview – Multi-Strategies Strategy

Multi-Strategies exhibited a US$778-million inflow—a quarterly rate of 0.28%—for the second quarter. This followed a US$1.5-billion outflow for the first quarter and a minus 0.60% quarterly pace. Not surprisingly, the quarter was well below the historical pace of Multi-Strategies at 9.25%.

For many Multi-Strategies managers who executed bread-and-butter relative value trades the second quarter saw a modest bounceback from a dreadful first quarter performance. A resumption of more normal liquidity conditions buoyed sentiment and helped reverse the delevering that had taken place in the first quarter. Managers made money again in volatility arbitrage, fixed income arbitrage, the swap markets, and among new issues in the convertibles market.

However, the latter part of June saw credit spreads widen anew, and convertibles sold off sharply amid a pullback in global equities. Credit arbtirageurs made money in long CDS-basis trades and later in outright shorting of the CDS of specific financial names that were perceived as particularly vulnerable to balance sheet-related issues. The Credit Suisse/Tremont Multi-Strategies Index returned 1.92% for the second quarter after minus 3.92% for the first quarter.

Figure 14 Multi-Strategies Flows as Percentage of Beginning-Period Assets Versus Performance, 1994-2008 (Second Quarter)

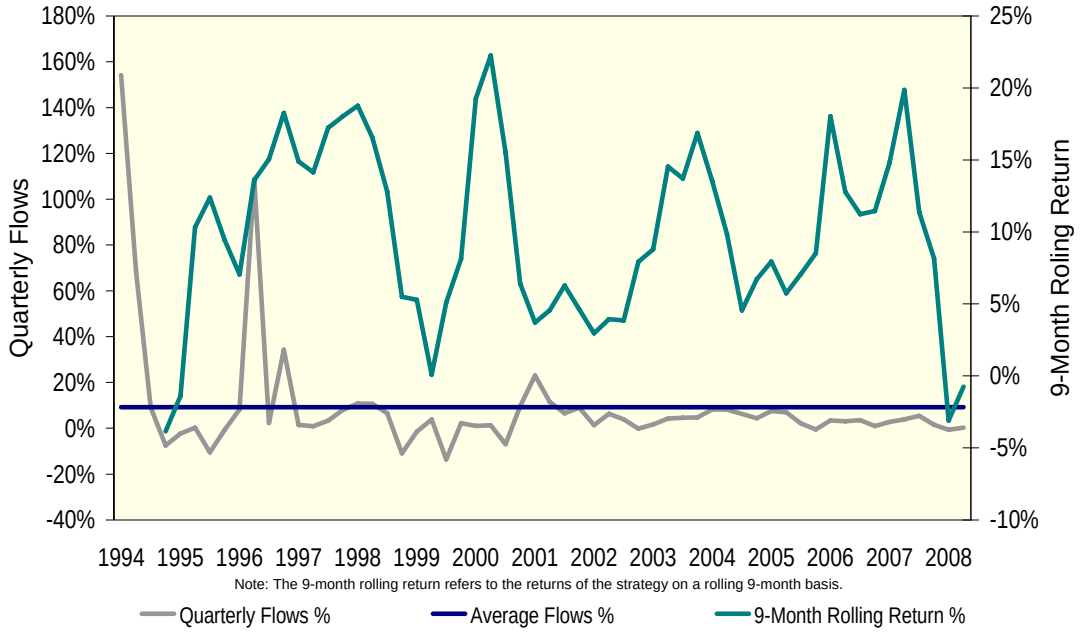
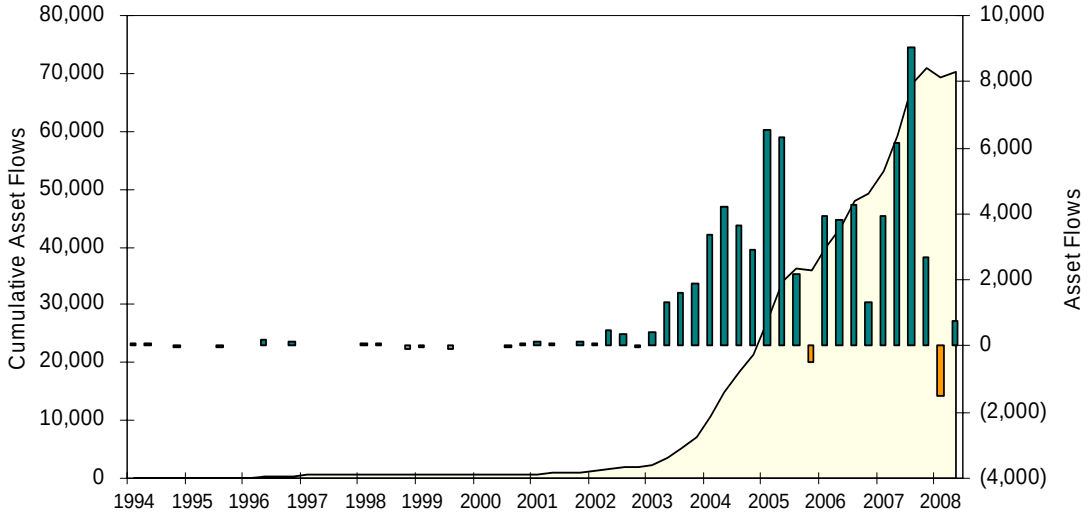


Figure 15 Multi-Strategies Asset Flows (US$Mil), 1994-2008 (Second Quarter)



Notes: Asset flows refers to money flowing into/out of the strategy. Asset growth/contraction as a result of performance is not included.

Cumulative Asset Flows ($ in Millions) Asset Flows, Up Quarters ($ in Millions)

Flows Overview – Fixed Income Arbitrage Strategy

The Fixed Income Arbitrage substrategy experienced an outflow of US$317 million at a quarterly rate of minus 0.42%. This was the second quarterly outflow and compared to its historical inflow pace of 4.23%.

The bond markets were buffeted by a number of swing factors. Number one was the specter of rising inflation as U.S. headline inflation came in at its highest level in 17 years in June at 5.0%. In Europe and the emerging countries inflation also became a major issue for policy makers. The second consideration was an apparent slowdown in growth, and that coupled with a slide in equities saw yields capped by a flight-to-quality trade.

Initially, the markets took their lead from the Bear Stearns-inspired rally. Although the U.S. yield curve shifted higher with a flattening bias, the spread increased more in Eurozone benchmarks on the back-end when compared to U.S. Treasuries. And while deteriorating housing data pushed the ABX Home Equity Index (subprime) back to early-March lows, the market was also pressured by downgrades to bond insurers such as MBIA, Ambac, and a few high-profile investment banks, including Merrill Lynch, Lehman Brothers, and Morgan Stanley. Later in the quarter some of the GSEs such as Fannie Mae and Freddie Mac came under renewed pressure amid an apparently growing need to raise new capital. The Credit Suisse/Tremont Fixed Income Arbitrage Index returned 2.87% for the second quarter after minus 4.10% for the first.

