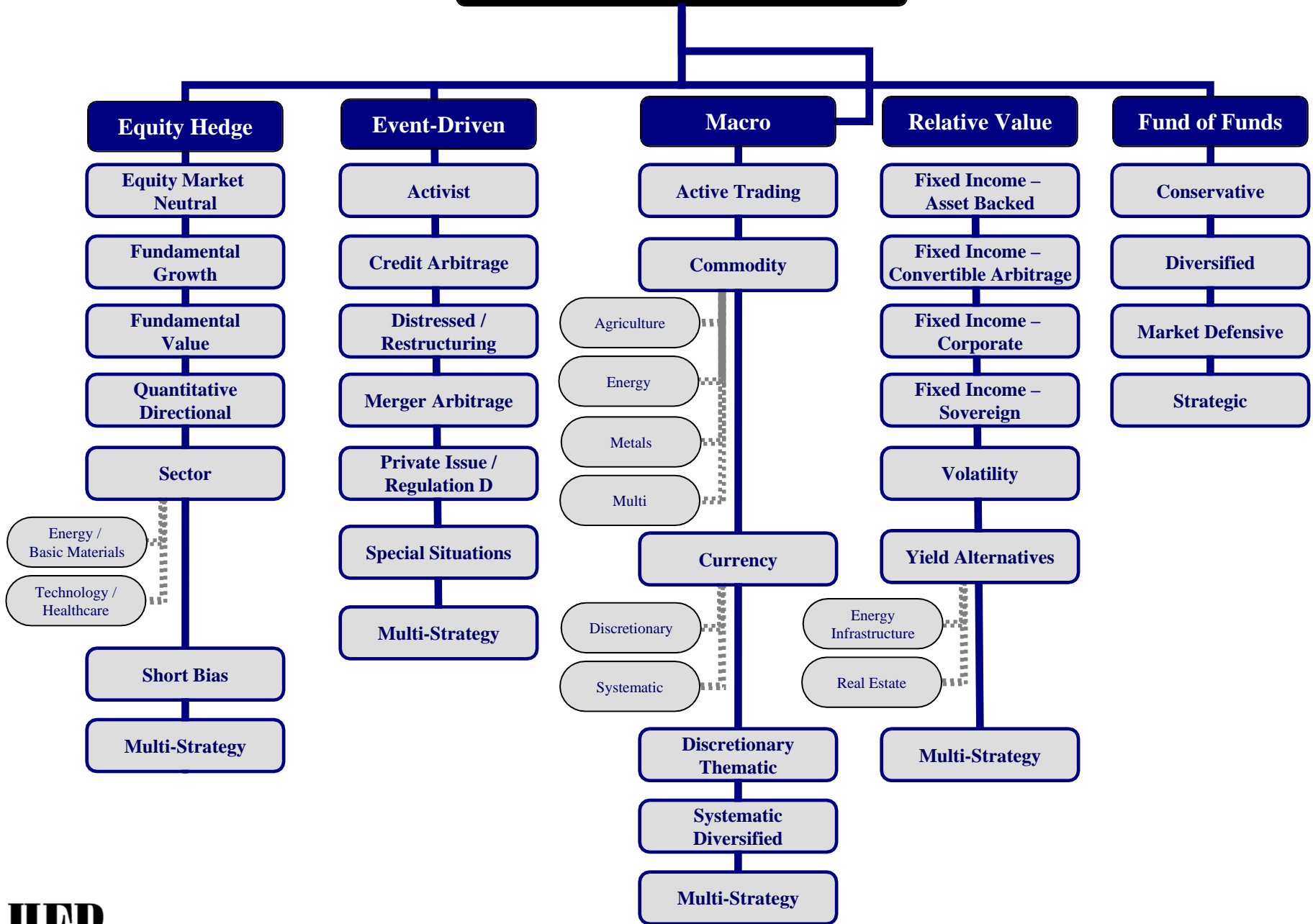


HFR STRATEGY & REGIONAL CLASSIFICATIONS

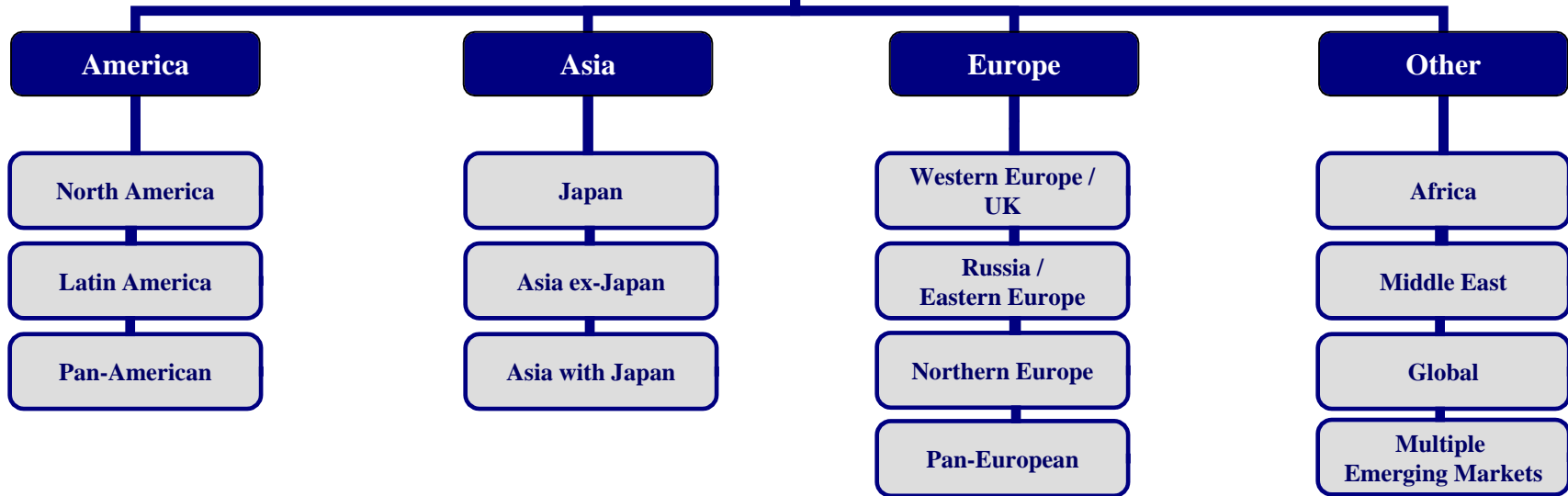
LAST UPDATED: January 3, 2011

Hedge Fund Research, Inc. (HFR) has constructed an accurate, relevant, robust and contemporaneous Strategy Classification System for all investment managers in HFR Database. The classifications reflect the evolution of strategic trends in the hedge fund industry, cognizant of the reality that over market cycles the classification system is likely to continue to evolve as new opportunities attract investor capital. The objective in launching this new classification system is to define pure strategy and sub-strategy buckets which can be used to characterize strategy returns at each level of analysis. We have also added specific new fields pertaining to the regional investment focus of the funds.

HFR Strategy Classification



HFR Regional Investment Focus Classification



Emerging Markets



Equity Hedge Strategy and Sub-Strategy Definitions

Equity Hedge (Total): Equity Hedge strategies maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short. EH is further subdivided into 8 sub-strategies:

EH: Equity Market Neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. These can include both Factor-based and Statistical Arbitrage/Trading strategies. Factor-based investment strategies include strategies in which the investment thesis is predicated on the systematic analysis of common relationships between securities. In many but not all cases, portfolios are constructed to be neutral to one or multiple variables, such as broader equity markets in dollar or beta terms, and leverage is frequently employed to enhance the return profile of the positions identified. Statistical Arbitrage/Trading strategies consist of strategies in which the investment thesis is predicated on exploiting pricing anomalies which may occur as a function of expected mean reversion inherent in security prices; high frequency techniques may be employed and trading strategies may also be employed on the basis on technical analysis or opportunistically to exploit new information the investment manager believes has not been fully, completely or accurately discounted into current security prices. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

EH: Fundamental Growth strategies employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies which are expected to have prospects for earnings growth and capital appreciation exceeding those of the broader equity market. Investment theses are focused on characteristics of the firm's financial statements in both an absolute sense and relative to other similar securities and more broadly, market indicators. Strategies employ investment processes designed to identify attractive opportunities in securities of companies which are experiencing or expected to experience abnormally high levels of growth compared with relevant benchmarks growth in earnings, profitability, sales or market share.

