



# Lipper Hedge Funds Insight Report

## Global Hedge Funds Summary—June 2008

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## **HEDGE FUNDS REBOUND STRONGLY IN MAY; U.S. & EMERGING MARKET EQUITIES OUTPACE EUROPEAN; THE DOLLAR APPRECIATES, METALS ARE BATTERED, AND BOND YIELDS RISE**

- The Credit Suisse/Tremont Hedge Fund Index returned 1.99% in May for 0.52% YTD, marking the best monthly showing for the broad index since October 2007.
- A majority of hedge fund substrategies (12 of the 13) posted positive performance. The best performing hedge fund substrategy was Long-Short Equity, returning 2.91%, while the worst performing substrategy was Risk Arbitrage at minus 0.18%.
- May performance dispersion among Credit Suisse/Tremont hedge fund substrategies tightened sharply to 309 basis points (bps), compared to 950 bps in April and a monthly average since 1994 of 864 bps.
- Over May the average performance for the 6,700 hedge funds tracked by Lipper was 1.58%—42 basis points below the Credit Suisse/Tremont Hedge Fund Index.
- A 105.02-percentage-point monthly performance difference in May divided the top and bottom performers of the 6,700 actively reporting hedge funds tracked by Lipper.

## **Hedge Fund Strategy Review and Performance Analysis**

In May the Credit Suisse/Tremont Hedge Fund Index outperformed the S&P 500 TR Index by 70 bps, the MSCI World TR (USD) by 35 bps, and the Lehman Global Aggregate Bond Index TR by 311 bps. The broad hedge fund index outperformed the MSCI Emerging Market Index TR USD by 12 bps.

The correlation between the Credit Suisse/Tremont Hedge Fund Index and traditional equity indices remained tight. Over a rolling 36-month period ended May the Credit Suisse/Tremont Hedge Fund Index posted correlation readings of 0.78 versus the MSCI World TR (USD), 0.85 against the MSCI Emerging Markets TR (USD), 0.78 against the Dow Jones StoXX TMI, and 0.86 against the UBS Global Convertible Index. In contrast, the hedge fund index continued to be a good diversifier against the Lehman Global Aggregate Bond Index TR at minus 0.14 and the JP Morgan EMBI+ Index at 0.28.

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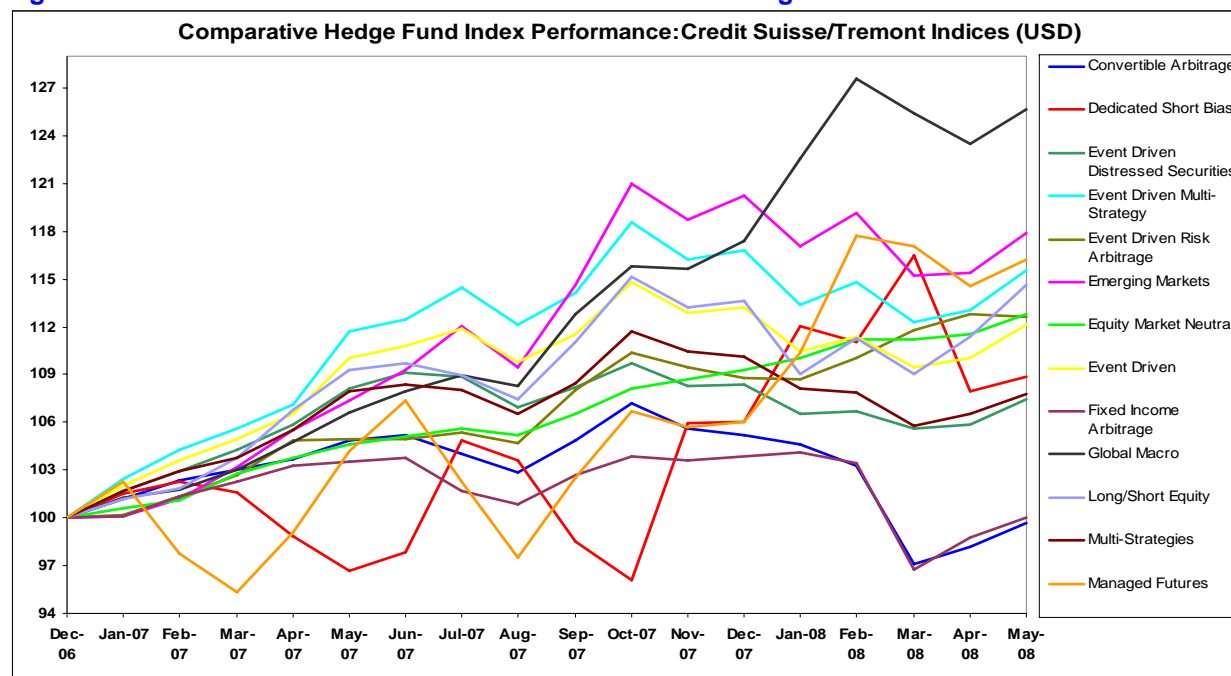


**Table 1 Risk-Return Analysis of Major Indices (%)**

Index Name	Performance TR USD	Performance TR USD	Performance TR USD	Performance TR USD	Performance TR USD	Volatility	Volatility	Volatility
	1M 30/04/2008 To 30/05/2008	Year-to-date To 30/05/2008	1Y 31/05/2007 To 30/05/2008	3Y 31/05/2005 To 30/05/2008	5Y 30/05/2003 To 30/05/2008	Ann TR USD 6M 30/11/2007 To 30/05/2008	Ann TR USD 1Y 31/05/2007 To 30/05/2008	Ann TR USD 3Y 31/05/2005 To 30/05/2008
Credit Suisse/Tremont Hedge Fund	1.998	0.519	4.898	38.585	63.911	5.706	6.039	4.760
Dow Jones Stoxx TMI TR	0.548	-3.961	-3.684	64.574	149.114	17.739	14.664	11.529
JP Morgan EMBI+	0.118	1.822	5.370	29.207	61.447	1.866	4.761	5.096
Lehman Global Aggregate Bond TR	-1.107	3.437	12.298	17.833	31.665	6.567	5.250	4.803
MSCI Emerging Markets TR	1.884	-1.866	22.002	138.228	338.357	27.176	25.903	20.036
MSCI World TR	1.649	-2.504	-3.150	43.669	99.605	14.705	12.604	9.477
Reuters/Jefferies CRB CR	3.152	17.691	35.546	40.335	79.227	20.326	18.282	15.743
S&P 500 TR	1.295	-3.804	-6.698	24.463	59.406	12.929	11.340	8.795
UBS Global Convertible	0.612	-0.512	2.437	38.719	59.207	8.573	8.704	6.457

Source: Lipper

**Figure 1 Indexed Performance of Credit Suisse/Tremont Hedge Fund Indices–31 December 2006-30 May 2008**



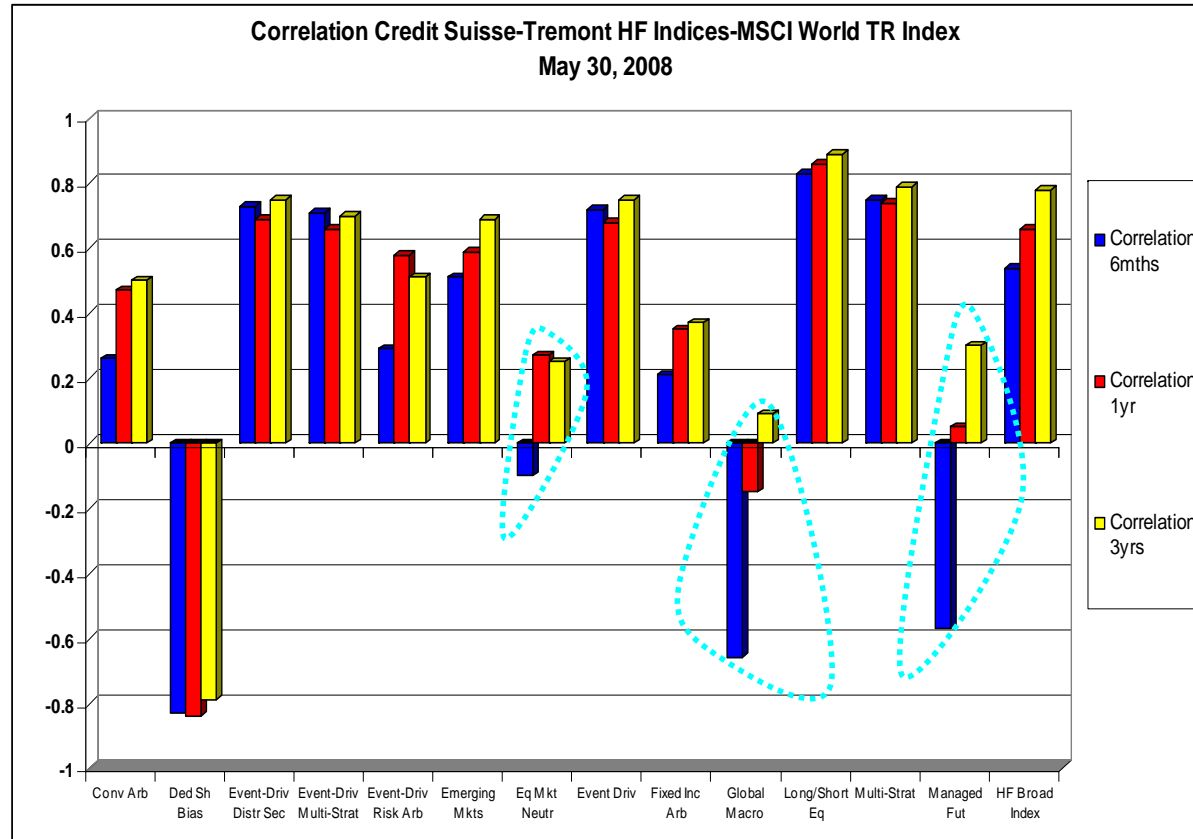
Source: Lipper

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Figure 2 Correlation of Credit Suisse-Tremont Hedge Fund Indices Versus MSCI World TR Index



Source: Lipper

In terms of correlation patterns it is worth noting that the correlation of the Global Macro and Managed Futures strategies against the MSCI World Index appears to suggest—in the last six months compared to historical standards—a shift of invested portfolios toward asset classes that might offer better arbitrage opportunities such as commodities, FX, and debt.

Also, evidence from the correlation matrix below shows how the correlation of both the Global Macro and Managed Futures strategies with Dedicated Short-Bias turned positive in the past six months to the end of May 2008, highlighting a short bias in equity portfolios. That is particularly true for discretionary macro managers, since they apply value investing based on fundamentals, trying to participate in large trends in major equity markets. That investment approach is also reflected in the exposure to the equity asset class they had in 2007, compared to the first few months of 2008 (the correlation dropped) when they shifted exposure to other asset classes with higher arbitrage opportunities.

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The negative correlation reading of the Equity Market-Neutral strategy against the MSCI World Index might suggest either a de-levering or portfolio rebalancing in order to insulate portfolios from volatility disturbances in the stock market as inflationary expectations have mounted over the course of 2008.

Figure 3 Correlation Matrix of Credit Suisse-Tremont Hedge Fund Indices

CORRELATION MATRIX													
CREDIT SUISSE-TREMONT HEDGE FUND STRATEGY INDICES													
6mths (lower diagonal) & 1yr (upper diagonal) To 30/05/2008													
	Convertible Arbitrage	Dedicated Short Bias	Event-Driven Distressed Securities	Event-Driven Multi-Strategies	Event-Driven Risk Arbitrage	Emerging Markets	Equity Market Neutral	Event Driven	Fixed Income Arbitrage	Global Macro	Long/Short Equity	Multi-Strategies	Managed Futures
Convertible Arbitrage	1.00	-0.56	0.66	0.66	0.16	0.72	0.62	0.67	0.95	0.46	0.67	0.80	0.31
Dedicated Short Bias	-0.55	1.00	-0.54	-0.49	-0.49	-0.47	-0.23	-0.52	-0.53	-0.09	-0.73	-0.61	-0.24
Event-Driven Distressed Securities	0.58	-0.56	1.00	0.91	0.47	0.88	0.72	0.95	0.49	0.32	0.90	0.91	0.45
Event-Driven Multi-Strategies	0.60	-0.65	0.97	1.00	0.47	0.95	0.69	0.99	0.46	0.33	0.89	0.91	0.28
Event-Driven Risk Arbitrage	-0.63	-0.10	-0.20	-0.17	1.00	0.53	0.52	0.49	0.00	0.31	0.54	0.54	0.47
Emerging Markets	0.67	-0.57	0.88	0.96	-0.34	1.00	0.77	0.95	0.53	0.50	0.85	0.92	0.41
Equity Market Neutral	0.60	-0.01	0.51	0.56	-0.35	0.67	1.00	0.72	0.53	0.75	0.65	0.75	0.78
Event Driven	0.59	-0.63	0.98	1.00	-0.17	0.94	0.55	1.00	0.48	0.33	0.92	0.93	0.34
Fixed Income Arbitrage	0.99	-0.58	0.48	0.54	-0.60	0.63	0.55	0.52	1.00	0.43	0.55	0.63	0.31
Global Macro	0.31	0.36	-0.10	0.01	-0.40	0.24	0.78	-0.02	0.35	1.00	0.23	0.33	0.79
Long/Short Equity	0.53	-0.75	0.94	0.97	0.01	0.88	0.43	0.97	0.47	-0.16	1.00	0.91	0.36
Multi-Strategies	0.77	-0.73	0.94	0.93	-0.27	0.86	0.48	0.94	0.70	-0.10	0.93	1.00	0.38
Managed Futures	0.03	0.37	-0.14	0.00	0.00	0.17	0.72	-0.04	0.07	0.91	-0.12	-0.20	1.00

