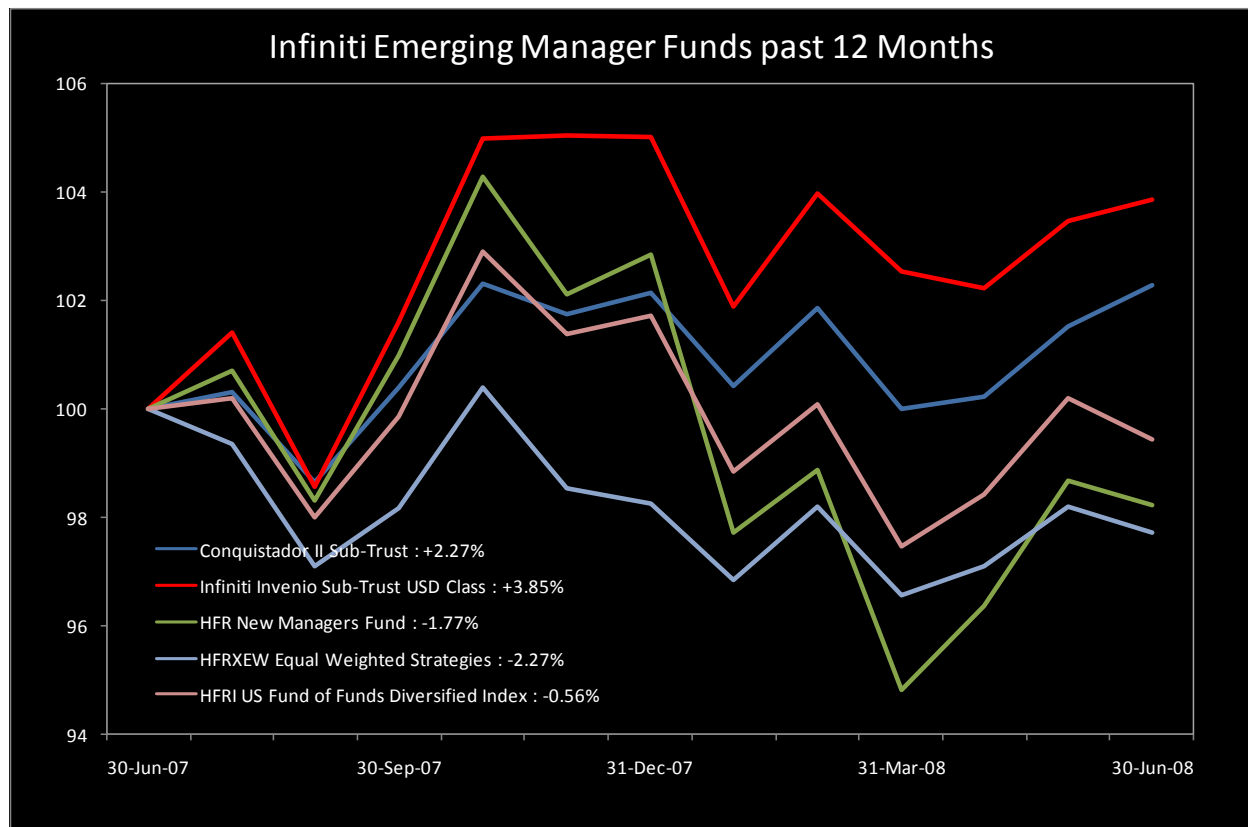


Emerging Managers continue to deliver on their promise

By: Peter Urbani , CIO, Infiniti Capital

Emerging Managers, defined as those hedge funds with less than 36 Months of history and less than \$300m in AUM, are continuing to deliver on their promise of generating returns 300 – 400bp per annum over and above the returns of older, more established hedge funds.

This is reflected by both the performance of the Infiniti Capital Emerging Manager Indices relative to wider industry fund of funds benchmarks and Infiniti’s own emerging manager funds over the past 12 months to end June 2008.

