HENNESSEE GROUP LLC
HEDGE FUND ADVISORY
YOUR STRATEGIC PARTNER IN HEDGE FUND INVESTING

HENNESSEE
HEDGE FUND REVIEW®

JANUARY 2007
VOLUME 9 ISSUE 1

MONTHLY FEATURES

	DEC	YTD
HENNESSEE HEDGE FUND INDEX	+1.28%	+11.36%
S&P 500 (DRI)	+1.40%	+15.81%
LONG/SHORT EQUITY*	+1.06%	+11.23%
ARBITRAGE/EVENT DRIVEN**	+1.32%	+12.05%
GLOBAL/MACRO	+2.02%	+10.50%
PERCENTAGE OF HEDGE FUND MANAGERS OUTPERFORMING THE:		
S&P 500 (DRI)	40%	21%

TOP (3) PERFORMING:	DEC		YTD
Latin America	+4.02%	Telecom and Media	+23.01%
Telecom and Media	+3.07%	Latin America	+21.28%
Asia-Pacific	+2.85%	High Yield	+15.29%

BOTTOM (3) PERFORMING:	DEC		YTD
Short Biased	-0.09%	Short Biased	-5.64%
Fixed Income	+0.21%	Macro	+4.76%
PIPES/Private Financing	+0.67%	Fixed Income	+5.55%

* PREVIOUSLY NAMED CORRELATED
** PREVIOUSLY NAMED NON-CORRELATED

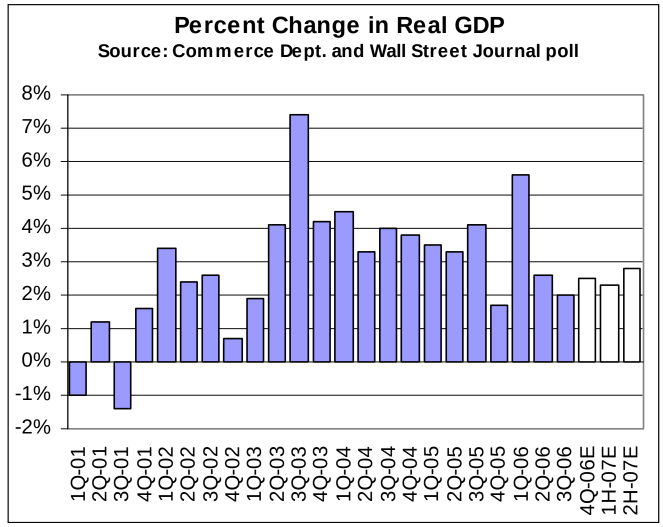
MARKET SUMMARY - 2006

Stocks posted strong gains in 2006, as the S&P 500 DRI advanced +15.81%. Despite a mid-year concern about slowing economic growth and rising inflation, investors bought into the likelihood of a soft economic landing, believing that the 'goldilocks' economy will continue, at least for the foreseeable future.

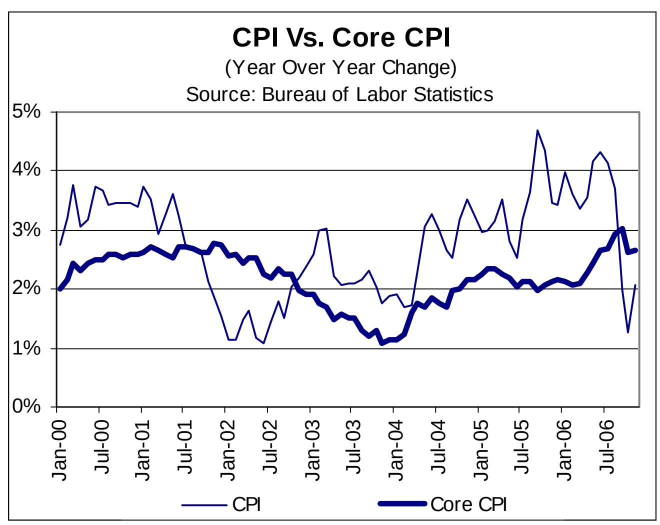
Hedge funds posted their best year since 2003, as the Hennessee Hedge Fund Index advanced +11.36% for the year. Hedge funds under-performed the overall equity markets in 2006, as is expected when the markets have the type of strength they experienced this year. Whereas the index outperformed the S&P 500 through the first half of the year, most funds were likely surprised by the strength of equities in the second half of the year. **Most major hedge fund strategies posted double digit returns, including long/short equity, convertible arbitrage, merger arbitrage, and credit strategies.**

While most funds marginally increased their risk exposure throughout the year, most were unwilling to fully expand their exposures due to a myriad of overriding concerns, including the inverted yield curve, the potential for the housing slump to cause the U.S. economy to enter a recession, and concerns about slowing corporate profit growth.

Economic growth slowed throughout the year. After growing at a 3.2% clip in 2005 and a 5.6% rate in the first quarter of 2006, growth slowed to 2% by the third quarter. This decline was mostly due to the deterioration in housing, although consumer spending held up well, rising by an average of 3.4% in the first three quarters. Housing continues to be a big concern for hedge fund managers, having shaved a substantial portion off of U.S. economic growth in the latter parts of 2006. Housing related industries also eliminated 145,000 jobs from May to November. Many speculate that consumer spending growth may decline given that homeowners will be less able to tap into their home equity to boost spending.



The consensus currently expects economic growth to marginally rebound in 2007, as most are clearly buying into the soft landing scenario. **A recent poll by the Wall Street Journal indicated that economists expect 2.3% GDP growth in the first half of 2007 and 2.8% growth in the second half.** Employment is also expected to remain strong, with the consensus believing that non-farm businesses in the U.S. will add 100,000 jobs per month.



After a steady increase in inflation during the first

HENNESSEE GROUP LLC
HEDGE FUND ADVISORY
YOUR STRATEGIC PARTNER IN HEDGE FUND INVESTING

HENNESSEE
HEDGE FUND REVIEW®
WWW.HENNESSEEGROUP.COM

E. Lee Hennessee
Managing Principal

Charles J. Gradante
Managing Principal

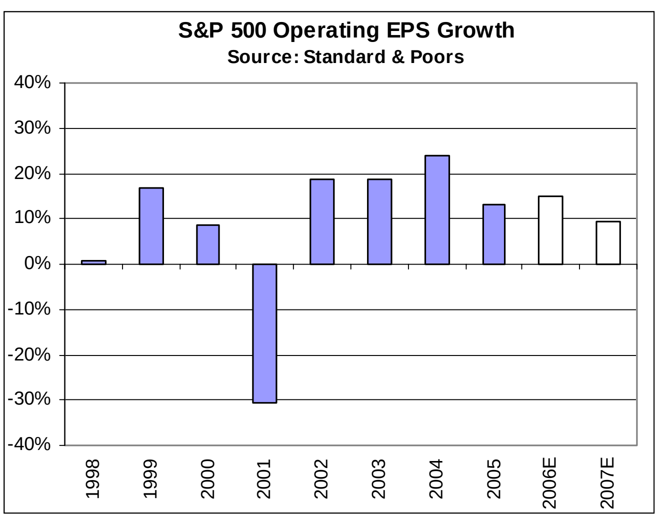
Hennessee Hedge Fund Review® is published twelve times a year from:
Hennessee Group LLC
500 Fifth Avenue, 47th fl.
New York, N.Y. 10110

To subscribe, please visit our Website: www.hennesseegroup.com or contact us by
Phone: 212.857.4400 or by
Fax: 212.768.8190
Annual Subscription rate: $500

half of the year, concerns receded in the second half as CPI growth slowed to 2.0% from a high of 4.3% and core CPI growth slowed to 2.6% from a high of 3.0%. Most attribute the decline in inflation during the second half of the year to the general slowdown in the economy and the easing of commodity prices. Going forward, the consensus expects inflation to ease to 2.0% in 2007.

In addition to a change in leadership at the Federal Reserve from Chairman Greenspan to Chairman Bernanke, **the Fed halted its interest rate hikes at 5.25% in the second quarter, recognizing the decline in inflation and growth expectations.** Since then, the Fed has been on hold for the second half of the year, although many feel they will lower rates at their meeting in March or May. The consensus believes that the Fed Funds rate will decline from 5.25% to 4.75% by the end of 2007.

As a result of the relatively tight Fed policy and the easing of inflation concerns, the yield curve was inverted for most of 2006. Expectations were for a fairly sizable increase in 10 Year Treasury yields coming into the year, however, yields only ended 0.3% higher at 4.71%. Historically, most inverted yield curves have resulted in a recession. Since 1965, the yield curve (2 year versus 10 year Treasury) has inverted seven times, with the economy entering a recession following five of those occasions.



