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APPENDICES

APPENDIX I-A: EACM Descriptive Statistics

January 1996-December 2005 (120 Months)

	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic
CTConvert	0.781	1.376	-1.537	4.047
CTDEDSHORT	-0.124	5.234	0.904	2.046
CTEmMkts	0.964	4.425	-1.261	7.079
CTEMN	0.882	0.800	0.385	0.561
CTEVDr	0.956	1.709	-3.726	25.303
CTDistressed	1.086	1.868	-3.452	22.831
CTEDMS	0.899	1.835	-2.814	17.451
CTRiskArb	0.617	1.282	-1.280	6.180
CTFixedInc	0.515	1.106	-3.395	18.252
CTGlobalMacro	1.151	3.187	-0.126	3.209
CTLSE	1.075	3.103	0.209	3.845
CTMgdFut	0.645	3.460	0.104	0.051
CTMS	0.816	1.049	-1.353	6.102
Std. Error (Skewness)	0.221			
Std. Error (Kurtosis)	0.438			

APPENDIX I-B: CSFB/TREMONT**Descriptive Statistics**

January 1996-December 2005 (120 Months)

	Mean	Std. Deviation	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic
CTConvert	0.781	1.376	-1.537	4.047
CTDEDSshort	-0.124	5.234	0.904	2.046
CTEmMkts	0.964	4.425	-1.261	7.079
CTDistressed	1.086	1.868	-3.452	22.831
CTEDMS	0.899	1.835	-2.814	17.451
CTRiskArb	0.617	1.282	-1.280	6.180
CTFixedInc	0.515	1.106	-3.395	18.252
CTGlobalMacro	1.151	3.187	-0.126	3.209
CTLSE	1.075	3.103	0.209	3.845
CTMgdFut	0.645	3.460	0.104	0.051
CTMS	0.816	1.049	-1.353	6.102

Valid N (listwise)

Std. Error (Skewness) 0.221

Std. Error (Kurtosis) 0.438

APPENDIX IIA: THREE MONTH PREDICTION EQUATIONS

FACTOR ONE THREE MONTH TIME HORIZON

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.332(a)	.110	.094	.67462

a Predictors: (Constant), earn10, divyield



ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.465	2	3.232	7.102	.001(a)
	Residual	52.338	115	.455		
	Total	58.803	117			

a Predictors: (Constant), earn10, divyield

b Dependent Variable: FAC1THRE

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.771	.817		-3.393	.001
	divyield	.989	.263	.495	3.755	.000
	earn10	.036	.014	.340	2.578	.011

a Dependent Variable: FAC1THRE

APPENDIX II-B

FACTOR ONE-SIX MONTH TIME HORIZON

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.483(a)	.233	.212	.46006

a Predictors: (Constant), VIX, earn10, divyield

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.133	3	2.378	11.233	.000(a)
	Residual	23.494	111	.212		
	Total	30.627	114			

a Predictors: (Constant), VIX, earn10, divyield

b Dependent Variable: FAC1SIX

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.209	.607		-5.285	.000
	divyield	1.021	.185	.706	5.523	.000
	earn10	.033	.010	.423	3.406	.001
	VIX	.022	.007	.263	2.983	.004

a Dependent Variable: FAC1SIX

FACTOR TWO-THREE MONTH TIME HORIZON

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.599(a)	.358	.336	.56510

a Predictors: (Constant), BAA Credit, LAGS(SPSC600,2), LAGS(SPSC600,1), SPSC600

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.155	4	5.039	15.779	.000(a)
	Residual	36.085	113	.319		
	Total	56.241	117			

a Predictors: (Constant), BAA Credit, LAGS(SPSC600,2), LAGS(SPSC600,1), SPSC600

b Dependent Variable: FAC2THRE

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.565	.507		-5.058	.000
	SPSC600	4.746	.965	.372	4.917	.000
	LAGS(SPSC600,1)	3.365	.962	.264	3.497	.001
	LAGS(SPSC600,2)	2.407	.960	.190	2.508	.014
	BAA Credit	.328	.068	.367	4.854	.000

a Dependent Variable: FAC2THRE

FACTOR TWO-SIX MONTH TIME HORIZON

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.506(a)	.256	.242	.44072

a Predictors: (Constant), SPSC600, BAA Credit

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.473	2	3.736	19.236	.000(a)
	Residual	21.754	112	.194		
	Total	29.227	114			