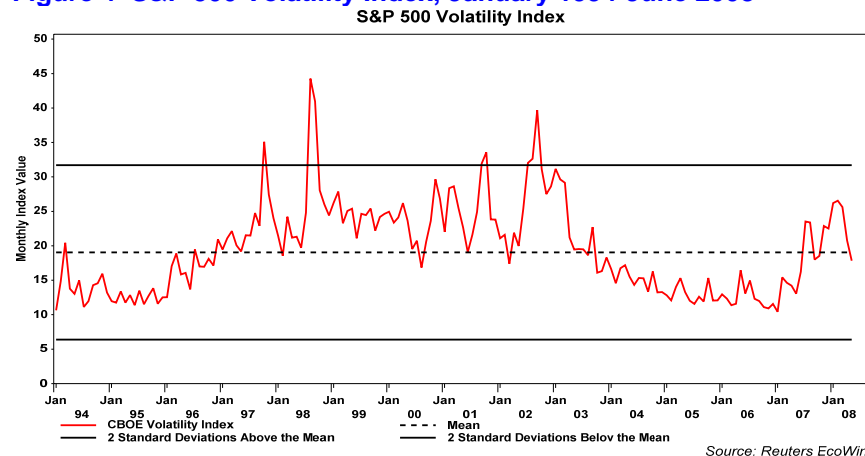
Source: Lipper

### Hedge Fund Strategies Review

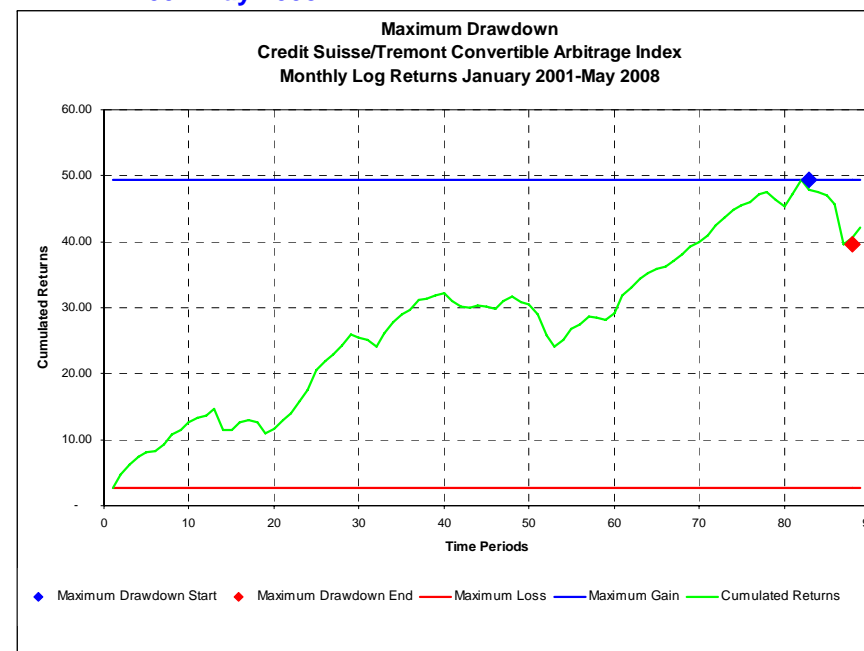
#### Convertible Arbitrage

May marked another positive performance month for the Convertible Arbitrage substrategy. The Credit Suisse/Tremont Convertible Arbitrage Index returned 1.50% for minus 5.22% for the year to date 2008 and minus 4.96% on a rolling 12-month time window. The rally across most global equity markets was a major contributor to the improvement in sentiment. Moreover, there was renewed demand from long-only and hedge fund investors after the previous month's deleveraging. Of note, the S&P 500 volatility index fell a precipitous 14.24% over the month as stocks rallied and the "fear factor" retreated to levels last seen before the summer-2007 start of the "subprime syndrome." Longer-dated vols were relatively stable, so many convertibles richened. The over US\$28 billion in issuance in May was the heaviest ever, led by US\$15.7 billion in the U.S., eight deals in Europe amounting to US\$9 billion, and eight deals in Asia valued at US\$8 billion.

**Figure 4 S&P 500 Volatility Index, January 1994-June 2008**



**Figure 5 Maximum Drawdown—Convertible Arbitrage, January 2001-May 2008**



Source: Lipper

The maximum drawdown of minus 9.84% started on November 30, 2007, and ended on April 30, 2008.

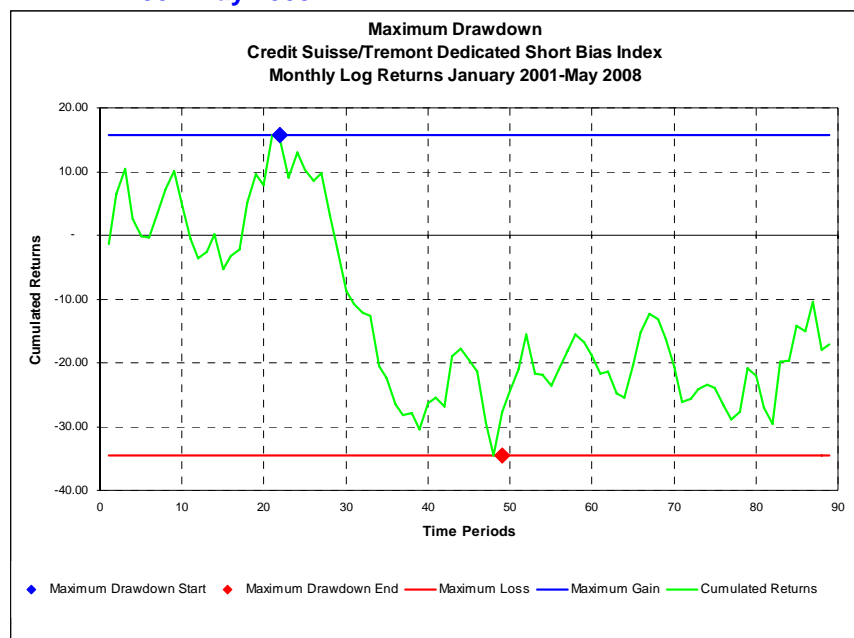
#### Dedicated Short-Bias

In light of the strong gains in many equity markets the Dedicated Short-Bias substrategy returned 0.86% in May for 2.69% for the year to date and a 12-month rolling return of 12.62%. Over the month nine of the ten S&P sectors posted positive performance, with financials taking the brunt of the negative action—down 6.40%—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.

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**Figure 6 Maximum Drawdown, Dedicated Short-Bias, January 2001-May 2008**



Source: Lipper

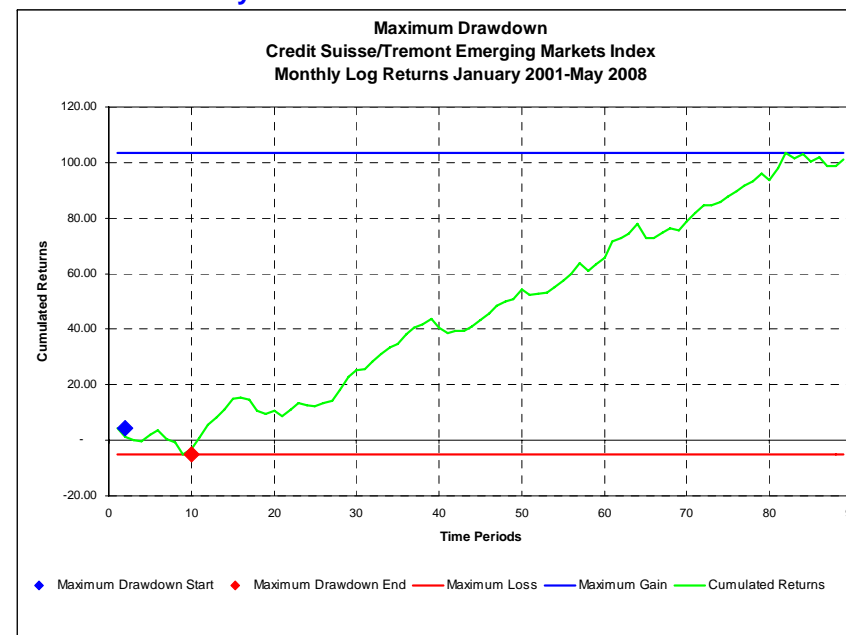
The maximum drawdown of minus 50.17% started on October 31, 2002, and ended on January 31, 2005.

## Emerging Markets

While the JP Morgan EMBI+ returned 0.12% in May, the MSCI Emerging Markets TR USD Index returned 1.88% and 12.96% since August 2007 as global investors again benefited from selective positive equity market moves from the Latin America and Middle East exposures. Also, emerging markets benefited from their perception as a perceived safe haven for global fixed income investors. Dollar-denominated investments in emerging markets, other than against the Brazilian real and Turkish lira, improved because of the appreciation of the U.S. unit. The dominant swing factor was a fear of global inflation and a fear of associated rate hikes in a number of countries such as India. The Credit Suisse/Tremont

Emerging Markets Index returned 2.14% in May for minus 1.99% YTD and a 12-month rolling return of 9.82%.

**Figure 7 Maximum Drawdown, Emerging Markets, January 2001-May 2008**



Source: Lipper

The maximum drawdown of minus 9.33% started on February 28, 2001, and ended on October 31, 2001.

## Equity Market-Neutral

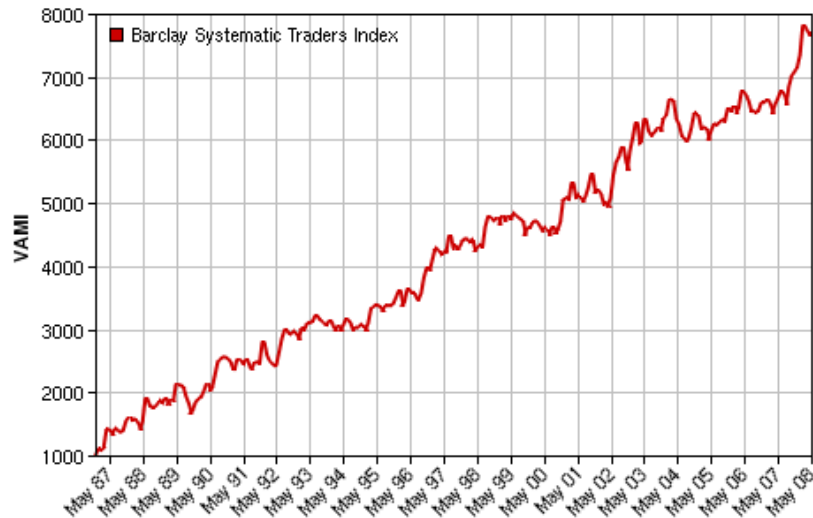
The Equity Market-Neutral substrategy posted its eighth consecutive month of positive return. The VIX or CBOE index of S&P 500 options prices returned minus 14.24% in May to finish the month near minus 17.83% since May 2003, while the Barclays Systematic Traders Index returned 1.29% in May for 8.54% YTD. Quant funds sometimes fall under the substrategy of Equity Market-Neutral. There can be not only factor-based models but statistical arbitrage within

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the quant space. There is counter-trend trading and volatility arbitrage also.

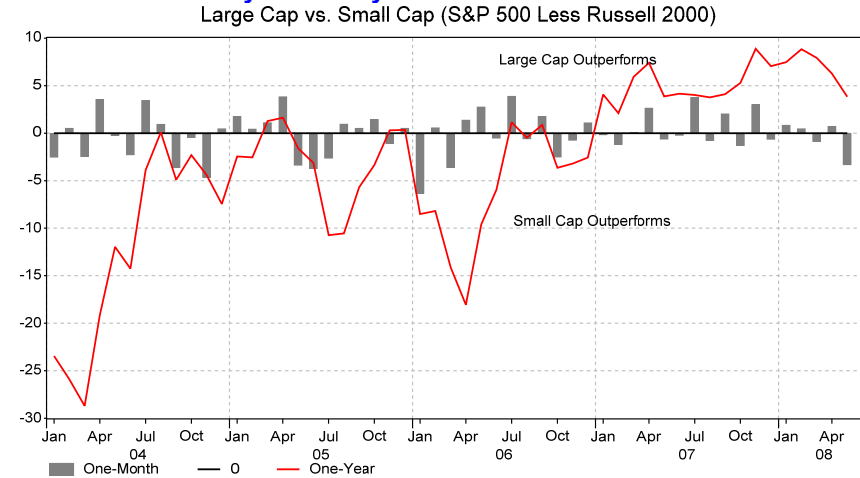
**Figure 8 Barclay Systematic Traders Index, May 1987-May 2008**



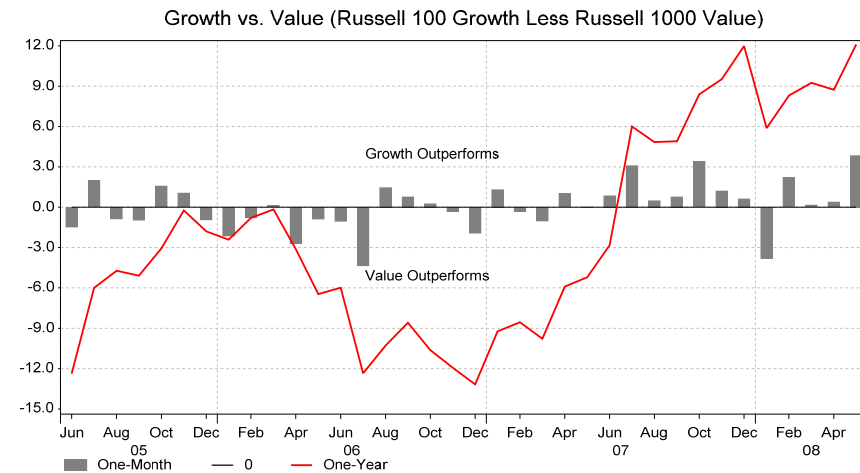
Source: Barclay Hedge

A recent winning trade between commodity stocks and their related commodity indices or assets suffered somewhat as commodities in general experienced harsh volatility over the month. A more general investment approach that favored growth over value was a winner, while the drop in volatility also saw small-caps outperform large; some sector rotation allowed the recent winning run to continue for many managers. The Credit Suisse/Tremont Equity Market-Neutral index returned 1.10% in May for 3.22% YTD and a 12-month rolling return of 7.86%.