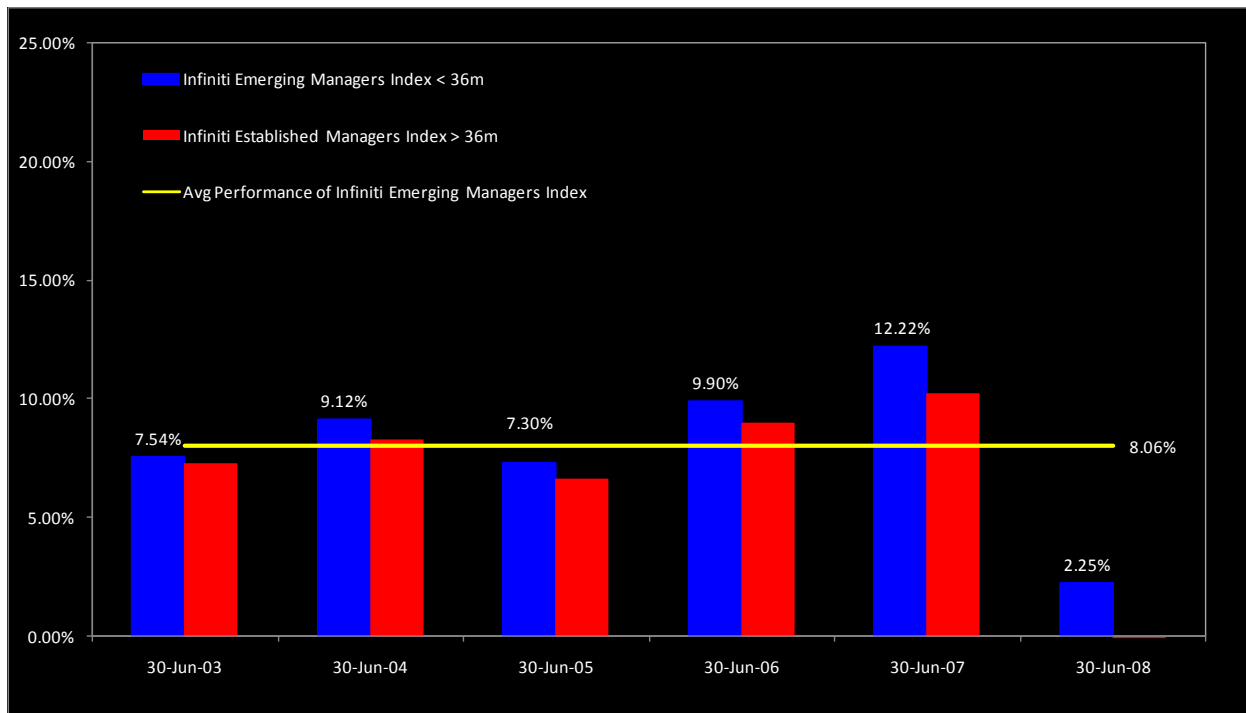


The approximately 300bp of relative outperformance of the two Infiniti Emerging Manager fund of funds to wider fund of funds benchmarks such as the HFRI Fund of Funds and HFRX Equally Weighted Strategies Index is in line with earlier research conducted by Infiniti Capital on the likely out-performance of ‘Emerging Managers’ as well as that of numerous academic studies.

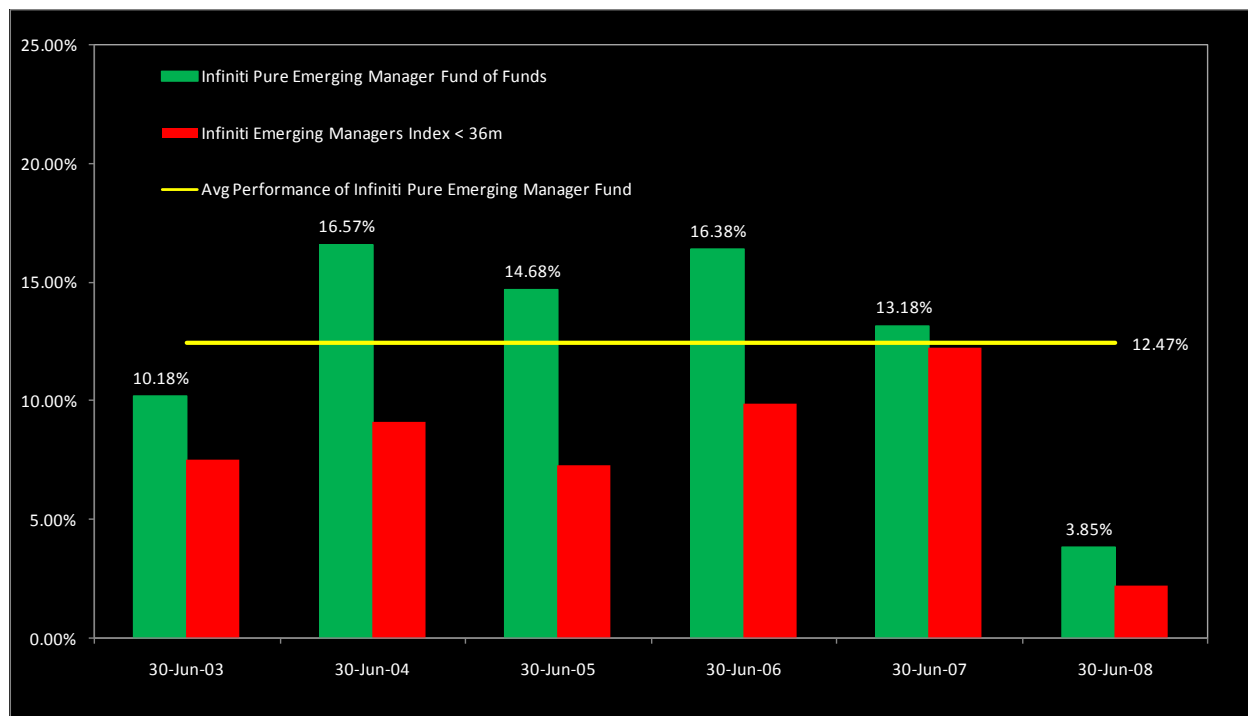
The updated Infiniti Capital Emerging Managers Indices show that ‘Emerging Managers’ continue to deliver excess returns of up to 500bp per annum over and above the returns of older more established funds.