a Predictors: (Constant), SPSC600, BAA Credit

b Dependent Variable: FAC2SIX

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.279	.416		-5.482	.000
	BAA Credit	.300	.055	.444	5.437	.000
	SPSC600	2.401	.753	.260	3.189	.002

a Dependent Variable: FAC2SIX

FACTOR THREE-THREE MONTH TIME HORIZON

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.544(a)	.296	.284	.49716

a Predictors: (Constant), VIX, BAA Credit

ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.950	2	5.975	24.173	.000(a)
	Residual	28.425	115	.247		
	Total	40.374	117			

a Predictors: (Constant), VIX, BAA Credit

b Dependent Variable: FAC3THRE

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.716	.444		-3.867	.000
	BAA Credit	.362	.064	.479	5.700	.000
	VIX	-.045	.008	-.485	-5.776	.000

a Dependent Variable: FAC3THRE

FACTOR THREE-SIX MONTH TIME HORIZON**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.675(a)	.456	.446	.31087

a Predictors: (Constant), VIX, BAA Credit

ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.064	2	4.532	46.896	.000(a)
	Residual	10.824	112	.097		
	Total	19.888	114			

a Predictors: (Constant), VIX, BAA Credit

b Dependent Variable: FAC3SIX

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.737	.293		-5.924	.000
	BAA Credit	.339	.041	.607	8.281	.000
	VIX	-.036	.005	-.538	-7.339	.000

a Dependent Variable: FAC3SIX

APPENDIX II-C: PREDICTED FACTOR SCORES

Predicted Factor Scores
January 1996-December 2005

	Three Months			Six Months			
	Factor I	Factor II	Factor III	Factor I	Factor II	Factor III	
Jan-96	0.62	0.03	0.41	Jan-96	0.47	-0.05	0.33
Feb-96	0.64	0.24	0.38	Feb-96	0.58	0.17	0.33
Mar-96	0.58	0.32	0.37	Mar-96	0.56	0.21	0.34
Apr-96	0.57	0.58	0.57	Apr-96	0.48	0.34	0.5
May-96	0.56	0.59	0.58	May-96	0.48	0.31	0.51
Jun-96	0.51	0.21	0.65	Jun-96	0.37	0.1	0.56
Jul-96	0.43	-0.21	0.41	Jul-96	0.42	0.05	0.38
Aug-96	0.39	0.18	0.57	Aug-96	0.32	0.4	0.51
Sep-96	0.29	0.39	0.5	Sep-96	0.22	0.29	0.44
Oct-96	0.32	0.3	0.33	Oct-96	0.27	0.08	0.29
Nov-96	0.36	0.3	0.3	Nov-96	0.29	0.16	0.26
Dec-96	0.32	0.27	0.23	Dec-96	0.33	0.14	0.21
Jan-97	0.32	0.32	0.31	Jan-97	0.29	0.17	0.28
Feb-97	0.33	0.07	0.25	Feb-97	0.34	0.09	0.23
Mar-97	0.28	-0.1	0.3	Mar-97	0.31	0.09	0.29
Apr-97	0.19	-0.03	0.36	Apr-97	0.17	0.22	0.33
May-97	0.27	0.6	0.38	May-97	0.23	0.46	0.35
Jun-97	0.27	0.7	0.21	Jun-97	0.28	0.23	0.2
Jul-97	0.32	0.65	0.05	Jul-97	0.31	0.14	0.05
Aug-97	0.3	0.43	-0.01	Aug-97	0.37	0.12	0.01
Sep-97	0.23	0.5	0.03	Sep-97	0.25	0.18	0.03
Oct-97	0.2	-0.04	-0.6	Oct-97	0.5	-0.15	-0.48
Nov-97	0.15	-0.16	-0.28	Nov-97	0.28	-0.08	-0.22
Dec-97	0.13	-0.2	-0.16	Dec-97	0.18	-0.05	-0.13
Jan-98	0.11	-0.24	-0.07	Jan-98	0.1	-0.16	-0.07
Feb-98	0.08	0.25	0.09	Feb-98	-0.01	0.13	0.07
Mar-98	0.03	0.29	-0.15	Mar-98	0.06	0.01	-0.12
Apr-98	-0.08	0.22	-0.01	Apr-98	-0.12	-0.06	-0.01
May-98	-0.1	-0.34	-0.07	May-98	-0.14	-0.25	-0.07
Jun-98	-0.08	-0.38	-0.03	Jun-98	-0.15	-0.14	-0.04
Jul-98	0.07	-0.68	-0.22	Jul-98	0.11	-0.3	-0.19
Aug-98	-0.02	-1.39	-1.13	Aug-98	0.46	-0.61	-0.92
Sep-98	0.16	-0.8	-1.02	Sep-98	0.58	-0.03	-0.83
Oct-98	0.1	-0.21	-0.34	Oct-98	0.23	0.02	-0.28
Nov-98	0.11	0.37	-0.28	Nov-98	0.18	0.01	-0.24
Dec-98	0.07	0.42	-0.2	Dec-98	0.1	0.04	-0.17
Jan-99	-0.02	0.1	-0.29	Jan-99	0.04	-0.15	-0.24
Feb-99	-0.08	-0.41	-0.24	Feb-99	0.01	-0.24	-0.19
Mar-99	0	-0.35	-0.03	Mar-99	-0.01	0.02	-0.01
Apr-99	0	0.07	-0.1	Apr-99	0.02	0.15	-0.07
May-99	-0.05	0.37	-0.03	May-99	-0.02	0.13	0
Jun-99	-0.03	0.57	0.23	Jun-99	-0.1	0.25	0.21
Jul-99	0.01	0.31	0.11	Jul-99	0.02	0.13	0.13
Aug-99	-0.02	0.03	0.16	Aug-99	0	0.08	0.17
Sep-99	-0.03	-0.02	0.11	Sep-99	0.01	0.19	0.13
Oct-99	0.06	0.06	0.29	Oct-99	0.03	0.2	0.28