EH: Fundamental Value strategies which employ investment processes designed to identify attractive opportunities in securities of companies which trade a valuation metrics by which the manager determines them to be inexpensive and undervalued when compared with relevant benchmarks. Investment theses are focused on characteristics of the firm's financial statements in both an absolute sense and relative to other similar securities and more broadly, market indicators. Relative to Fundamental Growth strategies, in which earnings growth and capital appreciation is expected as a function of expanding market share and revenue increases, **Fundamental Value strategies typically focus on equities which currently generate high cash flow, but trade at discounted valuation multiples, possibly as a result of limited anticipated growth prospects or generally out of favor conditions, which may be specific to sector or specific holding.**

EH: Quantitative Directional strategies employ sophisticated quantitative analysis of price, other technical and fundamental data to ascertain relationships among securities and to select securities for purchase and sale. These can include both Factor-based and Statistical Arbitrage/Trading strategies. Factor-based investment strategies include strategies in which the investment thesis is predicated on the systematic analysis of common relationships between securities. Statistical Arbitrage/Trading strategies consist of strategies in which the investment thesis is predicated on exploiting pricing anomalies which may occur as a function of expected mean reversion inherent in security prices; high frequency techniques may be employed and trading strategies may also be employed on the basis on technical analysis or opportunistically to exploit new information the investment manager believes has not been fully, completely or accurately discounted into current security prices. Quantitative Directional Strategies typically maintain varying levels of net long or short equity market exposure over various market cycles.

EH: Sector - Energy/Basic Materials strategies which employ investment processes designed to identify opportunities in securities in specific niche areas of the market in which the Manager maintains a level of expertise which exceeds that of a market generalist in identify companies engaged in the production and procurement of inputs to industrial processes, and implicitly sensitive to the direction of price trends as determined by shifts in supply and demand factors, and implicitly sensitive to the direction of broader economic trends. **Sector - Energy/Basic Materials strategies typically maintain a primary focus in this area or expect to maintain in excess of 50% of portfolio exposure to these sectors over a various market cycles.**

Equity Hedge Strategy and Sub-Strategy Definitions

EH: Sector - Technology/Healthcare strategies employ investment processes designed to identify opportunities in securities in specific niche areas of the market in which the Manager maintain a level of expertise which exceeds that of a market generalist in identifying opportunities in companies engaged in all development, production and application of technology, biotechnology and as related to production of pharmaceuticals and healthcare industry. Though some diversity exists as an across sub-strategy, strategies implicitly exhibit some characteristic sensitivity to broader growth trends, or in the case of the latter, developments specific to the healthcare industry. *Sector - Technology/Healthcare strategies typically maintain a primary focus in this area or expect to maintain in excess of 50% of portfolio exposure to these sectors over a various market cycles.*

EH: Short-Biased strategies employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying overvalued companies. Short Biased strategies may vary the investment level or the level of short exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent short exposure and expects to outperform traditional equity managers in declining equity markets. *Investment theses may be fundamental or technical in nature and manager has a particular focus, above that of a market generalist, on identification of overvalued companies and would expect to maintain a net short equity position over various market cycles.*

EH: Multi-Strategy Investment Managers maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. *EH Multi-Strategy managers do not maintain more than 50% exposure in any one Equity Hedge sub-strategy .*

Event-Driven Strategy and Sub-Strategy Definitions

Event-Driven (Total): Investment Managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

ED: Activist strategies may obtain or attempt to obtain representation of the company's board of directors in an effort to impact the firm's policies or strategic direction and in some cases may advocate activities such as division or asset sales, partial or complete corporate divestiture, dividend or share buybacks, and changes in management. Strategies employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently or prospectively engaged in a corporate transaction, security issuance/repurchase, asset sales, division spin-off or other catalyst oriented situation. These involve both announced transactions as well as situations which pre-, post-date or situations in which no formal announcement is expected to occur. **Activist strategies are distinguished from other Event-Driven strategies in that, over a given market cycle, Activist strategies would expect to have greater than 50% of the portfolio in activist positions, as described.**