Figure 16 Fixed Income Arbitrage Flows as Percentage of Beginning-Period Assets Versus Performance, 1994-2008 (Second Quarter)

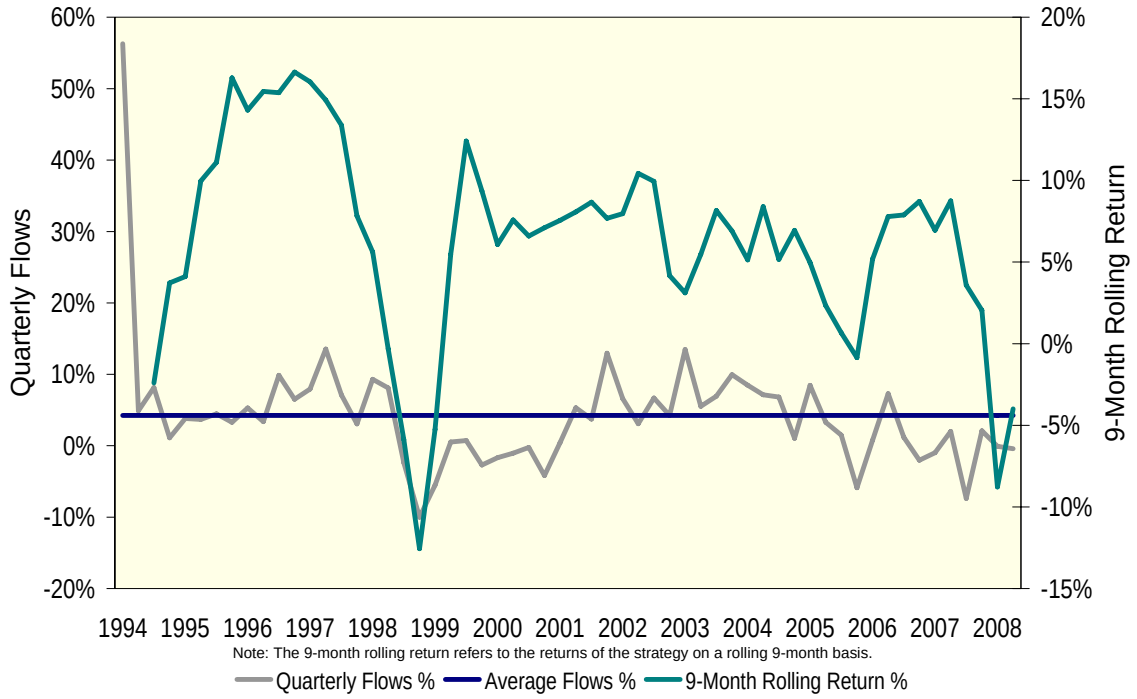
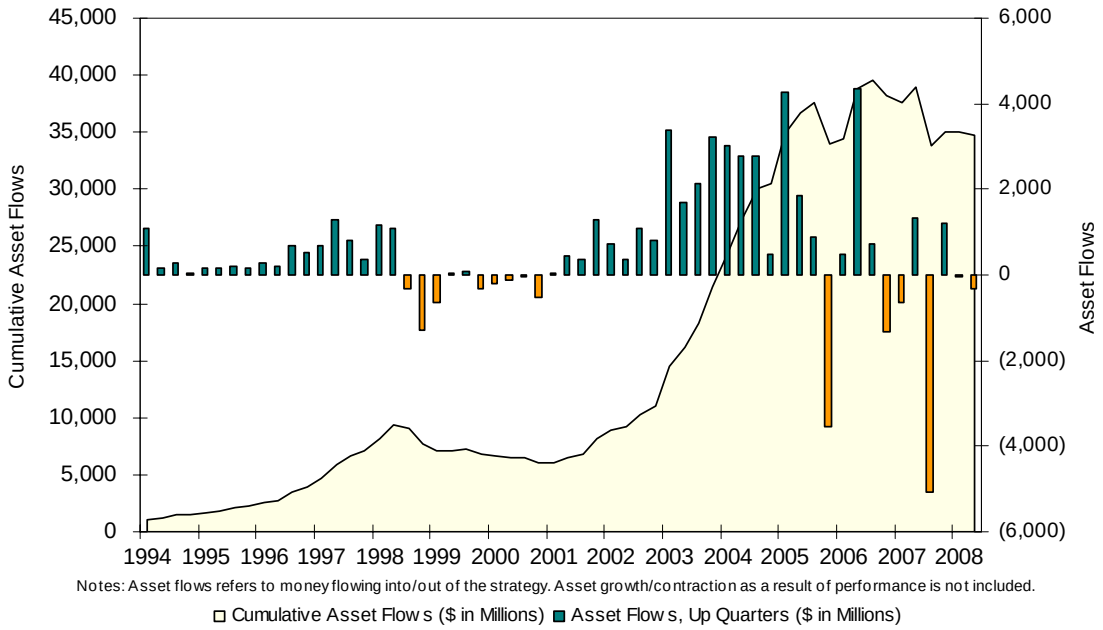


Figure 17 Fixed Income Arbitrage Asset Flows (US$Mil), 1994-2008 (Second Quarter)



Flows Overview – Equity Market-Neutral Strategy

The Equity Market-Neutral substrategy experienced an inflow of US$655 million for the second quarter, which represented a 1.03% quarterly pace compared to the 5.35% average pace seen since 1994.This marked the tenth straight quarter of positive inflows.

Overall, a number of Equity Market-Neutral managers performed very well. There were solid patterns of sector dispersion and rotation across a number of developed markets, while the value/growth and small-/large-cap themes played out much as expected throughout the quarter. For example, a recurring trade theme of the period involved shorting sectors with rapid deterioration of fundamentals (financials, consumer durables) and purchasing those with relatively improving fundamentals (energy, utilities, and initially technology). As a result the Credit Suisse/Tremont Equity Market Neutral Index returned 1.98% for the second quarter after 1.78% for the first quarter.

Figure 18 Equity Market-Neutral Flows as Percentage of Beginning-Period Assets Versus Performance, 1994-2008 (Second Quarter)

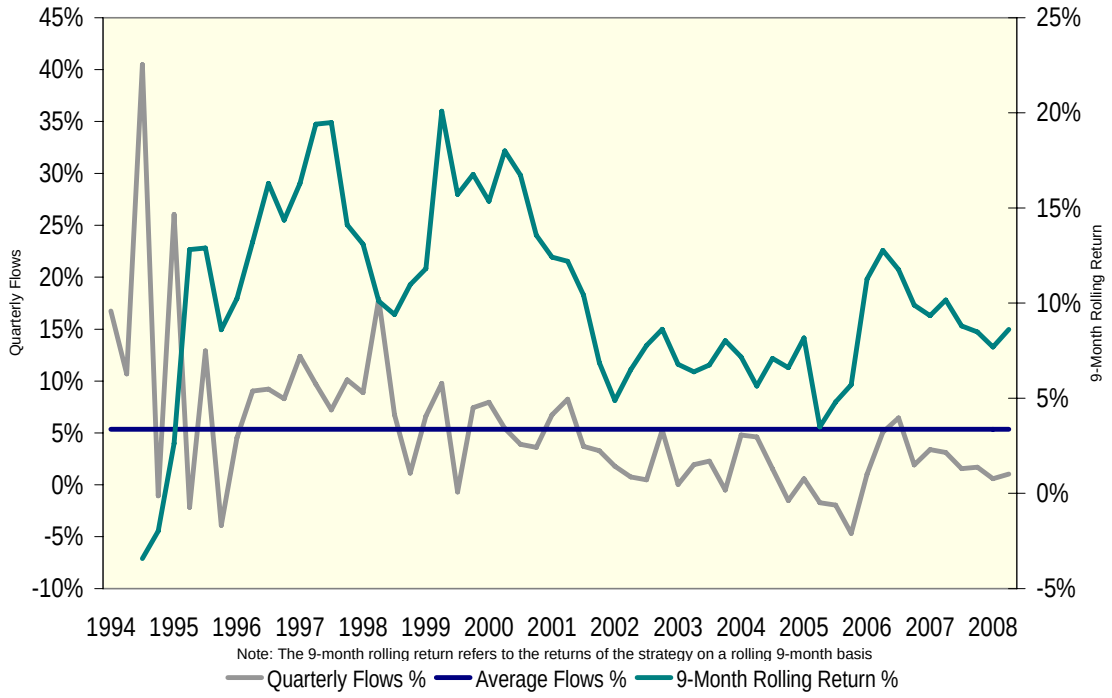
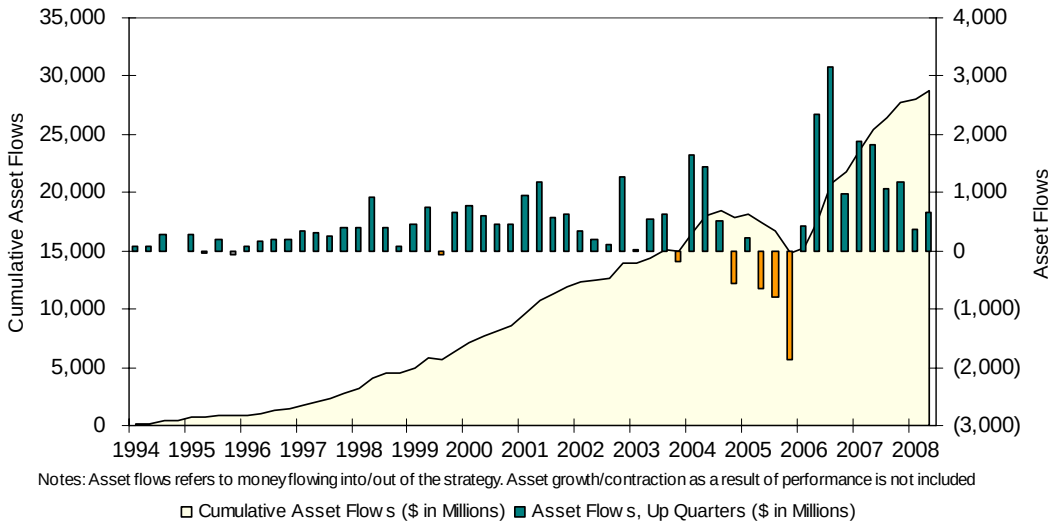