Nov-99	0.08	0.32	0.15	Nov-99	0.08	0.27	0.16
Dec-99	0.09	0.65	0.14	Dec-99	0.1	0.37	0.15
Jan-00	0	0.41	0.19	Jan-00	0.02	0.15	0.2
Feb-00	-0.08	0.9	0.25	Feb-00	-0.09	0.54	0.25
Mar-00	-0.01	0.37	0.21	Mar-00	-0.01	0.13	0.22
Apr-00	-0.11	0.37	0.21	Apr-00	-0.06	0.25	0.23
May-00	-0.13	0.04	0.41	May-00	-0.14	0.29	0.4
Jun-00	-0.07	0.34	0.46	Jun-00	-0.17	0.39	0.42
Jul-00	-0.1	0.18	0.36	Jul-00	-0.18	0.16	0.33
Aug-00	-0.06	0.62	0.51	Aug-00	-0.21	0.41	0.45
Sep-00	-0.15	0.29	0.38	Sep-00	-0.22	0.16	0.35
Oct-00	-0.23	0.32	0.24	Oct-00	-0.23	0.24	0.24
Nov-00	-0.23	-0.44	-0.11	Nov-00	-0.09	-0.09	-0.05
Dec-00	-0.18	0.31	-0.03	Dec-00	-0.1	0.42	0.01
Jan-01	-0.2	0.37	0.12	Jan-01	-0.23	0.17	0.12
Feb-01	-0.3	0.15	-0.17	Feb-01	-0.18	-0.09	-0.11
Mar-01	-0.31	-0.27	-0.12	Mar-01	-0.17	0	-0.07
Apr-01	-0.21	0.15	0.06	Apr-01	-0.14	0.33	0.08
May-01	-0.25	0.33	0.19	May-01	-0.25	0.19	0.19
Jun-01	-0.28	0.51	0.35	Jun-01	-0.36	0.23	0.31
Jul-01	-0.28	0.1	0.15	Jul-01	-0.3	0.04	0.15
Aug-01	-0.33	-0.09	-0.03	Aug-01	-0.27	-0.01	-0.01
Sep-01	-0.34	-0.69	-0.25	Sep-01	-0.11	-0.2	-0.17
Oct-01	-0.18	-0.3	-0.45	Oct-01	0.08	0.15	-0.34
Nov-01	-0.16	0.23	0.06	Nov-01	-0.12	0.26	0.08
Dec-01	-0.25	0.73	0.08	Dec-01	-0.21	0.26	0.09
Jan-02	-0.3	0.48	0.2	Jan-02	-0.32	0.12	0.19
Feb-02	-0.31	0.13	0.16	Feb-02	-0.32	0.04	0.15
Mar-02	-0.23	0.48	0.48	Mar-02	-0.33	0.38	0.43
Apr-02	-0.33	0.41	0.18	Apr-02	-0.33	0.17	0.17
May-02	-0.25	0.17	0.3	May-02	-0.29	0.04	0.28
Jun-02	-0.3	-0.26	0.03	Jun-02	-0.21	-0.01	0.06
Jul-02	-0.3	-0.96	-0.35	Jul-02	-0.05	-0.29	-0.26
Aug-02	-0.18	-0.67	-0.48	Aug-02	0.08	-0.02	-0.38
Sep-02	-0.24	-0.73	-0.83	Sep-02	0.18	-0.21	-0.66
Oct-02	-0.02	-0.05	-0.31	Oct-02	0.22	0.12	-0.23
Nov-02	-0.13	0.14	-0.2	Nov-02	0.02	0.13	-0.15
Dec-02	-0.24	-0.07	-0.36	Dec-02	-0.06	-0.17	-0.29
Jan-03	-0.13	-0.36	-0.53	Jan-03	0.11	-0.21	-0.43
Feb-03	-0.16	-0.64	-0.54	Feb-03	0.05	-0.28	-0.46
Mar-03	-0.07	-0.46	-0.54	Mar-03	0.14	-0.2	-0.46
Apr-03	-0.11	-0.04	-0.26	Apr-03	-0.09	-0.09	-0.25
May-03	-0.16	0.15	-0.34	May-03	-0.18	-0.22	-0.33
Jun-03	-0.18	0.11	-0.3	Jun-03	-0.2	-0.31	-0.29
Jul-03	-0.19	0.29	-0.03	Jul-03	-0.22	-0.03	-0.04
Aug-03	-0.13	0.17	-0.05	Aug-03	-0.18	-0.09	-0.07
Sep-03	-0.11	-0.27	-0.37	Sep-03	-0.07	-0.39	-0.34
Oct-03	-0.12	0.06	-0.02	Oct-03	-0.22	-0.06	-0.05
Nov-03	-0.17	0.03	-0.04	Nov-03	-0.27	-0.19	-0.06
Dec-03	-0.14	0.03	-0.15	Dec-03	-0.2	-0.25	-0.16
Jan-04	-0.16	-0.19	-2.77	Jan-04	-0.27	-0.3	-0.18
Feb-04	-0.15	-0.3	-0.13	Feb-04	-0.3	-0.37	-0.16
Mar-04	-0.18	-0.35	-0.24	Mar-04	-0.28	-0.4	-0.25
Apr-04	-0.14	-0.47	-0.11	Apr-04	-0.23	-0.38	-0.13