ED: Credit Arbitrage strategies employ an investment process designed to isolate attractive opportunities in corporate fixed income securities; these include both senior and subordinated claims as well as bank debt and other outstanding obligations, structuring positions with little or no broad credit market exposure. These may also contain a limited exposure to government, sovereign, equity, convertible or other obligations but the focus of the strategy is primarily on fixed corporate obligations and other securities are held as component of positions within these structures. Managers typically employ fundamental credit analysis to evaluate the likelihood of an improvement in the issuer's creditworthiness, in most cases securities trade in liquid markets and managers are only infrequently or indirectly involved with company management. **Fixed Income - Corporate strategies differ from Event Driven: Credit Arbitrage in that the former more typically involve more general market hedges which may vary in the degree to which they limit fixed income market exposure, while the latter typically involve arbitrage positions with little or no net credit market exposure, but are predicated on specific, anticipated idiosyncratic developments.**

ED: Distressed/Restructuring strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Managers are typically actively involved with the management of these companies, frequently involved on creditors' committees in negotiating the exchange of securities for alternative obligations, either swaps of debt, equity or hybrid securities. Managers employ fundamental credit processes focused on valuation and asset coverage of securities of distressed firms; in most cases portfolio exposures are concentrated in instruments which are publicly traded, in some cases actively and in others under reduced liquidity but in general for which a reasonable public market exists. **In contrast to Special Situations, Distressed Strategies employ primarily debt (greater than 60%) but also may maintain related equity exposure.**

ED: Merger Arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction. Merger Arbitrage involves primarily announced transactions, typically with limited or no exposure to situations which pre-, post-date or situations in which no formal announcement is expected to occur. Opportunities are frequently presented in cross border, collared and international transactions which incorporate multiple geographic regulatory institutions, with typically involve minimal exposure to corporate credits. **Merger arbitrage strategies typically have over 75% of positions in announced transactions over a given market cycle.**

ED: Private Issue/Regulation D strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are primarily private and illiquid in nature. These most frequently involve realizing an investment premium for holding private obligations or securities for which a reasonably liquid market does not readily exist until such time as a catalyst such as new security issuance or emergence from bankruptcy proceedings occurs. Managers employ fundamental valuation processes focused on asset coverage of securities of issuer firms, and would expect over a given market cycle to maintain greater than 50% of the portfolio in private securities, including Reg D or PIPE transactions.

ED: Special Situations strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction, security issuance/repurchase, asset sales, division spin-off or other catalyst oriented situation. These involve both announced transactions as well as situations which pre-, post-date or situations in which no formal announcement is expected to occur. Strategies employ an investment process focusing broadly on a wide spectrum of corporate life cycle investing, including but not limited to distressed, bankruptcy and post bankruptcy security issuance, announced acquisitions and corporate division spin-offs, asset sales and other security issuance impacting an individual capital structure focusing primarily on situations identified via fundamental research which are likely to result in a corporate transactions or other realization of shareholder value through the occurrence of some identifiable catalyst. **Strategies effectively employ primarily equity (greater than 60%) but also corporate debt exposure, and in general focus more broadly on post-bankruptcy equity exposure and exit of restructuring proceedings.**

ED: Multi-Strategy managers would typically have no greater than 50% exposure to any one, distinct Event-Driven sub-strategy.

Macro Strategy and Sub-Strategy Definitions

Macro (Total): Investment Managers which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long and short term holding periods. Although some strategies employ RV techniques, Macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities. In a similar way, while both Macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposed to EH, in which the fundamental characteristics on the company are the most significant and integral to investment thesis.

Macro: Active Trading strategies employ either discretionary or rule-based high-frequency strategies to trade multiple asset classes. Distinguished from Systematic: Diversified strategies by their high portfolio turnover and a trade duration of five days or less, and from Equity Hedge: Quantitative Directional by their significant use of asset classes other than equities, these strategies employ an investment process predicated on evaluation of historical and current price and other technical, fundamental and quantitative market data to determine trading opportunities lasting from a few seconds to a few days at a time. Positions may be defined as momentum-based, mean reversion, or spread/arbitrage trades. These strategies frequently employ leverage and are active across market sectors including equities, fixed income, foreign exchange, and commodity asset classes, utilize cash, futures, and/or options, and are generally diversified in geography. These trading strategies characteristically emphasize rapid response to new fundamental and technical market information, generally utilize liquid markets, and often derive alpha from market volatility and instability.