Figure 19 Equity Market-Neutral Asset Flows (US$Mil), 1994-2008 (Second Quarter)



Flows Overview – Emerging Markets Strategy

The Emerging Markets substrategy experienced an outflow of US$136 million for the second quarter. This represented a minus 0.12% pace and compared to the historical rate of 2.86%.

The steep sell-off across many emerging markets in the first quarter was abated somewhat in the second quarter. The dominant swing factor was a resurgence of inflation across many emerging countries, which was combated using monetary tightening (interest rates), changing bank reserve requirements, and currency and/or capital controls. Many emerging market currencies continued to strengthen, even after their equity markets fell sharply later in the quarter. Natural resource producers such as Brazil outpaced natural resource consumers such as India and China. As a result the Credit Suisse/Tremont Emerging Market Index returned 0.68% for the second quarter after minus 4.20% for the first.

Figure 20 Emerging Markets Flows as Percentage of Beginning-Period Assets Versus Performance, 1994-2008 (Second Quarter)

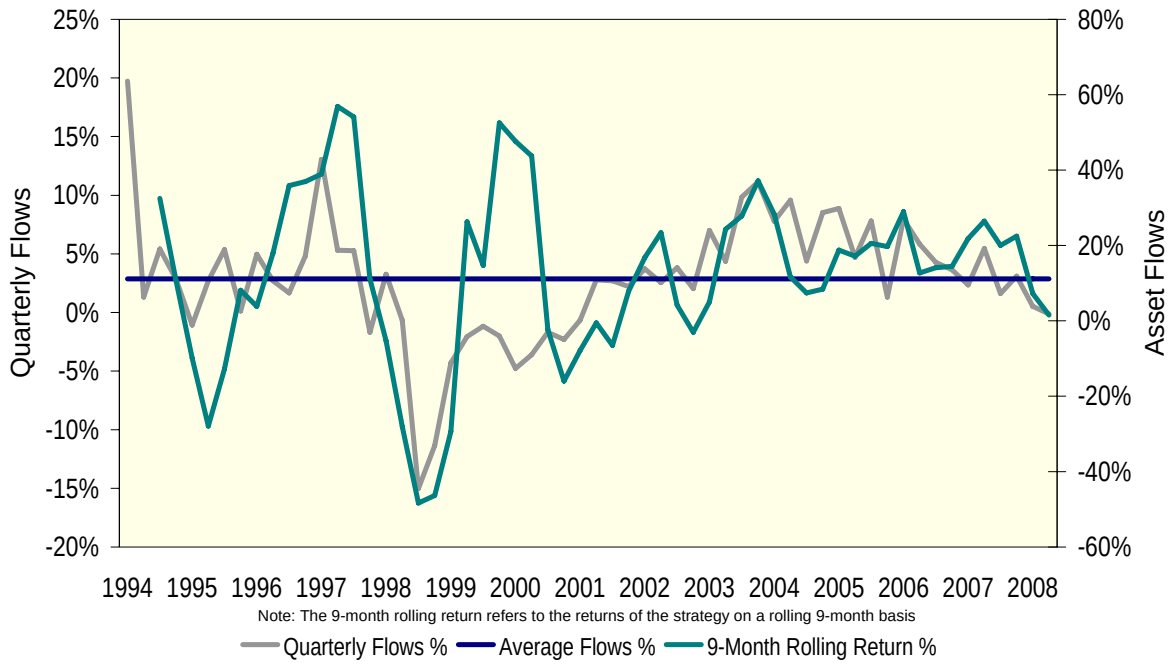
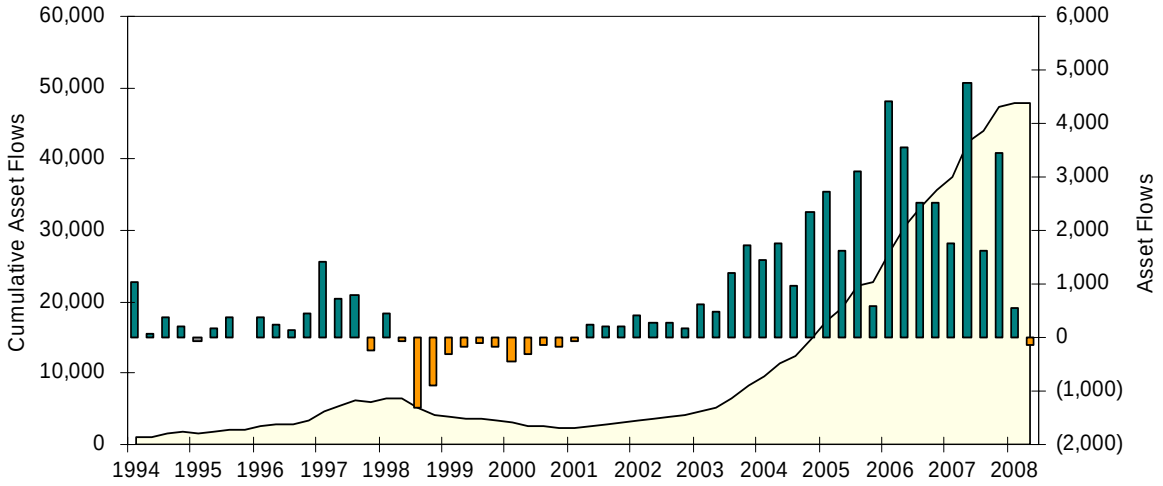


Figure 21 Emerging Markets Asset Flows (US$Mil), 1994-2008 (Second Quarter)



Notes: Asset flows refers to money flowing into/out of the strategy. Asset growth/contraction as a result of performance is not included

Cumulative Asset Flows ($ in Millions) Asset Flows, Up Quarters ($ in Millions)

Flows Overview – Dedicated Short-Bias Strategy

The Dedicated Short-Bias substrategy exhibited inflows of US$50 million at a quarterly rate of 0.88% for the second quarter. This was well below the average quarterly pace of 4.75%.

