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the AIMA Australia 2008 HEDGE FUND AWARDS



Thursday 4 September 2008. The Ivy Room, 320-330 George Street Sydney.

We are delighted to announce that the Australian Hedge Fund Awards for 2008 have been judged and category finalists have been decided based on data supplied by Hatfield Liptak Advisors .

The Awards were judged using a combination of quantitative and qualitative factors agreed by the following panel of judges:

- Dr Jon Glass - FineAnswers
- Simon Ibbetson - Grove Research and Advisory
- Daniel Liptak - Hatfield Liptak Advisors
- Jonathan Ramsay - Dawnay Day Walden

TO FOLLOW IS A LIST OF ALL CATEGORY FINALISTS (IN ALPHABETICAL ORDER) AND JUDGING CRITERIA.

Category winners will be announced at Hedge Funds Rock on Thursday 4 September 2008

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Australian Hedge Fund of the Year. AWARD FINALISTS:

(listed in alphabetical order)

- Bennelong Long Short Equity Fund
- Fortitude Capital Absolute Return Trust
- Kaiser Trading Fund SPC

The logo for Credit Suisse, featuring the text "CREDIT SUISSE" in a serif font and a small blue and white graphic element to the right.

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Best Emerging Manager. AWARD FINALISTS:

(listed in alphabetical order)

- Kapstream Absolute Return Income Fund
- Macquarie Commodity Alpha SPC
- Pengana Global Resources Fund

The logo for UBS, featuring a black cross with four circles at the ends and the letters "UBS" in a bold, red, sans-serif font to the right.

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Best Long Short & Absolute Return Fund. AWARD FINALISTS:

(listed in alphabetical order)

- H3 Japan Fund
- Mathews Sabre Fund
- Portfolio Partners High Growth Shares Trust

The logo for Citi, featuring the word "citi" in a lowercase, sans-serif font with a red arc above the "i".

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Best Market Neutral Fund. AWARD FINALISTS:

(listed in alphabetical order)

- Bennelong Long Short Equity Fund
- BGI Total Return - Australian Equity Market Neutral
- Fortitude Capital Absolute Return Trust

The logo for Deutsche Bank, featuring the text "Deutsche Bank" in a sans-serif font and a blue square icon with a white diagonal line to the right.

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Best Global Macro / Futures Fund. AWARD FINALISTS:

(listed in alphabetical order)

- Apeiron Global Macro Fund
- BlackRock Asset Allocation Alpha Fund - Class D
- Kaiser Trading Fund SPC



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Best Investor supporting Australian Managers. AWARD FINALISTS:

The winner is to be announced on the evening.



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Best Fund Of Fund 2008. AWARD FINALISTS:

(listed in alphabetical order)

- FRM - Absolute Alpha Fund PCC Limited Diversified - AUD
- Investor Select Advisors Global Opportunity Fund
- Pioneer AllWeather (AUD) Absolute Return Fund



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Contribution to the Australian Hedge Fund Industry. AWARD:

The winner is to be announced on the evening.



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Judging Criteria. OF THE 2008 HEDGE FUND AWARDS:

The following awards are judged using the following combination of quantitative and qualitative factors:

- **Australian Hedge Fund of the Year**
- **Best Long Short & Absolute Return Fund**
- **Best Market Neutral Fund**
- **Best Global Macro / Futures Fund**
- **Best Fund of Fund**

25% from Sortino Ratio ranking versus peers broken down as follows:

MAR	Weight	0-12 month weighting	12-24 month weighting	24-36 month weighting
0%	50%	60%	25%	15%
5%	40%	60%	25%	15%
10%	10%	60%	25%	15%

50% absolute returns: outperformance to peers ranked;

Period for ranking versus peers	Weighting
0 – 12 months	60%
12 – 24 months	25%
24-36 months	15%

25% drawdown versus recovery against peers, low drawdown and short recovery is scored higher against high drawdown and long recovery, ranked in the following order:

Period for ranking versus peers	Weighting
0 – 12 months	60%
12 – 24 months	25%
24-36 months	15%

- **Best Emerging Manager**

Quantitative scores are the same for all categories except scored on last 12 month basis.