May-04	-0.16	-0.37	0.01	May-04	-0.28	-0.24	-0.03
Jun-04	-0.12	-0.12	0.07	Jun-04	-0.27	-0.13	0.02
Jul-04	-0.16	-0.43	-0.02	Jul-04	-0.29	-0.43	-0.05
Aug-04	-0.08	-0.58	-0.12	Aug-04	-0.2	-0.4	-0.14
Sep-04	-0.08	-0.42	-0.05	Sep-04	-0.24	-0.28	-0.1
Oct-04	-0.09	-0.3	-0.23	Oct-04	-0.18	-0.39	-0.24
Nov-04	-0.05	0.1	-0.03	Nov-04	-0.22	-0.18	-0.07
Dec-04	-0.09	-0.12	-0.11	Dec-04	-0.26	-0.4	-0.15
Jan-05	-0.12	-0.46	-0.16	Jan-05	-0.3	-0.57	-0.2
Feb-05	-0.05	-0.5	-0.11	Feb-05	-0.24	-0.43	-0.15
Mar-05	-0.06	-0.63	-0.12	Mar-05	-0.21	-0.5	-0.16
Apr-05	-0.07	-0.89	-0.24	Apr-05	-0.19	-0.62	-0.26
May-05	0	-0.56	-0.18	May-05	-0.16	-0.35	-0.22
Jun-05	-0.02	-0.41	-0.15	Jun-05	-0.22	-0.46	-0.2
Jul-05	0	-0.05	-0.08	Jul-05	-0.2	-0.35	-0.14
Aug-05	-0.05	-0.39	-0.13	Aug-05	-0.23	-0.53	-0.17
Sep-05	-0.03	-0.45	-0.07	Sep-05	-0.23	-0.45	-0.12
Oct-05	-0.05	-0.65	-0.12	Oct-05	-0.16	-0.46	-0.15
Nov-05	0.04	-0.33	0.05	Nov-05	-0.15	-0.25	0
Dec-05	0	-0.45	0.03	Dec-05	-0.19	-0.41	-0.03
Average	-0.01	-0.01	-0.03	Average	-0.02	-0.03	0.00
Std.				Std.			
Dev.	0.22	0.42	0.40	Dev.	0.24	0.27	0.27