The single biggest trading theme dominating the second quarter was activity in the financial sector. When developed market equities rose it was the financials that tended to take the brunt of the downside action as renewed fears about global credit markets hit large financial institutions and many were forced to raise additional capital to shore up their balance sheets. June proved particularly brutal for the S&P 500 financial sector, which retreated 18.66% for minus 30.89% for the year-to-date period. Dedicated Short-Bias managers also did well in international markets, including Europe, the U.K., and Asia-Pacific (ex-Japan).

In fact, a number of well-known activist managers publicly doubted the accounting credibility surrounding Lehman Brothers, and this eventually led to the resignation of its CFO and members of the executive committee. The Credit Suisse/Tremont Dedicated Short-Bias Index returned 1.93% for the second quarter after a solid 9.83% for the first quarter.

Figure 22 Dedicated Short-Bias Flows as Percentage of Beginning-Period Assets Versus Performance, 1994-2008 (Second Quarter)

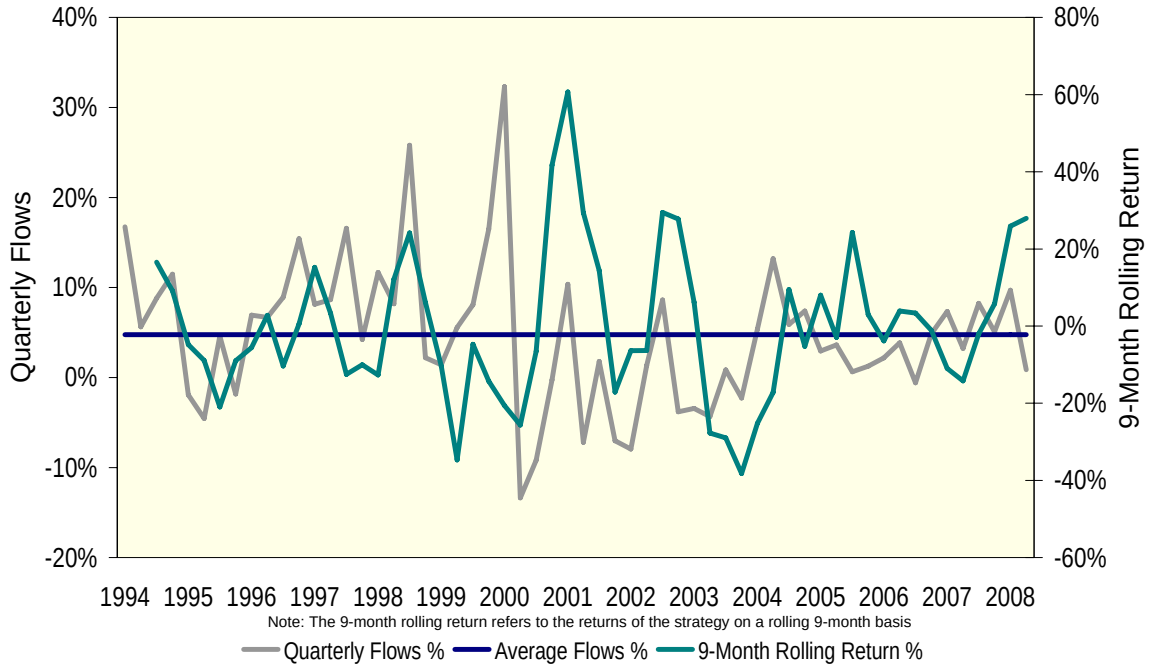
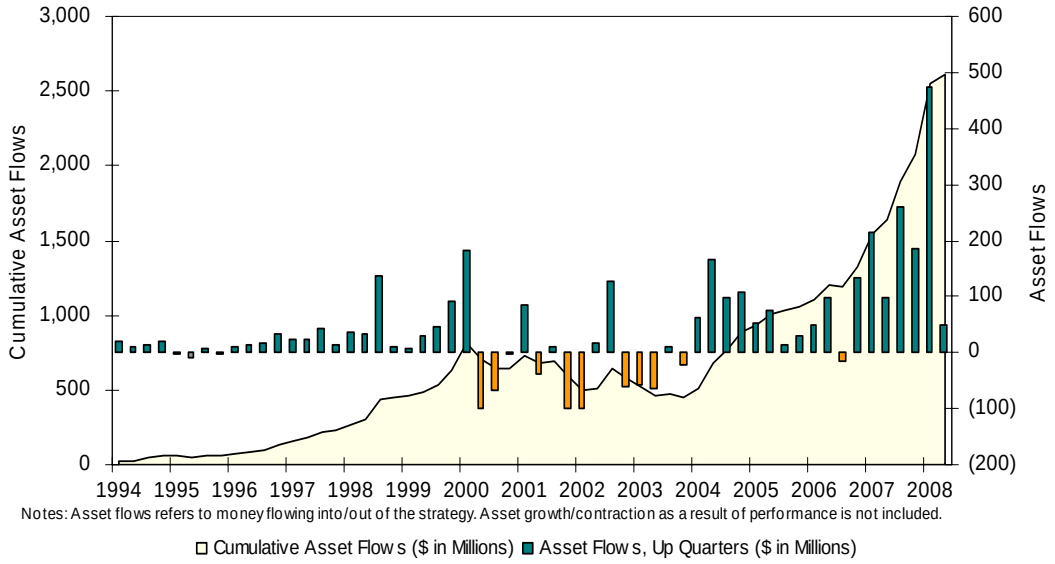


Figure 23 Dedicated Short-Bias Asset Flows (US$Mil), 1994-2008 (Second Quarter)



Appendix A – Methodology

The foregoing information is derived from single-manager hedge fund data collected by Lipper TASS for second quarter 2008, which includes performance and other information on 4,850 actively reporting funds with assets under management totaling US$1,546 trillion.

This research includes information from Third-party sources. Only assets invested through a fund structure are included in the report. Investor assets managed via separate or managed accounts are specifically excluded. Funds of hedge funds have not been included to avoid double-counting assets. The period covered in this report begins January 1994, since asset information prior to that time does not provide meaningful results at a strategy level.

When the universe was initially constructed in June 2000, a positive fund flow was used if the inception date of the fund was after December 1993.

For dates prior to the first reported assets, it was assured that no fund flows took place. Thus, for funds having no initial asset information available, the initial assets of the fund were set to the first reported assets less the growth in assets, indicated by the performance figures since inception. See the note below.

- In any month when there were no reported assets, a zero fund flow was assumed.
- In any month where the assets were reported to be exactly equal to the assets reported in the prior month, a zero fund flow was assumed.
- A negative fund flow was implied in the month following the last reported data from each fund equal to the initial assets figure reported by the fund.
- When a new fund was added to the universe with less than 12 months of data from the start of the reporting quarter, the initial results of the fund were taken as a positive asset flow.
- At the end of each month the relevant data were the NAV and the assets. The asset value was assumed to be the end-of-month value of assets under management for the whole month.
- Asset flows quoted in percentage terms equal the flows for the quarter as a percentage of the beginning-period assets.

Methodology
Given the NAV and assets in the table below:

Date	NAV	Assets	Units
May-00	100	100,000,000	1,000,000
Jun-00	105	115,000,000	1,100,000

The number of units in the fund is calculated by dividing the assets by the NAV. For June we then have:

Asset Flow (units):	100,000	
Asset Flow ($):	***$10,250,000***	(100,000 units at $102.5 – Average of NAV at May-00 and NAV at Jun-00)
Assets on 1st June:	$110,250,000	
Growth from performance:	***$5,500,000***	(5.5% of $100M)
Assets on 30th June:	***$115,750,000***	

The asset flow, performance growth, and assets for June are as highlighted in the table above.