Macro: Commodity - Agriculture strategies are reliant on the evaluation of market data, relationships and influences as they pertain primarily to Soft Commodity markets focusing primarily on positions in grains (wheat, soybeans, corn, etc.) or livestock markets. Portfolio the investment process can be predicated on fundamental, systematic or technical analysis, and Agricultural strategies typically invest in both Emerging and Developed Markets. Commodity: Agricultural strategies typically would expect to have greater than 50% of portfolio in dedicated Agricultural exposure over a given market cycle .

Macro: Commodity - Energy strategies are reliant on the evaluation of market data, relationships and influences as they pertain primarily to Energy commodity markets focusing primarily on positions in Crude Oil, Natural Gas and other Petroleum products. Portfolio investment process can be predicated on fundamental, systematic or technical analysis, and strategies typically invest in both Emerging and Developed Markets. Commodity: Energy strategies typically would expect to have greater than 50% of portfolio in dedicated Energy exposure over a given market cycle.

Macro: Commodity - Metals strategies are reliant on the evaluation of market data, relationships and influences as they pertain primarily to Hard Commodity markets focusing primarily on positions in Metals (Gold, Silver, Platinum, etc). Portfolio investment process can be predicated on fundamental, systematic or technical analysis, and strategies typically invest in both Emerging and Developed Markets. Commodity: Metals strategies typically would expect to have greater than 50% of portfolio in dedicated Metals exposure over a given market cycle.

Macro: Commodity - Multi strategies include both discretionary and systematic commodity strategies. Systematic commodity have investment processes typically as function of mathematical, algorithmic and technical models, with little or no influence of individuals over the portfolio positioning. Strategies employ an investment process designed to identify opportunities in markets exhibiting trending or momentum characteristics across commodity assets classes, frequently with related ancillary exposure in commodity sensitive equities or other derivative instruments. Strategies typically employ quantitative process which focus on statistically robust or technical patterns in the return series of the asset, and typically focus on highly liquid instruments and maintain shorter holding periods than either discretionary or mean reverting strategies. Although some strategies seek to employ counter trend models, strategies benefit most from an environment characterized by persistent, discernible trending behavior. Systematic Commodity strategies typically would expect to have greater than 35% of portfolio in dedicated commodity exposure over a given market cycle. Discretionary Commodity strategies are reliant on the fundamental evaluation of market data, relationships and influences as they pertain primarily to commodity markets including positions in energy, agricultural, resources or metal assets. Portfolio positions typically are predicated on the evolution of investment themes the Manager expect to materialize over a relevant timeframe, which in many cases contain contrarian or volatility focused components. Investment Managers also may trade actively in developed and emerging markets, focusing on both absolute and relative levels on equity markets, interest rates/fixed income markets, currency; frequently employing spread trades to isolate a differential between instrument identified by the Investment Manager to be inconsistent with expected value. Discretionary Commodity strategies typically would expect to have greater than 35% of portfolio in dedicated commodity exposure over a given market cycle.

Macro Strategy and Sub-Strategy Definitions

Macro: Currency Discretionary strategies are reliant on the fundamental evaluation of market data, relationships and influences as they pertain primarily to currency markets including positions in global foreign exchange markets, both listed and unlisted, and as interpreted by an individual or group of individuals who make decisions on portfolio positions; strategies employ an investment process most heavily influenced by top down analysis of macroeconomic variables. Portfolio positions typically are predicated on the evolution of investment themes the Manager expect to materialize over a relevant timeframe, which in many cases contain contrarian or volatility focused components. Investment Managers also may trade actively in developed and emerging markets, focusing on both absolute and relative levels on equity markets, interest rates/fixed income markets, currency; frequently employing spread trades to isolate a differential between instrument identified by the Investment Manager to be inconsistent with expected value. *Currency Discretionary strategies typically would expect to have greater than 35% of portfolio in dedicated currency exposure over a given market cycle.*