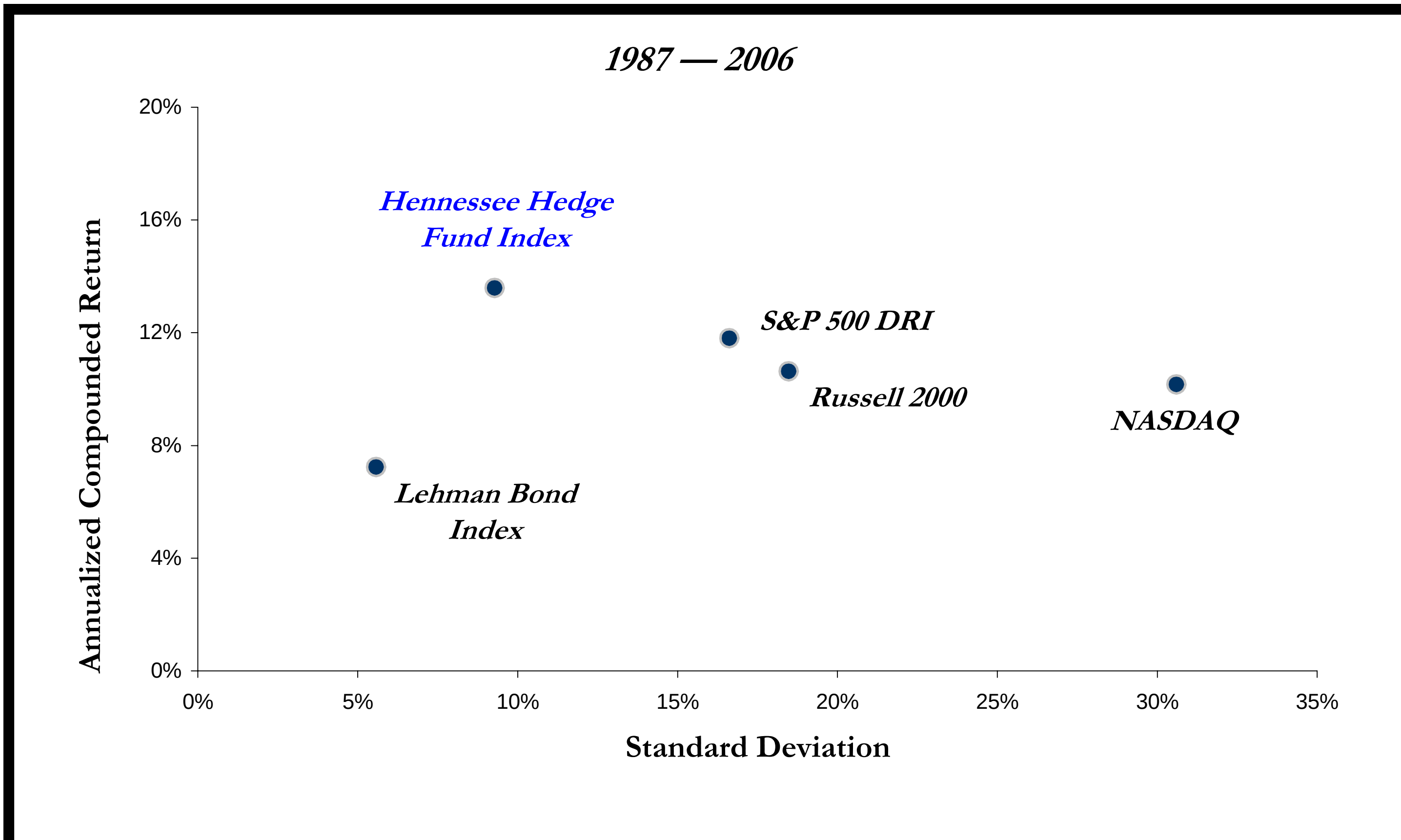
While economic growth slowed in 2006, corporate earnings growth showed no signs of letting up. **According to Standard & Poors, operating earnings of companies in the S&P 500 rose 14.4% in 2006,** assuming expected growth of 9.4% in the fourth quarter, which has yet to be announced. Whereas expectations were for earnings growth of 11% at the beginning of the year, **earnings clearly beat expectations and were one of the major factors driving stock prices higher in 2006.**

Once again, corporate profit growth is expected to slow in 2007, albeit to a respectable 9.5% rate according to Standard and Poors. Over the past five years, corporate profit growth has increased at a rate far faster than that of the economy, benefiting from increased productivity and positive operating leverage. Many believe that these cost cutting efforts have run their course, as has high rates of economic growth to drive revenues higher.

The consensus among Wall Street strategists is for the S&P 500 to increase 10-12% in 2007 given economic growth of 2.5%, inflation of 2% and corporate earnings growth of 10%. Constituents of the S&P 500 are currently trading at an average P/E multiple of 14.5 times estimated operating earnings for 2007. After four years of flat or contracting P/E multiples, most strategists expect a slight increase in multiples by the end of 2007.

Besides the health of the economy and corporate profitability, other factors will likely have an influence on the equity markets in 2007. The past year saw a tremendous amount of private equity activity, which provided a floor to stock prices throughout the year. **Leveraged buyout activity totaled $738 billion worldwide in 2006, up 127% from the activity in 2005.** Nine LBOs in excess of $10 billion were announced in the U.S. alone, leading many to speculate about the potential for a $50 billion deal in the near future. While most expect LBO activity to continue at this pace, much of it is dependent upon the availability of cheap financing and the health of the corporate credit markets. Should the credit markets weaken and the appetite of private equity buyers changes, a key leg of the current bull market would be removed.

While most hedge fund managers would have difficulty disagreeing with the soft landing scenario posed by the consensus, several have expressed their concern about the fact that the vast majority of investors are optimistic. The current bull market is now four years



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

So Why Use One to Benchmark Your Hedge Funds?

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".

The Hennessee Hedge Fund Indices® are calculated from performance data supplied by a diversified group of hedge funds monitored by the Hennessee Hedge Fund Advisory Group. The Hennessee Hedge Fund Index is an equally- weighted average of the funds in the Hennessee Hedge Fund Indices®. The funds in the Hennessee Hedge Fund Index is net of fees and unaudited. The hedge fund performance data has been obtained from sources believed to be reliable, but no guarantee is made with respect to accuracy. Past performance is no guarantee of future returns. This material is for general information only and is not an offer or solicitation to buy or sell any security including any interest in a hedge fund.

old, adding to uncertainty about consumer spending and corporate profit growth. **As such, most hedge funds have elected to maintain hedges on their portfolios as an insurance policy should the soft landing not occur as expected.**

Long/Short Equity
(YTD: +11.23% / DEC: +1.06%)

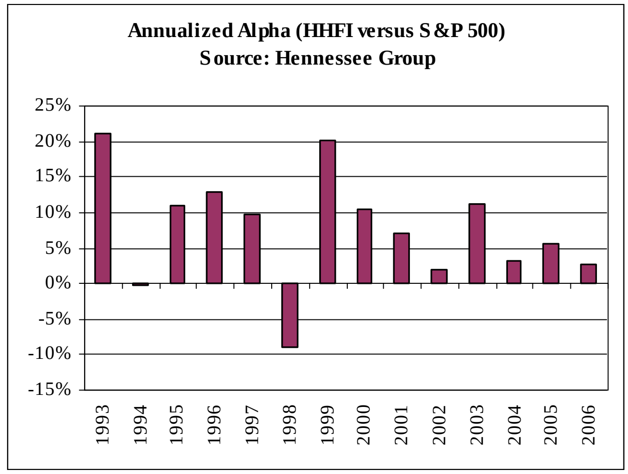
Long/short equity hedge funds experienced positive performance in 2006, but underperformed the equity markets. For the year, S&P 500 DRI advanced +15.81%, the Dow Jones Industrial Average advanced +16.29%, the NASDAQ advanced +9.51%, and the Russell 2000 was up +18.35%.

The broad equity markets were strong in 2006 with the Dow Jones Industrial Average and Russell 2000 reaching new all-time highs during the year. Investors shook off fears about economic growth and inflation, and have seemingly accepted the notion of a soft landing as the most likely scenario for the economy.

The Hennessee Long/Short Equity Index was up +11.23% for the year. **Long/short managers were negatively affected by the unusual consistency of the equity markets.** 2006 was the first year that the S&P 500 had only one negative month in over a decade. **Thus, hedge funds were left with little opportunity to protect losses on the downside.** The last time there was only one negative month for equities was in 1995, when the Hennessee Hedge Fund Index advanced +17.70% versus +37.57% for the S&P 500.