Note
If asset information was not available at the inception of the fund, the following assumption was made:
Given the following data:

Date	NAV	Assets
Jan-99	100	
Feb-99	103	
Mar-99	102	
Apr-99	104	104,000,000

The initial assets of the fund were set as 104,000,000 x 100 / 104 = 100,000,000. Thus, the data used for processing were:

Date	NAV	Assets	Fund Flow
Jan-99	100	100,000,000	1,000,000
Feb-99	103	103,000,000	
Mar-99	102	102,000,000	
Apr-99	104	104,000,000	

The figures in italics result from setting the initial assets according to rule “A.”

Appendix B – Asset Flows History

Quarterly Asset Flows - January 1994 to June 2008 (US$)

Date	All Funds	Convertible Arbitrage	Dedicated Short Bias	Emerging Markets	Equity Market	Event Driven	Fixed Income	Global Macro	Long/Short Equity Hedge	Managed Futures	Multi-Strategy
1Q 1994	4,847,370,206	111,105,749	20,886,161	1,031,375,593	91,766,019	677,033,022	1,093,605,538	-1,344,730,286	2,573,777,816	532,505,516	60,045,077
2Q 1994	1,133,562,272	-5,149,535	9,049,650	78,557,478	68,916,044	155,054,627	150,357,391	47,968,806	407,320,028	146,944,480	74,543,303
3Q 1994	1,701,669,880	-6,629,666	13,976,938	383,902,418	295,111,948	765,318,915	274,158,963	-304,770,002	41,243,341	224,065,257	15,291,769
4Q 1994	-47,071,218	-85,229,742	20,436,224	197,469,088	-11,136,739	264,128,705	41,587,073	-735,734,635	328,429,290	-53,175,667	-13,844,815
1Q 1995	650,534,735	-15,524,005	-3,803,820	-67,672,549	280,827,957	-65,940,173	149,315,224	-608,501,511	847,019,551	138,743,403	-3,929,343
2Q 1995	715,900,045	55,708,818	-8,178,629	184,236,753	-30,717,030	263,053,114	158,077,108	183,640,330	28,526,310	-118,930,907	484,177
3Q 1995	1,276,065,351	55,773,956	7,384,496	372,254,820	185,916,098	195,087,678	211,879,723	-590,912,581	784,110,939	73,356,522	-18,786,302
4Q 1995	895,440,405	144,057,498	-3,309,142	9,481,747	-64,529,907	183,813,577	170,937,046	-46,943,047	664,496,008	-161,338,288	-1,225,088
1Q 1996	2,913,670,642	268,000,417	12,021,604	364,055,738	75,430,762	1,265,661,518	301,138,329	-341,035,281	904,054,279	50,268,213	14,075,062
2Q 1996	1,769,641,864	184,035,951	12,164,268	230,496,136	162,660,429	390,653,196	217,262,995	-799,853,362	1,357,596,503	-201,719,922	216,345,670
3Q 1996	2,525,003,006	347,798,492	17,179,072	145,683,378	190,022,922	507,606,481	680,298,489	-367,840,615	905,515,183	89,135,265	9,604,339
4Q 1996	3,579,110,610	389,107,649	33,127,519	437,255,998	196,297,602	956,832,228	506,916,591	173,875,107	794,154,005	-40,408,382	131,952,293
1Q 1997	6,881,847,499	315,457,384	22,569,021	1,411,522,712	333,092,079	1,300,432,856	676,535,989	745,006,921	2,024,853,675	45,261,091	7,115,772
2Q 1997	3,538,004,090	358,299,540	23,348,434	722,345,690	305,542,583	590,568,324	1,284,468,228	-884,507,343	974,299,862	158,595,870	5,042,902
3Q 1997	6,868,965,875	421,921,610	43,358,296	802,468,377	260,501,388	1,201,164,638	787,759,119	1,861,318,368	1,265,963,655	207,084,422	17,426,003
4Q 1997	4,924,529,872	857,055,354	14,576,960	-237,190,458	402,204,904	1,945,595,831	361,960,577	299,418,691	1,275,867,269	-36,175,083	41,215,826
1Q 1998	7,368,014,076	829,367,555	37,392,008	447,096,898	406,580,671	2,567,299,550	1,157,218,782	366,717,800	1,373,475,040	120,578,358	62,287,416
2Q 1998	6,580,366,405	423,002,931	32,033,809	-77,392,566	914,556,598	1,721,633,202	1,097,348,612	344,424,385	1,913,957,646	142,040,081	68,761,706
3Q 1998	717,729,526	-20,234,670	135,975,377	-1,325,367,460	407,042,161	914,551,510	-329,090,072	205,526,809	538,366,231	151,067,338	39,892,303
4Q 1998	-5,847,353,825	35,939,040	11,783,024	-902,729,795	75,863,708	-1,071,663,013	-1,290,304,501	-2,032,550,129	-687,489,836	88,112,071	-74,314,392
1Q 1999	-2,382,702,010	75,062,427	7,563,129	-316,611,841	455,092,222	-948,090,860	-663,518,747	-3,118,981,726	1,879,109,547	257,793,425	-10,119,586
2Q 1999	2,459,177,093	-25,004,542	28,813,239	-169,725,558	741,943,205	87,426,936	59,055,096	-1,184,777,812	2,556,930,231	335,596,870	28,919,429
3Q 1999	1,551,831,521	122,318,894	47,324,346	-88,512,738	-59,010,748	722,209,312	83,332,636	-1,766,402,226	2,511,156,178	94,033,994	-114,618,126
4Q 1999	1,815,105,487	134,917,424	91,279,320	-185,157,265	651,625,555	-73,133,789	-324,237,239	-1,657,621,025	3,217,229,072	-56,110,645	16,314,080
1Q 2000	5,996,680,169	239,623,680	182,532,169	-454,166,425	781,921,598	1,073,751,334	-198,286,276	-1,572,275,798	5,868,351,546	67,011,959	8,216,382
2Q 2000	-4,905,895,347	41,639,572	-100,717,012	-298,145,719	599,758,134	-551,029,690	-123,342,265	-5,639,226,727	1,350,567,772	-195,962,821	10,563,408
3Q 2000	4,188,677,898	563,229,625	-66,561,535	-133,069,878	460,903,039	1,603,283,497	-32,195,176	-1,352,925,873	3,471,142,908	-272,329,207	-52,799,502