**Figure 9 Large-Cap Versus Small-Cap and Growth Versus Value, January 2004-May 2008**



Source: Reuters EcoWin

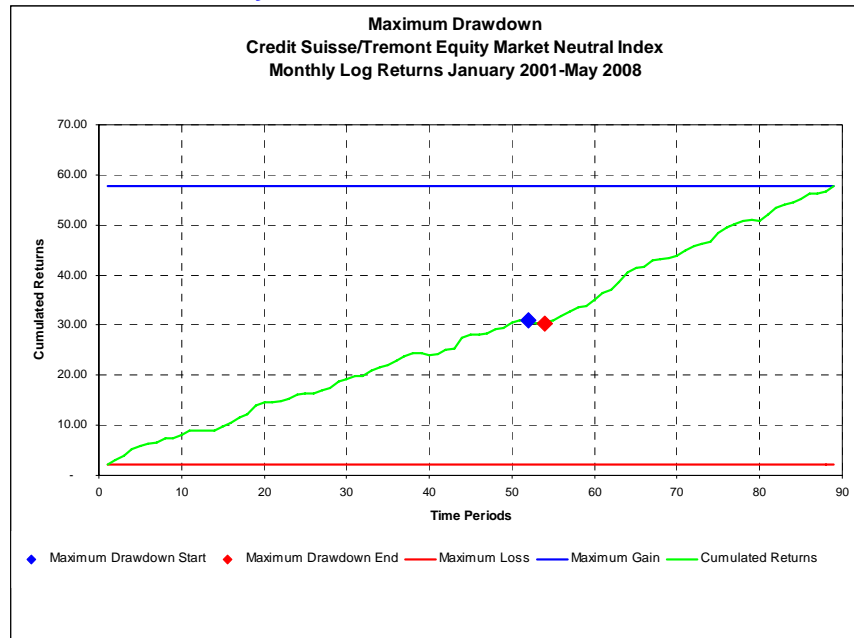


Source: Reuters EcoWin

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**Figure 10 Maximum Drawdown, Equity Market-Neutral, January 2001-May 2008**



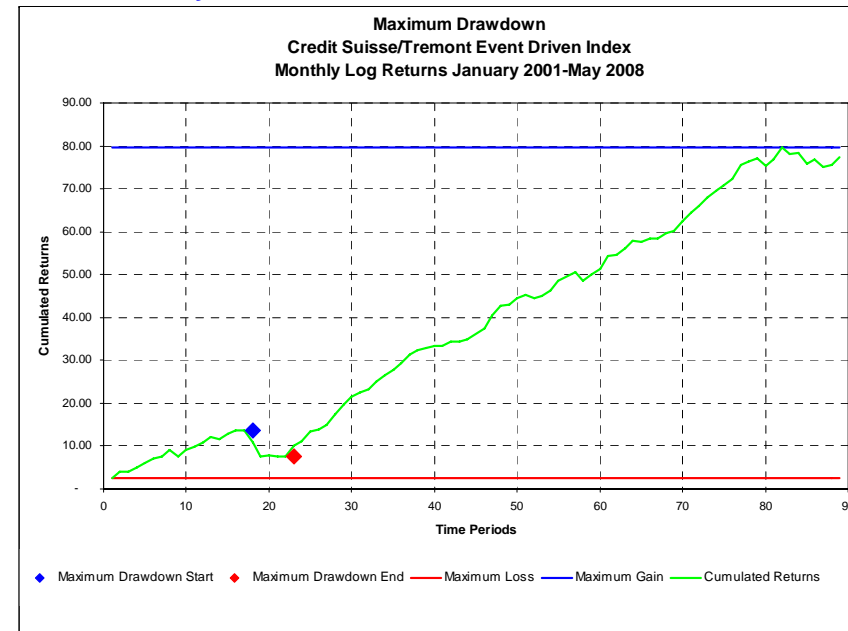
Source: Lipper

The maximum drawdown of minus 0.56% started on April 29, 2005, and ended on June 30, 2005.

## Event-Driven

The Event-Driven substrategy returned 1.89% in May for minus 0.97% YTD and a 12-month rolling return of 1.91%. The positive performance swing factor for a number of managers involved positive special situations in the financial sector, which suffered a steep downdraft of over 6.0% in the U.S. in addition to ongoing weakness in the real estate sector in the U.S. and the U.K. 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 deal activity picked up significantly. Inflation and credit concerns pressured spreads across distressed securities.

**Figure 11 Maximum Drawdown, Event-Driven, January 2001-May 2008**



Source: Lipper

The maximum drawdown of minus 6.23% started on June 28, 2002, and ended on November 29, 2002.

## Event-Driven Distressed-Securities

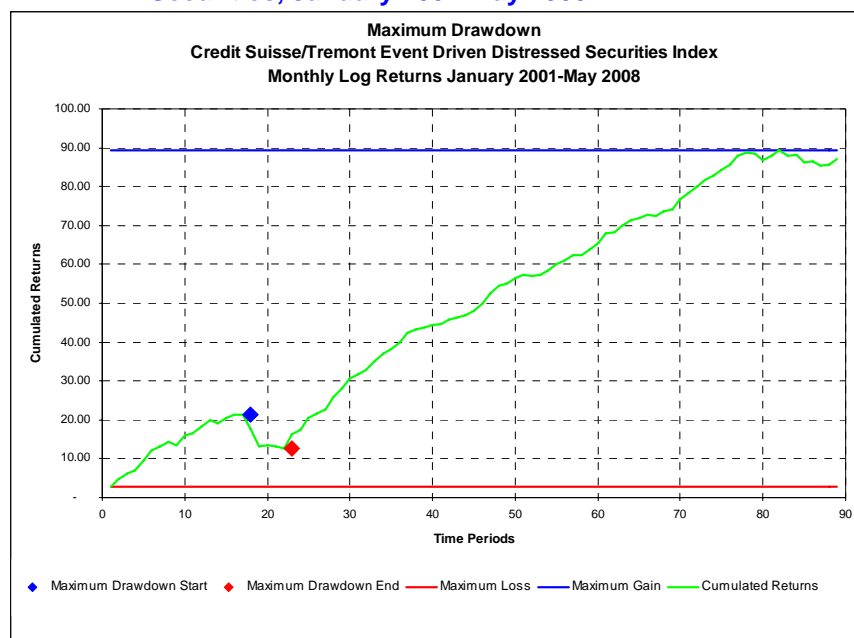
The Distressed Securities substrategy returned 1.50% in May for minus 0.86% YTD and a 12-month return of minus 0.62%. Liquidity continued to buoy the distressed securities markets, and loans outperformed widening unsecured hedges. Portfolio sales by banks reduced overhang and the reduction of volatility also helped as supply continued to dry up, while demand remained constrained by funding terms. New supply in the U.S. was a heavy US\$110 billion during the month, and this along with the previous month's US\$100 billion put pressure on the market and (combined with interest rate rises) limited supply toward month-end. The European high-yield

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market continued to remain shut. The Merrill Lynch Global High Yield Index returned 0.53%, while the spread over Treasuries tightened 172 bps to 507 bps.

**Figure 12 Maximum Drawdown, Event-Driven Distressed-Securities, January 2001-May 2008**



Source: Lipper

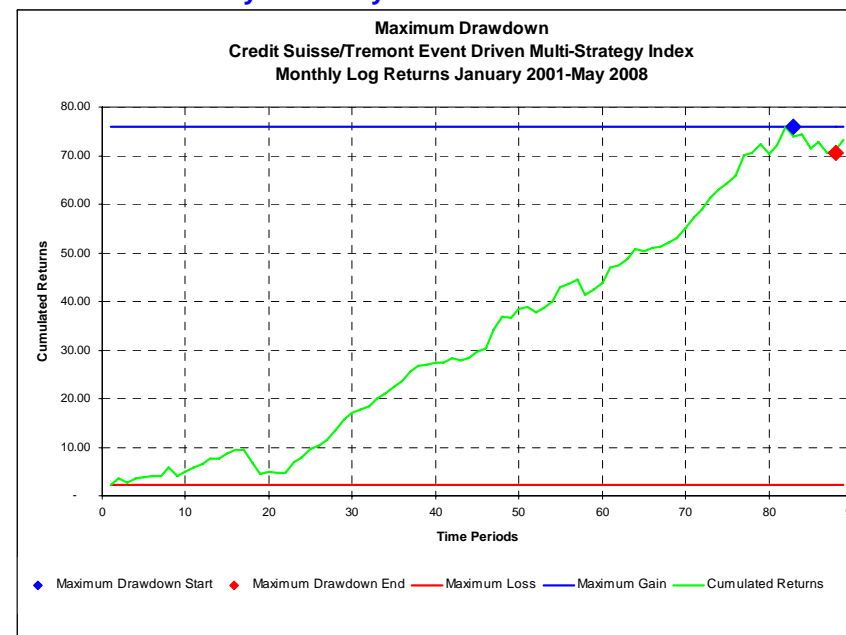
The maximum drawdown of minus 8.91% started on June 28, 2002, and ended on November 29, 2002.

## Event-Driven Multi-Strategies

Event-Driven: Multi-Strategies returned 2.19% in May for minus 1.11% YTD and a 3.39% 12-month rolling return. Liquidity across the event-driven spectrum returned and with it the relative value investment approach in general. A clearer appreciation of fundamentals and healthier technicals was evident, led by a certain amount of consolidation in the leveraged loan market and a certain amount of recovery in the investment-grade primary market. This was a key driver in the supply-

demand balance and showed that increasing risk appetite was being fed across the quality spectrum and in size. However, toward the end of the month there was a shift toward lower quality from the supply side, casting a little doubt on the short-term rally, while a positive move in the U.S. and Japanese markets was tempered by general weakness in Asian and European markets.

**Figure 13 Maximum Drawdown, Event-Driven Multi-Strategies, January 2001-May 2008**



Source: Lipper

The maximum drawdown of minus 5.42% started on November 30, 2007, and ended on April 30, 2008.

## Event-Driven Risk-Arbitrage

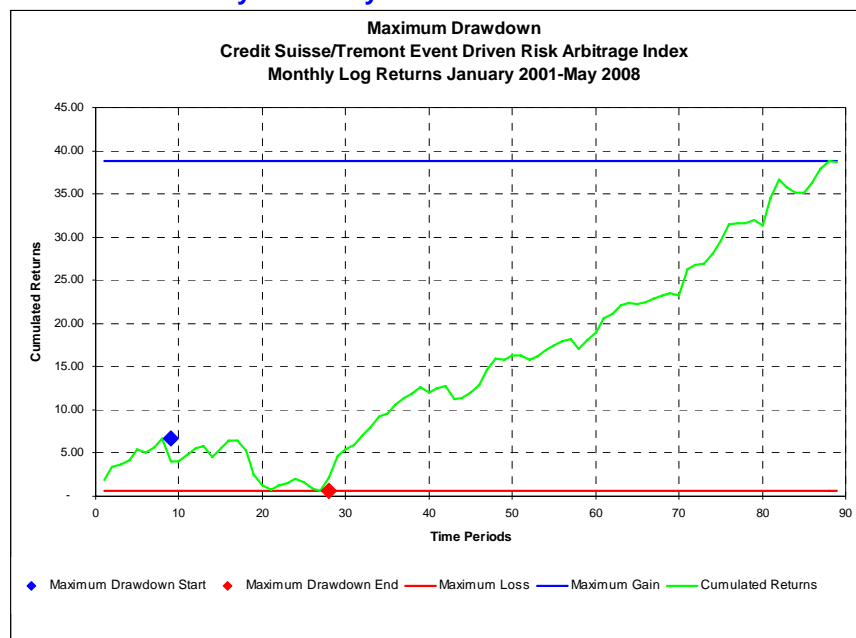
The Credit Suisse/Tremont Event-Driven: Risk-Arbitrage Index returned minus 0.18% in May, 3.52% for the YTD, and 7.32% on a 12-month rolling return basis. According to Dealogic, global announced M&A volume reached US\$327 billion in May, up 22%

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month on month but down 39% from the same period one year earlier. This was even though the number of deals declined 18% to around 2,800. For the U.S. the volume of M&A deal flow reached US\$141 billion—up 30% against the previous month and based upon 33% fewer deals. This indicated a pickup in investor risk appetite for larger deals. Indeed, the strength of the U.S. risk arb market was typified by the announcement of NRG's takeover of Calpine for US\$20 billion.

**Figure 14 Maximum Drawdown, Event-Driven Risk-Arbitrage, January 2001-May 2008**



Source: Lipper

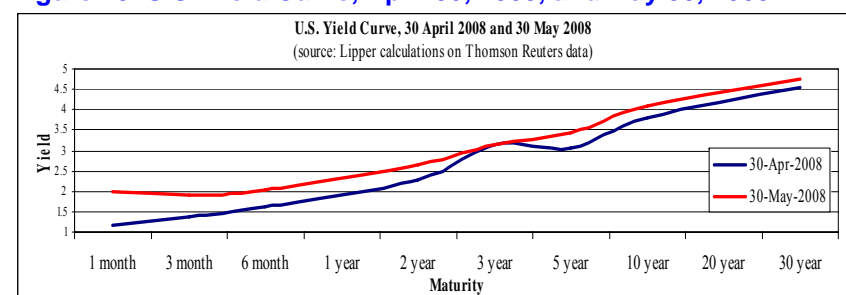
The maximum drawdown of minus 6.11% started on September 28, 2001, and ended on April 30, 2003.