Macro: Currency Systematic strategies have investment processes typically as function of mathematical, algorithmic and technical models, with little or no influence of individuals over the portfolio positioning. Strategies which employ an investment process designed to identify opportunities in markets exhibiting trending or momentum characteristics across currency assets classes, frequently with related ancillary exposure in sovereign fixed income. Strategies typically employ quantitative process which focus on statistically robust or technical patterns in the return series of the asset, and typically focus on highly liquid instruments and maintain shorter holding periods than either discretionary or mean reverting strategies. Although some strategies seek to employ counter trend models, strategies benefit most from an environment characterized by persistent, discernable trending behavior. *Currency Systematic strategies typically would expect to have greater than 35% of portfolio in dedicated currency exposure over a given market cycle.*

Macro: Discretionary Thematic strategies are primarily reliant on the evaluation of market data, relationships and influences, as interpreted by an individual or group of individuals who make decisions on portfolio positions; strategies employ an investment process most heavily influenced by top down analysis of macroeconomic variables. Investment Managers may trade actively in developed and emerging markets, focusing on both absolute and relative levels on equity markets, interest rates/fixed income markets, currency and commodity markets; frequently employing spread trades to isolate a differential between instrument identified by the Investment Manager to be inconsistent with expected value. Portfolio positions typically are predicated on the evolution of investment themes the Manager expect to materialize over a relevant timeframe, which in many cases contain contrarian or volatility focused components.

Macro: Systematic Diversified strategies have investment processes typically as function of mathematical, algorithmic and technical models, with little or no influence of individuals over the portfolio positioning. Strategies which employ an investment process designed to identify opportunities in markets exhibiting trending or momentum characteristics across individual instruments or asset classes. Strategies typically employ quantitative process which focus on statistically robust or technical patterns in the return series of the asset, and typically focus on highly liquid instruments and maintain shorter holding periods than either discretionary or mean reverting strategies. Although some strategies seek to employ counter trend models, strategies benefit most from an environment characterized by persistent, discernable trending behavior. *Systematic Diversified strategies typically would expect to have no greater than 35% of portfolio in either dedicated currency or commodity exposures over a given market cycle.*

Macro: Multi-Strategy Strategies which employ components of both Discretionary and Systematic Macro strategies, but neither exclusively both. Strategies frequently contain proprietary trading influences, and in some cases contain distinct, identifiable sub-strategies, such as equity hedge or equity market neutral, or in some cases a number of sub-strategies are blended together without the capacity for portfolio level disaggregation. Strategies employ an investment process is predicated on a systematic, quantitative evaluation of macroeconomic variables in which the portfolio positioning is predicated on convergence of differentials between markets, not necessarily highly correlated with each other, but currently diverging from their historical levels of correlation. Strategies focus on fundamental relationships across geographic areas of focus both inter and intra-asset classes, and typical holding periods are longer than trend following or discretionary strategies.

Relative Value Strategy and Sub-Strategy Definitions

Relative Value (Total): Investment Managers who maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. RV position may be involved in corporate transactions also, but as opposed to ED exposures, the investment thesis is predicated on realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction. RV is further subdivided into 6 sub-strategies:

RV: Fixed Income-Asset Backed includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a fixed income instrument backed physical collateral or other financial obligations (loans, mortgages, credit cards) other than those of a specific corporation. Strategies employ an investment process designed to isolate attractive opportunities between a variety of fixed income instruments specifically securitized by collateral commitments which frequently include loans, pools and portfolios of loans, receivables, real estate, mortgage, machinery or other tangible financial commitments. Investment thesis may be predicated on an attractive spread given the nature and quality of the collateral, the liquidity characteristics of the underlying instruments and on issuance and trends in collateralized fixed income instruments, broadly speaking. In many cases, investment managers hedge, limit or offset interest rate exposure in the interest of isolating the risk of the position to strictly the yield disparity of the instrument relative to the lower risk instruments.

RV: Fixed Income-Convertible Arbitrage includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a convertible fixed income instrument. Strategies employ an investment process designed to isolate attractive opportunities between the price of a convertible security and the price of a non-convertible security, typically of the same issuer. Convertible arbitrage positions maintain characteristic sensitivities to credit quality the issuer, implied and realized volatility of the underlying instruments, levels of interest rates and the valuation of the issuer's equity, among other more general market and idiosyncratic sensitivities.