Emerging Managers versus Established Managers		Analysis of 8380 Funds from HedgeFund.Net									Data from 31 Dec 1990 to 30 Jun 2008	
	Age and Size	Mean	Std Dev	Skew	Kurt	HPR	Years	CAGR	Alpha			
Emerging	< 36 months and < \$300m	15.96%	5.27%	0.06	2.08	1465%	17.5	17.02%	4.02%			
Established	> 36 months	12.45%	5.90%	0.71	2.68	748%	17.5	12.99%				
Emerging	< 24 months and < \$200m	16.84%	5.25%	0.19	1.73	1722%	17.5	18.04%	4.84%			
Established	> 24 months	12.63%	5.72%	0.38	1.72	776%	17.5	13.21%				
Emerging	< 12 months and < \$100m	17.73%	5.11%	0.27	1.61	2028%	17.5	19.09%	5.01%			
Established	> 12 months	13.40%	5.62%	0.33	1.68	903%	17.5	14.08%				
Emerging	< 6 months and < \$50m	18.42%	5.37%	0.80	3.01	2292%	17.5	19.89%	5.18%			
Established	> 6 months	13.95%	5.51%	0.23	1.54	1005%	17.5	14.71%				
Emerging	< 3 months and < \$20m	18.57%	5.81%	0.49	1.01	2344%	17.5	20.04%	5.04%			
Established	> 3 months	14.20%	5.47%	0.25	1.61	1053%	17.5	14.99%				
All	All	14.43%	5.41%	0.26	1.56	1100%	17.5	15.26%				

This finding is in line with that of various other studies. However, Infiniti is one of the few fund of fund managers to actually run ‘Emerging Manager’ fund of funds. Infiniti offers two ‘Emerging Manager’ fund of funds - one a pure emerging manager fund and the other a 50:50 blend of established and emerging managers. Over the past 5 years to end June the Infiniti Emerging Managers Index (< 36m) has generated an average excess return of 114bp over and above that of the Established Managers older than 36 months index.



Over the same time period (past 5 years), on a back-tested basis, Infiniti's own pure Emerging Managers fund of funds would have generated an average excess return of 442bp per annum over and above the return of the Infiniti Emerging Managers Index. We are gratified therefore to see these sort of results being achieved in our first full year of real performance also.



The updated study by Infiniti also reveals some interesting trends about new manager launches and Strategy preferences. For instance, the average number of net new 'Emerging Manager' funds entering the Infiniti Emerging Managers Index every year is around 707 funds. However, over the past rolling 12 months to end June 2008 this number has fallen by 22% to just 554 and by 50% to the prior 12 month's 1113 funds. This is in line with similar studies of new hedge fund issuance in general.

Looking at the number and proportion of net new funds entering the index in each of the Main Strategy groupings over the past 12 months we can see a clear preference for:

- 1) Statistical Arbitrage type funds where the 13 new funds entering the index in the past 12 months was more than 6 times the average annual number of 2 over the prior 9 years.
- 2) Macro type funds where the 33 new funds were proportionately twice the number of average new entrants in that strategy.
- 3) Energy Sector, Options Strategies and somewhat surprisingly both Mortgages and Asset Backed Lending were popular.