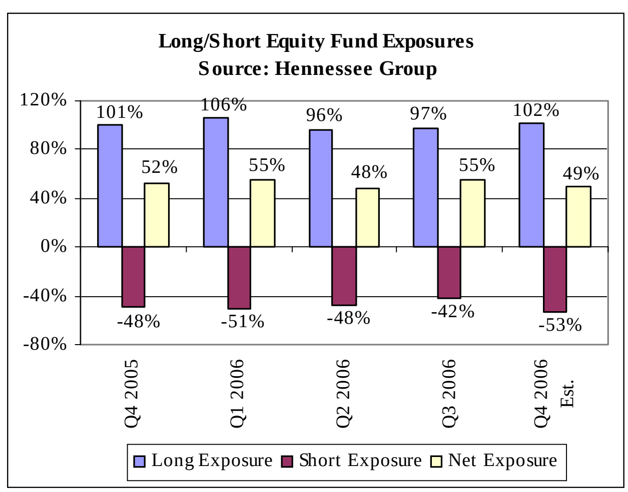
On a relative basis, it was a difficult year for most active equity strategies. **Lipper reported that only 19% of actively managed diversified equity mutual funds outperformed the S&P 500 for the year. Likewise, only 24% of funds in the Hennessee Long/Short Equity Index outperformed the S&P 500.** Lipper also reported that the average U.S. diversified stock fund provided a return of +12.9% in 2006, slightly outperforming long/short equity managers, which returned +11.23%. **Active managers suffered due to the lack of dispersion in stock returns throughout the market.** Managers expect dispersion to increase in 2007 as operating margins face more pressure and growth slows for some companies.

For hedge fund managers, the profits in 2006 were generally made by long portfolios. Most managers were able to outperform the market on the short side, meaning that shorts generally went up less than the market, but most still posted losses. Hedge fund managers did generate positive annualized alpha of +2.79% in 2006; however, it was the lowest amount since 2002.



Annualized Alpha (HHFI versus S&P 500)
Source: Hennessee Group

During the year, long/short equity funds maintained an average net long exposure of +52% (based on a sample of 75 hedge funds), which was higher than 2005's average of +46%. Funds reduced exposure in the second quarter due to concerns about the U.S. economy and inflation, which sparked a flight to quality. **Hedge funds were then overly skeptical of a market rally due to several concerns, such as the housing slowdown and inverted yield curve, and thus, maintained their conservative posture.** As a result, their cautious positioning caused them to not fully participate in the market rally in the third quarter.



Long/Short Equity Fund Exposures
Source: Hennessee Group

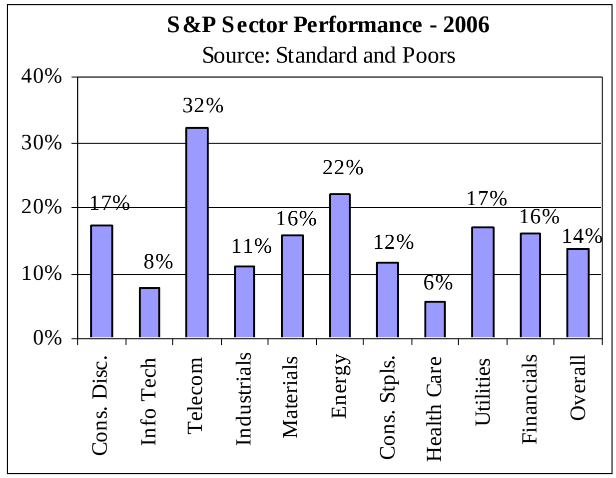
As the market continued to rally, funds increased exposure to avoid being left behind compared to their benchmarks.

Managers state the rally was helped by the large amount of liquidity in the marketplace. **Managers are currently cautiously optimistic on the market but have added to their short exposure in recent months, recognizing the liquidity could disappear from the market, and we could see profit-taking and a short-term correction.**

During the year, short sellers report that the current environment is marked by what one described as “eccentric activities of private equity funds”. Possibly pressured by a need to put money to work, managers report that private equity firms are seemingly willing to overpay for companies. In fact, several popular hedge fund shorts with were taken over by LBOs, including Albertsons, Sports Authority and Clear Channel. **Managers state that many of the current deals are not financially viable under optimistic assumptions and would likely come under duress in any non-goldilocks scenario. Several managers report that if there is a new “bubble,” it is not in hedge funds or real estate, but in private equity.**

While short positions and hedges were generally detractors for funds, there were some profitable individual short positions. **Some of the best shorts, and even best trades, for managers include shorting online gambling sites. Several hedge fund managers shorted World Gaming (-94.0% YTD), SportingBet.com (-87.5%), PartyGaming (-76.3%) and other online gambling sites on foreign stock exchanges since they were not listed in the U.S.** After the U.S. increased scrutiny of these illegal offshore gambling sites, the stock prices plummeted, providing managers with a windfall. Managers skeptical of growth potential of satellite radio also made profits by shorting XM Satellite Radio (-47.0% YTD) and Sirius Satellite Radio (-47.2% YTD), which both declined after sales were below expectations. Given the well demonstrated housing slowdown, many managers shorted homebuilders, which proved to be profitable, as NVR, Pulte Homes, and Standard Pacific declined -53.3%, -40.9%, and -50.8%, respectively, peak to trough. Another popular short theme was sub-prime mortgage companies, including New Century Financial, which is down -38.3% from its peak in May.

All S&P sectors were positive for 2006. The strongest sector was telecommunications, but outsized gains were also made in energy, consumer discretionary, utilities, and financials. While still positive, the information technology and healthcare sectors were laggards.



Energy companies benefited from the higher than average prices of commodities in 2006, and soaring profits helped drive stock prices upward. Despite the decline in oil from a peak of $78 per barrel during the summer, oil-companies continued to generate record profits. **Fund managers generated outsized gains in ConocoPhillips (+26% YTD) and Marathron Oil (+55% YTD).** Most expect energy earnings growth to slow significantly in 2007. **Many managers report reducing energy exposure or investing in select themes that will not be as negatively affected by a significant decline in energy prices, specifically deep water drilling and oil sands companies.**

One of the best performing industry groups for 2006 was precious and industrial metals. Metal prices increased due to increased demand, which ultimately helped earnings growth, and the stock prices of metal and mining companies benefited. **Hedge fund managers were bullish on copper during the year and one of the most profitable trades for managers was Phelps Dodge (+71.5% YTD), which was acquired by Freeport-McMoRan Copper and Gold.**

Healthcare was a disappointing sector for hedge funds as the Hennessee Healthcare and Biotech Index was up only +6.70%, outperforming the S&P Healthcare

Index (+5.78%). The sector suffered as investors focused on other sectors and came under pressure at the end of 2006 after Congressional elections gave Democrats control. However, some funds have reported outsized gains in biotech holdings as consolidation continues in that sector. **Some major biotech winners for hedge funds include New River Pharmaceuticals (+110.9% YTD), Halozyme Therapeutics (+342.3%) and Sirna Therapeutics (+329.3%).**

With the NASDAQ up +9.51% for the year, technology stocks lagged most other sectors. Hedge funds that continued to hold favorites from 2005, such as Google and Apple Computer, generated additional gains as the stocks were up +11% and +18%, respectively. **One of the best trades for managers was Blackberry-maker Research in Motion, which increased +93.6% for the year. Managers were tested and had to hold the position through a patent infringement case, but were eventually rewarded.** Another winner was Cisco Systems, which was a consensus pick at the beginning of 2006. The company benefited from improved sales figures which helped the stock price rise +59.6% in 2006.

Throughout the year, the semiconductor sector faced inventory concerns and competitive pricing pressure, which negatively affected prices. The Philadelphia Stock Exchange Semiconductor Sector Index declined -2.6% for the year, but some managers state that semiconductors may be ready for a rally after a disappointing 2006. Current investor sentiment is as bearish as it has been in the past years. However, managers expect end demand to be strong given new gaming machines and Vista roll out. **Managers state that after we see the last of possible estimate cuts this earnings season, we could see a move upward in the first or second quarter.** Managers are cautious as there is potential for continued pressure on prices due to over capacity, but are looking to start building positions.

Another new theme where several managers are bullish is airlines stocks. Despite a strong run up over the past few months, managers state that most are underestimating the turnaround in the airline industry and the significant opportunity for profit growth and free cash flow generation given ongoing consolidation. America West's acquisition of US Airways and US Airways bid for Delta has sparked changes in the industry. Managers report that we are already beginning to see airlines reduce capacity, which should help the industry regain pricing power. Managers are bullish on the theme and expect it to be a significant profit generator for 2007.

Last year, managers predicted a shift from value to growth and growth at a reasonable price. However, that was proven to be incorrect as the S&P/Barra Value Index (+18.68% YTD) significantly outperformed the S&P/Barra Growth Index (+10.76%), for the eight year in a row. The outperformance in the hedge fund industry was not as dramatic, but value managers (+12.41%) again beat growth managers (+11.80%). Managers are again expecting a change in leadership from value to growth. Managers expect a slowdown in corporate profits as the economy slows, and as companies face pressure on operating margins. **This should lead to a greater dispersion in profits growth and should lead to growth being a driving factor of price. In addition, after years of contraction, most expect P/E multiples to increase in 2007.**

Another 2006 prediction that was proven incorrect was that large caps would outperform small cap. **In 2006, small cap stocks again outperformed their large cap brethren for the eighth straight year**. Managers are yet again predicting that we may still see a shift to large cap stocks 2007. In addition, managers state that large caps performed very strongly for most of 2006 and only lagged small caps in the first quarter of the year.