RV: Fixed Income-Corporate includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a corporate fixed income instrument. Strategies employ an investment process designed to isolate attractive opportunities between a variety of fixed income instruments, typically realizing an attractive spread between multiple corporate bonds or between a corporate and risk free government bond. *Fixed Income-Corporate strategies differ from Event Driven: Credit Arbitrage in that the former more typically involve more general market hedges which may vary in the degree to which they limit fixed income market exposure, while the latter typically involve arbitrage positions with little or no net credit market exposure, but are predicated on specific, anticipated idiosyncratic developments.*

RV: Fixed Income - Sovereign includes strategies in which the investment thesis is predicated on realization of a spread between related instruments in which one or multiple components of the spread is a sovereign fixed income instrument. Strategies employ an investment process designed to isolate attractive opportunities between a variety of fixed income instruments, typically realizing an attractive spread between multiple sovereign bonds or between a corporate and risk free government bond. Fixed Income Sovereign typically employ multiple investment processes including both quantitative and fundamental discretionary approaches and relative to other Relative Value Arbitrage sub-strategies, these have the most significant top-down macro influences, relative to the more idiosyncratic fundamental approaches employed. RV: Fixed Income: Sovereign funds would typically have a minimum of 50% exposure to global sovereign fixed income markets, but characteristically maintain lower net exposure than similar strategies in Macro: Multi-Strategy sub-strategy.

RV: Volatility strategies trade volatility as an asset class, employing arbitrage, directional, market neutral or a mix of types of strategies, and include exposures which can be long, short, neutral or variable to the direction of implied volatility, and can include both listed and unlisted instruments. Directional volatility strategies maintain exposure to the direction of implied volatility of a particular asset or, more generally, to the trend of implied volatility in broader asset classes. Arbitrage strategies employ an investment process designed to isolate opportunities between the price of multiple options or instruments containing implicit optionality. Volatility arbitrage positions typically maintain characteristic sensitivities to levels of implied and realized volatility, levels of interest rates and the valuation of the issuer's equity, among other more general market and idiosyncratic sensitivities.

RV: Yield Alternatives – Energy Infrastructure strategies employ an investment thesis which is predicated on realization of a valuation differential between related instruments in which one or multiple components of the spread contains exposure to Energy Infrastructure most typically achieved through investment in Master Limited Partnerships (MLPs), Utilities or Power Generation. Strategies are typically fundamentally driven to measure the existing relationship between instruments and identify positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. In contrast to Equity Hedge strategies, the investment thesis is predicated on the yield differential realized from the securities as opposed to directional price appreciation of the underlying securities, and strategies typically contain greater than 50% of portfolio exposure to Energy Infrastructure positions .

Relative Value Strategy and Sub-Strategy Definitions

RV: Alternatives – Real Estate strategies employ an investment thesis which is predicated on realization of a valuation differential between related instruments in which one or multiple components of the spread contains exposure to investment in real estate directly (commercial or residential) or indirectly through Real Estate Investment Trusts (REITS). Strategies are typically fundamentally driven to measure the existing relationship between instruments and identify positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. In contrast to RVA: Fixed Income: Asset Backed, Yield Alternative: Real Estate contains primarily non-fixed income, non-securitized obligations, and strategies typically contain greater than 50% of portfolio exposure to Real Estate positions.

RV: Multi-Strategies employ an investment thesis is predicated on realization of a spread between related yield instruments in which one or multiple components of the spread contains a fixed income, derivative, equity, real estate, MLP or combination of these or other instruments. Strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. In many cases these strategies may exist as distinct strategies across which a vehicle which allocates directly, or may exist as related strategies over which a single individual or decision making process manages. *Multi-strategy is not intended to provide broadest-based mass market investors appeal, but are most frequently distinguished from others arbitrage strategies in that they expect to maintain >30% of portfolio exposure in 2 or more strategies meaningfully distinct from each other that are expected to respond to diverse market influences.*

Fund of Funds Strategy and Sub-Strategy Definitions

Fund of Funds (Total): Fund of Funds invest with multiple managers through funds or managed accounts. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The Fund of Funds manager has discretion in choosing which strategies to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies. The minimum investment in a Fund of Funds may be lower than an investment in an individual hedge fund or managed account. The investor has the advantage of diversification among managers and styles with significantly less capital than investing with separate managers.