- **Best Investor Supporting Australian Managers**

A cross section of the Australian Hedge Fund industry were invited to vote on the best institutional investor supporting local hedge funds.

- **Contribution to the Australian Hedge Fund Industry**

A cross section of the Australian Hedge Fund industry were invited to vote. The person with the highest vote is deemed the winner. In the event of a tie the judging panel will cast the deciding vote.

Contact details.

Carolyn Dodds

Cure Our Kids

e: carolyn@cureourkids.com.au

t: + 61 2 9938 3499

m: +61 414 997 950

Hedge Fund Award Quantitative Algorithm

Methodology detail

HLA - *riding the investment wave*

Overview

The underlying premise of the hedge fund awards is the belief that hedge funds are absolute return focused. But as many conventional statistical tools focus on normal distribution series and penalize positive and negative variations from normal performance the quantitative process has been designed to be strategy agnostic but rewards funds for upside variations and penalizes for downside variations.

The process is designed to reward a hedge fund that proves, through steady positive returns its ability to exploit changing market conditions.

The model currently uses the following inputs: minimum of 36 months track record, Sortino Ratio's with 3 different hurdles (0%, 5% and 10%), annualised returns for the last 3 years, maximum drawdowns and losing streak. Funds are compared to others within their category and ranked.

The model segments data into 3 individual years, with emphasis on more recent over older data. The rationale is that as investors and researchers we need to be continually looking for managers that are able to adapt to changing environments.

Similarly another assumption of the model is that each period data set is independent of another. In other words the last 12 month's data is treated as being independent of the 2 and 3 year data series. Again what the model is attempting to do is to separate independent timeframes (albeit 12 months each) and assign scores based on market conditions, peer and manager responses.

Data series

All data used in the model is based on my database; in which I gathered data from as many Australian hedge funds that I have been able to source. Looking at other hedge fund databases, AsiaHedge, EurekaHedge and HFN I am confident that the HLA database the most comprehensive.

The database draws its data from two types of managers:

1. Australian manufactured hedge funds
2. Offshore products that are distributed in Australia

The reason for including two groups are:

1. Significant portion of institutional investments have been to offshore hedge funds; and
2. Significant portion of domestic retail funds are placed with Australian managers.

Some of the funds in the database express early on that they do not wish to be considered for awards or to be mentioned in a public manner. Such funds are excluded from the data extraction process.

The database does not have an AUM or qualitative filter.

Method

The database is stored in Pertrac and using the customised reporting tools an output which is sent directly to Excel is produced.

This output file contains all the required statistics for each all Australian manufactured and offered hedge funds.

Funds are then separated into categories:

1. List of all hedge funds with > 3 year track record;
2. List of all FoHFs with > 3 year track record;
3. List of all market neutral funds with track records > 3 years;
4. List of all Global Macro/ Managed Futures with track record > 2 years (this was modified in 2008 to allow a more representative group);
5. List of all long short fund with track records > 3 years; and
6. A list of all funds of all strategies with track records between 1 and 2 years for the New Fund award.

For each group the methodology is the same. An average and standard deviation is calculated for each factor.

The model calculates the multiple of standard deviation from the peer average for each fund. (a).

Raw numbers are ranked, including the average for the peer group (b).

For each fund provided that its ranking places it above the peer average rank a calculation is performed.

$a * b * c * d = \text{raw score}$ $c = \text{time weighting}$ $d = \text{expected return weighting}$

If the ranking for the fund is less than the rank of the peer average the score returned is 0.

The raw score for each factor are summed and divided by the number of funds in the peer group.

Funds are then ranked on the final score.

Weightings - c weighting, 60% for last 12 months, 25% for 12 - 24 months and 15% for 24 - 36 months.
d weighting; 10% for MAR of 10%, 40% for MAR of cash and 50% for MAR of 0%. For non-Sortino ratios $d = 1$.