4Q 2000	2,718,896,361	853,215,713	-2,028,574	-157,328,650	446,658,516	1,467,133,510	-515,102,194	-957,571,464	1,754,232,471	-249,787,833	79,474,865
1Q 2001	6,910,372,480	1,018,530,994	84,722,898	-64,306,910	940,689,709	1,370,616,106	49,620,790	332,436,057	3,030,332,895	-15,581,511	163,311,451
2Q 2001	8,483,062,385	2,427,541,018	-38,993,376	248,968,017	1,183,503,924	2,494,887,314	461,374,307	-1,151,332,456	2,484,042,517	276,160,547	96,910,572
3Q 2001	6,877,891,601	2,092,223,825	9,826,480	213,164,473	581,778,282	2,289,161,499	342,323,672	542,664,603	485,081,540	287,664,409	34,002,819
4Q 2001	8,816,913,158	1,561,867,619	-98,168,207	216,637,894	627,404,702	2,142,088,009	1,283,860,917	371,471,005	1,901,876,081	686,053,468	123,821,670
1Q 2002	5,603,091,043	1,655,424,003	-100,109,980	407,479,012	353,295,838	1,952,573,751	709,591,533	534,843,717	-407,259,364	396,482,729	100,769,804
2Q 2002	4,566,816,636	935,133,287	17,371,840	283,560,205	181,434,257	469,649,083	370,916,810	40,988,721	1,471,724,131	300,024,167	496,014,134
3Q 2002	6,808,307,484	459,484,143	125,584,051	286,674,779	112,920,227	1,719,585,687	1,079,331,257	244,592,821	2,114,998,356	273,983,657	391,152,506
4Q 2002	-695,732,837	100,146,386	-60,322,931	165,354,828	1,273,469,217	-703,043,295	793,468,374	-142,190,693	-2,824,624,082	724,725,649	-22,716,291
1Q 2003	6,984,827,535	1,625,241,819	-57,886,697	616,138,005	9,465,871	-2,094,861,806	3,372,780,160	1,730,648,065	-720,902,531	2,103,164,364	401,040,285
2Q 2003	13,827,725,550	2,683,291,051	-64,389,829	475,465,164	536,674,229	1,067,500,814	1,706,989,606	2,478,554,418	1,345,997,335	2,280,824,442	1,316,818,321
3Q 2003	24,599,808,037	1,989,727,666	11,680,875	1,223,575,508	643,403,560	5,609,255,441	2,122,324,867	3,125,644,045	5,983,187,865	2,300,539,557	1,590,468,651
4Q 2003	26,793,665,883	3,279,045,889	-20,746,134	1,708,096,532	-169,949,303	5,871,880,144	3,217,986,541	3,318,305,853	6,156,082,810	1,529,870,683	1,903,092,869
1Q 2004	38,151,928,428	4,222,048,895	62,631,573	1,458,386,091	1,632,834,869	6,851,621,288	3,005,741,192	5,495,403,443	8,177,868,359	3,895,932,029	3,349,460,690
2Q 2004	43,340,671,040	2,408,049,624	165,045,685	1,771,629,566	1,439,961,002	7,658,072,455	2,758,419,782	6,269,820,819	13,546,608,856	3,105,327,752	4,217,735,500
3Q 2004	25,130,809,644	-78,624,651	97,113,452	980,612,592	523,562,948	4,588,743,884	2,792,721,146	4,196,021,757	6,853,848,567	1,524,130,742	3,652,679,208
4Q 2004	16,345,820,461	-1,707,572,809	109,251,009	2,335,316,699	-569,774,602	6,588,901,584	480,955,875	772,173,699	4,471,127,666	976,657,639	2,888,783,700
1Q 2005	24,559,029,590	-1,830,252,832	53,728,390	2,712,510,231	223,295,638	8,237,109,961	4,282,840,806	2,324,479,070	1,895,049,833	145,742,729	6,514,525,764
2Q 2005	11,591,619,060	-2,874,828,405	76,742,907	1,631,933,681	-659,015,161	3,943,564,713	1,847,787,001	438,369,105	1,870,887,785	-988,389,057	6,304,566,490
3Q 2005	12,665,313,720	-1,556,059,494	15,231,021	3,116,387,387	-782,411,069	4,220,373,535	891,090,733	-1,073,381,124	5,790,321,835	-143,065,219	2,186,826,114
4Q 2005	-4,299,969,799	-2,138,524,310	30,297,571	602,852,477	-1,872,960,929	517,634,657	-3,537,584,342	1,172,931,106	1,513,267,783	-94,069,826	-493,813,985
1Q 2006	27,565,362,035	-1,027,012,176	49,492,061	4,407,207,433	435,224,742	2,365,255,903	469,043,254	2,912,520,763	12,308,244,446	1,725,779,944	3,919,605,666
2Q 2006	38,324,236,869	790,780,119	97,867,856	3,547,683,611	2,331,929,195	4,256,308,328	4,365,489,171	5,369,905,233	11,443,073,636	2,311,995,690	3,809,204,028
3Q 2006	26,550,727,323	2,166,863,451	-15,520,252	2,529,529,419	3,154,612,060	6,134,530,330	731,502,306	1,577,749,772	4,231,295,103	1,747,190,846	4,292,974,288
4Q 2006	13,630,927,336	1,705,478,702	134,274,669	2,510,411,698	992,016,668	7,913,203,035	-1,326,449,789	-2,349,853,769	3,337,931,182	-629,225,116	1,343,140,055
1Q 2007	20,751,787,698	663,144,675	215,167,732	1,745,676,097	1,871,848,301	9,381,855,935	-655,168,106	-2,263,008,017	6,281,306,528	-401,424,013	3,912,388,566
2Q 2007	41,113,129,382	1,394,074,559	98,026,218	4,749,902,021	1,817,146,176	12,203,507,194	1,336,561,616	-848,258,659	14,907,522,346	-686,744,781	6,141,392,690
3Q 2007	39,328,848,036	1,342,985,248	258,782,517	1,607,921,921	1,056,209,445	15,474,805,604	-5,077,976,934	4,171,484,681	11,579,591,351	-105,128,651	9,020,172,854
4Q 2007	13,709,854,119	-98,752,218	185,013,876	3,458,007,036	1,185,093,207	821,685,620	1,214,383,544	1,181,038,018	157,933,520	2,890,612,530	2,714,838,987
1Q 2008	2,623,509,011	1,291,556,925	474,343,701	546,145,809	358,705,208	4,652,334,797	-58,675,571	3,819,100,566	-7,028,555,987	99,503,347	-1,530,949,785
2Q 2008	4,027,874,207	-461,013,145	50,120,372	-135,647,193	655,449,658	-738,881,720	-317,116,036	5,682,985,683	-7,135,400,958	5,648,915,507	778,462,040

