BARCLAY MANAGED FUNDS REPORT

Published by BarclayHedge, Ltd. ■ 800-338-2827 or 641-472-3456

VOLUME 22, NUMBER 4 4th QUARTER 2010

BARCLAY ROUNDTABLE

Global M&A Activity Up 25% Over Same Period in 2009

Hedge Funds See Opportunity as SWFs, PE Funds and Corporations Seek Acquisitions

Take a healthy dose of government stimulus, corporate balance sheet deleveraging, and a revived trend of corporate profit growth, and before long corporations find themselves flush with cash. Add to that a hoard of cash that is sitting idly in private equity funds and increasing interest from sovereign wealth funds in corporate acquisitions. Put it all together and you may very well have the necessary conditions in place for a merger wave.

So far in 2010 corporations have been putting cash to good work by increasing dividends, repurchasing stock, improving technology, and restocking inventory. No mode of cash utilization, however, has been as intriguing and buzzed about by Wall Street and Main Street more than the increased trend in merger and acquisition activity in 2010. Mergermarket reports that global M&A activity for the first three quarters of 2010 totaled $1.4 trillion, up 25% from the same period in 2009. And according to *The Economist*, global M&A grew by 40% and 43% in the first two years of recovery after the 2000-01 recession.

This phenomenon has not gone unnoticed by the hedge fund community. Multi-strategy and event-driven managers have increased their activity in the space while a flurry of new funds has also launched to capitalize on the opportunity set. In order to discuss the recent trends in M&A activity and explore the investment landscape for merger arbitrageurs, we've assembled a panel of expert practitioners in the field. Our panelists are:

Drew Figdor, TIG Advisors, LLC. Mr. Figdor joined TIG in 1986 as a senior arbitrage analyst and was appointed General Partner in 1990. He became the manager of the fund in 1993. Prior to his graduate work, Mr. Figdor worked for Gulf & Western in the strategic planning department (1984-1985). He was a financial analyst for Paine Webber from 1983 to 1984. Mr. Figdor earned a Bachelor of Arts from the University of Connecticut and earned a Master in Business Administration in Finance from New York University's Stern School of Business.

Jeff O'Brien, Highland Capital Management. Jeff O'Brien has been a merger arbitrageur for over fifteen years and is the founder and managing member of Highland Capital Management L.P. Over the life of the fund, Mr. O'Brien has guided Highland to a 15.7% compounded rate of return with only eight losing months.

Jonathan Spitzer, First Eagle Investment Management, LLC. Mr. Spitzer has been a merger arbitrage, event-driven, and special situations investor for the past 11 years. His arbitrage career began at Arnhold and S. Bleichroeder Advisers, LLC where he joined the Merger Arbitrage Group in 1999 as the junior analyst. In 2005, Jonathan was named Co-Portfolio Manager of the group, a position which he continues to hold today. The name of the firm was

INSIDE:

- **Roundtable Discussion** *Pages 1-5, 19*
- **The Top 20 CTAs, Past 5 and 3 Years** *Pages 6-7*
- **The Top 20 CTAs of 2010** *Page 8*
- **Hedge Fund Rankings** *Pages 9-15*
- **Fund Review - Kawa Capital Management - Kawa Fund** *Pages 16-18*

Past results are not necessarily indicative of future results. An investment in commodity futures and options involves the risk of loss. Please read the important disclosure on page 19.

changed in 2009 to First Eagle Investment Management, LLC.

Q: Over the past several years regulators have attempted to level the playing field for information flow that traditionally has been advantageous to experienced and well-connected merger arbitrageurs. How has this regulation of information flow impacted deal spreads and the overall opportunity set for merger arbitrageurs? In your opinion, what areas of regulation are the most appropriate? Conversely, what facets have been over-regulated to the detriment of all market participants?

Figdor: Regulatory changes over the past few years have changed how information flows in the merger arbitrage business, but it hasn't been to the detriment of merger arbitrage players. Companies involved in deals are more careful about disclosing the critical details of their transactions in in the press release, which allows deep-research arbitrage funds to focus their time on learning critical legal, regulatory, and industry information rather than chasing down basic transaction details in a new deal announcement. These areas have been a source of enduring competitive advantage to us. We build our informational advantage by creating a mosaic of information from a wide variety of sources such as industry participants, contacts from comparable deals we worked on in the past, large shareholders of the companies, and outside experts who we retain to provide us with expertise in a subject. Inasmuch as regulatory changes have taken players whose informational edge has been eliminated by new regulations out of the marketplace, we believe it has provided us with an advantage.

O'Brien: Our feeling is that Regulation FD has not had an effect on merger spreads. Deals are still priced off of risk and reward and, to a lesser extent, supply of investable opportunities in the space as well as the amount of capital allocated to invest.

While it is a worthy goal of regulators to prevent the release of selective disclosure, Regulation FD has in many instances had the effect of chilling information release. For example, when a company receives HSR antitrust approval or receives a second request, it treats their disclosure differently. Some will put out a press release while others will deem this as not material. There should be better guidance from the SEC in this regard as the application of Reg FD can be very uneven.

Drew Figdor
TIG Advisors, LLC

"We build our informational advantage by creating a mosaic of information from a wide variety of sources ..."

Spitzer: The starting point for any investment we make is, and has always been, the public announcement of a corporate action. Research is the cornerstone of our investment process and with our experience, fundamental approach, and careful analysis of public filings, we believe that we have the ability to digest and quickly react to incremental news flow. We often say that our edge is the result of being very careful and highly experienced readers.

In that context, any move by regulators to level the playing field and create greater transparency is welcome. We repeatedly find that upon our scrutiny of the minute details of a particular public filing, we develop a view of the situation that may be contrarian compared to the market reaction. In fact, one of our preferred jurisdictions, the United Kingdom, where takeovers and takeover disclosure are closely regulated by the Takeover Panel, has one of the most transparent regimes in the world and has provided us with a fertile climate for investment.

Q: Over the past few years a number of merger-related mutual funds and exchange-traded funds have come to market in order to provide retail investors with access to this strategy. How has this new investor base impacted deal spreads and other factors across the opportunity set that has historically been dominated by hedge funds and proprietary trading desks? To what extent has the shuttering of bank proprietary trading desks offset the flows from retail investors. In your opinion, what are the negative aspects of this participant shift?

Figdor: In general more capital pursuing almost any strategy compress returns, and merger arbitrage is fundamentally no different. However, the asymmetric risk profile inherent in the merger arbitrage strategy (i.e., a typical situation offers one dollar of upside for every five dollars of downside in the event that a transaction fail) leads to cycles where capital formation and destruction can occur very rapidly and have long lasting effects. Moreover, this same asymmetric risk profile is a barrier to entry for many fund managers who don't necessarily have the same experience and resources of other long-established participants in the strategy. The last few years have provided good examples of these realities as we have seen a large exit of bank proprietary capital from the space, and in large part, it has neither returned nor is it expected to do so with the introduction of new rules on banks. With regard to mutual funds and exchange-traded funds, we can't quantify the effects that they have had on deal spreads over time, but it is not a new phenomenon as at least one mutual fund in the space came into existence in the late 1980s. More importantly, our view is that in the risk arbitrage business, active management paired with deep fundamental research is critical to successfully managing money over the long term. As such, the introduction of exchange-traded funds has been a positive development for our business as they can help provide the market with enhanced liquidity when actively managed funds are not interested in owning risk at the market price.

O'Brien: The new ETFs have had zero impact on the sector. None of them have achieved any sort of critical mass to impact deal spreads, and they certainly have not come anywhere near making up for the amount of capital that has left the space via bank desk and fund closures. The amount of capital that has left the space dwarfs the amount of capital that has entered via exchange traded products.

Spitzer: We have noted many situations in recent years where we would expect a typical risk arbitrage rate-of-return spread to develop, that instead take on a highly speculative trading pattern, where a better outcome than the deal on the table is anticipated. We believe this "non-arb" capital is the product of large hedge funds and proprietary trading desks who dabble in risk arbitrage names when they perceive opportunity. However, these participants do not have the rate-of-return discipline of arbitrageurs and therefore swing prices much more on sentiment surrounding better outcomes. This often occurs in target companies with strong industry-specific followings, such as fertilizer or healthcare. While this capital can prove frustrating in that the rate-of-return trade can often appear unavailable once these parties enter, it also creates opportunities from mispricings that these participants perpetuate but do not necessarily sustain.

Jeff O'Brien
Highland Capital Management

"... in the current environment the quality of deals is much higher and valuations less stretched."

