HENNESSEE GROUP LLC

HEDGE FUND RESEARCH

YOUR STRATEGIC PARTNER IN HEDGE FUND RESEARCH

HENNESSEE HEDGE FUND REVIEW®

JANUARY 2016
VOLUME 18 ISSUE 1

MARKET SUMMARY 1

STYLE PERFORMANCE SUMMARIES

Long/Short Equity 4
Arbitrage/Event Driven 6
Global/Macro 8

MONTHLY FEATURES

Hennessee Hedge Hog Corner 10

Hennessee Hedge Fund Rankings 11

	DEC	YTD
HENNESSEE HEDGE FUND INDEX	-1.06%	-1.13%
S&P 500	-1.75%	-0.73%
DOW JONES INDUSTRIAL AVERAGE	-1.66%	-2.23%
LONG/SHORT EQUITY	-0.69%	+0.69%
ARBITRAGE/EVENT DRIVEN	-0.93%	-3.97%
GLOBAL/MACRO	-1.54%	-0.77%

PERCENTAGE OF HEDGE FUNDS MANAGERS OUTPERFORMING THE:	DEC	YTD
S&P 500	70%	60%

TOP (3) PERFORMING:	DEC		YTD
Growth	+0.87%	Europe	+9.30%
Merger Arbitrage	+0.50%	Market Neutral	+6.09%
Asia-Pacific	+0.45%	Technology	+5.52%

BOTTOM (3) PERFORMING:	DEC		YTD
Opportunistic	-4.23%	Latin America	-14.80%
Macro	-3.63%	Distressed	-10.74%
Fixed Income	-3.10%	Opportunistic	-8.75%

MARKET SUMMARY - DECEMBER 2015

The Hennessee Hedge Fund Index dropped -1.06% in December (-1.13% YTD), as US and global markets finished a challenging year with an uncharacteristic drop in December. The market focused on collapsing oil and commodity prices in general, the strength of the US Dollar and weakness in China. The log awaited Fed hike of 0.25% which finally occurred in December was initially a non-event for the market, but expectations for further increases in 2016 may have contributed to the market gloom. For the month, the S&P 500 decreased -1.75% (-0.73% YTD), the Dow Jones Industrial Average dropped -1.66% (-2.23% YTD), and the NASDAQ Composite Index fell -1.98% (+5.73% YTD). With the Fed's 0.25% point rate increase in December, bonds were down for the month, as the Barclays Aggregate Bond Index slightly decreased -0.32% (+0.57% YTD). In the US, large growth stocks slightly outperformed large value stocks, falling about 20 bps less, and Growth hedge funds +0.87% (+1.03% YTD) outperformed Value hedge funds -2.45% (-4.03% YTD) for the month by a much larger amount. Small cap stocks were more buoyant with the Russell 2000 gaining -5.19% (-5.71% YTD). Given the stronger small cap performance, equity hedge funds were relatively strong compared to the large cap equity indices, as the Hennessee Long/Short Equity Index fell -0.69% (+0.69% YTD).

The top performing hedge fund strategies for December were Growth (+0.87%), Merger Arbitrage (+0.50%), and Asia-Pacific (+0.45%). The worst performing strategies in December were Opportunistic (-4.23%), Macro (-3.63%), and Fixed Income (-3.10%). The best performing strategies year-to-date were Europe (+9.30%), Market Neutral (+6.09%), and Technology (+5.52%). The worst performing strategies year-to-date were Latin America (-14.80%), Distressed (-10.74%), and Opportunistic (-8.75%).

US Equity Markets were down in December and market breadth remains weak with particular weakness in smaller cap stocks. Energy related stocks were notable decliners. The S&P 500 Index dropped -1.75% in December. The Dow Jones Industrial Average had a slightly smaller loss, decreasing -1.66%. Small cap stocks had a much stronger decrease with the Russell 2000 Index falling -5.19%, and the technology heavy NASDAQ was down more modestly, with a -1.98% decrease. Stocks had significant dispersion across sectors in December, with four sectors up over +1.6% and significant declines in Energy, Materials and loses of over -2.2% in four other sectors. For the month, Consumer Staples (+2.51%), Utilities (+1.85%) and Telecommunication Services (+1.72%) were the best performing sectors; while Energy (-10.00%), Materials (-4.43%) and Consumer Discretionary (-2.97%) were the weakest. Year-to-date, Consumer Discretionary (+8.43%), Health Care (+5.21%) and Information Technology (+4.27%) are the best performing sectors. The weakest sectors year-to-date are Energy (-23.55%), Materials (-10.36%) and Utilities (-8.39%).

In December, global equities were broadly down. For the month, the MSCI All Country World Index decreased -1.92% (-4.26% YTD), the MSCI Europe Index fell -2.62% (-5.32% YTD), while the MSCI AC Asia Pacific Index rose +0.14% (-4.28% YTD). **The MSCI Emerging Market Index also declined, dropping -2.48% (-16.96% YTD).** Japanese equities were also negative, with the Nikkei 225 falling -3.61% (+9.07% YTD). Benchmark longer-term interest rates in the US were higher with the 10-Year U.S. Treasury ending the month at 2.27%, up 6 basis points from 2.21% in November.

Investment grade bonds slightly declined in December, as the Barclays Aggregate Bond Index dropped -0.32% (+0.57% YTD). The Merrill Lynch High Yield Master II Index decreased -2.58% (-4.64% YTD). High yield spreads were higher for the month, increasing 55 basis point to end the month 695 basis points over treasuries. The Hennessee Distressed Index was down -2.13% in December (-10.74% YTD).

Commodities were down in December. The Bloomberg Commodity Index decreased -3.09% (-24.66% YTD). WTI oil lost -8.16% and natural gas declined -8.06%.