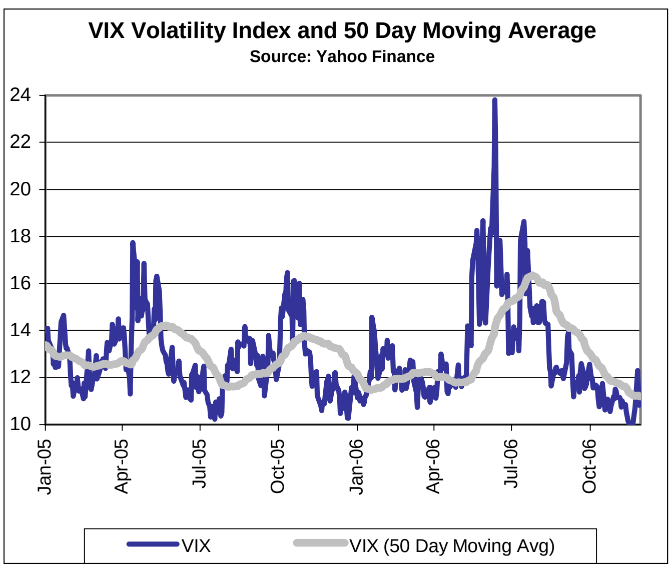
The majority of hedge fund managers are cautiously constructive on the stock market for 2007. They believe that the economy will experience a soft landing and that we will have a "Goldilocks" economy. Stock valuations are fair, with a P/E ratio of 14.5 times 2007 earnings. They expect to see an increase in volatility, which is still near all-time lows.

Managers state that we may see a correction in early 2007 as investors take profits. In addition, they state that investors may get spooked about a firmer economy which may have benefited from warm weather and a decline in energy prices. **However, most expect the economy not to overheat and expect long-term positive growth.**

Arbitrage/Event Driven
(YTD: +12.05% / DEC: +1.32%)

All major arbitrage strategies performed well in 2006, with convertible arbitrage, merger arbitrage, event driven and credit strategies all posting returns of greater than 10%. The common theme among arbitrage strategies has been the tremendous amount of liquidity across the financial markets. Evidence of this is seen in high yield credit spreads reaching 10-year lows, measures of implied volatility falling to all-time lows, and LBO activity hitting all-time highs.

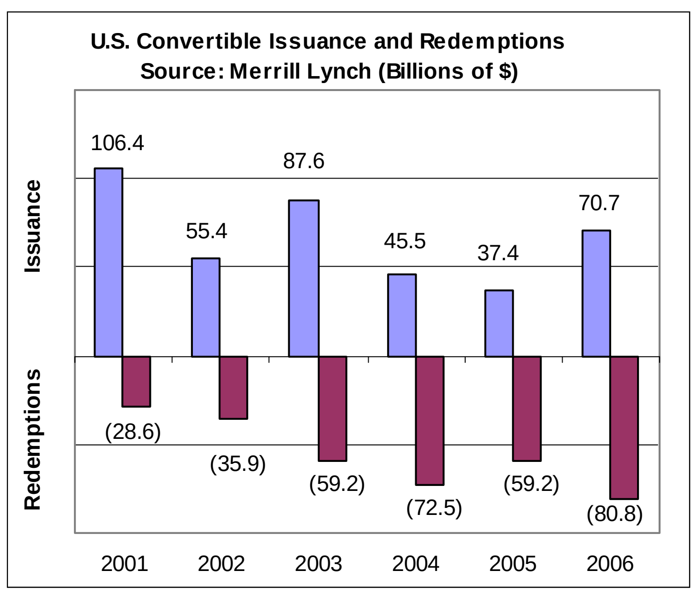
The Hennessee Convertible Arbitrage Index gained +11.89% 2006, as investors returned to the strategy, pushing valuations higher by year end. The strategy also benefited from the positive credit environment and an excellent new issuance calendar, although was negatively affected by the continued decline in volatility.



Investor confidence in convertible arbitrage improved greatly in 2006, leading to a marginal inflow of assets to convertible arbitrage dedicated funds and higher allocations from multi-strategy funds. In 2005, the Hennessee Convertible Arbitrage Index declined -2.44%, leading to substantial outflows from the strategy. Those outflows reversed in 2006, causing valuations to improve across the asset class. **As evidence, the average discount to theoretical value for the All US Convertibles Index increased from 1.32% cheap to 0.43% rich in for the year, according to Merrill Lynch.** Since convertibles usually trade at a discount to theoretical value, the current premium valuation has led to some consternation among investors.

In addition to improved valuations across the convertible universe, tighter credit spreads were also a source of profits. Spreads on Merrill Lynch High Yield Master Index tightened from 3.80% to 2.94% over the 10 Year Treasury for the year. While most managers entered the year fairly cautious on credit exposure and still remain cautious, many did take advantage of widening of spreads in May to buy credit exposure in their favorite names.

The new issuance calendar for convertibles also rebounded in 2006, culminating in the third most active year in history. **A total of $70.7 billion of convertibles were issued in the U.S. in 2006, far exceeding the $37.4 billion issued in 2005.** The largest deals were Amgen's $5 billion issue in March and Ford's $5 billion convertible issued in December, both matching the largest amount ever issued in the convertible market. Both were also issued at terms most considered relatively attractive. The Amgen convertible was issued with a 0.3% coupon with 10% conversion premium (A+ rating), while the Ford convertible was issued with a 4.25% coupon with 25% conversion (rated at CCC+). On the negative side, $80.8 billion of convertibles were redeemed (put, matured, called, or converted) in 2006, outpacing issuance by $10.1 billion.

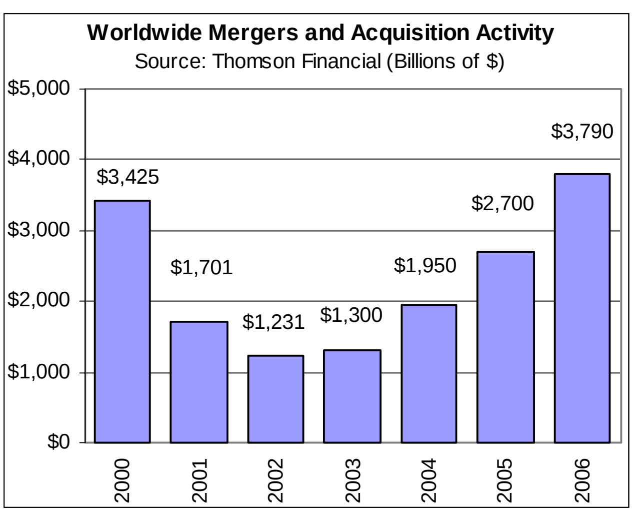


Implied volatility continued its multi-year decline in 2006. **The VIX declined from 12.1 to 11.6 in December, while longer dated volatility more applicable to convertibles declined as well.** The VIX fell below 10 on several occasions throughout the year, matching an all-time low. To the benefit of most managers, volatility did spike up in May as equities sold off only to fall back to lower levels later in the year.

Managers' views with respect to convertibles are somewhat balanced at the current time. While most are willing to buy convertibles for their long volatility portfolio as insurance to equity portfolios, most are cautious on credit exposure. Furthermore, valuations are not entirely compelling barring a substantial increase in volatility, which the consensus has unsuccessfully predicted each of the last three years. Most managers are expecting high single digit returns in 2007, with returns greater than 10% possible if volatility increases.

The Hennessee Merger Arbitrage Index advanced +12.90% in 2006, capitalizing on higher levels of merger volume, more attractive spreads, and a high amount of competitive bidding situations.

According to Thomson Financial, worldwide merger and acquisition activity totaled $3.79 trillion in 2006, exceeding activity in 2005 by 40%. Among the largest deals were AT&T/SBC ($66 billion), Arcelor/Mittal ($33 billion), Bank of New York/ Mellon ($30 billion), Phelps Dodge/Freeport McMoran ($29 billion), GoldenWest Financial/ Wachovia ($26 billion), Caremark/CVS ($24 billion), and Kerr McGee/Anadarko Petroleum ($21 billion).



Acquisition activity has been especially strong by private equity buyers, as $738 billion of deals were consummated by private equity buyers in 2006, far surpassing the total of $325 billion in 2005, according to Thomson Financial. Of overall merger and acquisition activity, 20.3% was attributed to private equity buyouts, far greater than previous years. Nine companies with market capitalizations over $10 billion were taken private in the U.S. in 2006.