## Fixed Income Arbitrage

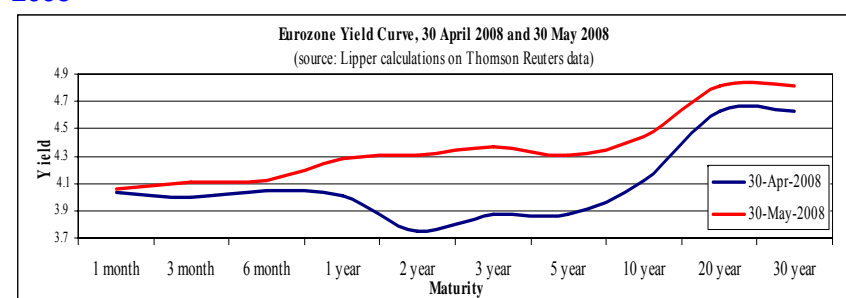
The Fixed Income Arbitrage substrategy posted a 1.26% return in May for minus 3.65% YTD and a 12-month rolling return of minus

3.36%. The key swing factor for the month was the end of the Bear-Stearns-inspired rally. The U.S. yield curve shifted higher—with a flattening bias—across almost all points over the curve from two years to thirty years, and the spread increased more than Eurozone benchmarks on the back end, with the 30-/2-year spread between the U.S. and Eurozone yields increasing 21 bps as expectations for further interest moves in the Eurozone contributed to the spread widening.

**Figure 15 U.S. Yield Curve, April 30, 2008, and May 30, 2008**



**Figure 16 Eurozone Yield Curve, April 30, 2008, and May 30, 2008**



On the data front poor housing numbers in the form of steeply falling house prices had the S&P/Case-Shiller 20-city composite index retreating 14% year on year. Moreover, recent spread widening in the structured finance market was attributed to the widening in general in the corporate bond sector. The sell-off was pronounced in the

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subprime arena, where prices headed back toward their early-March 2008 lows as evidenced by a retreat in the ABX Home Equity Index.

**Figure 17 ABX Indices January 2007-June 2008**

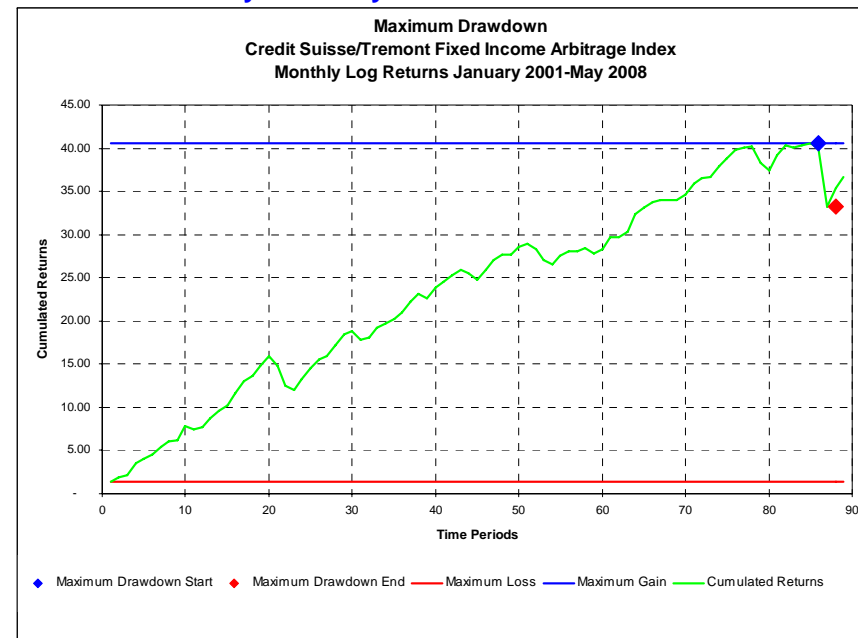
United States, Markit, ABX Home Equity Index, AAA Rated, Series 7-1, USD



This contrasted with yet another sour performance month for the Lehman Aggregate Bond Index of minus 1.11% in May as Treasuries suffered, even though the flight-to-quality trade that started in July 2007 showed some possible signs of fading. Investment-grade products and mortgage-backed securities both declined but less than Treasuries as option-adjusted spreads tightened.

Another swing factor during the month was the action of downgrades. S&P lowered ratings on bond insurers MBIA and Ambac from AAA to AA and also downgraded investment banks Merrill Lynch, Morgan Stanley, and Lehman Brothers each by one notch. It also placed a number of U.S. commercial banks on credit watch.

**Figure 18 Maximum Drawdown, Fixed Income Arbitrage, January 2001-May 2008**



Source: Lipper

The maximum drawdown of minus 7.30% started on February 29, 2008, and ended on April 30, 2008.

## Global Macro

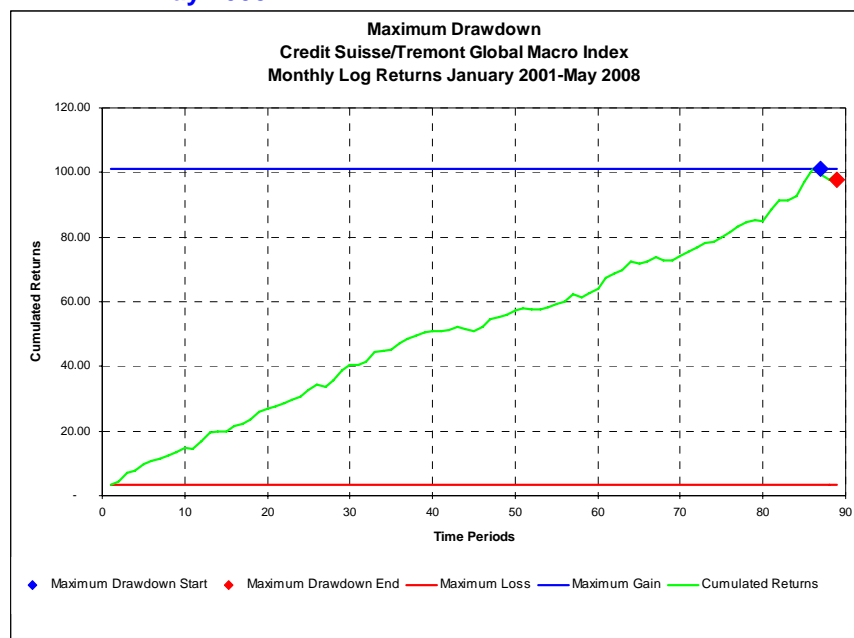
The directional substrategy Global Macro continued to benefit in the current economic environment. Hence, the Credit Suisse/Tremont Global Macro Index returned 1.80% in May, 7.08% YTD, and 17.83% over a 12-month rolling return period. The key swing factor proved to be growing uncertainty regarding the state and direction of the U.S. economy. In the wake of recent strong sell-offs in developed markets talk emerged of the U.S. market offering value in equities. Markets started to price in Fed rate hikes toward year-end as inflation fears grew. A long U.S. dollar and a long energy bias appeared to be winning trades as the WTI Crude Oil Index rose 12.28%, while natural gas rose 7.93% on the month. Nonferrous metal trading

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suffered, although short copper and nickel trades proved profitable. Allocations to emerging markets, including Japan, proved profitable also.

**Figure 19 Maximum Drawdown, Global Macro, January 2001-May 2008**



Source: Lipper

The maximum drawdown of minus 3.31% started on March 31, 2008, and ended on May 30, 2008.

## Long/Short Equity

The Long/Short Equity substrategy rebounded strongly over the month. The Credit Suisse Tremont Long/Short Equity Index returned minus 2.91% in May, 0.86% YTD, and 4.93% over a rolling 12-month period. In the U.S. the S&P information technology and material sectors were standout performers, returning 5.5% and 4.6%, respectively, while the short side benefited from a strong pullback in financials across most regions. In Europe performance was driven by

stock- and sector-specific considerations with a fundamental bias, with a long exposure to commodity-driven businesses being the common winning trade theme. The MSCI Europe Index returned minus 0.30%. Japan enjoyed a rare bout of positive performance for the year as the Nikkei 225 Index returned 3.53%, while the rest of Asia proved spotty in terms of the upside as investors became more wary of Asian central banks' raising interest rates in an effort to curtail cost-push inflationary pressures. One symbol of equity market performance—earnings growth—continued to point to additional gains on the long side of many developed and developing economies, especially related to the S&P 500 in fiscal 2009.

**Table 2 Earnings Growth, Selected Countries**

Country	Index	Fiscal 2007 A	Fiscal 2008 E	Fiscal 2009 E
Japan	TOPIX 500	-1.2%	8.2%	8.4%
Australia	S&P/ASX - 200	11.5%	5.3%	15.7%
Canada	S&P/TSX Comp. Index	7.4%	16.6%	14.8%
France	CAC 40	-2.0%	15.8%	10.0%
Germany	DAX 30	20.6%	5.8%	16.7%
Hong Kong	HSHK Comp. Index	36.2%	-23.0%	11.7%
India	BSE - 100	36.4%	26.9%	15.1%
Italy	S&P/MIB	6.8%	7.1%	10.2%
Netherlands	AEX Index	6.1%	1.8%	11.0%
Singapore	Straits Times - 50	N/A	N/A	11.3%
Sweden	OMX Stockholm Bnch.	13.1%	3.6%	10.1%
UK	FTSE 100	1.7%	10.0%	9.0%
USA	S&P 500	-3.7%	9.3%	18.2%

Source: Reuters Estimates as of May 8, 2008

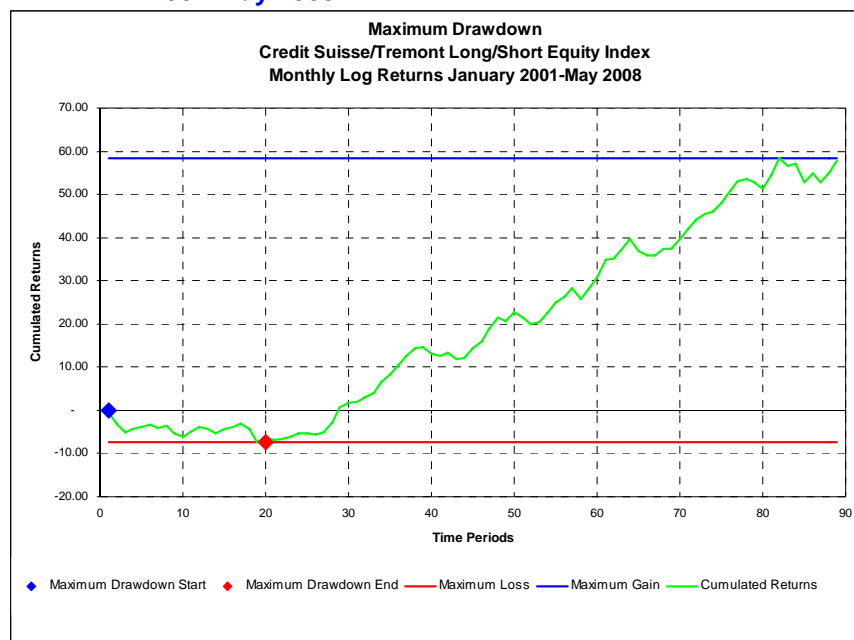
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Figure 20 Maximum Drawdown, Long/Short Equity, January 2001-May 2008



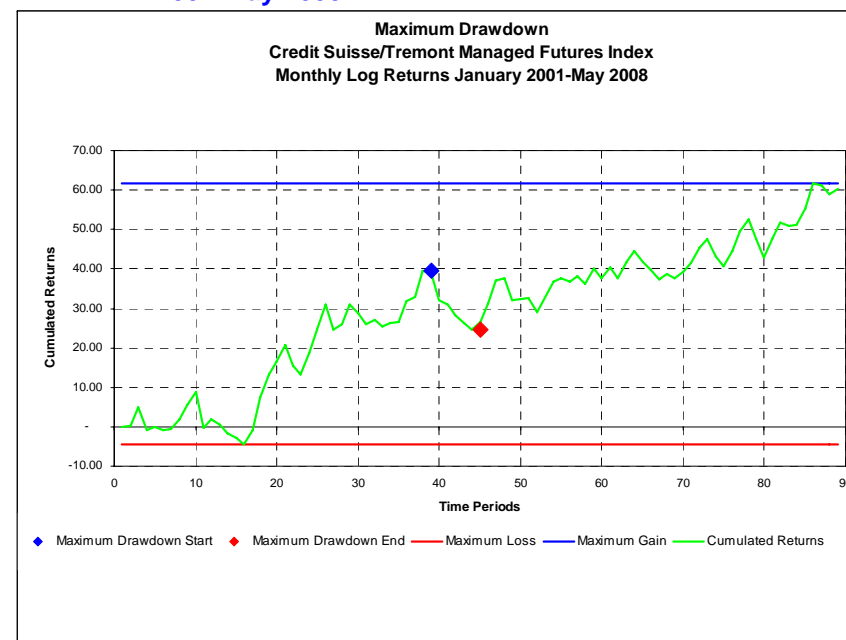
Source: Lipper

The maximum drawdown of minus 7.27% started on January 31, 2001, and ended on August 30, 2002.

## Managed Futures

The Managed Futures substrategy returned 1.44% in May, 9.60% YTD, and 11.49% on a 12-month rolling return basis. Long energy proved to be a profitable strategy for many niche-focused funds and systematic modelers. Crude oil prices peaked at US\$135 per barrel in May after official reports pointed to a drop in inventories ahead of the U.S. summer vacation season. Interest rates made a positive contribution for a number of players on the basis of a prevailing theory that foresees the European Central Bank's (ECB's) increasing interest rates sooner rather than later in an effort to stifle rising inflation. As a result, rate divergence increased between the U.S. and the Eurozone.

Figure 21 Maximum Drawdown, Managed Futures, January 2001-May 2008



Source: Lipper

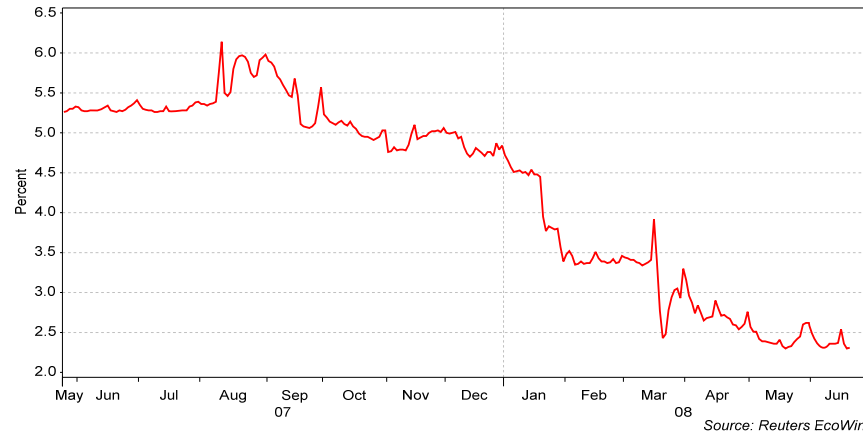
The maximum drawdown of minus 14.99% started on March 31, 2004, and ended on September 30, 2004.