HENNESSEE GROUP LLC

HEDGE FUND RESEARCH

YOUR STRATEGIC PARTNER
IN HEDGE FUND RESEARCH

HENNESSEE
HEDGE FUND REVIEW®

WWW.HENNESSEEGROUP.COM

E. Lee Hennessee
Managing Principal

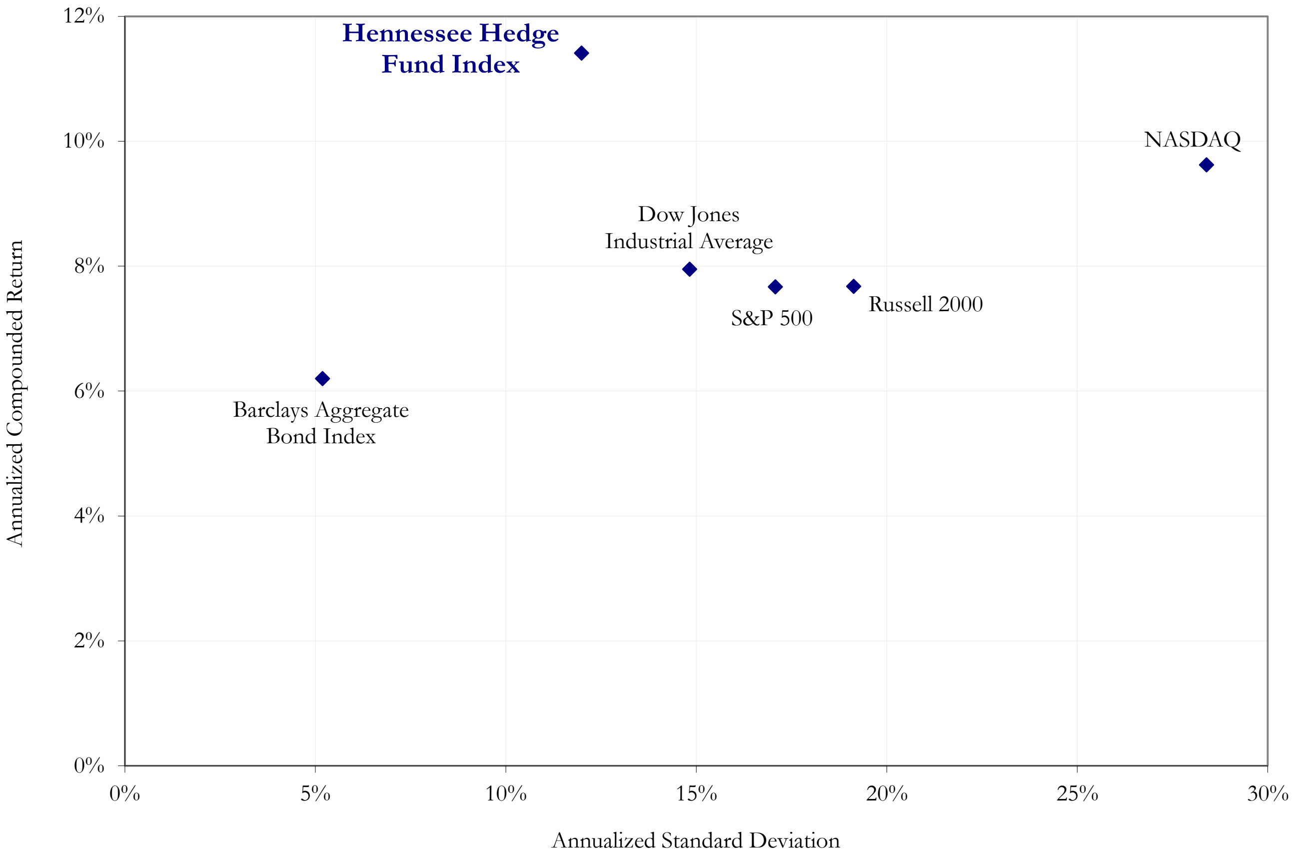
Charles J. Gradante
Managing Principal

Hennessee Hedge Fund Review® is published twelve times a year from:
Hennessee Group LLC

To subscribe, please visit our Website:
www.hennesseegroup.com or contact us by
Email: hennesseegroup@hennesseegroup.com

Hennessee Hedge Fund Review® is a general publication circulated monthly. The information in this publication has been obtained from sources believed to be reliable, but no guarantee is made with respect to accuracy. Past performance is not a guarantee of future performance. No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form by any means, electronic, mechanical, photcopying, recording or otherwise, without the prior written consent of the publisher. No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.

1987 – 2015



You Wouldn't Use a Stock Index to Benchmark Your Bond Portfolio

Hennessee Hedge Fund Indices®

Hennessee Group recognized the need for the creation of specific 'benchmarks' to measure a hedge fund manager's success. From this original concept, the blueprints of the Hennessee Hedge Fund Indices® evolved into what we know today.

The Hennessee Hedge Fund Indices® have been used as a hedge fund benchmark since 1987. Created real-time, the Hennessee Hedge Fund Indices® are an equally weighted average of a diversified group of hedge funds consisting of 23 different investment styles.

For more information on the Hennessee Hedge Fund Indices®, please visit us at www.hennesseegroup.com or lookup us up on Bloomberg under the symbol "HHFD".

HENNESSEE GROUP LLC

HENNESSEE HEDGE FUND REVIEW®

SUBSCRIPTION FORM

The Hennessee Group LLC is pleased to offer you a **12-month subscription** to the **Hennessee Hedge Fund Review®.** The Hennessee Hedge Fund Review® provides comprehensive performance information, statistics, and market analysis; all of which is value added to hedge fund managers and investors alike. The Hennessee Hedge Fund Review® includes the **Hennessee Hedge Fund Indices®**, one of the oldest and most widely sourced indices in the industry. The following are also included:

- A monthly overview of the U.S. and major international markets.
- A discussion of hedge fund money management styles including trading themes, market trends impacting each style, and positions that have impacted their peer group.
- Monthly **Hennessee Hedge Fund Indices®** for each of the Styles (including long/short equity, event-driven/arbitrage, global/macro, and others).
- Our **Hennessee Hedge Hog Corner** featuring manager commentary on investment themes, and the U.S. and international markets, including political and economic views.

Please complete the following information and return it with your payment to the address listed below.