APPENDIX III-A: Results of the PCA

Explanatory Power of PCA by Strategy 1996-2005

	Initial	Extraction
EASystematic	1	0.917765
CTEDMS	1	0.912609
CTMgdFut	1	0.904762
EADomLongBias	1	0.898946
CTLSE	1	0.896753
EAEDMS	1	0.876462
CTConvert	1	0.829302
EAEqGlobal	1	0.798689
CTDEDSHORT	1	0.774082
EARiskArb	1	0.769351
CTDistressed	1	0.767818
EADiscretionary	1	0.764801
CTEmMkts	1	0.761604
EADistressed	1	0.753328
CTFixedInc	1	0.749072
EAShortSellers	1	0.735391
CTMS	1	0.733501
CTGlobalMacro	1	0.711307
CTRiskArb	1	0.702872
EARvMS	1	0.701834
EAConvHedge	1	0.691728
EADomOpp	1	0.68837
EABondHedge	1	0.673284
CTEMN	1	0.31987
EAMNEq	1	0.286398

APPENDIX IV:A: Evaluation Associates and CSFB/Tremont Index Background

EACM 100

Strategy Definitions

Within the Index there are 5 broad strategies and 12 underlying sub-strategy styles.

RELATIVE VALUE managers employ balanced or hedged portfolios with long and short positions that attempt to generate performance results independent of market direction.

Market Neutral Equity (Formerly Long/Short Equity)

Long undervalued equities/short overvalued equities, usually on an equal dollar basis

Convertible Hedging

Long convertible bonds or preferred, short underlying common stock

Bond Hedging

Yield curve arbitrage or long/short debt positions

Multi-Strategy

Opportunistically chosen blend of relative value strategies

EVENT DRIVEN managers focus on corporate transactions and special situations

Deal Arbitrage

Long/short equity securities of companies involved in corporate transactions

Bankruptcy/Distressed

Long undervalued securities of companies, usually in financial distress or operating under Chapter 11

Multi-Strategy

Opportunistically chosen blend of event driven strategies

EQUITY HEDGE fund managers invest in long and short securities with varying degrees of exposure and leverage.

Domestic Long Equity

Long undervalued US equities; short selling is used sparingly

Domestic Opportunistic Equity

Long and short US equities, with ability to be net short overall

Global/International Equity

Primarily long undervalued equities, with ability to use short selling opportunistically; managers often have a specific regional focus

GLOBAL ASSET ALLOCATORS are opportunistically long and short a variety of US and non-US financial and/or non-financial assets.

Discretionary

Long or short markets based on qualitative/fundamental analysis, often with technical

input

Systematic

Long or short markets based on trend-following or other quantitative techniques

SHORT SELLERS are a group of investment managers who short specific US equities based on the fundamental characteristics of a company or current market trends, with the expectation of decline in share price.

Non-Directional Strategies

Relative Value	30%
Market Neutral Equity	10%
Convertible Hedging	6%
Bond Hedging	7%
Multi-Strategy	7%
Event Driven	15%
Deal Arbitrage	5%
Bankruptcy/Distressed Debt	5%
Multi-Strategy	5%
Short Selling	5%
<u>Directional Strategies</u>	
Equity Hedge Funds	30%
Domestic Long-Biased	10%
Domestic Opportunistic	10%
Global/International	10%
Global Asset Allocators	20%
Discretionary Managers	10%
Systematic Traders	10%

Competitive Advantages over Other Hedge Fund Indexes

Based on its careful construction and long performance record, the EACM100® Index possesses a number of unique characteristics which allow it to be a standout among its competitors.