Q: Historically merger arbitrage managers have shied away from rumor deals or deals with clearly identifiable hurdles such as financing, cultural, or regulatory risks. To what extent has a lower level of deal spreads over the past few years caused managers to go further out on the risk spectrum in order to garner better returns? In the current environment, what are the most prevalent deal risks? Explain how the current economic and business environment may impact the government's view on potential oligopoly/monopoly.

Figdor: While we typically avoid rumored deals in favor of announced M&A or announced up for sale transactions, we have never avoided "deal risk" such as financing or regulatory risk so long as we are being compensated for it by the size of the deal spread and its risk/reward dynamics. Our focus is on using deep research to separate these complicated situations with attractive opportunities from the deals that won't get done. Moreover, we use that research to find zero to thirty day trades within the merger process that expose us to events that offer an attractive risk/reward balance. As to the current administration's antitrust policy, we have yet to see a major test of its approach to antitrust aside from the Live Nation/Ticketmaster case, where most of the groundwork to the approval was laid during the Bush administration. However, our long experience in this industry has suggested that unpredictable antitrust authorities are a good thing for arbitrage funds, as the result is significantly wider deal spreads. One extreme example was the GE/Honeywell deal; ten years after that decision, deals that have risk related to the EC regulatory review process continue to trade at wider spreads than deals with American antitrust risk. Losses that arbitrageurs took on Honeywell have been made back many times over in the subsequent years on excess spreads in EC-risked transactions.

O'Brien: This really depends upon the environment. In 2007 and 2008, there were a tremendous amount of large private equity deals with huge spreads. The envelope was being pushed on many of those deals in terms of coverage, and when the macro environment turned, many of those deals broke. Conversely, in the current environment the quality of deals is much higher and valuations less stretched. This creates a tighter spread environment but with a higher deal closure rate.

In the announced universe that we have seen over the last eighteen months, the most prevalent deal risk has been corporate fundamentals. And with the market and economy on an upswing even this risk seems to have been muted.

How the current economic and business environment may impact the government's view on potential oligopoly/monopoly is hard to gauge. The current Administration has not had very many opportunities to demonstrate its views on anti-trust. On balance we would expect deals that push the envelope to face a higher level of scrutiny and require greater divestitures to receive approval.

Spitzer: The migration of risk arbitrageurs into other styles dates to the bursting of the technology stock bubble in March 2000. Many managers at that point moved into distressed securities or various types of special situations investing. With the strong merger markets in the 2005-2007 period, the rise of event-driven specialists who dabbled in risk arbitrage but who also trafficked mainly in the higher risk and potentially higher reward situations came to prominence with large amounts of capital at their disposal. These participants were quiet after the post-Lehman deleveraging, but have recently had a resurgence. Such players create distortions in the classic risk arbitrage space, as more speculative trading patterns often develop in target company stocks once the "event" capital has descended upon the situation. As stated above, this creates opportunities as well as offering new challenges.

Jonathan Spitzer
First Eagle Investment Management, LLC

"Compared to the last merger boom, acquirers today tend to be strategic rather than private equity."

In the present environment, the hangover of the financial crisis has led to more and better due diligence on the part of acquiring companies as well as much more secure financing arrangements and commitments. Compared to the last merger boom, acquirers today tend to be strategic rather than private equity. Merger agreements tend to have explicit commitments surrounding financing and the obligations to close, unlike the open and buyer friendly agreements prevalent in the last wave. Presently it appears that target companies prefer limited auctions and certainty of close, even if this means only achieving a fair price rather than the full auctions and full prices achieved in the 2005-2007 era. This creates opportunities such as the 3PAR Inc. situation, where a vigorous auction developed after the definitive deal was announced. With regards to antitrust regulation, risks are greater with the Obama Department of Justice and Federal Trade Commission than they were in the Bush era. While outright blocks have proved rare, lengthy reviews and delays have become prevalent. Outside of the US, ad hoc changes such as Australia's imposition of an onerous mining tax have had a negative impact on deal activity.

Q: In the wake of the current economic environment a number of high quality businesses are attractively valued to the point where acquisition opportunities appear abundant. Tighter credit standards and the need for potential acquirers to clean up their own balance sheets, however, seem to have moderated deal flow. In your estimation, what is the current time frame for the economic and credit cycles to optimally align for increased deal flow? How indicative is some of the recent activity (HP/3Par, BHP/Potash) of a new "merger mania", and to what extent is the trend sustainable? What factors remain in the current environment that may continue to challenge deal flow?

Figdor: In our view there has been a substantial balance sheet cleanup across many industries with overall cash balances of many companies at or near record highs. Liquidity related problems were an issue in 2009, but we believe CEOs considering deals today are focused on two key dynamics, namely: 1) a low-interest rate environment for the intermediate term and; 2) challenges growing revenue in an environment where GDP growth forecasts for most developed nations are muted. CEOs looking at this backdrop see strategic and synergistic M&A as one of the best solutions to growing earnings despite a slow growth economy. It's hard to say whether these dynamics will lead to the level of activity we experienced in the 2006-2007 period, but volumes are certainly trending higher in recent quarters. In our view, a major correction in the market would reduce deal activity as CEOs would be forced to reassess the environment. But unless there is a change in the two fundamental trends mentioned above, the next few years are likely to see a healthy level of strategic M&A. Additionally, private equity funds continue to sit on substantial amounts of uninvested capital that they would prefer not to return to their investors. This factor combined with an environment where yield-starved fixed income investors seek out sub-investment grade exposure is a good environment for LBOs and, to that end, we have been seeing a significant pickup in LBO activity over the last six months. As for the BHP bid for Potash, we view it as fairly characteristic of the types of opportunistic deals we expect to see more and more of over the coming quarters.

O'Brien: We think they are optimally aligned now. Companies have had ample time to work their way out of over-levered situations while strong companies have only made their balance sheets more fortress like. With several trillion dollars in cash and top line growth at a premium, we believe that all the conditions are present for a sustainable upswing in deal flow.

The 3PAR merger was an outlier in terms of the aggressiveness of the bidding and the multiples paid. That does not however preclude additional deal flow and third party overbids that pay an arbitrageur well. We love to see the hostile bids as this shows confidence in the acquirer's own business along with a mindset that shows willingness to do some empire building. This is extremely healthy for additional deal flow as it seems to be a contagious attitude.

The single largest factor inhibiting deal flow is confidence in what is going to come out of Washington. After November 2nd we should start to get more clarity on regulation and tax policy and this should make for a very good 2011.

Spitzer: The third quarter of 2010 appears to have been the most active deal climate in two years. This is true across industries, geographies, and deal types. The large cross-border hostile deals such as the $43 billion bid for Potash by BHP and the $18 billion bid for Genzyme by Sanofi are evidence, we believe, that we have reached a new upswing.

Is it sustainable? In our view, after hoarding cash for several years and facing an environment of weak growth in developed markets, corporate boards are opting for acquisitions to eliminate competitors (e.g., Hertz and Avis actively competing to acquire Dollar Thrifty), to bring their cost-cutting skills to bear on other operations that may not be as well managed (e.g., Alfa Laval's hostile bid for cross-town industrial company Munters), and for entry into future markets (e.g., Intel's purchase of MacAfee). Stock prices continue to appear reasonable, and the financing environment is very supportive for acquirers with both the bank financing market available and the high-yield bond markets open. In our view, this situation is likely to perpetuate absent a shock that impacts financing markets and board confidence.

Q: Given the loss of proprietary trading revenue from banks, per the Volcker Rule, the revenue from merger and acquisition advisory has become increasingly important to the bottom line. Please explain the potential risks to the entire financial system of investment banks driving deal flow for revenue generation purposes at the expense of long-term deal quality. To what extent has the increase in the number and asset size of activist investors driven merger and acquisition activity? Please compare and contrast the motives and "goodness of fit" of investment banks versus activist hedge fund managers in the merger and acquisition process.