Appendix C – Cumulative Asset Flows

Cumulative Asset Flows - January 1994 to June 2008 (US$Mil)

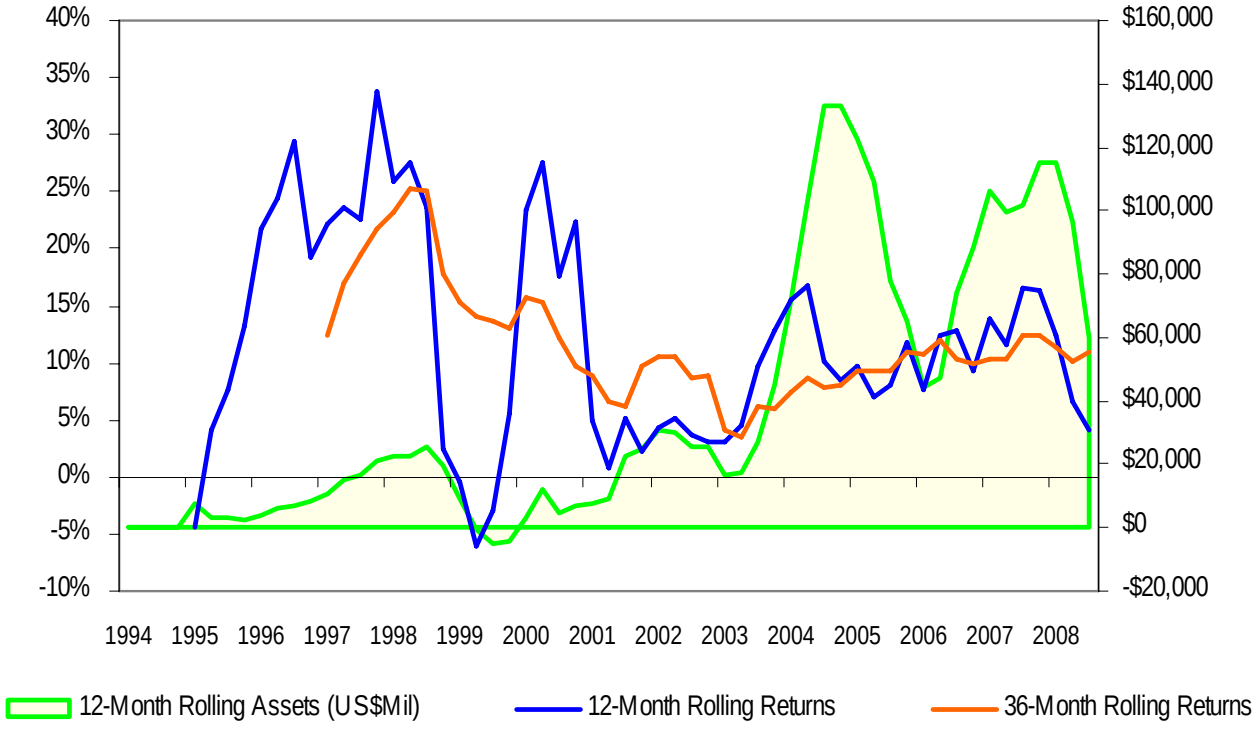
Quarter Ending	All Funds	Convertible Arbitrage	Dedicated Short Bias	Emerging Markets	Equity Market	Event Driven	Fixed Income	Global Macro	Long/Short Equity Hedge	Managed Futures	Multi Strategy
1Q 1994	4,847	111	21	1,031	92	677	1,094	-1,345	2,574	533	60
2Q 1994	5,981	106	30	1,110	161	832	1,244	-1,297	2,981	679	135
3Q 1994	7,683	99	44	1,494	456	1,597	1,518	-1,602	3,022	904	150
4Q 1994	7,636	14	64	1,691	445	1,862	1,560	-2,337	3,351	850	136
1Q 1995	8,286	-1	61	1,624	725	1,796	1,709	-2,946	4,198	989	132
2Q 1995	9,002	54	52	1,808	695	2,059	1,867	-2,762	4,226	870	133
3Q 1995	10,278	110	60	2,180	881	2,254	2,079	-3,353	5,010	944	114
4Q 1995	11,173	254	56	2,190	816	2,438	2,250	-3,400	5,675	782	113
1Q 1996	14,087	522	68	2,554	892	3,703	2,551	-3,741	6,579	832	127
2Q 1996	15,857	706	81	2,784	1,054	4,094	2,768	-4,541	7,937	631	343
3Q 1996	18,382	1,054	98	2,930	1,244	4,601	3,449	-4,909	8,842	720	353
4Q 1996	21,961	1,443	131	3,367	1,441	5,558	3,956	-4,735	9,636	679	485
1Q 1997	28,843	1,759	154	4,779	1,774	6,859	4,632	-3,990	11,661	725	492
2Q 1997	32,381	2,117	177	5,501	2,079	7,449	5,917	-4,874	12,635	883	497
3Q 1997	39,250	2,539	220	6,303	2,340	8,650	6,704	-3,013	13,901	1,090	514
4Q 1997	44,174	3,396	235	6,066	2,742	10,596	7,066	-2,714	15,177	1,054	555
1Q 1998	51,542	4,225	272	6,513	3,148	13,163	8,223	-2,347	16,551	1,175	618
2Q 1998	58,123	4,648	304	6,436	4,063	14,885	9,321	-2,002	18,465	1,317	686
3Q 1998	58,840	4,628	440	5,111	4,470	15,800	8,992	-1,797	19,003	1,468	726
4Q 1998	52,993	4,664	452	4,208	4,546	14,728	7,701	-3,829	18,316	1,556	652
1Q 1999	50,610	4,739	460	3,891	5,001	13,780	7,038	-6,948	20,195	1,814	642
2Q 1999	53,069	4,714	488	3,722	5,743	13,867	7,097	-8,133	22,752	2,149	671
3Q 1999	54,621	4,836	536	3,633	5,684	14,589	7,180	-9,900	25,263	2,243	556
4Q 1999	56,436	4,971	627	3,448	6,336	14,516	6,856	-11,557	28,480	2,187	572
1Q 2000	62,433	5,211	809	2,994	7,118	15,590	6,658	-13,130	34,348	2,254	581
2Q 2000	57,527	5,252	709	2,696	7,717	15,039	6,534	-18,769	35,699	2,058	591
3Q 2000	61,716	5,816	642	2,562	8,178	16,642	6,502	-20,122	39,170	1,786	538
4Q 2000	64,435	6,669	640	2,405	8,625	18,109	5,987	-21,079	40,924	1,536	618
1Q 2001	71,345	7,687	725	2,341	9,566	19,480	6,037	-20,747	43,955	1,521	781
2Q 2001	79,828	10,115	686	2,590	10,749	21,975	6,498	-21,898	46,439	1,797	878
3Q 2001	86,706	12,207	696	2,803	11,331	24,264	6,840	-21,355	46,924	2,084	912
4Q 2001	95,523	13,769	598	3,020	11,958	26,406	8,124	-20,984	48,826	2,771	1,036
1Q 2002	101,126	15,424	497	3,427	12,312	28,359	8,834	-20,449	48,418	3,167	1,137
2Q 2002	105,693	16,360	515	3,711	12,493	28,828	9,205	-20,408	49,890	3,467	1,633
3Q 2002	112,501	16,819	640	3,997	12,606	30,548	10,284	-20,164	52,005	3,741	2,024
4Q 2002	111,805	16,919	580	4,163	13,879	29,845	11,078	-20,306	49,180	4,466	2,001
1Q 2003	118,790	18,544	522	4,779	13,889	27,750	14,450	-18,575	48,460	6,569	2,402
2Q 2003	132,618	21,228	458	5,254	14,425	28,818	16,157	-16,097	49,806	8,850	3,719
3Q 2003	157,218	23,217	469	6,478	15,069	34,427	18,280	-12,971	55,789	11,150	5,310
4Q 2003	184,012	26,497	449	8,186	14,899	40,299	21,498	-9,653	61,945	12,680	7,213
1Q 2004	222,163	30,719	511	9,644	16,532	47,150	24,503	-4,157	70,123	16,576	10,562
2Q 2004	265,504	33,127	676	11,416	17,972	54,808	27,262	2,113	83,669	19,681	14,780
3Q 2004	290,635	33,048	774	12,397	18,495	59,397	30,055	6,309	90,523	21,206	18,432
4Q 2004	306,981	31,340	883	14,732	17,926	65,986	30,536	7,081	94,994	22,182	21,321
1Q 2005	331,540	29,510	937	17,444	18,149	74,223	34,818	9,405	96,889	22,328	27,836
2Q 2005	343,131	26,635	1,013	19,076	17,490	78,167	36,666	9,844	98,760	21,340	34,140
3Q 2005	355,797	25,079	1,028	22,193	16,707	82,387	37,557	8,770	104,551	21,197	36,327
4Q 2005	351,497	22,941	1,059	22,796	14,834	82,905	34,020	9,943	106,064	21,102	35,833
1Q 2006	379,062	21,914	1,108	27,203	15,270	85,270	34,489	12,856	118,372	22,828	39,753
2Q 2006	417,386	22,705	1,206	30,750	17,602	89,526	38,854	18,226	129,815	25,140	43,562
3Q 2006	443,937	24,871	1,191	33,280	20,756	95,661	39,586	19,803	134,046	26,887	47,855
4Q 2006	457,568	26,577	1,325	35,790	21,748	103,574	38,259	17,454	137,384	26,258	49,198
1Q 2007	478,320	27,240	1,540	37,536	23,620	112,956	37,604	15,190	143,666	25,857	53,111
2Q 2007	519,433	28,634	1,638	42,286	25,437	125,159	38,941	14,342	158,573	25,170	59,252
3Q 2007	558,762	29,976	1,897	43,894	26,493	140,634	33,863	18,513	170,153	25,065	68,272
4Q 2007	572,472	29,767	2,082	47,352	27,814	141,456	33,983	19,695	170,311	27,955	70,987
1Q 2008	575,095	31,059	2,556	47,898	28,173	146,108	33,925	23,514	163,282	28,055	69,456
2Q 2008	579,123	30,598	2,606	47,762	28,828	145,369	33,608	29,197	156,147	33,704	70,235