1. **A representative performance record of over nine years**, which includes boom and bust years for the hedge fund market. The result is a body of data suitable for all kinds of analysis. The original Index, which tracked only onshore funds, was compiled in 1995, with a public record since January 1996. In the early years of the Index, EACM published performance data that dated back to January 1990. Unfortunately the history had survivor bias, but results from January 1996 forward have none. EACM no longer publishes data for the period prior to January 1996.

2. **Emphasis on quality of data rather than quantity of data.** The group of 100 managers in the EACM100® is large enough to encompass the full spectrum of hedge

fund strategies, yet small enough to be effectively managed. EACM's knowledge of the participant funds does not stop at return numbers. A team of investment professionals is responsible for understanding the underlying reasons for performance results and following managers' investment decisions.

3. Index participant selections are made by a group of knowledgeable investment professionals who also manage approximately \$3 billion in actively managed fund of hedge funds portfolios. The staff utilizes the same tools and level of care when selecting an EACM100® participant. Although not a requirement for inclusion, a portion of the managers in the Index also manage live money for EACM.

4. No backfill bias. Adding new managers does not affect previously published data. Deleting managers also does not affect previously published data.

5. No "hidden blow-ups." If a manager leaves the index because of bad performance that culminates in the dissolution of a fund, the performance of the index will reflect the manager's bad performance.

6. Annual rebalancing to equal weights. The index is not rebalanced monthly, since a "live" hedge fund portfolio could not be managed on this basis.

7. Limited amounts of adverse selection bias. Some indexes focus only on managers who are willing to run separate accounts with daily liquidity and total transparency. EACM100® is able to choose from a more representative group of managers.



The CSFB/Tremont Hedge Fund Index

The methodology utilized in the CSFB/Tremont Hedge Fund Index starts by defining the universe it is measuring. The Index Universe is defined as funds with:

- A minimum of US \$50 million assets under management ("AUM"),
- A minimum one-year track record, and
- Current audited financial statements.

Funds are separated into ten primary subcategories based on their investment style. The Index in all cases represents at least 85% of the AUM in each respective category of the Index Universe. CSFB/Tremont analyzes the percentage of assets invested in each subcategory and selects funds for the Index based on those percentages, matching the shape of the Index to the shape of the universe. The Index is calculated and rebalanced monthly. Funds are reselected on a quarterly basis as necessary.

The CSFB/Tremont Hedge Fund Index is the leading asset-weighted index. The Index uses a rules-based construction methodology, identifies its constituent funds, and minimizes subjectivity in the Index member selection process. It aims at a maximum representation of the Index Universe. To minimize survivorship bias, funds are not removed from the Index until they are fully liquidated or fail to meet the financial reporting requirements.

Index figures are typically released by the 15th of each month or the subsequent business day, should the 15th fall on a holiday or weekend.

Convertible Arbitrage: This strategy is identified by hedge investing in the convertible securities of a company. A typical investment is to be long the convertible bond and short the common stock of the same company. Positions are designed to generate profits from the fixed income security as well as the short sale of stock, while protecting principal from market moves

Dedicated Short Bias: Dedicated short sellers were once a robust category of hedge funds before the long bull market rendered the strategy difficult to implement. A new category, short biased, has emerged. The strategy is to maintain net short as opposed to pure short exposure. Short biased managers take short positions in mostly equities and derivatives. The short bias of a manager's portfolio must be constantly greater than zero to be classified in this category.

Emerging Markets: This strategy involves equity or fixed income investing in emerging markets around the world. Because many emerging markets do not allow short selling, nor offer viable futures or other derivative products with which to hedge, emerging market investing often employs a long-only strategy.

Equity Market Neutral: This investment strategy is designed to exploit equity market inefficiencies and usually involves being simultaneously long and short matched equity portfolios of the same size within a country. Market neutral portfolios are designed to be either beta or currency neutral, or both. Well-designed portfolios typically control for industry, sector, market capitalization, and other exposures. Leverage is often applied to enhance returns.