☐ YES, I WANT TO SUBSCRIBE TO THE HENNESSEE HEDGE FUND REVIEW®

Please COMPLETE your mailing and email address:

Name: ______________________________

Address: ______________________________

City: ____________________ State: __________ Zip: __________

Email Address: ______________________________

Are you a: ☐ Hedge Fund ☐ Family Office ☐ Bank ☐ Insurance Company ☐ Endowment/Foundation
☐ Fund-of-Funds ☐ Individual ☐ Brokerage ☐ Pension Fund ☐ Investment Consultant

SUBSCRIPTION INVOICE

QUANTITY	PRICE	DESCRIPTION	TOTAL
	$500 USD	EMAIL SUBSCRIPTION	$

PAYMENT CAN BE MADE BY CHECK OR CREDIT CARD
(VIA PAYPAL AT www.hennesseegroup.com/hhfr/index.html)

PLEASE MAKE CHECKS PAYABLE TO **HENNESSEE GROUP LLC.**

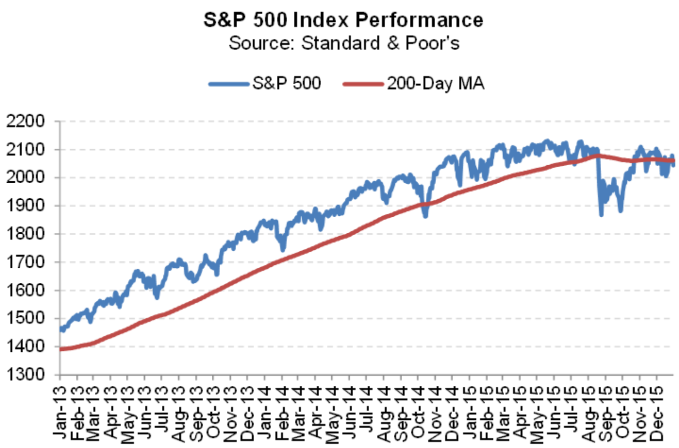
MAIL THIS FORM WITH YOUR PAYMENT TO:

Hennessee Group LLC
c/o Terrapin Asset Management, LLC
1700 Broadway, 18th Floor
New York, NY 10019

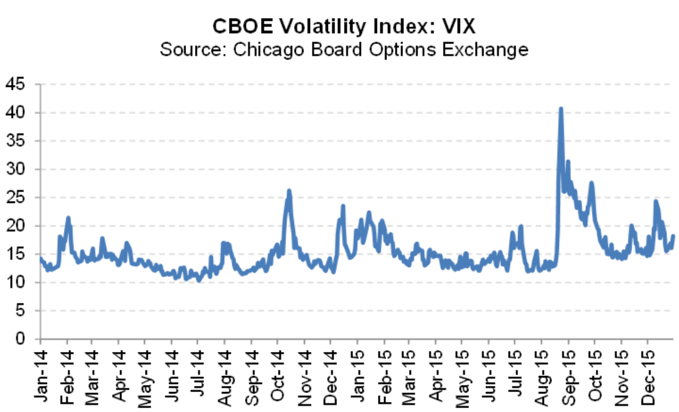
Please contact us with any questions: hennesseegroup@hennesseegroup.com

Long/Short Equity
(December: -0.69% / YTD: +0.69%)

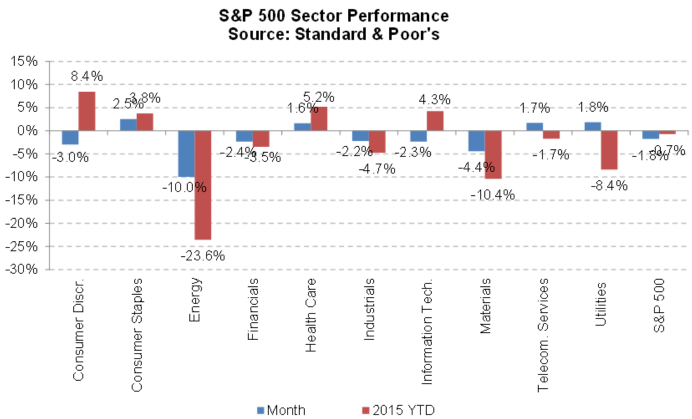
The U.S. markets were lower for the month, as the S&P 500 decreased -1.75% as volatility increased and domestic markets fell into the red for 2015. The Dow Jones Industrial Average dropped -1.66%, the NASDAQ Composite Index sunk -1.98% and the MSCI AC World Index decreased -1.92%.



The VIX started off the month at a relatively low level under 16 as markets were fairly flat but trending lower. However, as the month progressed and markets sold off, the VIX shot up above 24, a gain of over 60%. Many investors were waiting for a "Santa Clause Rally" that never happened and the S&P 500 ended up lower, losing -1.75% for the month.

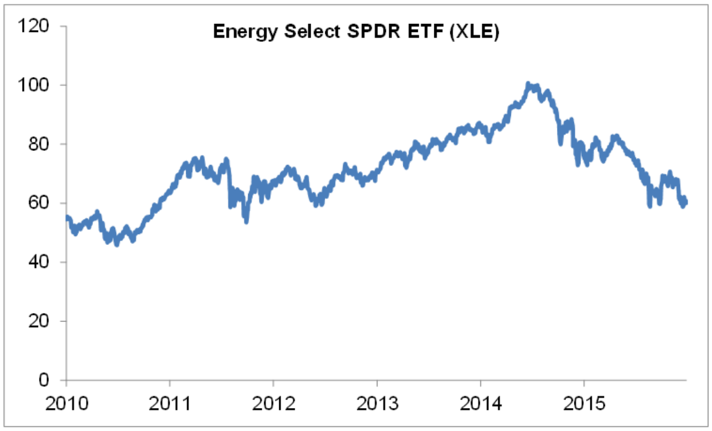


4 of 10 sectors were positive for the month. The returns ranged from -10.0% (energy) to +2.51% (consumer staples). The best performing sectors were consumer staples (+2.51%), utilities (+1.85%), and telecommunication services (+1.72%), while underperforming sectors were energy (-10.00%), materials (-4.43%) and consumer discretionary (-2.97%). The consumer discretionary sector was the best performing sector for the year having gained +8.43% YTD through December, while energy is bringing up the rear, having lost -23.55% YTD over the same time period.