Figdor: Investment banks profit handsomely from M&A advisory fees, and they certainly act as a driving force to get deals done. However this is not a new development and we do not believe it poses any systemic risks. As for shareholder activism in general, we view it very positively for both the merger arbitrage strategy and our business. Shareholder activism is a force that has transformed M&A over the past few years, but not in the way that the media typically focuses on. "Noisy" activists have affected a few transactions such as Charles River Laboratories' failed acquisition of WuXi Pharmatech, which was voted down by Charles River shareholders after a campaign against the deal, but these situations are largely outnumbered by transactions affected by

Continued on page 19

Top 20 CTA Performers Past Five Years

For the period from 10/1/2005 to 9/30/2010. Includes only CTAs managing at least $10 million as of 9/30/2010

	TRADING ADVISORS	5-YR COMP. ANNUAL RETURN	SHARPE RATIO	LARGEST DRAW-DOWN	% WINNING MONTHS	BEST 12-MO. PERIOD	WORST 12-MO. PERIOD	ASSETS UNDER MGMT. ($)
1	Essentia Fund SPC (Managed Accounts)	43.48%	1.30	24.15%	76.66%	107%	6%	108.8M
2	Vegasoul Capital Mgmt	42.56%	2.88	6.88%	78.33%	89%	1%	222.6M
3	Two Sigma (Enhanced Compass)	37.19%	2.04	10.88%	70.00%	78%	0%	1670.0M
4	Di Tomasso Group (Equilibrium)	36.59%	1.47	26.13%	68.33%	76%	-26%	85.7M
5	Pere Trading Group	36.43%	0.50	60.72%	60.00%	570%	-50%	11.3M
6	Commodity Fut. Services (IPATS)	35.49%	1.03	27.84%	63.33%	135%	-22%	22.2M
7	Quantitative Invest. Mgmt (Gl. 3X)	35.28%	1.13	30.21%	66.66%	126%	-26%	286.0M
8	24FX Management Ltd	31.21%	1.60	19.28%	81.66%	55%	2%	40.8M
9	Scully Capital Mgmt. (Mistral)	29.50%	1.14	21.26%	58.33%	79%	-9%	21.5M
10	Dighton (Aggressive)	28.43%	0.53	44.32%	63.33%	226%	-44%	250.0M
11	Aisling Analytics (Merchant Comm.)	26.80%	1.06	26.05%	65.00%	66%	-20%	1267.0M
12	Beechdale Capital (Gamma Traders)	25.89%	0.70	14.88%	71.66%	124%	-9%	10.4M
13	Tactical Invest. Mgmt. (Inst'l)	25.25%	0.78	22.23%	50.00%	52%	-16%	47.0M
14	Saxon Invest. Corp. (Aggress. Divers)	24.70%	1.21	20.07%	68.33%	98%	-20%	70.8M
15	Belvedere Advisors (Futures Fund)	24.64%	1.25	14.55%	68.33%	86%	3%	1000.0M
16	Quicksilver Trading, Inc.	23.83%	0.74	24.58%	63.33%	73%	-20%	220.3M
17	Hawksbill Capital Mgmt. (Gl. Divers.)	23.70%	0.63	24.66%	56.66%	103%	-22%	77.8M
18	Int'l Standard Asset Mgmt (Systematic)	23.20%	1.02	13.59%	65.00%	78%	-8%	190.0M
19	Scully Capital Mgmt. (Poniente)	21.63%	0.78	24.04%	58.33%	93%	-20%	17.5M
20	Danix Capital (A3)	21.46%	0.79	25.90%	56.66%	74%	-3%	79.0M

DEFINITION OF TERMS USED IN THE PERFORMANCE TABLES

Compound Annual Return. This is the rate of return which, if compounded over the number of years covered by the performance history, would yield the cumulative gain or loss actually achieved by the CTA during that period.

Sharpe Ratio. The Sharpe Ratio is equal to the compound annual rate of return minus rate of return on a risk-free investment divided by the annualized monthly standard deviation.

Largest Drawdown is the largest loss of equity from a peak to a valley in a single month or period of consecutive months during the past five years (three years for the 3-Year Table).

% of Winning Months. This is the percentage of months during the past five years (three years for the 3-Year Table) in which the CTA achieved a profit for the month.

Best /Worst 12-Month Period. These figures indicate the best and worst consecutive 12-month rates of return achieved by the CTA during the past five years (three years for the 3-Year Table).

Top 20 CTA Performers Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only CTAs managing at least $5 million as of 9/30/2010

	TRADING ADVISORS	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	LARGEST DRAW-DOWN	% WINNING MONTHS	BEST 12-MO. PERIOD	WORST 12-MO. PERIOD	ASSETS UNDER MGMT. ($)
1	eStats Funds Mgmt (Composite)	111.35%	3.02	26.52%	72.22%	264%	28%	5.9M
2	Tactical Wealth Advisors	63.04%	0.81	28.22%	69.44%	323%	-1%	30.9M
3	Edge Inv Mgmt (Gl Diversified)	59.63%	1.92	16.01%	72.22%	205%	-6%	9.3M
4	Pere Trading Group	48.79%	0.57	60.72%	61.11%	570%	-50%	11.3M
5	van Essen, Emil (EVE-High)	46.90%	1.83	7.30%	75.00%	116%	11%	169.5M
6	eStats Funds Mgmt (Delev.)	46.80%	2.61	13.88%	72.22%	94%	14%	11.9M
7	Two Sigma (Enhanced Compass)	41.70%	2.81	7.08%	69.44%	78%	0%	1670.0M
8	RAM Mgmt.Group (MRTP Aggressive)	40.45%	1.06	29.70%	55.55%	134%	-16%	5.1M
9	van Essen, Emil (EVE-Low)	39.91%	1.54	7.30%	63.88%	106%	2%	25.7M
10	Vegasoul Capital Mgmt	39.89%	3.36	3.86%	83.33%	79%	16%	222.6M
11	Commodity Fut. Services (IPATS)	39.72%	1.28	27.84%	63.88%	135%	-22%	22.2M
12	EG Systems (Prop. Arbitrage)	38.39%	1.13	51.02%	77.77%	83%	-21%	7.0M
13	Essentia Fund SPC (Managed Accounts)	36.59%	1.20	22.41%	72.22%	86%	6%	108.8M
14	Quicksilver Trading, Inc.	34.61%	1.03	22.39%	69.44%	73%	5%	220.3M
15	Angle, Kelly Inc. (Genesis)	34.61%	0.84	23.92%	66.66%	128%	-19%	19.1M
16	Pixley Capital Management	33.40%	1.27	18.85%	69.44%	99%	0%	9.0M
17	Int'l Standard Asset Mgmt (Systematic)	33.36%	1.48	11.16%	69.44%	78%	8%	190.0M
18	24FX Management Ltd	32.20%	1.42	19.28%	75.00%	55%	2%	40.8M
19	Beechdale Capital (Gamma Traders)	32.15%	0.75	7.57%	66.66%	124%	-5%	10.4M
20	Hawksbill Capital Mgmt. (Gl. Divers.)	31.93%	1.00	24.66%	63.88%	103%	-15%	77.8M

NOTE: Past results are not necessarily indicative of future results. Trading in commodity futures and options is speculative in nature and involves the risk of loss of one's entire investment or more. Prior to investing with any CTA, please read carefully the CTA's disclosure document.

Top 20 CTA Performers 2010

For the period from 1/1/2010 to 9/30/2010. Includes only CTAs managing at least $1 million as of 9/30/2010*

	TRADING ADVISORS	2010 YTD RETURN	SHARPE RATIO	LARGEST DRAW-DOWN	STARTING DATE	BEST 12-MO. PERIOD	WORST 12-MO. PERIOD	ASSETS UNDER MGMT. ($)
1	Global Invest. Mgmt (High Frequency)	95.14%	4.41	11.40%	Aug-09	132%	103%	15.6M
2	D2W Capital Mgmt (Radical Wealth)	61.82%	1.58	35.10%	Apr-06	205%	-1%	1.0M
3	Blue Fin Capital (Compact Omega)	58.61%	2.58	6.11%	Sep-09	79%	71%	3.4M
4	Level III Management	58.43%	0.38	58.25%	Aug-07	169%	-8%	1.8M
5	Friedberg Comm. Mgmt. (Curr.)	56.79%	0.05	55.66%	Jan-86	87%	-51%	79.2M
6	Global Ag	48.66%	1.70	15.52%	Dec-08	51%	5%	48.2M
7	RAM Mgmt.Group (MRTP Aggressive)	48.20%	0.86	36.08%	Feb-98	150%	-24%	5.1M
8	EG Systems (Prop. Arbitrage)	45.87%	2.21	51.02%	Jun-06	302%	-21%	7.0M
9	Global Invest. Mgmt (Global Divers.)	45.38%	2.56	6.41%	Aug-09	68%	38%	5.5M
10	Hawksbill Capital Mgmt. (Gl. Divers.)	43.65%	0.63	24.66%	Nov-88	103%	-22%	77.8M
11	Two Sigma (Enhanced Compass)	42.54%	2.04	10.88%	Jan-05	78%	0%	1670.0M
12	Index Asset Mgmt AG (Global II)	41.00%	0.11	70.25%	Mar-08	193%	-41%	2.6M
13	Commodity Fut. Services (IPATS)	39.24%	1.03	27.84%	Aug-95	135%	-22%	22.2M
14	24FX Management Ltd	37.99%	1.60	19.28%	Jan-01	55%	2%	40.8M
15	Fort, LP (Global Diversified LP)	37.41%	0.71	16.62%	Oct-93	49%	-7%	70.0M
16	FX Concepts (GFM)	37.27%	0.37	37.84%	Jan-02	48%	-37%	122.0M
17	Dighton (Aggressive)	36.76%	0.53	44.32%	Jul-03	226%	-44%	250.0M
18	Clarke Cap'l Mgmt. (Worldwide)	35.52%	0.73	25.85%	Jan-96	88%	-22%	27.0M
19	Junzi Capital Engineering (TGO)	34.01%	3.31	7.22%	Oct-09	66%	66%	3.6M
20	Man Investments (Man AHL Currency)	33.71%	0.52	21.37%	Aug-93	69%	-20%	n.a.