Largest LBOs of 2006	
Company	**Market Cap (Billions)**
HCA Corporation	$21.2
Clear Channel Communications	$18.8
Freescale Semiconductor	$17.7
Equity Office Properties	$17.4
Harrah's Entertainment	$17.1
Kinder Morgan	$14.6
Univision Communications	$12.1
Albertsons	$11.0
Biomet	$10.8

As a result of higher interest rates and higher levels of deal flow, merger spreads have become more attractive throughout the year. Whereas average risk deals were yielding 4-5% annualized at the beginning of the year, many are now yielding 6-7% annualized. However, many managers have commented that traditional, average risk merger spreads are still not all that attractive, and have elected to focus on more dynamic deals with higher spreads. Deals involving more risk are yield higher levels with most LBO deals yielding 10% annualized on average.

Competitive bidding situations provided a substantial amount of returns for arbs throughout 2006. Inco, a Canadian based mining company, was the subject of a bidding war between Falconbridge, Xstrata, and CVRD, eventually succumbing to CVRD's higher offer. Aztar Casinos, the owner of the Tropicana Casino, was the focus of competitive bids, eventually agreeing to be purchased by Columbia Entertainment. Later in the year, Harrah's Entertainment, the world's largest casino company, received a rival buyout offers from a private equity consortium (Apollo Management and Texas Pacific Group) and Penn National Gaming, eventually agreeing to the private equity group's bid. Likewise, rival bids emerged for Caremark RX from CVS and Express Scripts.

HENNESSEE HEDGE FUND STYLE DEFINITIONS

STYLE	DEFINITION
ASIA - PACIFIC	Funds typically have long and short equity positions in companies located in the Pacific Basin region (i.e. Japan, China, Hong Kong, Taiwan, Korea, Singapore, Thailand, Malaysia, India, Australia, New Zealand, and other countries in Asia.)
CONVERTIBLE ARBITRAGE	This type of arbitrage involves the simultaneous purchase of a convertible bond and the short sale of the underlying stock. Interest rate and credit risk may or may not be hedged.
DISTRESSED	Primary investment focus involves securities of companies that have declared bankruptcy and/or may be undergoing reorganization. Investment holdings range from senior secured debt (uppermost tier of a company's capital structure) to the common stock of the company (lower tier of the capital structure).
EMERGING MARKETS	This strategy focuses on investing in lesser-developed, non-G7 countries whose financial markets provide exploitable pricing inefficiencies. Popular geographic regions include Latin America, Eastern Europe, Asia - Pacific, and Africa. Asset classes range from equities and bonds to local currencies.
EUROPE	Funds typically have long and short equity positions in European companies located in the United Kingdom, Western Europe, and Eastern Europe.
EVENT DRIVEN	This strategy can include merger arbitrage, distressed, liquidations, and spin-offs in addition to value driven special situation equity investing. Investments are usually dependent on an "event" as the catalyst to release the position's intrinsic value.
FINANCIAL EQUITIES	Funds typically have long and short equity positions within the financial sector (banks, thrifts, brokerage, insurance, etc.)
FIXED INCOME	Funds typically employ a variety of fixed income related strategies ranging from relative value based trades (basis, TEDs, yield curve, etc.) to directional bets on interest rate shifts. Style also includes credit related arbitrage, which typically involves the purchasing (or selling) of corporate issues and the simultaneous selling (or purchasing) of government issues.
GROWTH	Funds typically have long and short equity positions in companies that exhibit an acceleration (or deceleration) of earnings growth, revenues, and market share.
HEALTHCARE/ BIOTECH	Funds typically have long and short equity positions in medical related stocks, which include biotechnology, pharmaceuticals, HMO's, medical devices, etc.
HIGH YIELD	Funds typically have long and short equity positions in non-investment grade corporate bonds, which offer attractive coupon yields. Interest rate risk may or may not be hedged.
INTERNATIONAL	Funds typically have long and short equity positions in the stocks of international companies. Positions can be either growth or value and, in addition to global investments, funds typically have exposure to U.S. companies.
LATIN AMERICA	Funds typically have long and short equity and/or debt positions in companies located in Latin American countries such as Chile, Mexico, Venezuela, Argentina, Brazil, and Ecuador.

HENNESSEE GROUP LLC
HEDGE FUND ADVISORY

HENNESSEE HEDGE FUND STYLE DEFINITIONS

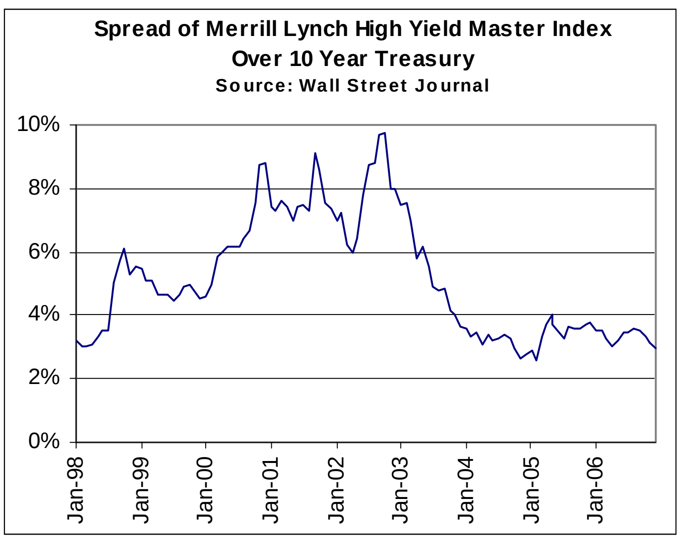
HENNESSEE
HEDGE FUND REVIEW®
WWW.HENNESSEEGROUP.COM

STYLE	DEFINITION
MACRO	*Dominant investment theme is to capitalize on changes in the global macroeconomic environment through participation in the various capital markets. A top-down methodology allows managers of this strategy to utilize all asset classes (equities, bonds, currencies, derivatives) available in the global capital markets.*
MARKET NEUTRAL	*Funds typically have long and short equity positions with approximately zero net dollar exposure. In addition, some funds will attempt to be beta, sector, and market cap neutral to further reduce equity market risk. Funds within this style utilize a range of methods from quantitative modeling to fundamental pairs trading.*
MERGER ARBITRAGE	*Style typically involves the simultaneous purchase of stock in a company being acquired and the short sale of stock in the respective acquirer. Many merger arbitrage managers attempt to mitigate deal risk by engaging only in strategic takeovers after they have been announced.*
MULTIPLE ARBITRAGE	*Style includes funds that employ more than one arbitrage strategy. The portfolio manager opportunistically allocates capital among the various strategies in an attempt to create the best risk/reward profile for the overall fund. Common strategies include merger arbitrage, convertible arbitrage, fixed income arbitrage, long/short equity pairs trading, quantitative equity trading, volatility arbitrage, and distressed investments.*
OPPORTUNISTIC	*Funds typically have long and short equity positions while maintaining a flexible net exposure to reflect the changing dynamics of the market on a minute-to-minute or day-to-day basis. Investments can be initiated from technical and/or fundamental analysis and portfolio turnover is typically high as managers have a short term investment time horizon.*
PIPES/ PRIVATE FINANCING	*PIPEs (private investments in public entities) are transactions by which publicly traded companies access new capital through the sale of stock directly to private investors. PIPEs can be transacted with a number of financial instruments, including the issuance of common stock, convertible securities, or warrants. Private financing includes asset based lending/acquisitions and direct loan investing such as mezzanine financing, bridge loans, and debtor in possession financing.*
SHORT BIAS	*Funds typically have long and short equity positions with an overall net short exposure to the market. Investments can be fundamental, technical, or event driven. This style can be used as a hedge against long-only portfolios and by investors who feel the market is approaching or in a bearish cycle.*
TECHNOLOGY	*Funds typically have long and short equity positions in technology-related sectors such as semiconductors, hardware, software, networking devices, etc.*
TELECOM/ MEDIA	*Funds typically have long and short equity positions in the telecommunication and media sectors such as telecommunication services, fiber optics, cable services, publishing, entertainment, programming, broadcasting, etc.*
VALUE	*Funds typically have long and short equity positions in undervalued companies which trade below their intrinsic value. Undervalued securities may be defined as, but not limited to, equities with low price-to-earnings ratios or low price-to-book value ratios. Managers also focus on companies that generate substantial free cash flow and utilize cash for debt retirement, share repurchase programs, and other methods utilized to realize shareholder value.*

A number of hostile bids also provided attractive returns, including Arcelor/Mittal and Goldkist/Pilgrim's Pride.

The Hennessee Distressed Index advanced +14.53% in 2006. Contrary to most hedge fund managers' expectations at the beginning of 2006, high yield bonds continued to perform well. The Merrill Lynch High Yield Master II Index appreciated +11.69% for the year, as yields declined from 8.19% to 7.65%.

Conditions for corporate bonds remain very accommodating**. The U.S. junk bond default rate ended 2006 at 0.8%, down from 3.1% in 2005, and will likely stay below its long-term average of about 5% this year, according to Fitch Ratings.** The par value of bonds defaulting in 2006 declined by 75% to $5.8 billion, down from $22.8 billion in 2005. The two largest defaults for the year each came from the automotive parts sector – Dana Corporation and Dura Automotive. Given the health of the credit markets, heavy demand for high-yielding investments has given risky companies access to funding, helping them avoid default.