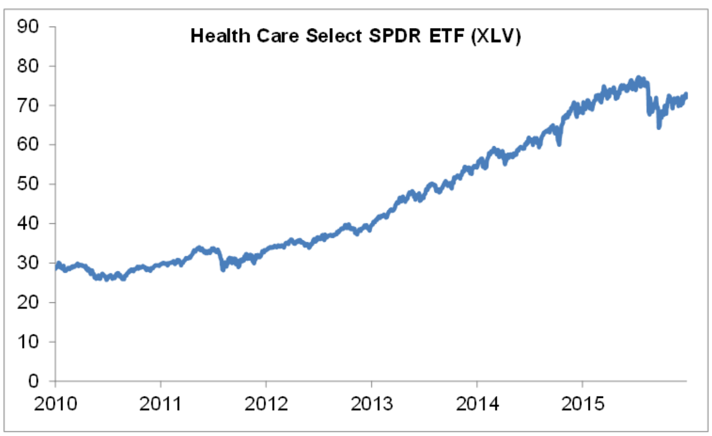


The Hennessee Long/Short Equity Index lost -0.69% for the month (+0.69% YTD). One manager noted the "The S&P 500 index recorded a total return of 7.0% over the quarter. Risk appetite was supported early in the period by speculation that the Federal Reserve (Fed) would delay into 2016 a much-anticipated 'lift off' in rates. In the event the central bank increased its main policy rate in December, following positive domestic macroeconomic data. The US central bank increased rates for the first time since 2006 following strong October and November non-farm payrolls. The unemployment rate fell to a seven-year lower of 5.0% and the Conference Board measure of consumer confidence improved in December, following November's dip, amid the renewed strength in the jobs market."

This manager went on note "The market was led higher by a recovery in the large cap companies. These had sold off heavily during the sharp market correction of the third quarter when worries about emerging markets growth and China had dominated sentiment. In turn they responded well during October's liquidity-driven rally, as other major central banks (notably in China and Europe) either loosened monetary policy or suggested they would do so, amid the Fed's decision to stall tightening. Merger & acquisition activity remained a key theme with Pfizer and Allergan agreeing to combine to create the world's largest drugs company by sales. The healthcare sector was one of the top performers, followed by technology where the 'Fangs' - Facebook, Amazon, Netflix and Google – led the way, particularly Amazon following strong third-quarter results."



The Hennessee Value Index decreased -2.45% for the month (-4.03% YTD), while market neutral hedge funds outperformed the overall market, with the **Hennessee Market Neutral Index gaining +0.04% for the month (+6.09% YTD).** Market neutral strategies have continue to outperform the overall market and have held up quite well despite the rise in volatility and massive sell-off in global equities.



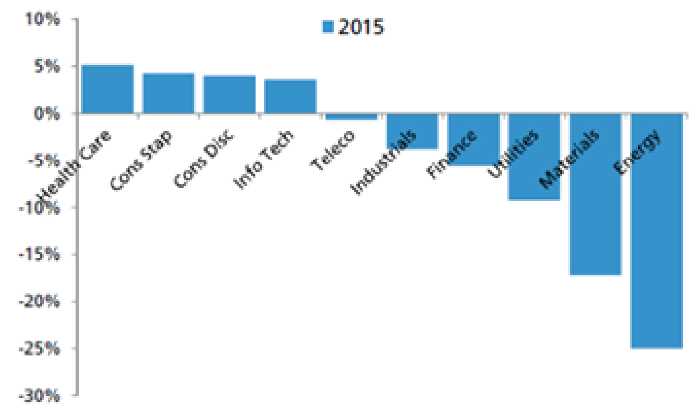
The Hennessee Healthcare and Biotech Index gained +0.21% for the month (+4.51% YTD). One manager highlighted "Momentum was the driving force in healthcare for much of the year, as we saw the mid-cap biotechnology stocks soar to unrealistic valuations in the first half of the year, with minimal stock-to-stock differentiation; likewise we witnessed a crash in the entire specialty pharma sector in the second half of the year driven by issues specific to Valeant Pharmaceuticals. We think that in 2016 (and this has started to happen already in December), we will see a style rotation from momentum to ―quality at a reasonable price‖ as investors prepare for additional rate hikes and work through inflation expectations. We favor companies with dominant positions either through breadth of product offerings (Roche and Baxter), strong pipelines (Celgene and Ultragenyx) or restructuring/ delevering (Cigna). Likewise, for the developing-stage companies we expect a rationalization away from expensive, but hyped, quality (Bluebird) to more fundamental data-driven "cheap" quality (Oncomed)... As we enter 2016, we think about the portfolio's susceptibly to risk from stock-specific idiosyncratic events, from secular healthcare industry specific issues, such as legislation and sector rotation, and from overall market-related phenomena. From a market perspective, we believe that the disruption in commodity prices, the cadence of additional rate hikes, the present election cycle and geopolitical risks represent key items to closely monitor. For instance, if inflation surprises to the upside, we could witness a dramatic change in overall market leadership. Employment is likely the biggest factor in this scenario with the number of Americans filing for unemployment benefits hitting a 42 -year low in mid-December. Additionally, if the rhetoric surrounding pharmaceutical pricing (discussed above) becomes a significant campaign issue by both parties, we could witness an internal change in healthcare leadership from products to payers. We are prepared to take proactive steps in response to any of these issues in terms of adjusting both overall exposure and our sub-sector weightings. Lastly, though our net exposure is at the higher end of our historical average, we continue to have a "disaster" hedge of out-of-the-money index puts."

Arbitrage/Event Driven
(December: -0.93% / YTD: -3.97%)

The Hennessee Arbitrage/Event Driven Index lost -0.93% in December (-3.97% YTD). In December, the ECB stimulus announcement surprised the markets as it fell short of market expectations by choosing not to increase their monthly purchases. The S&P 500 total return index lost -1.58% (+1.38% YTD), and the global equity markets, measured by the MSCI World Free Index, lost -1.87% (-2.74% YTD). The MSCI Europe Index lost -2.62% (-5.32% YTD), and the MSCI Emerging Markets Index lost -2.48% (-16.96% YTD).