## Multi-Strategies

Multi-Strategies returned 1.20% in May for minus 2.12% YTD and a 12-month rolling return of minus 0.16%. Relative-value trading strategies generally rebounded after dreadful performance in April. Convertibles were buoyed by substantial new issues, renewed buying from hedge funds and long investors, and some improved pricing in the secondary market. Overall, volatility arbitrage was unchanged as implied volatility rates plunged on the back of a sharp equity market rally. Credit players made a positive contribution, although one signal of liquidity, as determined by the asset-backed CP overnight rates, dipped to new lows as concerns about the health of financial institutions' balance sheets hurt sentiment in this funding sector.

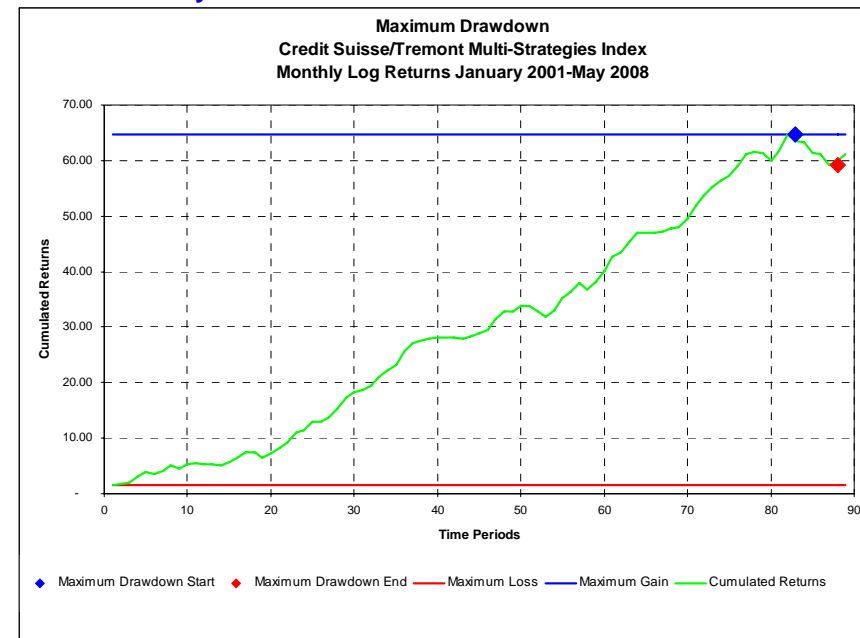


**Figure 22 Asset-Backed Commercial Paper Overnight Rates**  
Asset-Backed Commercial Paper O/N Rates



Fixed income arbitrageurs performed relatively well, given the sharp moves in the yield curve and swap markets, while market neutral players benefited from sector rotation and renewed vigor in the technology sector.

**Figure 23 Maximum Drawdown, Multi-Strategies, January 2001-May 2008**



The maximum drawdown of minus 5.45% started on November 30, 2007, and ended on April 30, 2008.



### Hedge Fund Focus and Technical Analysis

A specific analysis of the return series of the Credit Suisse/Tremont Hedge Fund Indices has been performed to consider higher moments of the distribution of returns. Usually, the analysis of financial instrument series returns focuses on mean and variance, under the hypothesis of “compactness” of the distribution of returns (Samuelson, P. A. [1970], “The Fundamental Approximation Theorem of Portfolio Analysis in Terms of Means, Variances, and Higher Moments,” *Review of Economic Studies*, Vol. 37).

Compactness represents a continuity or inertia of stock prices. In the absence of particular shocks to the series the uncertainty of stock returns over increasingly shorter periods decreases. Under these circumstances investors who can rebalance their portfolios frequently will seek to make higher moments of the stock return distribution so small as to be negligible. In this way the action of the investors in frequently revising their portfolios limits higher moments (even moments representing bad moments in the utility function for the investor) to negligible levels. However, in the presence of shocks or high volatility the usual mean/variance analysis is inadequate, and higher moments of the utility function of the investment need to be considered. In particular, odd moments (third moment, i.e. skewness) represent good moments, since they define the measure of asymmetry. Positive numbers are associated with positive skewness and hence are desirable.

Positively skewed returns’ distributions are characterised by more likely but smaller losses and less likely but extreme gains. In other words “bad surprises” are more likely but are limited in magnitude. In a negatively skewed distribution, on the other hand, bad surprises are more likely to be extreme, even if they occur less frequently. Skewness is important because of its impact on portfolio choices and also because kurtosis (fourth-moment skewness, i.e., bad news) is not independent of skewness—the latter may induce the former.

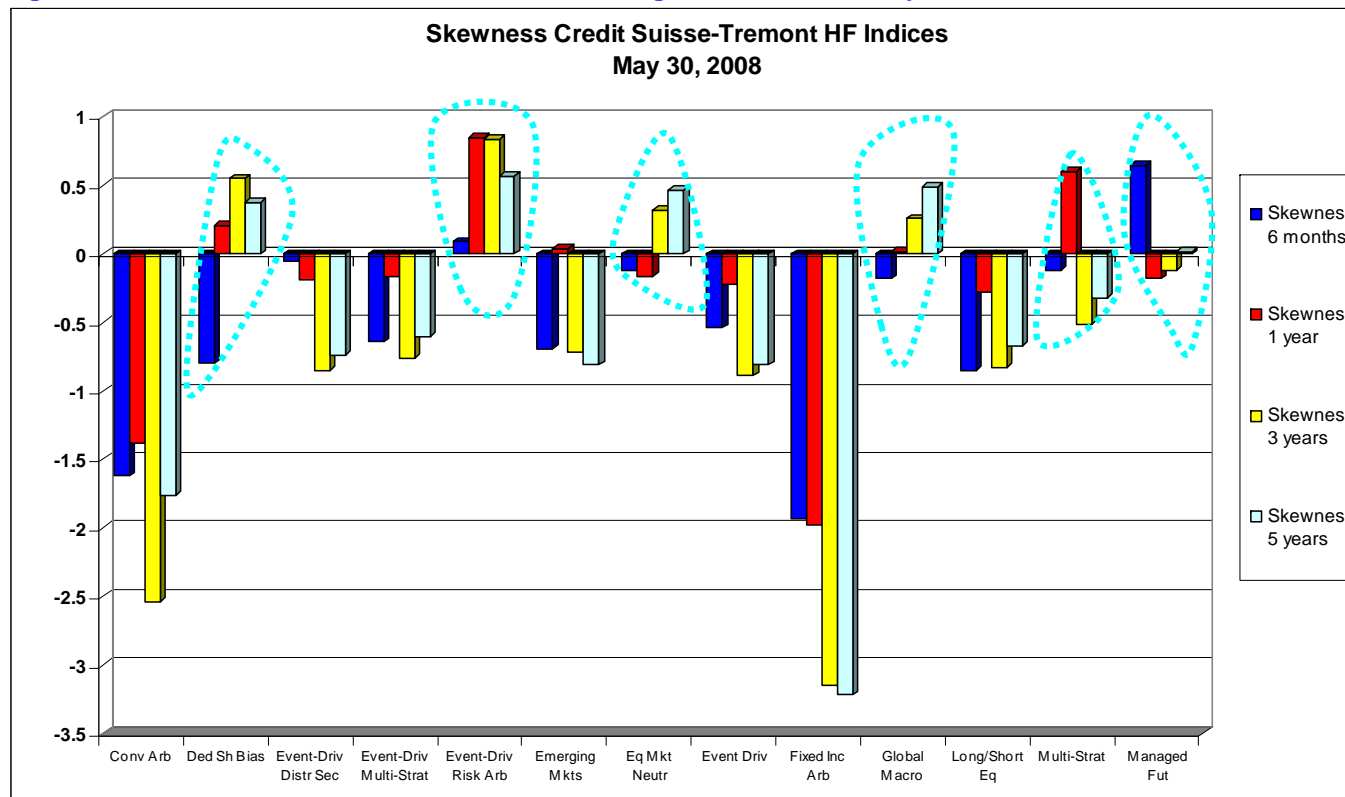
In a normal market situation based on a portfolio analysis of three moments, investors should have a preference for positive skewness, since they prefer portfolios with a higher probability of greater returns. On the contrary, in episodic market crashes it is expected the asymmetry would be characterised by negative skewness, with a higher probability of large falls in prices.

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Figure 24 Skewness of Credit-Suisse-Tremont Hedge Fund Indices, May 30, 2008

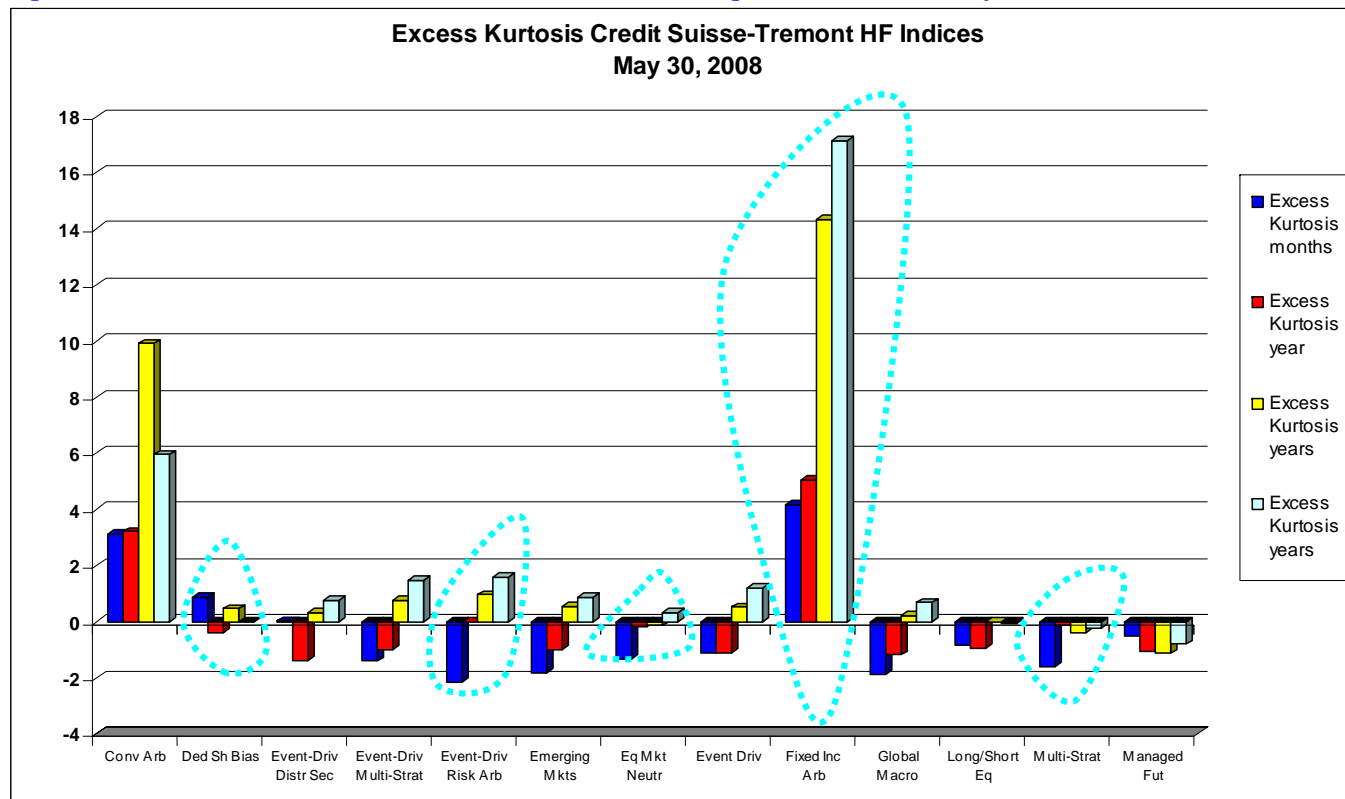


Source: Lipper

It is interesting to note a change of the sign of the skewness in the past six months to the end of May 2008 compared to historical standards (one- to five-year period) of positive readings for Dedicated Short-Bias, Equity Market-Neutral, and Global Macro. The skewness of Multi-Strategies turned negative (-0.12) from a positive reading (+0.60) for the one-year period to the end of May, although the values were negative for the three- and five-year period. Conversely, in the six-month period to the end of May the Managed Futures strategy showed a positive reading (+0.65), compared to the slightly negative figures in the one-year and three-year period at minus 0.18 and minus 0.12, respectively.



Figure 25 Excess Kurtosis of Credit Suisse-Tremont Hedge Fund Indices, May 30, 2008



Source: Lipper

Analysis of the peakedness of the probability distribution shows a general flattening of the tails of the distribution of the hedge fund strategy returns as represented by the Credit Suisse-Tremont Indices in the six-month period to the end of May 2008. In the case of Event-Driven Risk Arbitrage and Equity Market-Neutral the “reshaping” of the probability distribution implied a change from mesokurtotic to platykurtotic. Conversely, the Dedicated Short-Bias strategy showed an opposite trend, with a higher six-month excess kurtosis (+0.88), indicating that a larger portion of the variance of the distribution of the returns was attributable to infrequent extreme deviations as opposed to more frequent modest deviations. It is worth noting how the magnitude of the leptokurtosis significantly dropped in the last six-month to one-year period from the three- and five-year readings for the Convertible Arbitrage and Fixed Income Arbitrage strategies. That trend may also reflect a tapering off of negative skewness for the two strategies of the last six months at the end of May 2008.