*NOTE: Performance statistics, except for 2010 Return, are based upon the past 5 years performance or the CTA's entire history, whichever is shorter.

NOTE: Past results are not necessarily indicative of future results. Trading in commodity futures and options is speculative in nature and involves the risk of loss of one's entire investment or more. Prior to investing with any CTA, please read carefully the CTA's disclosure document.

Top 10 - Convertible Arbitrage - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Investcorp Silverback Arb Ltd	27.42%	1.34	0.52	Nov-06	9%	26%	442.5M
2	Akanthos Arbitrage Fund LP	23.23%	0.58	0.69	Jan-03	48%	61%	93.2M
3	Nisswa Convertibles Fund	22.05%	1.06	0.57	Sep-07	23%	34%	155.0M
4	Waterstone Mrkt Ntrl Master Ltd	19.95%	1.24	-0.02	Aug-03	9%	18%	1144.6M
5	Whitebox Concentrated Conv Arb Ltd	18.11%	0.74	0.65	Jan-01	23%	42%	283.8M
6	Symphony Rhapsody Fund LP	13.41%	1.05	0.58	Dec-98	14%	20%	54.7M
7	Castle Creek Arb LLC	12.36%	1.48	0.34	Jan-02	7%	12%	672.0M
8	Palisade Strat. Master (Cayman) Ltd	11.34%	1.07	0.50	May-07	14%	17%	179.4M
9	Steelhead Pathfinder Fund	11.14%	1.32	0.49	Nov-05	12%	12%	241.4M
10	Mohican VCA Fund LP	10.34%	0.95	0.53	Oct-02	12%	20%	10.0M

Top 10 - Distressed Securities - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	JLP Credit Opportunity Fund LP	19.04%	0.64	0.71	Sep-03	39%	47%	187.3M
2	Wexford Offs. Credit Opportunities Ltd	11.51%	1.02	0.56	Feb-03	14%	13%	176.1M
3	CF Special Situation Fund I LP	11.18%	0.77	0.47	May-06	9%	14%	105.0M
4	PENN Distressed Fund LP	11.15%	0.46	0.78	Apr-02	27%	42%	31.8M
5	Scoggin Worldwide Distressed Fund Ltd	9.27%	0.66	0.53	Jan-07	18%	26%	214.0M
6	OCP Debt Opp Intl Ltd	8.91%	0.73	0.62	Jan-06	12%	22%	275.2M
7	York Credit Opportunities LP (A)	8.85%	0.92	0.62	Feb-01	15%	16%	3000.0M
8	HSBC Distressed Opp Fund USD	8.59%	0.52	0.53	Mar-06	19%	28%	102.4M
9	Brownstone Ptnrs Catalyst Fund Ltd	7.58%	1.58	0.10	Jul-04	6%	5%	233.0M
10	MKP Credit Fund Ltd	6.51%	0.91	0.10	Mar-99	11%	8%	1904.5M

Top 10 - Emerging Mkts. Asia - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Pangolin Asia Fund	16.99%	0.55	0.66	Dec-04	46%	48%	21.0M
2	Q India Equity Ltd	15.74%	0.43	0.76	May-05	48%	57%	47.0M
3	Boyer Allan Pacific Opp	15.35%	0.50	0.54	Nov-06	35%	43%	115.9M
4	PMA Harvester Fund (FX & Rates)	14.62%	1.89	-0.50	Mar-07	4%	6%	159.0M
5	Ajia Lighthorse China Growth Fund	14.55%	0.55	0.54	Jan-06	43%	43%	240.0M
6	Doric Asia Pacific Sm Cap	13.73%	0.55	0.60	Jun-04	39%	36%	28.0M
7	Maoming Fund	13.59%	0.70	0.26	Mar-06	11%	16%	70.0M
8	EK Asia Fund	12.65%	0.35	0.82	Jul-95	40%	52%	49.5M
9	Real Return Asian GBP	11.87%	0.98	0.54	Oct-04	8%	14%	752.8M
10	LH China Opportunities Fund	11.14%	0.71	0.06	Feb-07	7%	16%	24.0M

Top 10 - Emerging Mkts. E. Europe - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	OCCO Eastern European Fund	11.63%	1.05	0.45	Jan-02	15%	21%	229.4M
2	Eastern European USD	10.61%	0.20	0.65	Oct-00	29%	64%	41.3M
3	Talentum Emerging Alpha Fund EUR	10.21%	1.31	0.16	Feb-07	5%	7%	98.2M
4	Prosperity Cub Fund	7.84%	0.16	0.69	Jun-98	62%	76%	167.7M
5	East Capital Turkish Fund	4.43%	0.08	0.62	Mar-06	34%	61%	41.3M
6	Prosperity Quest Fund	2.70%	0.05	0.67	Dec-99	85%	76%	370.0M
7	HH Generation Inc	2.56%	0.04	0.51	Sep-05	88%	75%	45.7M
8	Matrix New Europe Fund GBP	0.82%	0.00	0.76	Jan-07	39%	63%	17.2M
9	Kazimir Russia Growth Fund	0.17%	-0.02	0.70	Aug-96	10%	55%	46.0M
10	Halcyon Power Investment Company Ltd	-0.04%	-0.02	0.47	Feb-04	76%	69%	239.8M

Top 10 - Emerging Mkts. Global - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Pharo Trading Fund, Ltd	22.27%	1.62	0.28	Dec-00	16%	13%	420.0M
2	GAM Emerging Market Rates EUR	20.72%	2.30	0.38	Nov-04	25%	7%	21.0M
3	Forum Absolute Return Fund Ltd	16.85%	1.17	-0.35	Sep-99	23%	12%	58.5M
4	Pharo Macro Fund Ltd	16.58%	1.66	0.37	May-05	9%	10%	2873.0M
5	Finisterre Sovereign Debt Fund	15.10%	1.20	0.51	Apr-03	20%	21%	265.3M
6	Matterhorn Breithorn Fund	14.42%	0.77	0.45	Aug-07	18%	19%	347.0M
7	VR Global Offshore Fund Ltd	14.04%	0.52	0.57	May-99	64%	48%	900.1M
8	Finisterre Global Opportunity Fund	13.40%	1.21	0.48	Jun-06	11%	18%	766.4M
9	Outrider Offshore Ltd	13.11%	0.82	0.54	Apr-04	44%	32%	82.7M
10	Greylock Gl. Opportunity Fund Offsh	12.77%	0.55	0.56	Jun-98	31%	41%	105.0M

Top 10 - Equity Long/Short - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Abundance Partners LP	36.33%	1.13	-0.27	Jul-03	14%	22%	14.0M
2	Axel Partners LP	30.41%	1.12	-0.14	May-02	-1%	16%	144.0M
3	Sandbourne Fund Class GBP	28.25%	0.94	0.59	Dec-03	17%	31%	45.4M
4	Grunion Fund LP	27.42%	2.35	0.41	Jan-07	15%	6%	39.0M
5	SYW LP	23.75%	0.44	-0.10	Sep-06	-6%	44%	15.4M
6	Magic Capital Fund Ltd	23.25%	0.80	0.39	Jul-05	7%	31%	36.0M
7	EMA GARP Fund	22.80%	0.84	-0.04	Jan-06	26%	29%	38.0M
8	APS Asia-Pacific Hedge	22.78%	0.94	0.49	Mar-02	32%	33%	81.6M
9	Singleton Fund Ltd	22.11%	0.86	0.41	Apr-06	12%	29%	81.7M
10	Hartzell Long/Short LLC	21.44%	0.60	-0.06	Jan-06	3%	15%	21.0M