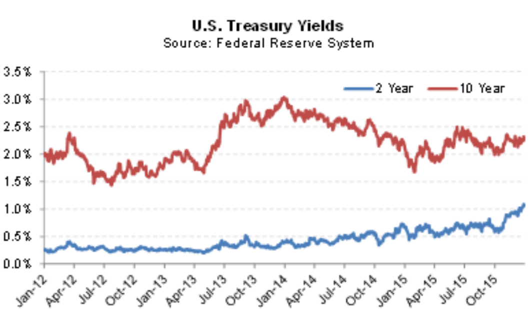
In 2015, the S&P 500 Energy (-23.55%) was by far the worst performing sector as WTI and Brent continued to sell-off. Best performing sectors in the S&P 500 were Consumer discretionary (+8.43%), Healthcare (+5.21%), Information Technology (+4.27%) and Consumer Staples (+3.77%).

2015 Sector Performance



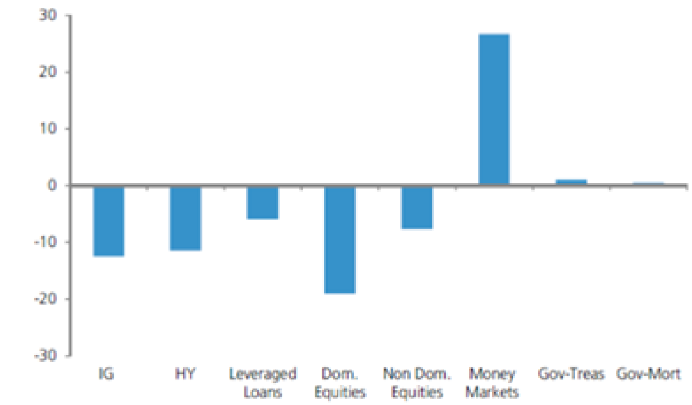
Source: Bloomberg

In December, the Hennessee Fixed Income Index lost -3.10% (-4.98% YTD) and the Hennessee High Yield Index lost -1.04% (-4.26% YTD). The traditional interest rate sensitive fixed income securities had another weak month, as measured by the Barclays Aggregate Bond Index, which lost -0.32% in December, bringing year-to-date performance to +0.57%. The yield on the US 10 year treasury moved slightly higher to 2.27% from 2.21%.



According to UBS, December saw outflows across risk assets, led by US Domestic Equities (-$19bn), followed by Investment Grade (-$12bn), High Yield (-$11bn), and Non-Domestic Equities (-$8bn). There were notable inflows in Money Markets (+$27bn).

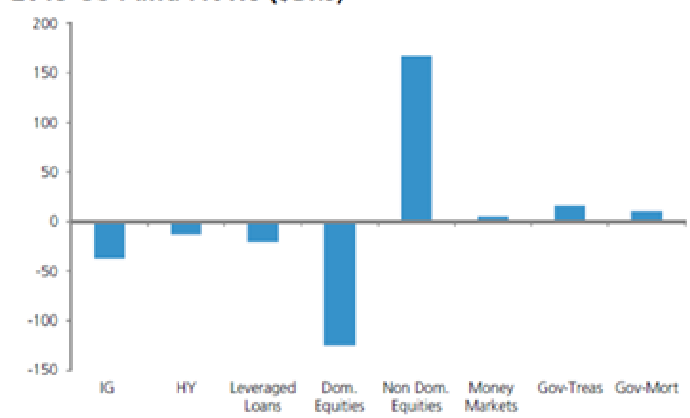
December US Fund Flows ($Bns)



Source: UBS US Weekly Fund Flows Report

In 2015, the most notable trend in US fund flows was out of Domestic Equities (-$125bn) and into Non-Domestic Equities ($167bn). In credit, there were net outflows from Investment Grade (-$37bn), High Yield (-$13bn), and Leveraged Loans (-$20bn).

2015 US Fund Flows ($Bns)

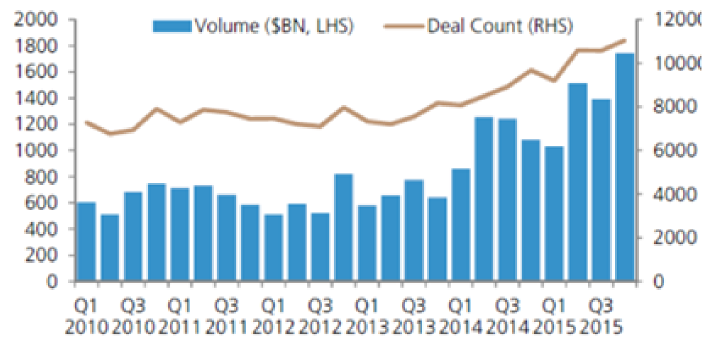


Source: UBS US Weekly Fund Flows Report

In December, the Hennessee Distressed Index lost -2.13% (-10.74% YTD) and the Hennessee Convertible Arbitrage Index lost -1.73% (-0.25% YTD).

The Hennessee Merger Arbitrage Index gained +0.50% in December (+0.19% YTD). According to UBS, global M&A volume increased +25% quarter over quarter, with $1,741bn of announced M&A deals vs. $1,393bn the previous quarter, the highest quarterly volume since the financial crisis. Fourth quarter's volume was boosted by two massive deals: Allergan's $184 billion acquisition of Pfizer, and Anheuser-Busch's $120 billion acquisition of SABMiller. In terms of deal count, Q4 saw 4.4% more deals than Q3, with 11,032 deals vs. 10,572.

Global M&A in Q4: +25% qoq; +61% yoy



Source: Bloomberg

Biggest announced deals in Q4

Date	Target	Acquirer	Value (Mn)
Nov 23	Pfizer	Allergan	$ 183,744
Oct 13	SABMiller	Anheusr-Busch	$ 120,481
Dec 11	El du Pont	Dow Chemical	$ 65,590
Oct 12	EMC Corp	Dell	$ 63,490
Nov 17	Norfolk South	Canadian Pacif	$ 37,959