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The traditional mean-variance approach to performance measurement and portfolio optimisation is based on an approximation of normality in returns. Hedge fund returns are better represented by hyperbolic distributions. The hyperbolic distribution decreases exponentially—more slowly than the normal distribution—being suitable to model financial patterns, where numerically large values are more probable than is the case for the normal distribution. Thus, the hyperbolic distribution provides the possibility of modelling heavier tails.

Since in the traditional Sharpe ratio measurement not all asymmetries of the distribution of returns and risk-averse investors' preferences are taken into account, some investments may mistakenly appear better or worse than they are. Thus, in this section we present an alternative and more-powerful performance measure—the Omega ( $\Omega$ ) measure (Keating, C. and F. Shadwick [2002], A Universal Performance Measure, The Journal of Performance Measurement, 6 [3]).

The Omega measure incorporates all the moments of the distribution, since it is a direct transformation of it. The Omega measure splits the distribution of returns into two subparts, according to a return threshold. Thus, returns are divided into losses and gains above and below a return threshold, and then the probability-weighted ratio of returns above and below the partitioning is considered. The relative ranking of the various assets depends on the threshold value. The evaluation of an investment in financial assets with the Omega function should be considered for thresholds between 0% and the risk-free rate. Intuitively, this type of threshold corresponds to the notion of capital protection.

In addition to incorporating all the moments of the distribution of returns, the Omega function has two interesting properties. Firstly, when the threshold return is set to the mean of the distribution, the Omega measure is equal to 1.0. Secondly, whatever the threshold return is, all financial assets may be ranked. Conversely, in the context of the Sharpe measure the ranking leads to cumbersome interpretation for negative ratios.

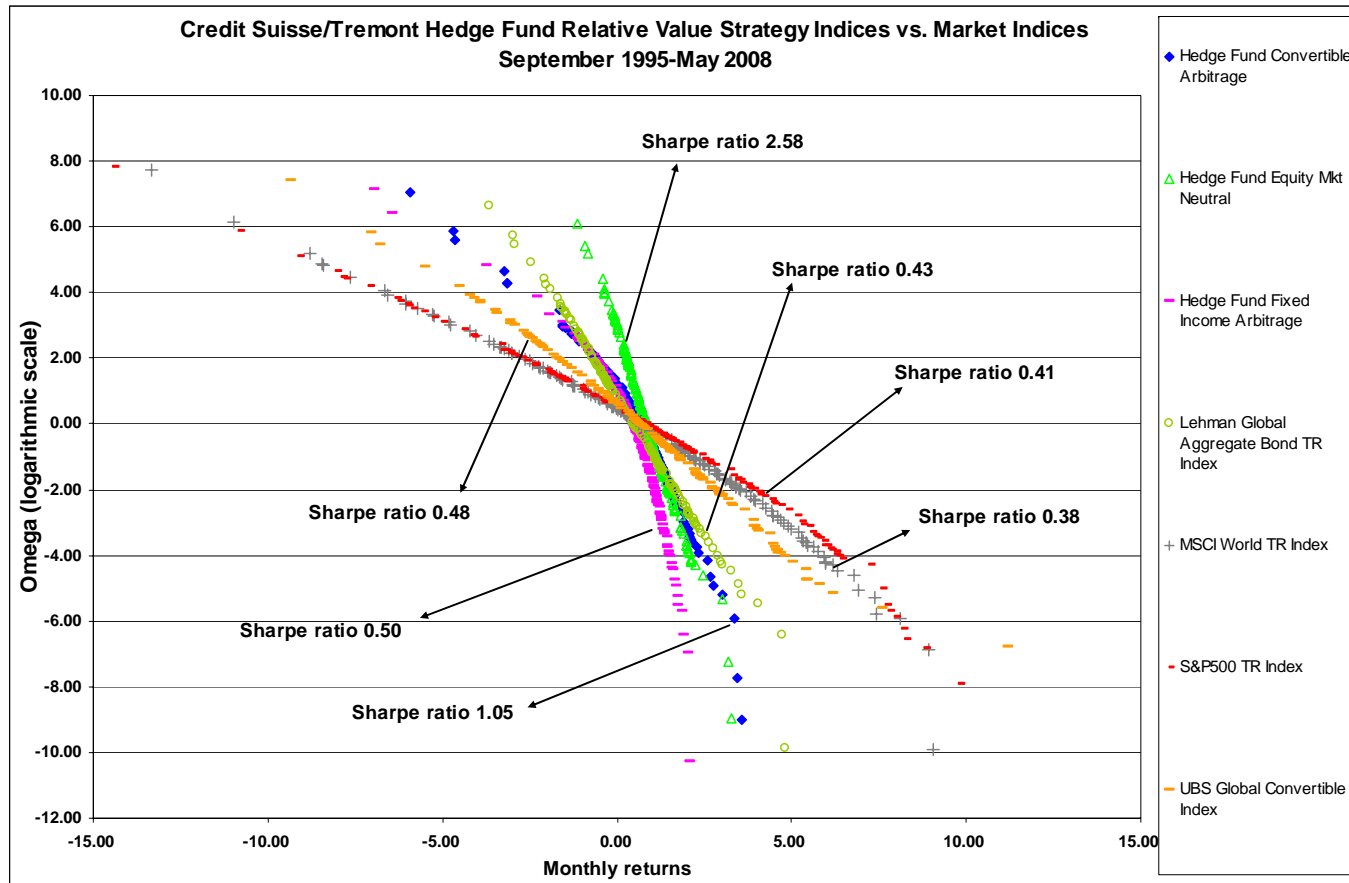
The figures below show the log Omega values corresponding to a series of monthly return thresholds for the various hedge fund strategies, compared to the relevant market indices and the S&P 500 index.

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Figure 26 Hedge/Relative Value Strategies Versus Market Indices, September 1995-May 2008



Source: Lipper

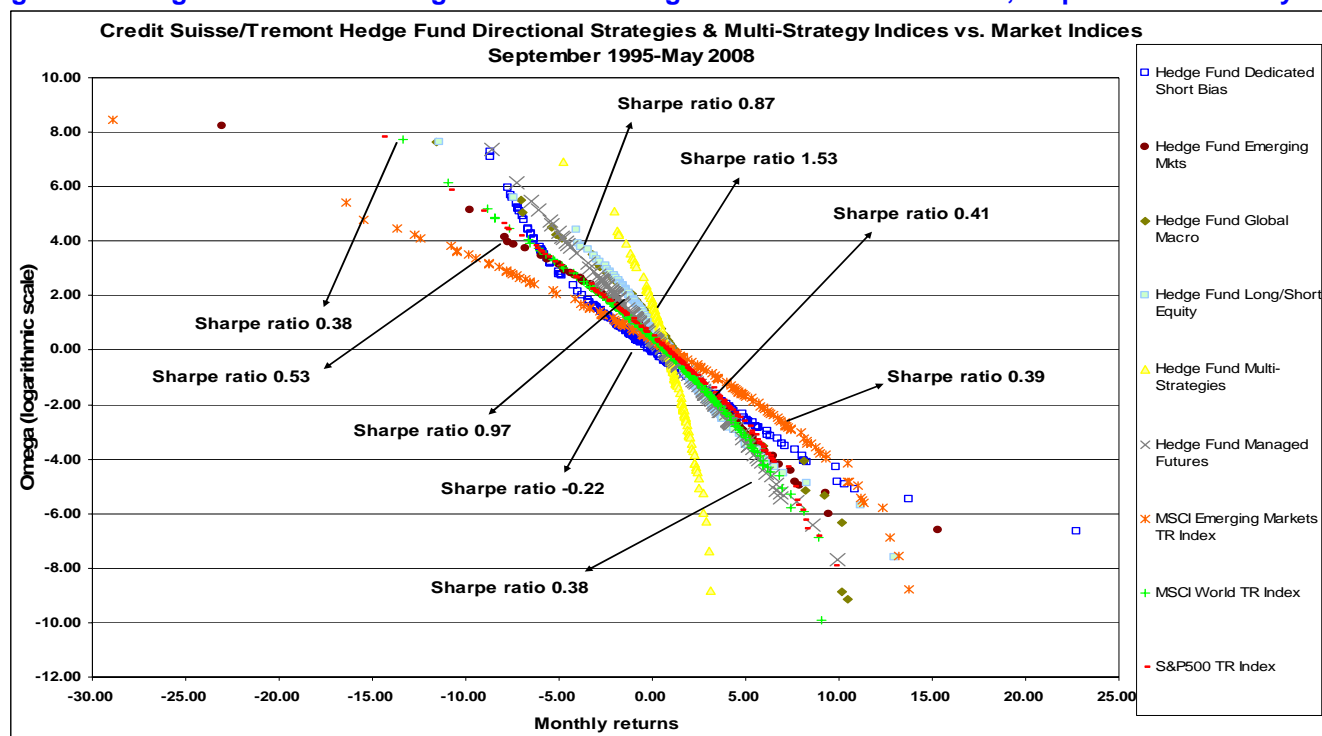
In the period September 1995-May 2008 the Equity Market-Neutral strategy provided the best investment choice among other relative-value hedge fund strategies and the MSCI World TR Index, the S&P 500 TR Index, and the UBS Global Convertible Index at the return threshold of 0.167% monthly or 2% annually. At the 0.167% monthly return threshold the Equity Market-Neutral strategy posted a 2.4769 log Omega value, with the Convertible Arbitrage and Fixed Income Arbitrage strategies recording 1.0430 and 0.7208 log Omega readings, respectively. The Lehman Global Aggregate Bond TR, the MSCI World TR, the S&P 500 TR, and the UBS Global Convertible Indices showed 0.5314, 0.3570, 0.3418, and 0.4691 log Omega readings, respectively. Differently from an analysis merely based on the Sharpe ratio that makes reference to a single reading for the overall time period of the analysis, it is interesting to note how the relative ranking depended on the threshold value. For instance, the Fixed Income

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Arbitrage strategy versus the index was a typical case where, whatever the threshold return, the financial assets could be graded benefiting from the use of the log Omega function. Conversely, in the context of the Sharpe measure any ranking based on the reading for the overall period might have been ambiguous. Since the two functions for Hedge/Fixed Income Arbitrage and the Lehman Global Aggregate Bond TR Index intersected in the region between the minus 0.80405% and positive 0.4081% returns, the relative convenience of the two assets varied within and outside the given range. Given the polarization of the return distribution of the Equity Market-Neutral strategy within a narrow observation range in the absence of any outliers, any relative preference analysis of extreme returns is limited to the remaining relative-value hedge fund strategies.

**Figure 27 Hedge/Directional Strategies & Multi-Strategies Versus Market Indices, September 1995-May 2008**



Source: Lipper

In the period September 1995-May 2008 Hedge/Multi-Strategies provided the best investment choice among other directional hedge fund strategies and the MSCI Emerging Markets TR Index, the MSCI World TR Index, and the S&P 500 TR Index at the return threshold of 0.167% monthly or 2% annually. At the 0.167% monthly return threshold Hedge/Multi-Strategies posted a 1.4203 log Omega value, with Dedicated Short-Bias, Emerging Markets, Global Macro, Long/Short Equity, and Managed Futures recording minus 0.1124 and positive 0.4353, 0.9519, 0.7821, and

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0.3419 log Omega readings, respectively. The MSCI Emerging Markets TR, the MSCI World TR, and the S&P 500 TR Indices showed 0.3444, 0.3570, and 0.3418 log Omega readings, respectively.

The reading for the period analyzed also reflected the performance leverage of cycles of market downturn; the Dedicated Short-Bias, Long/Short Equity, and Managed Futures strategies were confirmed to be the best investment choices under the scenario of heavy market downfall as reflected in highly negative excess return.

The asymmetric properties of the distribution of returns of the various assets were consistent with the findings on relative investment convenience of the Dedicated Short-Bias strategy for extremely positive returns. This might have been attributable to the positive skewness bias with a slight leptokurtic shape of the distribution of returns of Dedicated Short-Bias compared to the other directional hedge fund strategies and the market indices, which showed either a lower positive or a negative skewness bias with a leptokurtic distribution.