Global debt underwriting set an all time record in 2006, eclipsing previous highs set in 2004**. A total of $150.5 billion in speculative rated debt ("junk") and $919 billion of investment grade debt was sold in the U.S. in 2006.**

A large portion of debt underwriting was due to the financing needs of leveraged buyouts. Corporations that were acquired in leveraged buyouts during the fourth quarter of 2006 had a ratio of debt to cash flow of 5.7 times on average, according to Standard & Poor's Leveraged Commentary & Data Group. Many believe that a number of these debt heavy companies will be unable to service their debt loads in the future. Yet it is still unclear when the market will correct, causing credit spreads to widen and defaults to rise.

Airlines and auto-makers were the strongest parts of the high yield market for the year, rebounding from double digit losses in 2005. In autos, General Motors and Ford led the way, while Delta Air Lines, Northwest Airlines, UAL (United), and US Airways were the top airline performers. No sectors in the high yield market ended the year in negative territory.

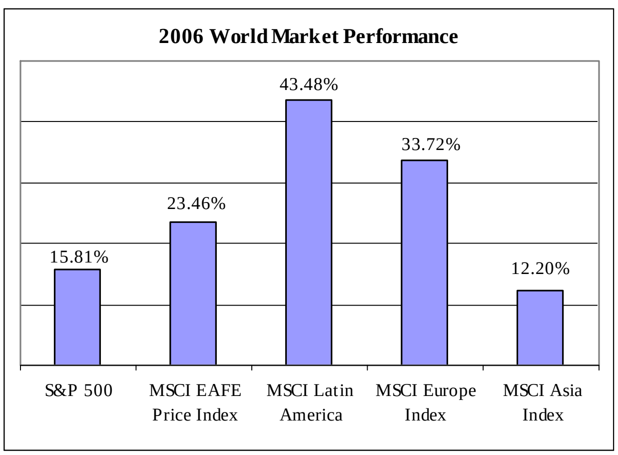
Most managers have been somewhat surprised by the strength of the credit markets, as spreads tightened substantially throughout the year in the face of record levels of debt issuance and higher levels of leverage across most industries. As such, most credit managers have elected to focus their attention on the senior portions of the capital structure or maintain a hedge to their portfolios.

Finally, it's worth evaluating the improved depth and strength of the arbitrage markets. In September, Amaranth, a large multiple strategy fund, collapsed due to losses experienced in its energy portfolio. **Unlike the collapse of Long Term Capital Management in 1998, the effects of the Amaranth decline were mostly contained, as markets outside of energy were largely unaffected.** Given the fund was likely liquidating convertible arbitrage, merger arbitrage, and credit arbitrage portfolios, it's a welcome surprise that each of these strategies posted positive returns for the month of September. In fact, the Hennessee Merger Arbitrage Index and Hennessee Convertible Arbitrage Index each did not have one down month for the year, while the Hennessee Distressed Index only was down in June, preceding the event.

Global/Macro
(YTD: +10.50% / DEC: +2.02%)

International long/short equity funds experienced positive returns as the Hennessee International Index advanced +12.00% for the year. Macro funds also experienced positive returns, as the Hennessee Macro Index advanced +4.76% in 2006, although the macro funds have generally been laggards for the year.

For the year, international stocks have outperformed U.S. equities, as the MSCI EAFE Index is up +23.46%, versus the S&P 500 DRI, which is up +15.81%. Managers benefited from international exposure with outsized gains coming from Europe, Latin America, and developing Asia equity markets, especially China and India.



Global and emerging markets suffered a sharp correction in the middle of the year as investors fled risky assets due to fears about the U.S. economy slowing and inflation. Markets were able to recover from the sharp sell off and post positive gains. **Managers state that emerging markets are growing less dependent on the U.S. as they have reduced their deficits, increased reserves, and reduced dependence on exports to the U.S.**

Europe was one of the best performing regions as the MSCI Europe Index advanced +3.21% for December and +33.72% for the year. Eurozone growth in 2006 is expected to hit +2.7% and is likely to have been the strongest in the last five years. Hedge fund managers are bullish on European equities in 2007 as strong domestic growth, benign inflation, and strong liquidity will help sustain positive growth. In addition, strong corporate earnings, robust merger activity and private equity companies flush with cash are expected to drive European equities upwards. **Managers also state that valuations are still somewhat cheap as shares are trading at 13.7 times 2007 earnings (compared to U.S. which is trading 14.5 times).** Managers are bullish on telecoms, consumer and luxury sectors, and financial and insurance companies. Managers are somewhat bearish on companies exposed to the weak dollar, particularly automobile manufacturers.

China helped lift Asian markets to record highs in 2006 as the MSCI Pacific Index ex Japan was up +4.33% for December and +32.02% for the year. China's stock market hit a record high as the MSCI China A (an index of domestically listed stocks) increased +128% for the year. Many developing Asian stock markets were approaching or hitting all time highs in the second half of 2006, including Indonesia (+55.3% YTD), Philippines (+42.3%), Singapore (+27.2%), Taiwan (+19.5%), Malaysia (+21.8%) and Australia (+19.0%).

India was a major source of profits as the stock market increased +46.7% in 2006, after a +42.3% year in 2005. Managers continue to be bullish on India as it is expected to have its fourth straight year of +8% GDP growth, and most expect future growth to continue or surpass this rate. In addition, a growing middle class and new consumer credit guidelines will increase consumer spending. The country is also attracting more foreign investment as the government eases limits on profit taking and allows more foreign ownership of Indian companies. **While the country has high growth, some managers are cautious, stating that valuations may be expensive as stocks are trading at almost 20 times 2007 earnings.**

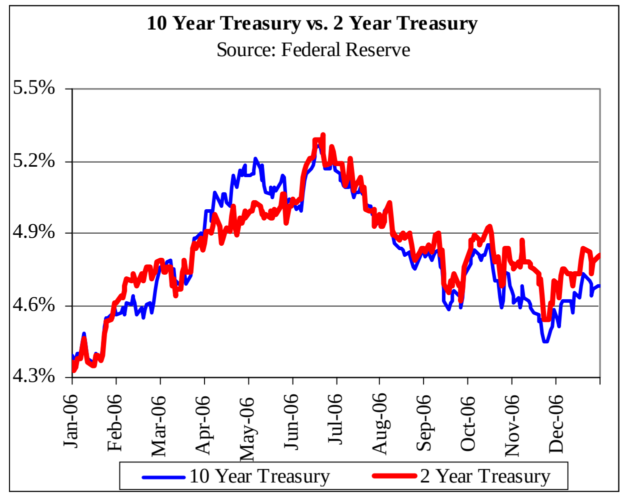
Japan was a disappointment in 2006 as consumption failed to meet expectations. In addition, investors were turned off by a corporate scandal which caused a sell off in small cap shares and tech stocks. For the year, the Nikkei 225 advanced +6.9%. Managers state that the second half of the year was more optimistic as corporate earnings, retail sales, jobs growth, and land prices were positive, and several managers see potential in Japan for 2007.

The MSCI Latin America Index was up +7.01% for the month and is now up +43.48% for the year. The region has experienced is fourth consecutive year of double-digit gains. The region benefited from strong performance in Mexico and Brazil. Mexico's IPC stock index advanced +45.6% and reached an all time high in 2006. Brazil's Ibovespa index increased +44.7% in 2006 due to declining interest rates and strong corporate earnings. Managers remain bullish on Latin America, especially Brazil and Mexico, due to continued economic stability and lower inflation. Latin American countries have also benefited from strong global demand for commodities.

Managers continue to be bullish on international equities. Despite a strong year, European opportunities look attractive while emerging markets continue to advance at a rapid rate on more stable footing. **While managers may trim profits, funds will continue to maintain significant international exposure for 2007.**

In December, Macro managers finally started to make money on their short positions in the 10 Year Treasury in December, after consistently losing on the trade for most of 2006. However, macro managers continue to disappoint as the index was up only +4.76% year to date, despite being correct on several main themes including the weakening of the dollar and a rise in commodity prices.

To the surprise of most managers, the bond market was relatively strong in 2006, as the Lehman Brothers Intermediate Government Corporate Bond Index was up +4.07% for the year. During the year, the yield on the 10-Year Treasury note increased from 4.37% to 4.71%, while the 2-Year Treasury note decreased from 4.34% to 4.82%. The U.S. yield curve has been inverted for the most part of 2006 with the Fed Funds rate currently at +5.25%. Several macro managers state that they expect the Fed to begin to cut interest rates at some point in mid 2007. A major theme for macro managers was betting that yields on longer maturity U.S. Treasuries would rise. While yields increased year over year, the majority of the move came towards year end. In addition, after subtracting the cost of carry for shorting, managers were unable to generate any real profit on the trade. Several macro managers report that there was another yield curve theme that paid off in 2006. **Funds generated gains betting that the eurozone yield curve would flatten.** The ECB continues to raise short term rates, and the yield curve flattened significantly during the year with the 10 year yield dipping below the 2 year at the end of 2006.