Top 10 - Equity Long Biased - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	T Squared Invest LLC	128.49%	1.05	0.11	Oct-07	49%	11%	45.9M
2	Horizon Growth Fund N.V.	31.26%	1.17	0.70	Jan-00	49%	41%	44.0M
3	Kazazian Capital Fund LP	22.29%	1.06	0.75	Mar-05	20%	25%	30.0M
4	Endowment Capital LP	20.39%	0.70	0.81	Mar-04	8%	20%	47.8M
5	Intrinsic Edge Capture LP	19.88%	0.99	0.70	Jan-07	31%	15%	45.2M
6	Carrelton Horizon Fund LP	19.41%	0.57	0.63	May-07	-2%	30%	30.0M
7	Ack Asset Partners LP	15.57%	1.36	0.89	Nov-05	19%	16%	156.0M
8	Brightline Capl Ptnrs LP	15.40%	0.53	0.55	Jul-05	41%	29%	45.0M
9	Naos Small Companies Fund	14.77%	0.37	0.69	Jan-05	31%	56%	18.7M
10	Parus Fund PLC (C) USD	14.00%	0.83	0.71	Dec-02	11%	12%	112.0M

Top 10 - Equity Long Only - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Tarpon All Equities LLC	22.32%	0.63	0.72	Oct-06	52%	55%	1356.0M
2	J. Zechner Assoc. Special Equity	17.34%	0.44	0.78	Apr-00	74%	59%	17.7M
3	Front Street Sp. Opportunity CAD	14.84%	0.44	0.67	Sep-99	30%	57%	418.9M
4	Select Contrarian Value Partners LP	11.42%	0.30	0.73	Feb-03	46%	56%	44.0M
5	Gartmore Issue UK Small Cap (A GBP)	10.62%	0.37	0.64	Aug-03	12%	41%	70.8M
6	Victoire Selection Brazil Equity SP	9.33%	0.19	0.75	May-06	29%	69%	52.8M
7	Allard Growth Fund	9.25%	0.42	0.86	Jan-96	22%	37%	267.1M
8	Bliss Fund (The)	9.20%	0.69	0.65	Aug-03	9%	19%	23.6M
9	Allard Investment Fund	8.26%	0.64	0.60	Jul-03	15%	18%	132.4M
10	Orbis Africa Equity Fund (Rand)	8.01%	0.39	0.64	Jan-03	23%	27%	222.3M

Top 10 - Equity Market Neutral - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Nantahala Capital Ptnrs LP	19.38%	2.77	0.24	Aug-04	7%	4%	85.0M
2	Quantitative Research & Trading LP	14.25%	0.99	0.24	Aug-07	-2%	9%	85.0M
3	Artorius Partners II LP	14.17%	3.80	0.13	May-03	6%	1%	102.4M
4	Fiera N. American Market Neutral II	13.87%	1.51	0.22	Oct-07	-3%	8%	203.3M
5	Brookdale Global Opportunity Fund	12.72%	2.39	0.28	Oct-00	9%	4%	348.0M
6	Fox Run Alpha Fund LP	12.08%	1.07	-0.19	Dec-97	5%	11%	16.5M
7	Rosemont Offshore Fund Ltd	11.66%	2.38	0.43	May-06	8%	4%	184.4M
8	Gladwyne Capital LP	10.58%	2.77	0.46	Apr-01	9%	3%	247.9M
9	BGI Eos Limited (B)	10.07%	0.79	-0.02	Aug-07	11%	14%	139.6M
10	MNJ Asia-Pacific Abs Return Fund	9.95%	1.38	0.19	Jan-06	15%	9%	39.5M

Top 10 - Event Driven - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Andromeda Global Credit Fund	23.55%	0.98	0.62	Sep-99	36%	41%	85.0M
2	Kawa Offshr Feeder Fund	20.55%	3.37	0.05	Sep-07	18%	2%	64.0M
3	ECF Value Fund II LP	16.86%	0.56	0.70	Jan-04	25%	42%	191.8M
4	G10 Rosseau Sp Sit	14.93%	0.35	0.66	Jan-06	28%	55%	32.0M
5	Perella Weinberg Prtnrs Xerion Ltd	13.58%	0.99	0.35	Mar-04	9%	19%	2100.0M
6	MMCAP Fund Inc.	13.50%	0.54	0.61	Jul-02	31%	42%	155.0M
7	Amethyst Arbitrage Fund (USD)	12.91%	0.70	0.63	Dec-04	19%	30%	51.8M
8	Yakira Partners LP	12.79%	3.13	0.46	Mar-97	13%	1%	47.0M
9	Omni Global Fund Ltd	12.79%	2.03	0.28	Jun-01	8%	5%	625.0M
10	Deltec Special Situations Partners	10.60%	1.14	0.53	Jan-03	28%	14%	56.0M

Top 10 - Fixed Income - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Providence Yield Plus Fund LP	60.75%	4.38	0.05	Oct-06	54%	8%	102.8M
2	Structured Servicing Holdings LP	50.85%	2.22	0.29	Feb-98	56%	30%	1050.1M
3	Midway Market Neutral Fund	31.20%	1.94	0.40	Jun-01	47%	25%	94.0M
4	SPM Opportunity Fund	28.29%	1.30	0.36	Jan-07	38%	33%	369.7M
5	Parmenides Fund LP	23.87%	0.96	0.37	Jun-03	33%	38%	182.4M
6	Asgard Fixed Income Fund I Ltd EUR	22.31%	2.31	0.38	Jul-03	24%	10%	230.4M
7	GS Gamma Investments Ltd	22.20%	4.29	0.37	Aug-05	14%	2%	616.2M
8	ACM Financial Trust Inc.	19.10%	8.14	0.01	Jan-05	16%	0%	116.3M
9	Rimrock Low Volatility (Cayman) Fund	17.99%	2.13	0.35	Jan-07	22%	12%	86.8M
10	Rushmore Capital Ptnrs LLC	16.79%	5.48	-0.15	May-07	11%	0%	14.0M

Top 10 - Fixed Income Arbitrage - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Element Capital Fund Ltd	40.23%	3.02	-0.05	Apr-05	31%	8%	1535.5M
2	Symphony Andante Fund LP	31.08%	2.17	0.39	Oct-99	31%	6%	53.6M
3	Barnegat Fund Ltd (B)	18.34%	0.49	0.56	Jan-01	29%	56%	466.4M
4	Concordia G-10 FI RV Fund	15.63%	0.68	0.07	Feb-04	8%	20%	95.0M
5	EMF Fixed Income Fund Ltd	15.41%	0.72	-0.05	Nov-01	9%	22%	235.9M
6	Danske Invest Hedge FI Strategy	14.68%	0.91	0.42	Jan-05	18%	22%	261.2M
7	Pines Edge Value Investors Ltd	13.94%	1.13	0.47	Jan-07	13%	12%	138.2M
8	Coast Value Fund I Ltd	13.83%	1.16	0.07	Jan-99	1%	9%	65.0M
9	Blue Mountain Credit Alternatives Ltd	12.71%	1.57	0.48	Nov-03	15%	12%	2537.9M
10	Capula Global RV Fund Ltd	12.42%	1.80	-0.10	Oct-05	11%	7%	5457.9M

Top 10 - Fixed Income High Yield - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Henderson Credit Alpha GBP	8.91%	1.42	0.62	Jul-07	10%	6%	577.1M
2	PENN Core HY Bond Fund LP	7.57%	0.61	0.71	Feb-03	16%	21%	318.8M
3	Catpricorn Fund	6.29%	1.57	0.55	Oct-03	7%	5%	145.8M
4	Horizon Credit Opp Offshr Ltd	5.22%	0.33	0.59	Jan-07	17%	25%	62.0M
5	RAB European Credit Opp D USD	4.20%	0.19	0.55	Jul-01	12%	36%	45.0M
6	Verity Investment Partners LP	3.96%	0.26	0.71	Sep-00	6%	27%	22.0M
7	Battery Park High Yield Opp Ltd	3.95%	0.16	0.69	Jul-01	27%	44%	86.3M
8	Talon Total Return QP Partners LP	3.88%	0.22	0.55	Jun-03	17%	33%	168.0M
9	Horizon Fund	3.82%	1.24	0.48	Jul-99	5%	3%	297.2M
10	Capital Structure Opportunities LP	3.78%	0.15	0.74	Jan-02	26%	45%	25.1M

Top 10 - FoFs Greater than $250M - Past Three Years

For the period from 10/1/2007 to 9/30/2010.