FOF - Conservative: FOFs classified as "Conservative" exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more "conservative" strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index. A fund in the HFRI FOF Conservative Index shows generally consistent performance regardless of market conditions.

FOF - Diversified: FOFs classified as "Diversified" exhibit one or more of the following characteristics: invests in a variety of strategies among multiple managers; historical annual return and/or a standard deviation generally similar to the HFRI Fund of Fund Composite index; demonstrates generally close performance and returns distribution correlation to the HFRI Fund of Fund Composite Index. A fund in the HFRI FOF Diversified Index tends to show minimal loss in down markets while achieving superior returns in up markets.

FOF - Market Defensive: FOFs classified as "Market Defensive" exhibit one or more of the following characteristics: invests in funds that generally engage in short-biased strategies such as short selling and managed futures; shows a negative correlation to the general market benchmarks (S&P). A fund in the FOF Market Defensive Index exhibits higher returns during down markets than during up markets.

FOF - Strategic: FOFs classified as "Strategic" exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index. A fund in the HFRI FOF Strategic Index tends to outperform the HFRI Fund of Fund Composite Index in up markets and underperform the index in down markets.

Regional Investment Focus:

HFR's **Regional Investment Focus** is designed to reflect the primary focus of the Fund's strategic exposure, over various market cycles, independent of the investment manager's physical location or the domiciled registration location of the fund. The **Geographic Groupings** have been constructed based on primary continental economic association, as well as actual continental geographic location. In completing a fund profile for inclusion in HFR Database, an investment manager qualitatively selects one of the four following primary **Geographic Groupings: America, Asia, Europe, and Other**

Additionally, HFR requests sub-regional classification, as defined below:

	<u>Sub-Region</u>	<u>Description</u>
Americas	North America	Primary focus in North America, typically >50% exposure
	Latin America	Primary focus in Latin America, typically >50% exposure
	Pan-America	Typically >75% exposure in the Americas
Asia	Japan	Primary focus on Japan, typically >75% exposure
	Asia ex/Japan	Primary focus on Asia, typically <10% exposure in Japan
	Asia w/Japan	Primary focus on Asia, typically between 10-75% in Japan
Europe	Western Europe/UK	Primary focus in region, typically >50% exposure
	Russia/Eastern Europe	Primary focus in region, typically >50% exposure
	Northern Europe	Primary focus in region, typically >50% exposure
	Pan-European	Typically >75% exposure in all European regions
Other	Africa	Primary focus in African region, typically >50% exposure
	Middle East	Primary focus in Middle East, typically >50% exposure
	Global	No greater than 50% exposure in any specific geographic region
	Multiple Emerging Markets	No greater than 50% exposure in any specific emerging market

Regional Investment Focus Classification notes:

- **Africa** - Includes all of African continent, except for Egypt (*Middle East*).
- **Americas** – For our purposes, *North America* includes the USA, Canada and Greenland. *Latin America* includes Mexico, Central and South America as well as the nations of the Caribbean.
- **Asia** - Includes range of nations that border the Pacific and Indian oceans. For our purposes, this includes: Japan, China, Korea, Australia, India, Singapore, etc.
- **Europe** - Includes Western, Eastern and Northern European (Scandinavian) nations, as well as Russia and Turkey.
- **Middle East** - For our purposes, ranges from Egypt to Israel to Syria to Iran and includes all the nations of the Arabian Peninsula
- **Other** - HFR reserves the inclusion of a fund in “*Global*” to those funds which have no greater than 50% exposure to ANY of the more-specific geographic regions provided and the inclusion of a fund in “*Multiple Emerging Markets*” to those funds which have no greater than 50% exposure to ANY of the more-specific emerging markets regions provided.

Due to the variety and non-homogenous nature of exposure to Emerging Markets, HFR requests that fund managers specify the geographic investment nature of the fund, without using the general characterization of “Multiple Emerging Markets”.

For index construction purposes, the following six sub-regions will be included in **Emerging Markets**:

- o *Africa*
- o *Asia ex-Japan*
- o *Latin America*
- o *Middle East*
- o *Russia/Eastern Europe*
- o *Multiple Emerging Markets*

While most strategies, in some manner, contain exposures outside of their primary region, HFR encourages managers to select classifications based on their expected primary regional focus (greater than 50% portfolio exposure over a number of market cycles).