Distressed: Fund managers invest in the debt, equity or trade claims of companies in financial distress and generally bankruptcy. The securities of companies in need of legal action or restructuring to revive financial stability typically trade at substantial discounts to par value and thereby attract investments when managers perceive a turn-around will materialize. Managers may also take arbitrage positions within a company's capital structure, typically by purchasing a senior debt tier and short-selling common stock, in the hopes of realizing returns from shifts in the spread between the two tiers

Event Driven Multi-Strategy: This subset refers to hedge funds that draw upon multiple themes, including risk arbitrage, distressed securities, and occasionally others such as investments in micro and small capitalization public companies that are raising money in private capital markets. Fund managers often shift assets between strategies in response to market opportunities.

Risk Arbitrage: Specialists invest simultaneously in long and short positions in both companies involved in a merger or acquisition. Risk arbitrageurs are typically long the stock of the company being acquired and short the stock of the acquiring company. The principal risk is deal risk, should the deal fail to close.

Fixed Income Arbitrage: The fixed income arbitrageur aims to profit from price anomalies between related interest rate securities. Most managers trade globally with a goal of generating steady returns with low volatility. This category includes interest rate swap arbitrage, US and non-US government bond arbitrage, forward yield curve arbitrage, and mortgage-backed securities arbitrage. The mortgage-backed market is primarily US-based, over-the-counter and particularly complex.

Global macro: Global macro managers carry long and short positions in any of the world's major capital or derivative markets. These positions reflect their views on overall market direction as influenced by major economic trends and or events. The portfolios of these funds can include stocks, bonds, currencies, and commodities in the form of cash or derivatives instruments. Most funds invest globally in both developed and emerging markets

Long/Short Equity: This directional strategy involves equity-oriented investing on both the long and short sides of the market. The objective is not to be market neutral. Managers have the ability to shift from value to growth, from small to medium to large capitalization stocks, and from a net long position to a net short position. Managers may use futures and options to hedge. The focus may be regional, such as long/short US or European equity, or sector specific, such as long and short technology or healthcare stocks. Long/short equity funds tend to build and hold portfolios that are substantially more concentrated than those of traditional stock funds

Managed Futures: This strategy invests in listed financial and commodity futures markets and currency markets around the world. The managers are usually referred to as Commodity Trading Advisors, or CTAs. Trading disciplines are generally systematic or discretionary. Systematic traders tend to use price and market specific information (often technical) to make trading decisions, while discretionary managers use a judgmental approach.

Multi-Strategy: Multi-Strategy funds are characterized by their ability to dynamically allocate capital among strategies falling within several traditional hedge fund disciplines. The use of many strategies, and the ability to reallocate capital between them in response to market opportunities, means that such funds are not easily assigned to any traditional category.

The Multi-Strategy category also includes funds employing unique strategies that do not fall under any of the other descriptions.



BIOGRAPHY

Mr. Kelley Ritchey, is currently a lecturer in banking and finance at the Asian University of Science and Technology in Huay Yai, Thailand. Prior to that, he was a tutor in the Master of Science in Financial Analysis (MScFA) program at Assumption University, Thailand in collaboration with University of San Francisco in the United States. He also served as a New York Institute of Finance faculty member.

Mr. Ritchey has diverse financial work experience. He was the Senior Portfolio Manager of Weston Capital Management, where he was involved with hedge fund portfolio construction, manager selection, and attribution analysis. Previously, he was the Vice President and Head of Market Research at the Alternative Investment Strategies group at Citibank and the Director of Alternative Investment Research and Education at the New York Mercantile Exchange (NYMEX).

Prior to that, Mr. Ritchey was involved in portfolio management, equity option trading, and option trading for several firms. He traded equity options and derivatives as a member of the American Stock Exchange and as Managing Director, Equity Trading of Imperial Savings.

Mr. Ritchey has a Bachelor of Arts degree in Politics from Whitman College and a Master's degree in Business Administration from the University of California at Los Angeles. He also possesses the Chartered Financial Analyst (CFA) designation from the Chartered Financial Analyst Institute and the Financial Risk Manager (FRM) designation from the Global Association of Risk Professionals.