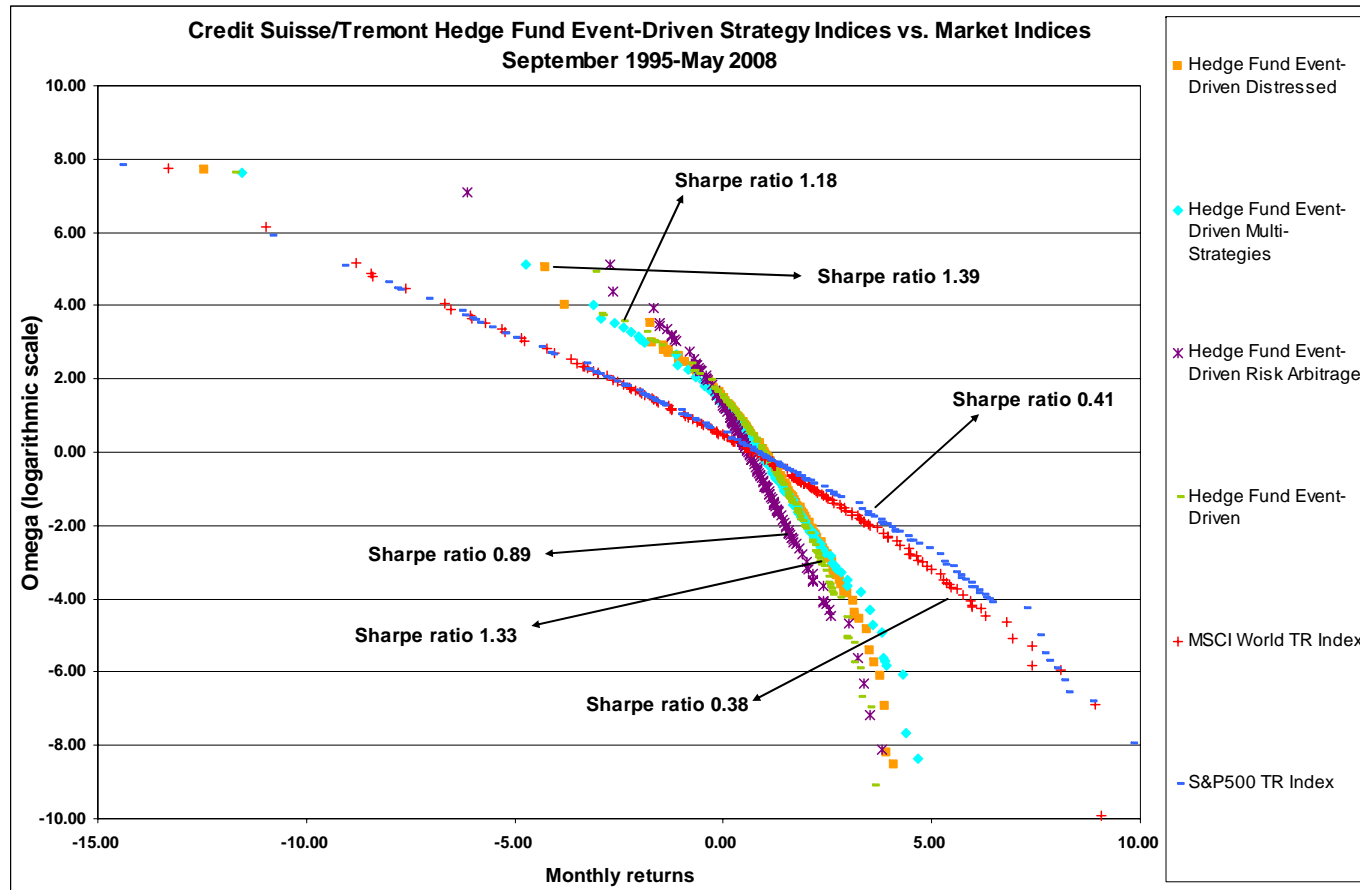
It is interesting to note that in this case, whatever the threshold return, the financial assets may be graded using the log Omega function. Conversely, in the context of the Sharpe measure, which was negative for the Dedicated Short-Bias strategy, any ranking based on negative values was ambiguous.

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Figure 28 Hedge/Event-Driven Strategies Versus Market Indices, September 1995-May 2008



Source: Lipper

In the period September 1995-May 2008 the Hedge/Event-Driven Distressed-Securities strategy provided the best investment choice among other event-driven hedge fund strategies and the MSCI World TR Index and the S&P 500 TR Index at the return threshold of 0.167% monthly or 2% annually. At the 0.167% monthly return threshold the Event-Driven Distressed-Securities strategy posted a 1.2425 log Omega value, with Event-Driven, Event-Driven Multi-Strategies, and Event-Driven Risk Arbitrage recording 1.2154, 1.0956, and 0.9411 log Omega readings, respectively. The MSCI World TR and the S&P 500 TR Indices showed 0.3570 and 0.3418 log Omega readings, respectively. It is interesting to note that all Event-Driven strategies showed a negatively skewed and highly leptokurtic distribution of returns with fat tails for the period analysed.

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## Top- and Bottom-Performing Hedge Funds

Table 3 Top-Ten Performing Hedge Funds, May 2008

Name	Lipper Global	Performance	Performance	Volatility
		TR USD 1M 30/04/2008 To 30/05/2008	TR USD 1Y 31/05/2007 To 30/05/2008	Ann TR USD 1Y 31/05/2007 To 30/05/2008
Blue Danube Fund - Futures Select A	Hedge/Managed Futures	85.37	142.22	84.00
Junior Energy	Hedge/Long/Short Equity	42.26	11.33	54.68
Maiden Capital Opportunity LP	Hedge/Event Driven	24.30	34.54	36.06
Coronation Global Equity Alternative Strategy USD	Hedge/Fund of Funds	21.36	23.72	22.08
Dejima Fund Ltd	Hedge/Fund of Funds	21.20	-61.35	97.01
Thunder Energy Partners LP	Hedge/Long/Short Equity	20.32	-41.11	58.74
Optima Opportunity Limited	Hedge/Emerging Markets	19.77	44.44	28.37
Aspen Ridge Partners LP	Hedge/Long/Short Equity	19.29	-3.66	74.57
Aspen Ridge Offshore Ltd	Hedge/Long/Short Equity	19.29	-6.50	72.37
Pukula YES Bond Yield Enhancement Program	Hedge/Managed Futures	18.30	-12.27	41.26

Source: Lipper

Table 4 Bottom-Ten Performing Hedge Funds, May 2008

Name	Lipper Global	Performance	Performance	Volatility
		TR USD 1M 30/04/2008 To 30/05/2008	TR USD 1Y 31/05/2007 To 30/05/2008	Ann TR USD 1Y 31/05/2007 To 30/05/2008
India Capital Limited	Hedge/Emerging Markets	-9.69	0.71	37.00
788 Japan	Hedge/Long/Short Equity	-9.79	-0.97	42.17
RAB Northwest Japan JPY	Hedge/Multi Strategies	-9.91	3.53	19.05
Tradewinds Ltd	Hedge/Long/Short Equity	-10.04	-10.81	16.89
Connective Capital II QP	Hedge/Dedicated Short Bias	-10.15	12.71	21.25
Boyer Allan India	Hedge/Emerging Markets	-10.48	-2.53	36.87
India Synthetic Warrant	Hedge/Emerging Markets	-10.73	-70.39	103.95
788 Global Asset Allocation	Hedge/Multi Strategies	-14.20	-4.55	35.59
788 China	Hedge/Emerging Markets	-15.94	-24.06	75.81
Blackhorse Enhanced Vietnam Inc	Hedge/Emerging Markets	-19.65	-42.68	28.27

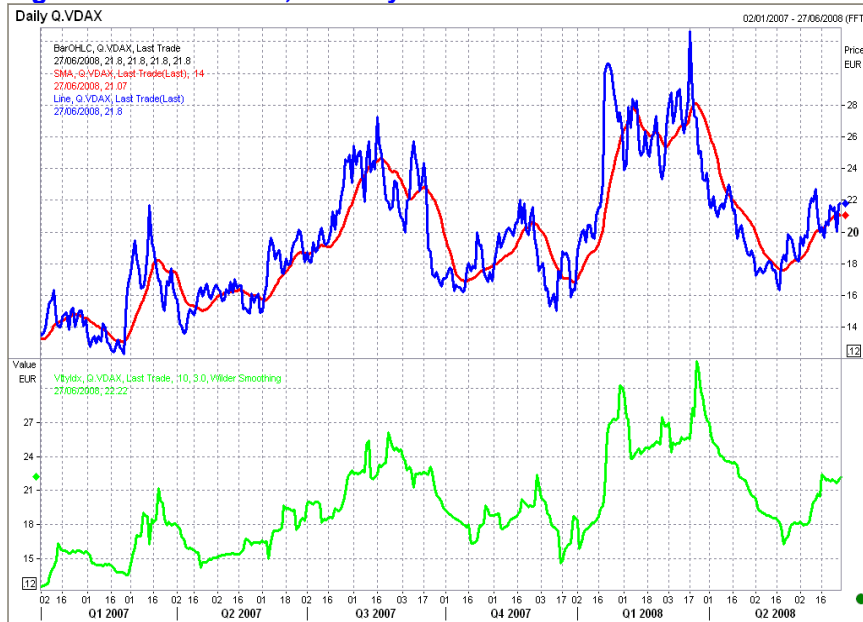
Source: Lipper



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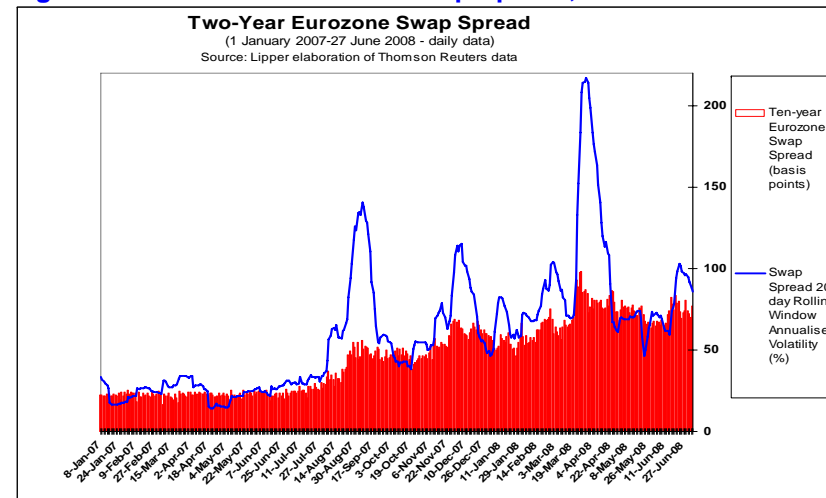
**Figure 30 VDax Index, January 2007-June 2008**



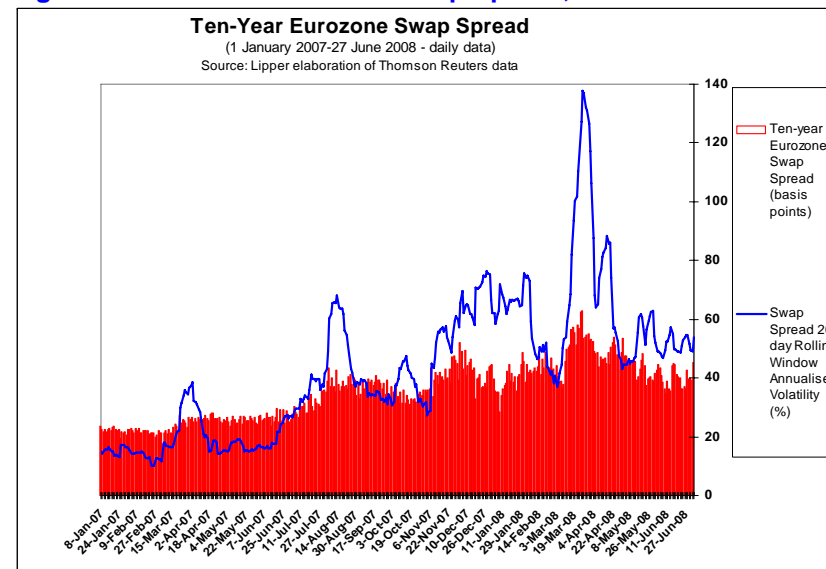
Source: Thomson Reuters

Confirming the pattern triggered by Mr. Trichet's comments on June 5, the Eurozone swap curve is expected to continue on an inverted pattern, remaining sensitive to a prolonged tightening bias of the ECB and conditioned by the Eurozone yield curve pattern. Although that might offer arbitrage opportunities, it can also create significant losses in steeper trades whenever underlying leverage is significant. On the other hand, the swap spreads and the level of the annualized 20-day rolling window volatility of the swap spread will continue to convey valuable information about the aggregated likelihood of default prevailing among market participants in the region.

**Figure 31 Two-Year Eurozone Swap Spread, 2007-2008**



**Figure 32 Ten-Year Eurozone Swap Spread, 2007-2008**



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The Global Macro strategy is among those favored, since a number of arbitrage opportunities exist across different asset classes. In the commodities market the strong investment demand that supported the price of gold in second half 2007 is expected to continue in the short term, since the gold price will continue to be sustained by a weakening U.S. dollar and low U.S. interest rates.

At the same time government bonds might be bound into sideways trading ranges, since commodity inflation-hedge assets, namely gold, rather than sovereign debt might benefit from flight-to-quality drivers.

Trading strategies in levered loans and distressed securities will continue offering arbitrage opportunities among Credit Focus and Event-Driven hedge fund strategies.

On the regulatory side, following some debate at a recent Securities Industry and Financial Markets Association conference on hedge funds and alternative investments (also in view of the arrest of two former Bear-Stearns hedge fund managers, Ralph Cioffi and Matthew Tannin, charged with securities fraud), it is anticipated that the upcoming U.S. presidential election will bring new proposals in the

U.S. Congress to regulate hedge funds. At the same time U.K. hedge fund managers have reacted angrily to the Financial Services Authority's new disclosure rule (which took effect recently) on the short-selling of stocks whose issuer is undergoing a rights issue.

The credit market-related crisis is expected to take its toll, since an additional US\$40 billion- to US\$60-billion loss in the nonagency subprime segment is expected to emerge in the next few months. The banking sector is expected to continue to be under pressure. Earnings and valuations in the U.S. corporate sector will suffer from write-downs and losses on illiquid holdings with long-term maturity profiles, indirectly originating in the subprime loans market, as banks withdraw support, following a loss of confidence in guarantees provided by bond insurers. Those factors appear to be ignored in the second quarter earnings estimates.

The deterioration of the housing market in Spain, Ireland, and the U.K. is impacting the performance of European CMBS and RMBS. In turn, that is expected to lead to more significant losses for the banks and a potential contagion effect on consumer ABS returns.