Oil finished the year at $61 per barrel, unchanged from where it started the year. The average price of oil was higher in 2006 at $66 per barrel than in 2005, a trend which has continued for the previous five years. Oil prices hit an all time hit above $78 during the summer, but have sold off significantly from that peak. Most managers expect oil prices to remain at or above $60 per barrel level due to demand from developing markets, OPEC's desire to maintain a $60 price target, and geopolitical instability in several oil producing nations, including Nigeria and Iraq. **However, many managers expect that the average oil price for 2007 will be less than the average price for 2006 due to slower economic growth globally and in the U.S.**

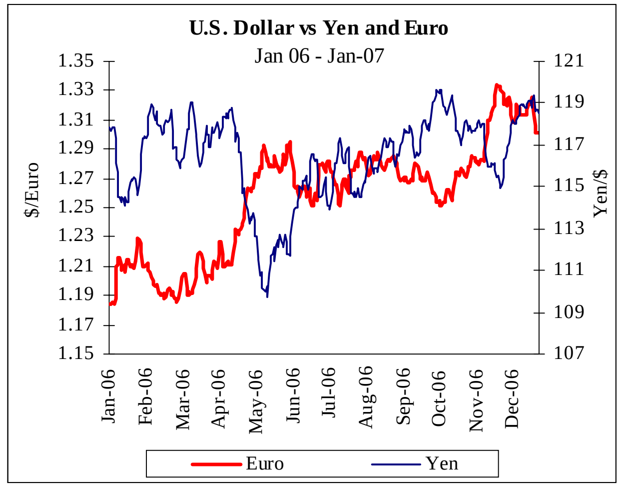
Natural gas prices declined almost -41% in 2006 due to a mild weather, a calm hurricane season, and large inventories. The 2006 average for natural gas was $6.98, versus an average of $9.01 in 2005, a -23% decline. During the year, volatile price changes caused several hedge funds, including Amaranth Advisors and MotherRock, to suffer well publicized losses. **However, where there are big losers, there are also big winners, and several hedge fund managers reported outsized gains this year by trading against Amaranth.** While hedge fund managers were bullish on coal in 2005 and early in 2006, most state that current overcapacity in the sector is a negative and coal prices are down -31.3% for the year. **Concerns about energy supply have put a spotlight on energy alternatives.** Crop-based renewable fuels increased demand for corn and other grains, sparking a significant increase in price. Corn prices increased +81% in 2006, a ten year high, closing at $3.9025 per bushel. Managers state that higher prices may be here to stay, which would negatively affect food processors and other raw material users.

Precious metals continued 2005's strong rally into 2006. **Gold prices increased +23% during the year, finishing at $635.20 per troy ounce, and silver prices increased +45.3% for the year.** Gold and silver both benefited from the introduction of exchange traded funds, which sparked buying as the funds are backed by physical supply. Gold also benefited as investors increased investments as a hedge against the U.S. dollar.

Industrial metals were also very strong as global economic expansion and low inventories helped lead to gains in copper, steel, lead, nickel and zinc. **Copper was a favorite position for hedge fund managers, which benefited from a +32% gain. However, after the significant gain, several managers report that they expect a sell off in copper in 2007 and have started to short the metal.**

The dollar weakened against the euro after the Fed decided to hold the Fed Funds rate unchanged for the second half of 2006. Managers expect the dollar to continue to weaken in the future. They state we could see an accelerated decline if the Fed cuts rates in 2007 and foreign central banks increase interest rates. In addition, several managers state that massive current account deficit will only be significantly reduced through a weaker dollar. For the year, the euro strengthened +11.5% against the dollar, while the British pound strengthened +13.8% against the dollar. However, the dollar strengthened against the Japanese yen +1% for the year.

The Chinese yuan rose +3.3% against the dollar in 2006. During the second half of 2006, the pace of re-evaluation accelerated, which could lead to a gain of 4% to 5% in 2007 with things unchanged. However, China recently reported a trade surplus at a record $177.47 billion in 2006, compared with $101.88 billion in 2005. The Central-bank governor said China can further increase the flexibility of its exchange rate if trade surpluses continue to mount. **Most macro managers expect China to widen the bands of the yuan, effectively revaluing the currency.**



While posting a +4.76% gain for 2006, the performance of macro managers is disappointing, especially considering that several themes were proven correct, including a weakening of the dollar and an increase in gold and metal prices. For the approaching year, managers are looking for a continued decline of the dollar and strong global equity performance.

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 are short copper as we feel that the production increases planned by companies will start to overtake demand.

We are long airlines as we believe that consolidation is in the early innings, capacity will be reduced and pricing should improve.

We are short corn futures as corn producers have already started to produce more in response to higher prices. Higher prices have been a result of the demand for ethanol which we believe will increase more slowly than expected.

We have entered into long dollar versus euro, believing that U.S. economic growth will exceed that in Europe in 2007 and 2008.

We continue to like European equities as companies are slashing costs leading to excellent corporate earnings growth.

We like emerging market for 2007 as growth in most regions remains strong and inflation well contained.

We have begun purchasing semiconductor companies as stock prices have become extremely inexpensive.

We have sold our long standing position in gold, believing that the U.S. dollar will finally start to strengthen and inflation is well contained.

We are short mortgage lending companies believing that foreclosures will increase substantially in 2007.

We are backing up the truck to buy homebuilder stocks, believing that the troubles experienced in 2006 were merely an inventory correction and expect growth to resume in late 2007. Furthermore, the stocks are extremely cheap on a price to earnings and price to book basis.

We are short the high yield indices as we believe that spreads will widen in the foreseeable future. Furthermore, the cost of carrying these short positions is now not that expensive given low yields on bonds.

We have purchased options on the VIX believing that implied volatility is the only asset class that is inexpensive.

We are increasing our allocation to a dedicated European short seller as the markets in Europe are much less efficient and shorts are less crowded.

HENNESSEE HEDGE FUND RANKINGS

MONTHLY RANK 2006 (Net)	YTD	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
ASIA - PACIFIC INDEX	18	13	23	2	15	20	21	21	13	13	9	7	3
CONVERTIBLE ARBITRAGE INDEX	15	16	4	16	21	3	10	4	10	5	20	19	15
DISTRESSED INDEX	5	18	15	13	3	2	14	12	9	14	14	13	11
EMERGING MARKETS INDEX	6	5	7	20	4	17	16	2	14	15	6	11	6
EUROPE INDEX	11	10	3	8	6	18	17	19	11	11	11	18	4
EVENT DRIVEN INDEX	9	11	22	11	9	8	9	18	12	19	2	9	10
FINANCIAL EQUITIES INDEX	13	20	11	14	8	10	12	14	7	3	15	16	8
FIXED INCOME INDEX	21	21	19	17	11	4	6	11	19	18	22	22	22
GROWTH INDEX	16	3	12	3	17	16	18	22	8	17	10	5	18
HEALTHCARE AND BIOTECH INDEX	19	7	2	18	23	14	19	15	6	16	7	17	20
HIGH YIELD INDEX	3	19	5	15	13	5	8	5	15	6	8	12	5
INTERNATIONAL INDEX	14	8	18	7	5	21	20	7	5	12	5	6	16
LATIN AMERICA INDEX	2	1	1	23	1	23	1	23	23	2	1	1	1
MACRO INDEX	22	14	13	21	7	13	11	13	21	23	18	10	13
MARKET NEUTRAL INDEX	20	22	10	19	22	9	4	10	18	9	21	21	14
MERGER ARBITRAGE INDEX	8	15	6	12	16	7	5	6	17	10	17	15	9
MULTIPLE ARBITRAGE INDEX	10	17	9	10	12	6	7	9	16	22	12	14	7
OPPORTUNISTIC INDEX	4	2	21	4	2	15	22	3	3	20	16	2	12
PIPES/PRIVATE FINANCING INDEX	17	6	8	5	18	11	13	17	20	7	13	20	21
SHORT BIASED INDEX	23	23	14	22	20	1	2	1	22	21	23	23	23
TECHNOLOGY INDEX	7	4	20	6	19	19	23	16	1	4	19	4	17
TELECOM AND MEDIA INDEX	1	9	16	1	14	22	3	8	2	1	4	3	2
VALUE INDEX	12	12	17	9	10	12	15	20	4	8	3	8	19

The Hennessee Hedge Fund Indices® are calculated from performance data supplied by a diversified group of hedge funds monitored by the Hennessee Hedge Fund Advisory Group. The Hennessee Hedge Fund Index is an equally- weighted average of the funds in the Hennessee Hedge Fund Indices®. The funds in the Hennessee Hedge Fund Index are believed to be statistically representative of the larger Hennessee Universe of over 3,500 hedge funds and are net of fees and unaudited. The hedge fund performance data has been obtained from sources believed to be reliable, but no guarantee is made with respect to accuracy. Past performance is no guarantee of future returns. This material is for general information only and is not an offer or solicitation to buy or sell any security including any interest in a hedge fund.