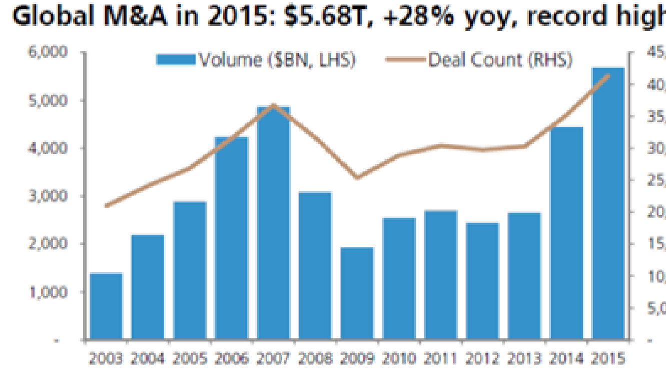
Source: Bloomberg

During the fourth quarter, largest announced deal was Pfizer Inc. and Allergan Plc announcing to combine in a record $160 billion deal. The transaction is structured so that Dublin-based Allergan is technically buying its much larger partner, a move that makes it easier for the company to locate its tax address in Ireland for tax purposes, though the drugmaker's operational headquarters will be in New York. Pfizer Chief Executive Officer Ian Read will be chairman and CEO of the new company, with Allergan CEO Brent Saunders as president and chief operating officer, overseeing sales, manufacturing and strategy. The deal will begin adding to Pfizer's adjusted earnings starting in 2018 and will boost profit by 10 percent the following year. Pfizer's 11 board members will join four from Allergan, including Saunders and Executive Chairman Paul Bisaro. In addition, Pfizer said it will start a $5 billion accelerated share buyback program in the first half of 2016. The deal is expected to be completed by the end of next year. The combined company will trade on the New York Stock Exchange. Pfizer, based in New York, makes medications including Viagra, pain drug Lyrica and the Prevnar pneumococcal vaccine, and Allergan produces Botox and the Alzheimer's drug Namenda. Together, barring any divestitures, the companies will be the biggest pharmaceutical company by annual sales, with about $60 billion.

Second largest deal during the fourth quarter was Anheuser-Busch InBev NV announcing to pay almost $106 billion for SABMiller Plc to create a brewer selling one in every third beer worldwide. The maker of Budweiser agreed to pay 44 pounds a share in cash for a majority of the stock. A successful takeover would give AB InBev beer brands such as Peroni and Grolsch and control of about half of the industry's profit. After years of speculation, AB InBev's pursuit of its nearest rival was hastened by the drag of slowing economies in the emerging markets of China and Brazil. For AB InBev Chief Executive Officer Carlos Brito, the combination would cap a $90 billion dealmaking spree over the last decade, turning a regional brewer into the undisputed global leader. The takeover would be the largest in U.K. history, surpassing this year's 47 billion-pound purchase of BG Group Plc by Royal Dutch Shell Plc. Together, AB InBev and SABMiller will be the world's largest consumer-staples company by earnings, and the combined company will make about $25 billion of EBITDA in 2016. The enlarged brewer will have the number one or two positions in 24 of the world's 30 biggest beer markets.

In 2015, announced deal value reached a record $1.326 trillion in 2015 (vs. $758 billion in 2014) and surpassed its previous record level of $1.060 trillion in 2000 by 25%. Definitive deal value reached $1.037 trillion (vs. $614 billion in 2014) and surpassed its previous record level of $964 billion in 1998. Unsolicited deal value ended the year at $289 billion (vs. $144 billion in 2014), slightly in excess of its previous record level of $286 billion in 1999. The total deal count of 151 exceeded the 2014 level by 40%, surpassing the historical annual average of 136 for the first time since 2007. Average deal size was $8.8 billion, comfortably above the previous record of $7.0 billion in 2014 and the historical average of $4.2 billion. The large-deal skew of deal size distribution surpassed 2014's record level, with 38% of announced deals having a value greater than $5 billion vs. the historical average of 18% since 1998.

Global M&A in 2015: $5.68T, +28% yoy, record high



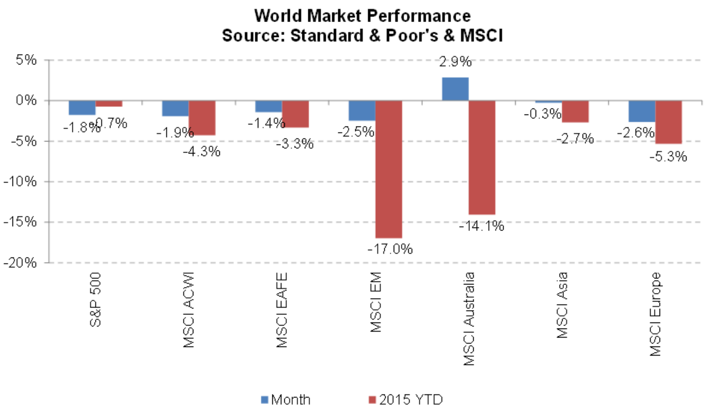
Source: Bloomberg

Global/Macro
(December: -1.54% YTD: -0.77%)

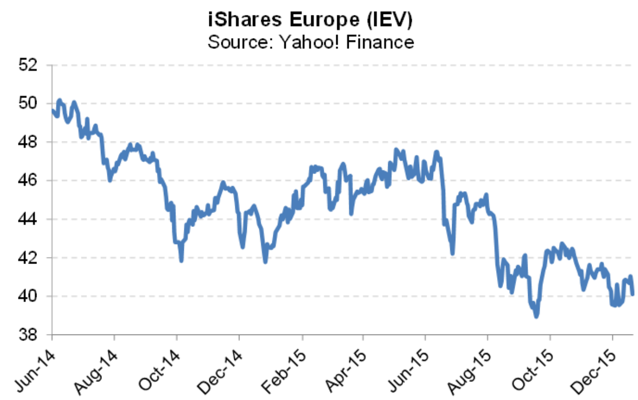
The Hennessee Global/Macro Index lost -1.54% for the month (-0.77% YTD). International focused managers outperformed with **The Hennessee International Index losing -1.06% for the month (+0.10% YTD).**

International

International markets slightly underperformed U.S. markets, as the MSCI AC World Index lost -1.92% (-4.26% YTD) for the month as compared to a loss of -1.75% for the S&P 500 (-0.73% YTD). Developed markets outperformed emerging markets on average, with the MSCI EAFE Index losing -1.42% (-3.30% YTD) and the MSCI Emerging Markets Index decreasing -2.48% (-16.96% YTD) for the month. Asian markets were relatively strong for the month, losing -0.26% (-2.67% YTD). Australian markets continue to underperform on a YTD basis, gaining +2.88% for the month to put YTD losses at -14.07%.