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## Appendix 1 Risk-Return Analysis per Hedge Fund Strategy and Selected Market Index (%)

Index Name	Performance	Performance	Performance	Performance	Performance	Volatility	Volatility	Volatility	Max Drawdown	Max Drawdown
	TR USD	TR USD	TR USD	TR USD	TR USD	Ann TR USD	Ann TR USD	Ann TR USD	TR USD	TR USD
	1M 30/04/2008 To 30/05/2008	5M 31/12/2007 To 30/05/2008	1Y 31/05/2007 To 30/05/2008	3Y 31/05/2005 To 30/05/2008	5Y 30/05/2003 To 30/05/2008	6M 30/11/2007 To 30/05/2008	1Y 31/05/2007 To 30/05/2008	3Y 31/05/2005 To 30/05/2008	1Y 31/05/2007 To 30/05/2008	3Y 31/05/2005 To 30/05/2008
VIX CBOE Market Volatility	-14.24	-20.76	36.63	34.16	-17.83	43.11	68.65	62.15	-32.82	-36.62
Credit Suisse/Tremont Hedge Fund Cnvt Arb	1.50	-5.22	-4.96	19.68	17.45	9.25	7.54	5.09	-9.37	-9.37
Credit Suisse/Tremont Hedge Fund Ded Sh Bs	0.86	2.69	12.62	4.67	-13.61	16.17	17.68	12.95	-8.36	-15.82
Credit Suisse/Tremont Hedge Fund ED Dstrs	1.50	-0.86	-0.62	34.90	80.49	3.86	4.08	3.77	-3.77	-3.77
Credit Suisse/Tremont Hedge Fund ED Mlt Strtgy	2.20	-1.11	3.39	41.44	77.85	7.04	7.32	5.94	-5.28	-5.28
Credit Suisse/Tremont Hedge Fund ED Rsk Arb	-0.18	3.52	7.32	25.23	40.47	3.12	4.34	3.36	-1.52	-1.52
Credit Suisse/Tremont Hedge Fund Emg Mkts	2.14	-1.99	9.82	61.02	117.90	8.12	9.97	8.42	-4.74	-5.15
Credit Suisse/Tremont Hedge Fund Eq Mkt Ntr	1.10	3.22	7.86	31.43	47.73	1.49	1.88	1.82	-0.39	-0.39
Credit Suisse/Tremont Hedge Fund Evnt Drvn	1.89	-0.97	1.91	38.18	78.04	5.69	5.91	4.79	-4.63	-4.63
Credit Suisse/Tremont Hedge Fund Fx Inc Arb	1.26	-3.65	-3.36	10.06	19.84	10.50	7.84	4.90	-7.04	-7.04
Credit Suisse/Tremont Hedge Fund Global Mac	1.80	7.08	17.83	52.17	83.72	9.20	7.46	5.10	-3.26	-3.26
Credit Suisse/Tremont Hedge Fund Ln/Sh Eq	2.91	0.86	4.93	45.31	76.92	9.56	8.52	6.87	-5.35	-5.35
Credit Suisse/Tremont Hedge Fund Mlt Strtgy	1.20	-2.12	-0.16	33.95	54.96	4.36	5.18	4.38	-5.30	-5.30
Credit Suisse/Tremont Hedge Fund Mngd Fut	1.44	9.60	11.49	31.89	34.22	11.15	12.94	10.91	-9.18	-9.18
Credit Suisse/Tremont Hedge Fund	2.00	0.52	4.90	38.58	63.91	5.71	6.04	4.76	-2.74	-2.74
Dow Jones Stoxx TMI TR	0.55	-3.96	-3.68	64.57	149.11	17.74	14.66	11.53	-15.17	-15.17
Gold Troy Ounce	1.69	6.01	34.35	113.54	144.83	22.67	18.71	16.29	-10.34	-10.34
WTI Crude Oil Index	12.28	35.77	89.85	155.19	398.72	18.37	62.33	42.09	-24.90	-26.32
JP Morgan EMBI+	0.12	1.82	5.37	29.21	61.45	1.87	4.76	5.10	-3.10	-4.44
Lehman Global Aggregate Bond TR	-1.11	3.44	12.30	17.83	31.66	6.57	5.25	4.80	-3.00	-3.74
Lipper Global Hedge/Convertible Arbitrage	0.79	0.06	-0.15	8.47	18.55	2.34	3.06	2.39	-2.17	-2.17
Lipper Global Hedge/CTA Commodity Tradng Adv	1.22	9.52	18.66	32.26	42.39	7.00	7.40	5.68	-2.42	-2.42
Lipper Global Hedge/Dedicated Short Bias	-2.92	0.11	4.44	-8.48	-23.74	19.99	16.90	11.27	-10.81	-18.79
Lipper Global Hedge/Emerging Markets	1.26	-3.42	7.04	34.90	100.61	10.20	9.42	7.61	-5.64	-5.64
Lipper Global Hedge/Equity Market Neutral	0.85	2.01	6.47	15.30	34.60	2.66	2.67	2.44	-0.88	-1.17
Lipper Global Hedge/Event Driven	1.10	-0.33	0.54	16.01	24.54	4.14	4.57	3.91	-3.60	-3.60
Lipper Global Hedge/Fixed Income Arbitrage	0.20	-0.20	3.14	9.97	26.13	1.83	2.88	2.38	-1.11	-1.21
Lipper Global Hedge/Global Macro	0.60	3.45	10.93	22.88	34.68	4.06	5.27	3.62	-1.13	-1.13
Lipper Global Hedge/Long Only	1.50	-2.53	1.79	16.52	42.50	9.99	9.13	6.58	-7.57	-7.57
Lipper Global Hedge/Long/Short Equity	1.35	-0.08	4.02	20.32	46.15	7.26	6.88	4.80	-5.19	-5.19
Lipper Global Hedge/Managed Futures	1.87	10.60	19.80	44.09	43.18	8.27	9.69	7.62	-4.36	-4.36
Lipper Global Hedge/Multi Strategies	0.68	2.10	7.41	23.48	43.58	3.58	4.66	4.07	-1.48	-1.82
Lipper Global Hedge/Options Arbitrage/Strat	1.65	-0.86	-0.11	10.91	29.80	8.10	7.19	4.97	-7.54	-7.54
Lipper Global Hedge/Other Hedge	0.89	2.36	7.16	22.53	49.77	3.81	4.45	3.89	-1.65	-1.65
MSCI Emerging Markets TR	1.88	-1.87	22.00	138.23	338.36	27.18	25.90	20.04	-18.36	-18.36
MSCI World TR	1.65	-2.50	-3.15	43.67	99.60	14.71	12.60	9.48	-13.73	-13.73
Reuters/Jefferies CRB CR	3.15	17.69	35.55	40.34	79.23	20.33	18.28	15.74	-6.27	-13.91
S&P 500 TR	1.30	-3.80	-6.70	24.46	59.41	12.93	11.34	8.80	-13.83	-13.83
UBS Global Convertible	0.61	-0.51	2.44	38.72	59.21	8.57	8.70	6.46	-8.09	-8.09

Source: Lipper

# Lipper Hedge Funds Insight Report

Global Hedge Funds Summary – June 2008



## Appendix 2 Correlation of Hedge Fund Indices With Market Indices

Index Name	Correlation TR USD BM: VIX CBOE Mkt Volatility USD 1Y 31/05/2007 To 30/05/2008	Correlation TR USD BM: VIX CBOE Mkt Volatility USD 3Y 31/05/2005 To 30/05/2008	Correlation TR USD BM: WTI Crude Oil Index 1Y 31/05/2007 To 30/05/2008	Correlation TR USD BM: WTI Crude Oil Index 3Y 31/05/2005 To 30/05/2008	Correlation TR USD BM: MSCI World TR USD 1Y 31/05/2007 To 30/05/2008	Correlation TR USD BM: MSCI World TR USD 3Y 31/05/2005 To 30/05/2008	Correlation TR USD BM: Lehman Global Aggregate Bond TR 1Y 31/05/2007 To 30/05/2008	Correlation TR USD BM: Lehman Global Aggregate Bond TR 3Y 31/05/2005 To 30/05/2008	Correlation TR USD BM: JP Morgan EMBI+ 1Y 31/05/2007 To 30/05/2008	Correlation TR USD BM: JP Morgan EMBI+ 3Y 31/05/2005 To 30/05/2008
Credit Suisse/Tremont Hedge Fund Cnvt Arb	-0.29	-0.16	-0.24	-0.18	0.47	0.50	-0.37	-0.29	0.38	0.23
Credit Suisse/Tremont Hedge Fund Ded Sh Bs	0.77	0.54	0.43	0.27	-0.84	-0.79	0.49	0.17	-0.58	-0.31
Credit Suisse/Tremont Hedge Fund ED Dstrss	-0.37	-0.33	-0.25	-0.15	0.69	0.75	-0.45	-0.30	0.10	0.11
Credit Suisse/Tremont Hedge Fund ED Mlt Strtgy	-0.21	-0.29	-0.34	-0.14	0.66	0.70	-0.30	-0.15	0.19	0.17
Credit Suisse/Tremont Hedge Fund ED Rsk Arb	-0.46	-0.28	-0.35	-0.04	0.58	0.51	0.29	0.37	0.49	0.37
Credit Suisse/Tremont Hedge Fund Emg Mkts	-0.17	-0.30	-0.33	-0.06	0.59	0.69	-0.14	-0.01	0.23	0.46
Credit Suisse/Tremont Hedge Fund Eq Mkt Ntr	-0.20	0.05	-0.17	0.10	0.27	0.25	0.09	0.15	0.25	0.01
Credit Suisse/Tremont Hedge Fund Evt Drvn	-0.26	-0.31	-0.33	-0.15	0.68	0.75	-0.34	-0.20	0.18	0.17
Credit Suisse/Tremont Hedge Fund Fx Inc Arb	-0.30	-0.09	-0.05	0.01	0.35	0.37	-0.40	-0.16	0.33	0.13
Credit Suisse/Tremont Hedge Fund Global Macro	0.00	-0.07	-0.27	-0.06	-0.15	0.09	0.38	0.25	0.18	0.17
Credit Suisse/Tremont Hedge Fund Ln/Sh Eq	-0.56	-0.49	-0.23	-0.04	0.86	0.89	-0.44	-0.19	0.35	0.34
Credit Suisse/Tremont Hedge Fund Mlt Strtgy	-0.37	-0.32	-0.37	-0.17	0.74	0.79	-0.30	-0.21	0.40	0.25
Credit Suisse/Tremont Hedge Fund Mngd Fut	-0.25	-0.40	-0.21	-0.12	0.05	0.30	0.18	-0.07	0.12	-0.05
Credit Suisse/Tremont Hedge Fund	-0.39	-0.40	-0.31	-0.10	0.66	0.78	-0.26	-0.14	0.31	0.28
Lipper Global Hedge Long Only	-0.39	-0.30	-0.13	0.00	0.82	0.80	-0.33	-0.08	0.16	0.17
Lipper Global Hedge Options Arbitrage/Strtgy	-0.73	-0.59	-0.28	-0.20	0.98	0.90	-0.53	-0.22	0.46	0.34

Source: Lipper

# Lipper Hedge Funds Insight Report

Global Hedge Funds Summary – June 2008



## Appendix 2 Correlation of Hedge Fund Indices With Market Indices (Continued)

Index Name	Correlation	Correlation	Correlation	Correlation	Correlation	Correlation	Correlation	Correlation	Correlation	Correlation
	TR USD BM: MSCI Emerging Mkts TR USD 1Y 31/05/2007 To 30/05/2008	TR USD BM: MSCI Emerging Mkts TR USD 3Y 31/05/2005 To 30/05/2008	TR USD BM: S&P 500 TR 1Y 31/05/2007 To 30/05/2008	TR USD BM: S&P 500 TR 3Y 31/05/2005 To 30/05/2008	TR USD BM: Dow Jones Stoxx TMI USD 1Y 31/05/2007 To 30/05/2008	TR USD BM: Dow Jones Stoxx TMI USD 3Y 31/05/2005 To 30/05/2008	TR USD BM: UBS Global Convertible 1Y 31/05/2007 To 30/05/2008	TR USD BM: UBS Global Convertible 3Y 31/05/2005 To 30/05/2008	TR USD BM: CRB 1Y 31/05/2007 To 30/05/2008	TR USD BM: CRB 3Y 31/05/2005 To 30/05/2008
Credit Suisse/Tremont Hedge Fund Cnvt Arb	0.56	0.45	0.41	0.43	0.31	0.43	0.65	0.63	0.62	0.27
Credit Suisse/Tremont Hedge Fund Ded Sh Bs	-0.70	-0.66	-0.83	-0.77	-0.71	-0.70	-0.85	-0.80	-0.53	-0.30
Credit Suisse/Tremont Hedge Fund ED Dstrs	0.81	0.65	0.51	0.61	0.70	0.75	0.76	0.76	0.61	0.26
Credit Suisse/Tremont Hedge Fund ED Mlt Strtgy	0.89	0.77	0.45	0.56	0.69	0.70	0.75	0.78	0.66	0.42
Credit Suisse/Tremont Hedge Fund ED Rsk Arb	0.60	0.55	0.45	0.38	0.65	0.58	0.70	0.65	0.40	0.40
Credit Suisse/Tremont Hedge Fund Emg Mkts	0.86	0.90	0.38	0.48	0.62	0.71	0.75	0.77	0.70	0.50
Credit Suisse/Tremont Hedge Fund Eq Mkt Ntr	0.48	0.32	0.06	0.04	0.32	0.39	0.49	0.43	0.71	0.51
Credit Suisse/Tremont Hedge Fund Evnt Drvn	0.89	0.77	0.48	0.60	0.71	0.75	0.78	0.81	0.66	0.40
Credit Suisse/Tremont Hedge Fund Fx Inc Arb	0.41	0.33	0.32	0.30	0.18	0.30	0.53	0.53	0.62	0.43
Credit Suisse/Tremont Hedge Fund Global Macro	0.16	0.38	-0.29	-0.06	-0.15	0.11	0.13	0.32	0.69	0.61
Credit Suisse/Tremont Hedge Fund Ln/Sh Eq	0.90	0.89	0.68	0.71	0.86	0.88	0.90	0.90	0.64	0.46
Credit Suisse/Tremont Hedge Fund Mlt Strtgy	0.83	0.74	0.59	0.64	0.72	0.77	0.86	0.85	0.58	0.35
Credit Suisse/Tremont Hedge Fund Mngd Fut	0.20	0.36	-0.12	0.23	0.12	0.28	0.27	0.36	0.61	0.29
Credit Suisse/Tremont Hedge Fund	0.84	0.85	0.46	0.59	0.67	0.78	0.81	0.86	0.77	0.52
Lipper Global Hedge Long Only	0.96	0.84	0.60	0.62	0.88	0.83	0.87	0.85	0.60	0.40
Lipper Global Hedge Options Arbitrage/Strtgy	0.79	0.71	0.94	0.87	0.92	0.84	0.90	0.84	0.28	0.14

Source: Lipper

# Lipper Hedge Funds Insight Report

Global Hedge Funds Summary – June 2008



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