HENNESSEE GROUP LLC
HEDGE FUND ADVISORY

HENNESSEE HEDGE FUND INDICES®

HENNESSEE
HEDGE FUND REVIEW®
WWW.HENNESSEEGROUP.COM

2006 (Net)	YTD	YTD RANK	% of mgrs. >S&P, ytd	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
ASIA - PACIFIC INDEX	**9.71%**	**18**	**20%**	3.32%	-0.67%	3.03%	1.26%	-3.32%	-1.21%	-1.01%	1.03%	0.34%	1.68%	2.24%	2.85%
CONVERTIBLE ARBITRAGE INDEX	**11.89%**	**15**	**11%**	2.49%	1.30%	1.04%	0.33%	1.00%	0.02%	0.62%	1.12%	0.89%	0.61%	0.80%	1.09%
DISTRESSED INDEX	**14.53%**	**5**	**31%**	2.24%	0.48%	1.42%	2.15%	1.62%	-0.19%	0.11%	1.17%	0.30%	1.34%	1.58%	1.45%
EMERGING MARKETS INDEX	**13.18%**	**6**	**18%**	4.31%	0.92%	0.62%	2.04%	-2.31%	-0.62%	0.99%	0.83%	0.23%	1.91%	1.59%	2.07%
EUROPE INDEX	**12.42%**	**11**	**17%**	3.60%	1.93%	1.99%	1.98%	-2.73%	-0.74%	-0.75%	1.12%	0.35%	1.66%	0.93%	2.59%
EVENT DRIVEN INDEX	**12.75%**	**9**	**22%**	3.48%	-0.52%	1.61%	1.81%	-0.06%	0.04%	-0.58%	1.06%	-0.43%	2.50%	1.79%	1.45%
FINANCIAL EQUITIES INDEX	**12.11%**	**13**	**11%**	1.99%	0.67%	1.39%	1.86%	-0.70%	-0.14%	-0.22%	1.23%	1.63%	1.30%	1.01%	1.52%
FIXED INCOME INDEX	**5.55%**	**21**	**0%**	0.82%	0.29%	0.84%	1.56%	0.80%	0.42%	0.11%	0.31%	-0.17%	0.00%	0.25%	0.21%
GROWTH INDEX	**11.80%**	**16**	**26%**	5.00%	0.56%	2.71%	1.17%	-2.24%	-0.79%	-1.35%	1.19%	0.12%	1.68%	2.40%	0.98%
HEALTHCARE AND BIOTECH IN-	**6.77%**	**19**	**24%**	3.78%	2.17%	0.83%	-2.19%	-1.81%	-0.89%	-0.30%	1.43%	0.14%	1.72%	0.96%	0.88%
HIGH YIELD INDEX	**15.29%**	**3**	**22%**	2.07%	1.10%	1.20%	1.43%	0.59%	0.13%	0.58%	0.82%	0.82%	1.70%	1.59%	2.33%
INTERNATIONAL INDEX	**12.00%**	**14**	**14%**	3.77%	0.41%	2.00%	2.01%	-3.33%	-1.03%	0.47%	1.45%	0.34%	2.11%	2.36%	1.01%
LATIN AMERICA INDEX	**21.28%**	**2**	**33%**	10.16%	5.65%	-2.90%	2.93%	-8.92%	2.71%	-2.14%	-1.73%	3.41%	3.68%	3.92%	4.02%
MACRO INDEX	**4.76%**	**22**	**7%**	2.68%	0.52%	0.48%	1.88%	-1.60%	0.01%	-0.08%	-1.28%	-1.69%	0.97%	1.69%	1.19%
MARKET NEUTRAL INDEX	**6.70%**	**20**	**3%**	0.80%	0.67%	0.82%	0.29%	-0.15%	0.76%	0.22%	0.57%	0.44%	0.46%	0.51%	1.12%
MERGER ARBITRAGE INDEX	**12.90%**	**8**	**18%**	2.66%	0.94%	1.53%	1.17%	0.33%	0.52%	0.57%	0.60%	0.38%	0.97%	1.08%	1.46%
MULTIPLE ARBITRAGE INDEX	**12.63%**	**10**	**23%**	2.36%	0.89%	1.88%	1.53%	0.50%	0.36%	0.30%	0.81%	-1.68%	1.51%	1.57%	1.98%
OPPORTUNISTIC INDEX	**15.01%**	**4**	**35%**	5.28%	0.02%	2.69%	2.20%	-2.07%	-1.28%	0.77%	1.97%	-1.24%	1.28%	3.38%	1.29%
PIPES/PRIVATE FINANCING INDEX	**10.09%**	**17**	**25%**	4.15%	0.90%	2.52%	0.89%	-1.48%	-0.17%	-0.50%	0.17%	0.54%	1.37%	0.68%	0.67%
SHORT BIASED INDEX	**-5.64%**	**23**	**8%**	-2.60%	0.52%	-0.82%	0.43%	3.36%	0.90%	1.28%	-1.35%	-1.60%	-3.87%	-1.72%	-0.09%
TECHNOLOGY INDEX	**12.96%**	**7**	**31%**	4.88%	0.28%	2.21%	0.86%	-2.91%	-1.46%	-0.41%	3.19%	1.44%	0.75%	2.67%	0.99%
TELECOM AND MEDIA INDEX	**23.01%**	**1**	**22%**	3.73%	0.43%	3.81%	1.30%	-3.61%	0.85%	0.47%	2.27%	3.95%	2.15%	2.73%	3.07%
VALUE INDEX	**12.41%**	**12**	**25%**	3.45%	0.42%	1.94%	1.57%	-1.55%	-0.52%	-0.78%	1.65%	0.52%	2.30%	1.91%	0.97%
HENNESSEE HEDGE FUND INDEX	**11.36%**		**21%**	**3.43%**	**0.57%**	**1.78%**	**1.30%**	**-1.26%**	**-0.38%**	**-0.26%**	**1.08%**	**0.12%**	**1.49%**	**1.74%**	**1.28%**
LONG/SHORT EQUITY	**11.23%**		**24%**	**3.71%**	**0.61%**	**1.98%**	**0.99%**	**-1.65%**	**-0.60%**	**-0.49%**	**1.47%**	**0.31%**	**1.50%**	**1.92%**	**1.06%**
ARBITRAGE/EVENT DRIVEN	**12.05%**		**19%**	**2.54%**	**0.63%**	**1.50%**	**1.40%**	**0.53%**	**0.13%**	**0.14%**	**0.82%**	**-0.04%**	**1.27%**	**1.21%**	**1.32%**
GLOBAL/MACRO	**10.50%**		**16%**	**3.78%**	**0.64%**	**1.62%**	**1.80%**	**-3.05%**	**-0.59%**	**-0.28%**	**0.41%**	**0.05%**	**1.76%**	**2.05%**	**2.02%**
S&P 500 W/DIV	**15.81%**			2.65%	0.27%	1.25%	1.34%	-2.88%	0.14%	0.62%	2.38%	2.58%	3.26%	1.90%	1.40%
DJIA	**16.29%**			1.38%	1.18%	1.05%	2.32%	-1.75%	-0.16%	0.32%	1.75%	2.62%	3.44%	1.17%	1.97%
MSCI EAFE (USD) PRICE INDEX	**23.46%**			6.10%	-0.35%	2.88%	4.51%	-4.37%	-0.21%	0.92%	2.49%	-0.01%	3.84%	2.79%	3.09%
RUSSELL 2000	**18.35%**			8.97%	-0.28%	4.85%	-0.02%	-5.62%	0.64%	-3.25%	2.96%	0.83%	5.76%	2.63%	0.33%
NASDAQ	**9.51%**			4.56%	-1.06%	2.56%	-0.74%	-6.19%	-0.31%	-3.71%	4.41%	3.42%	4.79%	2.75%	-0.68%
LEHMAN BROS. INT. GOVT. CORP.	**4.07%**			-0.02%	0.07%	-0.44%	0.05%	0.01%	0.15%	1.12%	1.25%	0.79%	0.53%	0.91%	-0.41%

The Hennessee Hedge Fund Indices® are calculated from performance data supplied by a diversified group of hedge funds monitored by the Hennessee Hedge Fund Advisory Group. The Hennessee Hedge Fund Index is an equally- weighted average of the funds in the Hennessee Hedge Fund Indices®. The funds in the Hennessee Hedge Fund Index are believed to be statistically representative of the larger Hennessee Universe of over 3,500 hedge funds and are net of fees and unaudited. The hedge fund performance data has been obtained from sources believed to be reliable, but no guarantee is made with respect to accuracy. Past performance is no guarantee of future returns. This material is for general information only and is not an offer or solicitation to buy or sell any security including any interest in a hedge fund.