The Hennessee Europe Index lost -0.57% for the month (+9.30% YTD), outperforming long-only markets which lost -2.62% over the same time period. One European-focused manager noted "Eurozone equities delivered positive returns overall in the quarter, despite a poor month in December. Equities were buoyed during October and November by hopes that the European Central Bank (ECB) would announce substantial further monetary policy easing. However, the announcement in early December left the market disappointed. The timetable for purchases was extended to March 2017 from September 2016 but the €60 billion per month amount was left unchanged. The deposit rate was cut to -0.3% from -0.2%. The euro was 2.8% weaker against the dollar over the quarter but strengthened in December. Economic data from the eurozone was largely encouraging. The flash composite purchasing managers' index (PMI) for December dipped to 54.0 from 54.2 in November. Overall, the PMI for the fourth quarter was the strongest for the eurozone in four and a half years. Annual inflation ticked up to 0.2% in November from 0.1% in October. Politics was a source of uncertainty in southern Europe as first Portugal and then Spain held inconclusive general elections. In Portugal, the centre-right initially retained power as the largest party although they lost their parliamentary majority. However, this proved unsustainable and Antonio Costa, leader of the Socialist Party, was sworn in as prime minister in November. In Spain, Mariano Rajoy's governing People's Party emerged once again as the largest party but lost a significant number of seats, raising the possibility that a second election could be held. The Paris terrorist attacks and the ongoing migrant crisis also dominated headlines during the quarter."

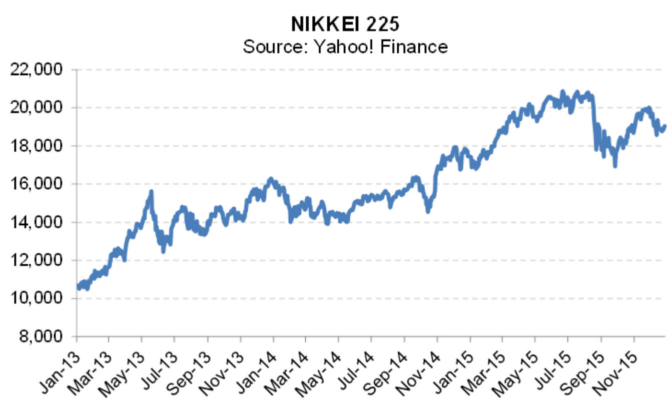


Specifically regarding the UK, the manager highlighted "The UK equity market rose over the fourth quarter as it recovered from the sharp correction in the summer when fears about global growth and the outlook for the Chinese economy had dominated sentiment. There was a pronounced rally in October as China's central bank eased monetary policy and the ECB hinted that it would do likewise. The FTSE All-Share Index delivered a total return of 4.0% over the quarter, despite ending the period on a negative note amid fresh concerns about the outlook for the Chinese economy and renewed weakness in crude oil prices."

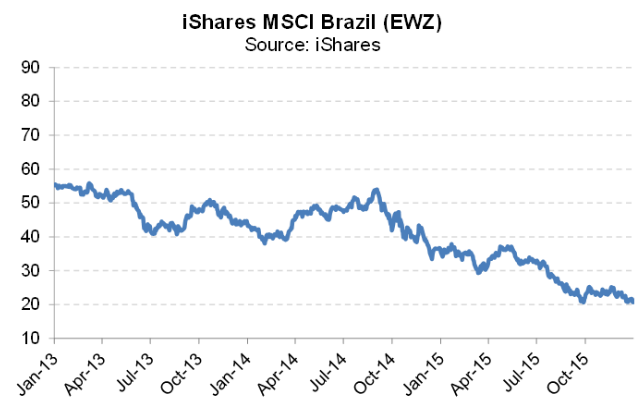
The Hennessee Asia-Pacific Index gained +0.45% for the month (+3.21% YTD). Hedge fund managers that focus on Asian recorded slight outperformance for the month compared to losses of -0.26% or more in the region, while, YTD performance of +3.21% continues outperforming most global Asian markets which are negative to flat or slightly positive depending on the country/region. One manager noted "Asia ex Japan equities delivered positive returns in the last quarter of 2015, as the robust gains in October offset negative returns in November and December. In December, the U.S. Fed raised its interest rate for the first time since 2006, as was widely expected. Positive gains were driven by developments in China. Chinese equities were up over the quarter as late October saw another interest rate cut by the People's Bank of China (PBoC), the sixth such cut in a year.

However, the data for the economy continued to remain mixed. Third quarter GDP growth came in at 6.9% year-on-year, falling below 7% for the first time since 2009, although marginally beating expectations of a 6.8% expansion. Meanwhile, in Hong Kong, stocks saw positive returns on the back of hopes of further stimulus measures in China. Over the strait in Taiwan, equities finished in positive territory on heightened expectations for the island's technology sector after a strong earnings season for US technology firms. In Korea, stocks delivered strong gains over the quarter as its export-oriented firms posted robust earnings on the back of a weaker Korean won."

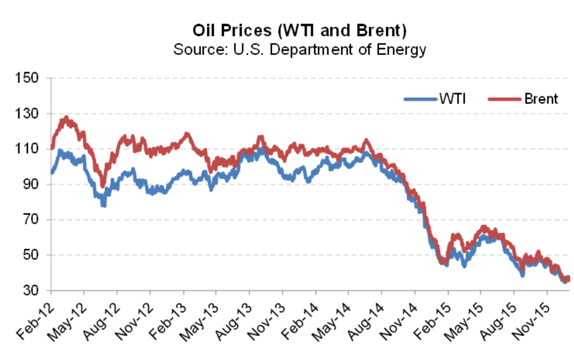
Specifically regarding Japan, the manager highlighted "The Japanese equity market started the last quarter of 2015 by rebounding sharply in October after the correction in August and September. The Topix Index then moved broadly sideways, returning +9.8%, in yen terms, for the quarter. However, the relative strength of the yen over the period saw this boosted to a +12.7% return for a sterling investor."