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	AllBlue Fund Ltd	14.58%	3.59	0.04	Sep-05	10%	1%	4375.7M
2	GLC Diversified Fund Ltd (EUR)	11.52%	0.98	-0.37	May-05	-13%	13%	261.9M
3	Pinnacle Natural Resources LP	9.65%	0.69	-0.09	Oct-03	1%	16%	1740.0M
4	Brummer Multi-Strategy	7.69%	1.62	0.02	Apr-02	3%	3%	4141.9M
5	Trading Capital Holdings USD	7.25%	0.86	0.20	Jul-03	9%	12%	722.4M
6	GAM US Institutional Trading	6.99%	1.16	-0.04	Jul-96	5%	6%	3465.6M
7	SSARIS Multi-Mngr. Abs. Ret. Fund	6.64%	1.27	0.35	Jan-02	5%	3%	627.3M
8	Exane Pleiade Fund 5	5.36%	1.12	0.36	Mar-06	4%	4%	1708.3M
9	Opus Commodities Fund Ltd GBP	5.28%	0.60	0.37	Dec-05	3%	11%	1262.4M
10	HDF Multi Reactive IA EUR	4.15%	1.28	-0.19	Oct-03	2%	2%	269.5M

Top 10 - FoFs Less than $250M - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Balestra Spectrum Partners LLC	13.86%	1.06	-0.40	Feb-98	3%	8%	83.0M
2	Stenham Gold USD Fund	11.10%	0.40	0.30	Sep-03	20%	43%	96.9M
3	Grand Advisory Fund Ltd	10.78%	1.57	0.17	Aug-94	5%	6%	15.3M
4	Wimbledon Fund SPC Ltd (TT)	10.68%	1.37	0.15	Jan-99	4%	8%	27.8M
5	SSARIS Multi Manager Rel Val Strategy	9.38%	1.60	0.40	Jan-02	10%	4%	192.9M
6	Centennial Gl Macro Fund LP	9.36%	1.42	-0.11	Nov-04	1%	4%	138.0M
7	Double Eagle Capl Ace Ltd (B)	9.25%	1.07	0.56	Aug-05	6%	8%	155.0M
8	Pluscios Catalyst Fund	8.95%	0.58	0.63	Aug-06	13%	27%	27.0M
9	Tredia Performance Ltd B EUR	8.57%	0.61	-0.41	Dec-03	-1%	14%	34.0M
10	Spruce Real Assets Fund LP	8.55%	1.10	0.16	Jul-07	1%	7%	72.5M

Top 10 - Macro - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Sparta Ciclico Fund Multimercado	48.99%	0.88	0.06	Nov-05	-3%	33%	53.7M
2	Sparta Anti-Ciclico Fund Multimercado	34.48%	0.65	0.04	Nov-05	-1%	39%	14.3M
3	Forum Global Opportunities Fund	33.48%	2.50	-0.58	Aug-05	32%	8%	76.4M
4	Quantedge Global Fund	31.98%	0.98	0.56	Oct-06	75%	45%	53.8M
5	Omni Macro Fund I Ltd	31.10%	1.83	-0.51	May-07	21%	4%	146.0M
6	Friedberg Global-Macro Ltd	30.31%	1.18	-0.04	Dec-01	23%	14%	784.7M
7	Pivot Global Value Fund	26.87%	1.89	-0.63	Mar-02	8%	5%	741.0M
8	Balestra Capital Partners LP	26.66%	1.41	-0.54	Jan-99	-4%	10%	1520.0M
9	Rising China Fund	22.98%	0.90	-0.12	Jul-07	-2%	19%	53.1M
10	Sirocco Fund LLC	21.22%	0.84	0.19	Jan-99	18%	21%	22.7M

Top 10 - Merger Arbitrage - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Highland Capital Mgmt LP	11.96%	4.61	0.11	Apr-00	10%	0%	55.7M
2	Glazer Offshore Fund Ltd	9.57%	2.46	0.39	Sep-01	10%	3%	118.0M
3	Shorewater International Ltd	6.75%	2.10	0.24	May-99	4%	2%	10.0M
4	Merger Fund Ltd	6.09%	0.76	0.55	Jan-96	7%	6%	76.7M
5	Tiedemann Arbitrage Associates	5.95%	0.99	0.59	Jan-93	8%	5%	519.8M
6	Diva Synergy Ltd	5.22%	0.67	0.48	Jan-07	9%	8%	120.0M
7	Black Diamond Arbitrage Partners LP	5.05%	0.53	-0.04	Feb-98	10%	12%	15.4M
8	Hudson Valley Partners LP	4.38%	0.50	0.59	Jun-05	8%	9%	76.7M
9	Gabelli Associates Limited	3.93%	0.66	0.73	Sep-89	7%	7%	78.2M
10	KDC Merger Arbitrage Fund, LP (A)	3.77%	0.73	0.55	Jan-89	1%	5%	105.8M

Top 10 - Multi - Strategy - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Chinook Fund LLC	37.72%	1.18	-0.23	Feb-95	15%	24%	18.4M
2	Phalanx Japan AustralAsia MS Fund	35.88%	2.96	-0.12	Apr-05	3%	8%	69.0M
3	BlueCrest Capital Int Fund Ltd	22.08%	3.46	0.31	Dec-00	17%	2%	7930.0M
4	Lazard Rathmore Fund Ltd	19.74%	1.68	0.62	Oct-07	19%	16%	188.5M
5	Nisswa Fund Ltd	18.41%	0.98	0.45	Jun-02	14%	29%	908.6M
6	CMT Global Fund Ltd	17.77%	3.94	-0.24	Dec-05	7%	1%	111.4M
7	North Pole Offshore	17.24%	1.76	0.42	Jan-02	15%	13%	273.6M
8	Hudson Bay Fund LP	16.89%	2.39	-0.02	Jan-06	14%	4%	226.9M
9	Platinum Ptnrs Value Arb Intl Ltd	16.60%	2.57	0.38	Jan-03	14%	4%	446.0M
10	Ventura Capital Partners LLC	14.36%	1.28	0.61	Dec-05	15%	17%	18.0M

Top 10 - Sector Energy - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	BTR Global Energy	17.57%	0.48	0.56	Jan-06	6%	57%	28.0M
2	ARI Energy Fund LP	17.21%	0.77	0.58	Apr-05	6%	26%	166.3M
3	Hite Hedge LP	14.18%	0.88	0.07	Jan-04	30%	24%	62.0M
4	Caritas Royalties Fund (Berm) Ltd	12.25%	1.98	-0.10	Jul-04	22%	15%	39.6M
5	Creststreet Energy Opp Fund	11.32%	0.30	0.40	May-05	28%	63%	22.1M
6	Cumulus Energy Fund	5.47%	0.14	-0.13	Oct-06	-4%	41%	61.6M
7	Sunbeam Opportunities Master Fund	4.90%	0.60	0.09	Jun-03	-1%	10%	525.7M
8	RoundRock Capital LP	3.22%	0.13	0.58	Nov-01	26%	38%	35.0M
9	Kayne Anderson MLP Fund LP	2.98%	0.09	0.44	Jan-03	36%	51%	813.0M
10	Southport Energy Plus Offshr Fund	2.97%	0.12	0.31	Jan-00	-18%	27%	492.4M

Top 10 - Sector Other - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Boston Provident Partners LP	31.46%	1.55	0.09	Jul-92	6%	11%	137.4M
2	Tamarack Global Healthcare Fund LP	21.57%	1.70	0.09	Mar-07	18%	9%	16.7M
3	Broadfin Healthcare Fund LP	17.56%	1.08	0.72	Oct-05	33%	23%	77.0M
4	Jupiter Financials Ltd GBP (restrict)	15.86%	1.77	0.33	May-07	12%	6%	37.5M
5	Phoenix Gold Fund	15.83%	0.34	0.56	Feb-01	48%	68%	90.0M
6	Hinde Gold Fund USD	13.34%	0.48	0.23	Oct-07	43%	42%	28.0M
7	Financial Stocks LP	13.27%	0.57	0.56	Jul-95	-4%	17%	114.3M
8	TT Financials L/S Ltd EUR	12.42%	0.80	-0.15	Mar-06	-13%	15%	174.1M
9	Sprott Gold & Precious Minerals	11.57%	0.25	0.38	Dec-01	66%	67%	714.0M
10	Ginga Service Sector Fund	10.91%	1.18	0.32	Jun-06	5%	5%	69.2M