Appendix D – Total Asset History

Total Asset History - December 1993 to June 2008 (US$Mil)

Date	All Funds	Convertible Arbitrage	Dedicated Short Bias	Emerging Markets	Equity Market	Event Driven	Fixed Income	Global Macro	Long/Short Equity Hedge	Managed Futures	Multi Strategy
Dec-93	49,955	838	114	5,156	534	5,331	1,967	21,417	11,944	2,614	39
Mar-94	52,717	953	146	6,260	640	6,050	3,037	18,242	14,102	3,188	99
Jun-94	53,967	919	170	6,068	715	6,157	3,230	18,665	14,295	3,565	183
Sep-94	57,883	908	172	7,490	1,024	7,136	3,639	18,816	14,851	3,663	185
Dec-94	57,016	798	198	7,172	1,032	7,262	3,807	18,026	14,956	3,594	171
Mar-95	59,159	810	194	6,219	1,359	7,451	4,077	18,164	16,480	4,242	165
Jun-95	62,685	919	172	6,990	1,386	8,147	4,459	18,573	17,768	4,103	169
Sep-95	68,423	1,026	167	7,318	1,627	8,827	4,957	20,156	20,164	4,019	160
Dec-95	72,331	1,232	179	6,980	1,584	9,326	5,404	21,993	21,398	4,071	165
Mar-96	78,756	1,571	185	7,689	1,734	11,235	6,005	22,652	23,473	4,027	185
Jun-96	85,860	1,834	194	8,736	1,963	12,436	6,665	23,572	26,148	3,895	415
Sep-96	89,640	2,257	210	8,919	2,252	13,271	7,575	23,098	27,553	4,097	409
Dec-96	99,150	2,727	248	9,542	2,563	14,776	8,302	26,147	29,990	4,336	517
Mar-97	110,587	3,142	299	12,220	3,026	16,607	9,207	28,850	32,198	4,533	505
Jun-97	120,639	3,675	293	14,345	3,453	17,941	10,780	29,437	35,532	4,625	557
Sep-97	138,664	4,282	305	16,046	3,873	20,287	11,862	34,853	41,655	4,953	547
Dec-97	144,636	5,276	358	13,788	4,384	22,951	12,271	37,656	42,343	5,055	554
Mar-98	160,992	6,400	358	14,157	4,984	27,056	13,618	40,988	47,531	5,264	637
Jun-98	169,712	7,002	423	11,740	6,021	28,828	14,641	44,740	50,155	5,450	711
Sep-98	157,008	6,651	663	7,493	6,446	26,492	13,502	41,902	47,058	6,146	655
Dec-98	153,831	6,861	548	7,049	6,755	26,453	11,611	36,374	51,320	6,255	605
Mar-99	154,891	7,316	542	7,055	7,309	26,532	11,326	31,512	56,296	6,331	671
Jun-99	167,943	7,668	547	8,057	8,328	28,529	11,650	31,658	63,882	6,844	779
Sep-99	170,109	8,005	633	7,461	8,502	29,943	11,833	27,881	68,183	6,933	735
Dec-99	197,218	8,486	644	9,073	9,423	31,491	11,758	29,965	88,885	6,743	751
Mar-00	214,696	9,434	747	9,063	10,597	34,182	11,615	28,179	103,303	6,767	808
Jun-00	205,202	9,959	653	7,987	11,658	34,047	11,610	21,720	100,220	6,521	827
Sep-00	218,210	11,150	658	7,686	12,299	37,783	12,650	20,949	108,443	5,889	702
Dec-00	209,373	11,467	772	6,650	12,799	39,198	11,800	17,828	101,881	6,072	905
Mar-01	233,794	13,290	902	9,693	14,905	45,432	12,105	19,398	111,143	6,053	871
Jun-01	233,087	16,185	503	9,228	15,526	49,956	9,142	18,222	109,293	4,093	939
Sep-01	233,667	18,016	558	8,094	16,279	50,646	9,555	18,679	106,658	4,627	555
Dec-01	264,263	20,309	1,301	10,004	19,775	64,393	11,187	19,957	110,220	5,614	1,504
Mar-02	273,638	21,349	1,159	11,338	20,158	63,323	11,453	21,520	110,270	5,827	7,241
Jun-02	283,142	22,460	1,298	11,436	24,149	59,315	12,437	22,196	113,993	7,562	8,295
Sep-02	299,676	24,222	1,580	7,811	23,696	57,679	17,215	30,432	117,431	9,277	10,333
Dec-02	310,288	25,647	1,527	8,298	25,450	58,654	19,527	30,590	116,557	10,116	13,922
Mar-03	348,219	30,529	1,628	9,414	23,777	60,359	28,393	31,140	123,450	14,089	25,441
Jun-03	389,176	30,509	1,420	11,335	27,985	59,593	32,642	35,595	140,386	17,531	32,180
Sep-03	426,862	34,544	1,395	13,665	28,873	73,441	32,653	40,255	146,195	19,561	36,281
Dec-03	489,528	40,699	893	17,045	33,037	83,811	35,576	51,724	161,757	23,189	41,795
Mar-04	542,403	45,224	1,226	20,214	35,712	94,864	38,520	59,617	174,640	28,466	43,920
Jun-04	575,827	43,670	1,415	20,274	32,673	100,204	41,400	63,016	189,296	27,860	56,017
Sep-04	615,380	41,823	1,738	23,310	34,429	113,887	43,684	64,617	198,923	31,365	61,603
Dec-04	673,848	41,330	1,587	29,785	36,623	126,897	47,579	67,706	218,915	35,119	68,307
Mar-05	705,442	30,019	1,876	33,300	37,979	138,607	55,046	60,151	224,501	31,207	92,756
Jun-05	734,986	28,403	2,194	36,385	37,568	147,256	58,341	71,378	224,592	31,388	97,481
Sep-05	800,335	26,837	2,334	43,007	39,049	166,309	60,614	73,304	248,832	33,610	106,438
Dec-05	812,826	24,760	2,426	46,767	38,188	170,793	56,618	67,610	262,128	34,427	109,110
Mar-06	895,331	25,424	2,318	59,736	43,496	180,547	58,660	75,036	293,840	38,186	118,088
Jun-06	953,686	27,106	2,647	64,408	48,358	190,866	64,342	80,380	307,569	41,693	126,318
Sep-06	969,255	31,400	2,611	61,891	52,082	203,050	62,976	83,047	306,772	41,459	123,966
Dec-06	1,050,478	33,393	2,892	71,722	52,876	224,245	64,171	94,079	326,552	45,530	135,017
Mar-07	1,107,187	34,947	3,143	76,192	56,888	243,516	64,777	94,440	345,468	45,569	142,248
Jun-07	1,244,332	36,939	3,121	91,806	60,217	273,492	68,548	107,322	390,052	50,474	162,359
Sep-07	1,323,139	38,670	3,395	101,469	69,208	297,128	63,754	116,079	408,983	50,426	173,997
Dec-07	1,389,998	38,789	3,826	114,776	71,504	318,199	59,156	122,129	423,649	56,796	181,174
Mar-08	1,476,073	33,771	5,366	105,912	61,877	242,499	76,830	125,090	444,897	128,006	251,825
Jun-08	1,545,679	32,540	5,730	109,749	64,216	237,374	74,568	146,547	455,026	137,029	282,900

Appendix E – Rolling Returns Versus Rolling Asset Flows – Rolling 12 and 36 Month Annualised Returns Versus Rolling 12-Month Asset Flows – December 1994 to June 2008



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