The Hennessee Emerging Markets Index decreased -0.97% for the month (-0.06% YTD). With respect to emerging markets, one manager noted "Emerging market equities increased in value in the fourth quarter, although a stronger U.S. dollar and concerns over slowing growth in China, which put pressure on commodity prices, served to weigh on returns. The MSCI Emerging Markets index posted a positive return but lagged the MSCI World. Emerging Asian markets performed relatively well. Indonesia was the best performing index market, with a 6.4% appreciation in the rupiah supporting returns as Q3 data indicated a narrowing in the country's current account deficit. China posted a solid gain as the People's Bank of China (PBoC) provided support to the economy. This included moves to cut the interest rate, the reserve requirement ratio (RRR) for banks, and remove a deposit cap that limited the rate banks can pay savers. Thailand posted a decline and was the worst performing regional market. Emerging EMEA equities were relatively weak. Hungary was the exception, posting a sharp gain. Russia lagged the benchmark, with currency weakness, precipitated by a 22.9% decline in the price of Brent crude, the main drag on returns. Despite some stabilisation in the Ukraine crisis, Russia's entry into the Syrian war added a new dimension to geopolitical risk. Underlying macro data remained weak and Q3 GDP growth contracted 4.1%. Greece was the weakest index market, largely due to major declines in banking stocks. In Latin America, all of the regional countries underperformed, with commodity price weakness weighing on performance across a number of markets. All of the region's central banks, with the exception of Brazil, moved to hike rates in line with the Fed in December. Chile proved most resilient as macro data indicated some recovery and GDP growth climbed to 2.2% year on year. In contrast, economic data in Brazil continued to deteriorate. Amid ongoing political wrangling in Congress, the fiscal budget target was changed several times from a small surplus to a deficit. The downgrade of Brazil to non-investment grade by two ratings agencies then prompted the finance minister to resign in December. Impeachment proceedings against the president also commenced in December."



The Hennessee Macro Index decreased -3.63% for the month (-4.59% YTD). Fixed income managers were negative for the month as bond yields were higher for the month with the 10-Year U.S. Treasury ending the month at 2.27%, up 6 basis points from 2.21% in the previous month. Commodities were mostly negative for the month as WTI oil lost -8.16% and natural gas was positive, ending the month with a loss of -8.06%.



HENNESSEE
HEDGE HOG CORNER

The following are extracts from research related to hedge fund managers we monitor and do not necessarily represent the views of the Hennessee Group LLC:

We expect volatility to continue and for 2016 to be similar to the second half of 2015. Low dispersion and high momentum that characterized the first half of 2015 has been replaced by a stock pickers market that is focused on earnings.

We are long Teva given its positioning within the growing generics market and Teva has a strong pipeline. We view this name as more defensive if the market should decline. We also like Endo in the same space. We expect pressure on drug pricing to continue and these companies will be the primary beneficiaries of the election-year rhetoric to lower drug prices.

Google is our favorite internet play and is our favorite FANG (Facebook, Amazon, Netflix and Google) stock. Google is being re-rated as analysts see higher growth prospects, better cost control and increased transparency. We view Yahoo and Twitter as potential takeouts in the mid cap internet space.

Within media we continue to favor Lionsgate and AMC Networks. AMC continues to have strong ratings which have offset trends in cable advertising. AMC could also be taken over as independent cable networks are becoming attractive roll-up candidates.

We are long Celgene which we view as one of the most attractively valued names in the mature biotech sector. Celgene has assembled a strong and diverse pipeline of upcoming drugs through M&A, joint ventures, product acquisitions and licensing.

Within Medical Devices, we are long Baxter based on its strong fundamentals and strength of its new management. Joe Almeida is the new Chairman, President and CEO and previously headed Covidien.

No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice.

HENNESSEE GROUP LLC
HEDGE FUND RESEARCH

HENNESSEE HEDGE FUND RANKINGS

HENNESSEE
HEDGE FUND REVIEW®
WWW.HENNESSEEGROUP.COM

MONTHLY RANK 2015 (Net)	YTD	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
ASIA - PACIFIC INDEX	6	2	18	4	1	7	20	20	20	4	6	12	3
CONVERTIBLE ARBITRAGE INDEX	11	13	17	10	4	13	6	10	3	5	15	13	15
DISTRESSED INDEX	20	19	16	15	11	16	18	15	9	13	20	21	16
EMERGING MARKETS INDEX	10	14	8	18	3	12	17	11	17	7	5	7	11
EUROPE INDEX	1	5	5	1	20	2	11	2	5	2	13	2	10
EVENT DRIVEN INDEX	18	15	10	21	15	14	19	16	14	18	11	17	14
FINANCIAL EQUITIES INDEX	4	20	3	3	8	8	2	3	10	11	7	4	9
FIXED INCOME INDEX	16	6	15	13	9	17	10	12	6	6	19	16	19
GROWTH INDEX	7	17	1	14	14	4	4	6	19	16	8	11	1
HEALTHCARE AND BIOTECH INDEX	5	4	6	2	17	1	7	1	16	21	17	1	4
HIGH YIELD INDEX	14	11	14	7	5	18	13	14	7	10	12	19	12
INTERNATIONAL INDEX	9	3	12	11	13	9	15	7	15	9	14	6	13
LATIN AMERICA INDEX	21	21	2	19	2	21	9	21	21	20	3	15	17
MACRO INDEX	15	1	19	8	21	20	21	9	4	8	10	5	20
MARKET NEUTRAL INDEX	2	9	20	5	19	15	1	4	2	1	9	14	5
MERGER ARBITRAGE INDEX	8	7	9	16	12	6	8	5	8	15	16	9	2
MULTIPLE ARBITRAGE INDEX	12	8	13	9	10	10	16	8	11	14	18	10	7
OPPORTUNISTIC INDEX	19	12	11	17	16	5	14	19	12	19	2	20	21
SHORT BIASED INDEX	17	10	21	20	18	19	3	17	1	3	21	18	6
TECHNOLOGY INDEX	3	16	7	12	7	3	5	13	13	12	1	3	8
VALUE INDEX	13	18	4	6	6	11	12	18	18	17	4	8	18

The Hennessee Hedge Fund Indices® are calculated from performance data obtained from publicly available information, internally developed data and other third party sources believed to be reliable. The Hennessee Hedge Fund Index is an equally-weighted average of the funds in the Hennessee Hedge Fund Indices®. Hennessee Group has not sought to independently verify information obtained from public and third party sources and makes no representations or warranties as to accuracy, completeness, or reliability of such information. Past performance is no guarantee of future returns.