Top 10 - Sector Technology - Past Three Years

For the period from 10/1/2007 to 9/30/2010. Includes only Hedge Funds managing at least $10 million as of 9/30/2010

	FUND NAME	3-YR COMP. ANNUAL RETURN	SHARPE RATIO	CORR. VS.- S&P 500	STARTING DATE	LAST 12-MO. PERIOD	LARGEST DRAW DOWN	ASSETS UNDER MGMT. ($)
1	Polar Cap Gl Tech Fund GBP	77.35%	5.30	0.32	Jul-07	29%	8%	349.4M
2	Westerly Partners L.P.	16.10%	1.19	0.76	Jun-06	12%	13%	55.0M
3	Harvest Technology Ptnrs	11.11%	1.13	0.08	Jan-06	3%	5%	45.2M
4	Exane Archimedes Fund	10.55%	1.77	-0.02	Oct-06	8%	3%	1167.0M
5	TechnoVision Partners Master	9.51%	0.38	0.66	Mar-01	25%	41%	17.0M
6	Phineus Voyager LP	9.44%	0.37	0.75	Jun-02	-3%	30%	112.0M
7	Connective Capital I QP LP	8.59%	0.69	0.21	Apr-06	20%	9%	13.9M
8	Manticore Fund	8.58%	0.75	0.50	Jan-01	-3%	8%	508.2M
9	Polaris Prime Technology Ltd	7.70%	0.39	-0.11	Dec-96	13%	19%	21.0M
10	Advantage Advisers Xanthus Fund	7.46%	0.35	0.55	May-99	12%	23%	1044.7M

Kawa Capital Management – Kawa Fund

Daniel Ades, Kawa's co-founder

At first glance, September of 2007 may not have seemed like the best time to start a brand new hedge fund. Daniel Ades, Kawa's co-founder, had just sold his partnership in Horn Eichenwald Investments, a boutique investment advisory firm in Miami which had over $200 million in assets under management. At the same time, credit markets were beginning to see trouble in the wake of the collapse of Bear Stearns' credit funds. But looking back three years later, for the Kawa Fund, it couldn't have been better timing.

Needless to say, this special situations fund shares its inception with the start of the credit crisis. Partners Daniel Ades and Alex Saverin began planning early in 2007, and started getting commitments from investors. However only one-third of the initial capital committed to start the fund remained by the target launch date. Nevertheless, they decided to go ahead with the operation.

"The first months were very tense," says Daniel. "We had to divide our time between investments, raising capital, and reassuring our investors that we knew how to navigate through the storm." As the credit crisis gained momentum and spread from subprime mortgages to the regional banks and beyond, the Kawa Fund quickly realized that this was not a typical market downturn. "The world was changing rapidly right in front our eyes," says Daniel, "and we knew our only choice was to adapt."

The fund was originally set up to be a traditional multi-strategy fund with a macro overlay. However, early in 2008 Kawa began to focus on investments in special situations. "Had we stuck to our original plan, we would have probably seen severe drawdowns like many other firms at the time," Daniel remarks. While searching for new opportunities, Kawa made its first successful trade by selling short a group of regional banks and mortgage insurers, long before other managers had entered the trade.

Investment Philosophy

Being flexible and understanding the intricacies of every security it buys became key tenets of the firm. Early in 2008, the dislocations in the credit markets forced Kawa to focus on trading corporate backed trust preferreds and bank preferreds, always carefully analyzing where different securities lay in the capital structure. After reading a myriad of prospectuses and gaining an in-depth comprehension of the underlying risks, the firm found its first real edge. With the credit markets in disarray and market participants desperate for liquidity, Kawa found exceptional arbitrage and relative value opportunities in this space.

Partner Alex Saverin, a Cornell graduate and former senior programmer at Motorola, developed in-house software to monitor the corporate backed trust preferred market on a daily basis, and to alert them to

At a Glance:

Kawa Fund

Fund Assets:	$95.7 million
Firm Assets:	$135.1 million
No. of Employees:	8

Account Information

Minimum Investment:	$250,000
Management Fee:	2.0%
Incentive Fee:	20%

Performance Analysis

Start Date:	September 2007
Total Return:	75.26%
Compound Annual Return:	19.96%
Worst Drawdown:	2.20%
Sharpe Ratio:	3.27
% of Winning Months:	91.89%
Average gain:	1.75%
% of Losing Months:	8.11%
Average loss:	- 0.81%

Correlations

Barclay Hedge Fund Index:	+0.13
S&P 500:	+0.03
U.S. T-Bonds:	+0.03
World Bonds:	-0.05
EAFE:	+0.02

Annual Returns Past 4 Years

2007 (partial year)	1.58%
2008	17.32%
2009	30.36%
2010 (thru 9/30)	12.82%

Past results are not necessarily indicative of future performance.

specific dislocations in price between instruments based on the same collateral. “We were finding the same credits trading at incredible discounts, depending upon the liquidity of the instrument,” Alex recalls.

While searching for secure credits as the economy was moving into a tailspin, Kawa found another market with excellent underlying credit and serious liquidity problems – Auction Rate Securities (ARS). “It took us some time to fully understand these instruments and why there was an opportunity in the space,” Daniel recalls. “But after a while, we realized there was no real trading coverage for these securities. Until we got involved, they were simply buy and hold products for corporate treasurers and high net worth individuals.”

As the banks refused to be bidders of last resort for the ARS, holders that needed liquidity started to trade out of their positions in the secondary market. Kawa viewed the securities as a great investment opportunity due to their incredible asset protection. In addition, at distressed sale prices the yields were excellent, and many of the issuers were good candidates for restructuring or redeeming the securities at or close to par.

While studying the ARS market, Kawa also uncovered an exciting opportunity in the Asset Backed Security market, specifically in the student loan ABS. “In 2008 we could buy 97 percent government guaranteed student loan trusts for 60-70 cents on the dollar," says Daniel. "In terms of risk/reward, it doesn’t get any better than that.” A good portion of the returns generated by the fund in 2009 and 2010 came from the student loan ABS market as Kawa became one of the main players in the space. The firm developed internal models from scratch to quickly analyze and price the complex securities, giving them a competitive advantage over other potential buyers.

Even though the credit markets have for the most part returned to normal, the fund still finds good investment opportunities in the space. “These last few years allowed us to solidify our expertise and build our reputation," says Daniel. "This reputation and our relationships in the secondary and distressed market community have motivated firms to reach out to us with interesting ideas every day.” To help analyze and shift through new trades and areas of focus, the firm has brought on two new analysts. The fund also maintains a macro overlay trading strategy to capitalize on opportunities in the equity and foreign exchange markets, an area where the partners were active prior to the credit crisis.

“In 2008 we could buy 97 percent government guaranteed student loan trusts for 60-70 cents on the dollar.”

— Daniel Ades

“Our mandate is very broad both in terms of asset classes and in security selection, and we thank our investors for their trust in giving us such leeway," Daniel adds. "In return for that trust, we endeavor to treat our investors as true partners, sharing our views and positions while giving them full transparency into our portfolio and good liquidity terms.”

Kawa has grown from $9.0 million under management at inception to more than $90 million, and has provided a compound annual return to investors of 19.96% with remarkably low volatility. Nevertheless, the firm is constantly reminding investors that such high returns are very hard to maintain in regular market conditions and currently targets a more conservative 10-12% return over a three-year rolling period, while striving to limit drawdowns to under 5%.

What really sets the fund aside from others is its performance in 2008 when the vast majority of funds lost significant amounts of money. According to Kawa, new investors to the fund are often attracted by the +17% return in 2008, seeing the performance as a sign of good stewardship of capital in difficult times. “Most funds did well in 2009, but our performance in 2008 is what really sets us apart from our peers," says Felipe Lemos, Kawa’s Investor Relations Director. "We are very proud of that accomplishment – after all, those were our original investors, the folks that really believed in us from the start.”

Risk Management & Operations

Since Kawa had developed its own risk-management and back-office system right from the start, the firm has shied away from traditional VAR measures and traditional prime brokerage relationships, holding assets in several different custodians and brokers. By consolidating the positions and then slicing the portfolio in various ways, the managers are able to look at underlying credit risk, industry and country exposure, delta adjusted currency risk, and interest rate risk, from both a qualitative and quantitative approach.

Kawa's proprietary system is also meant to integrate back-office operations with its independent administrator and auditor, providing a triple-check system to prevent fraud and diversify counterparty risk. This is how the fund was able to avoid trading any securities at the now-defunct Lehman Brothers, one of its main trading counterparties just before its collapse. "The extra work involved in diversifying counterparty exposure is often lost on investors' due diligence," says Alex, "but we believe it is a key aspect of risk management."

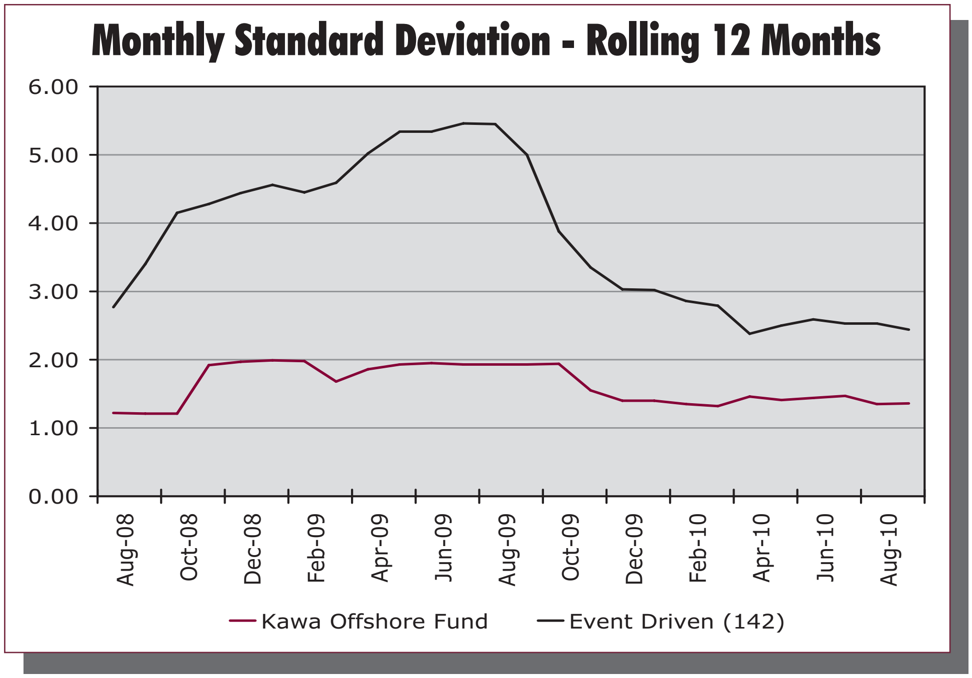

Figure 1.

Peer Group Comparison

Confirmation of Kawa's successful risk management system can be seen in *Figure 1*. This chart compares the average monthly standard deviation on a rolling 12-month basis for Kawa Offshore Fund with the average results for 142 Event Driven funds for the 37 months from September 1, 2007 to September 30, 2010. As we can see from this chart, Kawa's monthly standard deviation, when measured on a rolling 12-month basis, has averaged a level of volatility that has been consistently and significantly lower than the average volatility of its peer group.

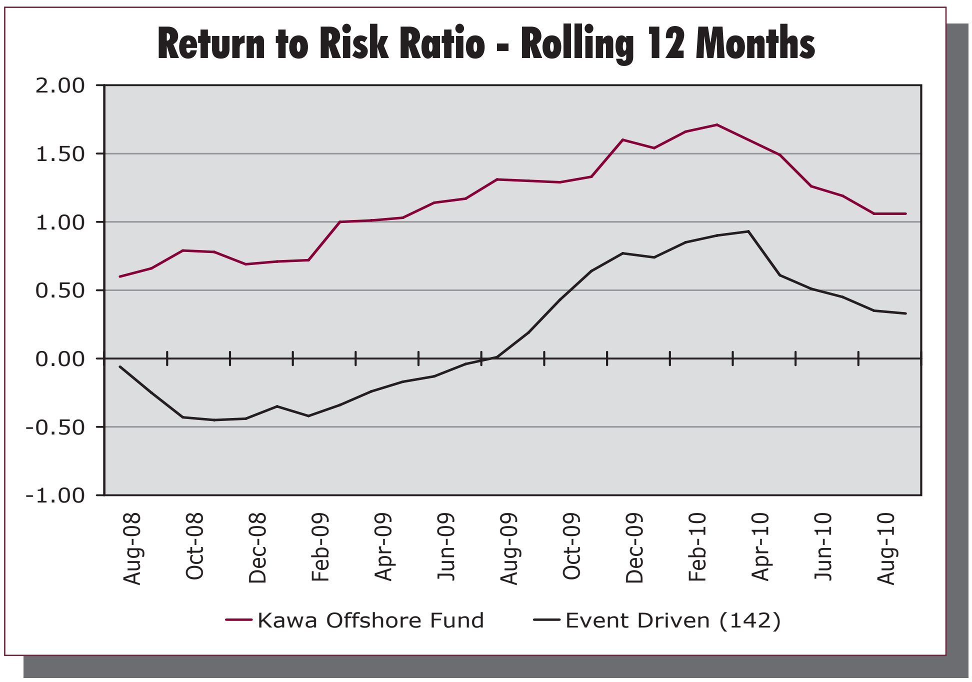

Figure 2.

Figure 2 compares the rolling 12-month risk-adjusted returns for Kawa with the averages generated by its peer group. Risk-adjusted returns are calculated by dividing the 12-month rolling average of the monthly rates of return by the 12-month rolling average of the standard deviation. As we can see in this chart, Kawa has again outperformed and has provided its investors with a risk-adjusted return that is higher, often by significant margins, than the averages generated by its peer group.

Conclusion

Looking forward, the firm continues to be busy with new positions in the special situations arena and is wary of the current outlook for the economy, looking for ways to express that in its macro trades. Kawa believes that the liquidity and the current sense of normalcy are misguided and that investors will need to accept lower returns and higher volatility in its traditional investments. Nevertheless, says Daniel, "Properly managed hedge funds with diverse mandates will be able to significantly outperform both equity and fixed income markets." ◊

Continued from pg. 5

"silent activism". Silent activism is where traditional institutional shareholders and non-activist hedge funds, including arbitrage funds, impact the behavior of the board of directors of both the target and the buyer by forcefully expressing their views on a transaction behind the scenes. Sometimes shareholders are predominantly focused on short-term concerns, but frequently they serve as a check on managements who are more interested in enlarging their company than creating short or long-term shareholder value. From our perspective, the presence of shareholder activism introduces additional uncertainty into situations, and that uncertainty can precipitate significant volatility as well as events that can dramatically influence the outcome of corporate decisions. Uncertainty, volatility, and a range of outcomes all provide tremendous opportunities for us to use our research and investing strategy to profit.

O'Brien: Investment banks are not pushing merger activity any more than they used to, and at the end of the day it takes a management team and a board to agree that a proposed transaction makes good sense. If the merger advisors are pushing marginal ideas, the likelihood is small that these will result in definitive transactions. The old adage that you can bring a horse to water but you can't make him drink is apropos in this scenario.

The investment banks are transaction oriented, but the good ones have their clients' best interest at heart. Propose a bunch of crap ideas and deals and you likely will not have a client relationship for long. The best deal makers at the investment banks keep their clients for many, many years. By contrast, activists are interested in maximizing the value of an undervalued and/or under managed asset. When that value is maximized via an event, that relationship ends, and it is on to the next opportunity. We think activists have had a very limited effect on deal activity and then only in very small transactions.

Spitzer: Investment bankers are a motivated bunch. This has always been true and will always be true, it would seem. Corporate boards ultimately are the true drivers of deal activity. They must sign off on and present deals to investors. In our view, boards have only become more discerning over the last two downturns (post-Enron and post the financial crisis). Long term deal quality can only go up in such circumstances until new excesses develop late in the cycle. Clearly the availability of cheap credit to private equity buyers in the last boom saddled many of these players with high-priced investments that will underperform. Activist investors who were often able to turn to private equity as the marginal buyer of their target companies have a much harder time in the present environment where strategic deals dominate the landscape.

What is exciting about the present merger market is that it seems that announced deals have sound strategic underpinnings and reasonable financial metrics. The likely long-term success of such transactions is greatly improved in our view over deals from the 2005-2007 period. ◊

The organization of this roundtable was assisted by Jeffrey F. Kuchta, CFA, a consultant with Strategic Capital Investment Advisors.

BARCLAY MANAGED FUNDS REPORT

is published by BarclayHedge, Ltd., 2094 185th Street, Suite 1B, Fairfield, Iowa 52556
www.BarclayHedge.com

In Iowa call 641-472-3456

Outside Iowa call 1-800-338-2827

Annual subscription rate: $150.00 (4 issues)
 ISSN 1060-3158