Value, Distressed and Convertible Arbitrage Funds represented the lowest number of new entrants to the Infiniti Capital Emerging Manager Index (<36m). Of the larger Strategy groupings, both Event Driven and Equity Long/Short were down significantly from prior years.

Number of New 'Emerging Managers' less than 36 Months old and with AUM of less than \$300m entering the index every 12 months

Avg % Of new entrants to Benchmark	30-Jun-98	30-Jun-99	30-Jun-00	30-Jun-01	30-Jun-02	30-Jun-03	30-Jun-04	30-Jun-05	30-Jun-06	30-Jun-07	30-Jun-08
Fund of Funds - Multi-Strategy (26.3%)	24.8%	23.8%	25.4%	23.8%	29.0%	28.4%	33.9%	26.8%	22.8%	24.5%	22.4%
Long/Short Equity (20.6%)	16.5%	22.3%	21.9%	25.6%	19.7%	19.0%	19.7%	20.1%	20.8%	20.7%	16.8%
Fund of Funds - Single Strategy (7.3%)	5.3%	5.2%	7.8%	8.1%	10.2%	8.6%	6.5%	7.6%	8.8%	5.0%	7.8%
Multi-Strategy (4.6%)	2.9%	2.2%	4.7%	4.8%	2.9%	3.8%	4.6%	6.1%	6.4%	7.4%	7.0%
Macro (3.0%)	2.4%	4.5%	2.8%	1.6%	2.2%	3.3%	3.7%	2.8%	2.8%	3.5%	6.0%
CTA/Managed Futures (6.9%)	10.2%	11.2%	7.2%	6.2%	5.3%	4.9%	6.6%	7.0%	5.6%	5.2%	5.6%
Emerging Markets (2.9%)	4.4%	2.2%	4.1%	1.2%	2.4%	2.2%	2.1%	3.3%	3.1%	4.0%	4.3%
Asset Based Lending (0.7%)	0.0%	0.4%	0.3%	0.7%	0.5%	0.3%	0.2%	1.0%	1.3%	2.8%	2.7%
Market Neutral Equity (3.4%)	2.9%	3.7%	3.4%	3.0%	3.0%	5.0%	2.4%	4.4%	3.0%	3.0%	2.5%
Country Specific (1.7%)	1.0%	1.5%	0.9%	0.7%	1.1%	0.7%	0.6%	2.4%	4.3%	3.7%	2.3%
Statistical Arbitrage (0.4%)	0.5%	0.4%	1.6%	0.0%	0.2%	0.1%	0.0%	0.0%	0.6%	0.4%	2.3%
Options Strategies (1.0%)	0.5%	1.1%	0.0%	2.1%	1.4%	1.1%	1.0%	0.7%	0.9%	1.6%	2.2%
Energy Sector (0.9%)	1.0%	0.0%	0.0%	0.2%	0.3%	1.1%	1.1%	1.6%	2.1%	1.4%	2.0%
Fixed Income (non-arbitrage) (2.1%)	1.9%	1.1%	1.6%	3.0%	1.6%	2.4%	1.6%	3.1%	2.5%	1.8%	2.0%
Long Only (1.9%)	4.4%	2.2%	0.6%	0.5%	2.9%	1.8%	1.2%	1.6%	1.6%	1.9%	1.8%
Fund of Funds - Market Neutral (2.0%)	1.5%	2.2%	1.9%	2.8%	3.2%	2.3%	2.1%	1.1%	0.9%	1.6%	1.8%
Event Driven (2.4%)	3.9%	1.9%	2.5%	2.1%	2.4%	2.9%	2.2%	2.2%	1.7%	2.0%	1.8%
Mortgages (0.4%)	1.5%	0.0%	0.3%	0.0%	0.0%	0.3%	0.5%	0.2%	0.5%	0.5%	1.1%
Fixed Income Arbitrage (1.6%)	2.9%	1.5%	0.6%	1.6%	1.6%	2.0%	1.6%	1.7%	2.0%	0.9%	0.9%
Small/Micro Cap (0.9%)	0.0%	1.1%	0.3%	1.2%	1.3%	0.8%	0.9%	0.7%	1.2%	1.1%	0.9%
Finance Sector (0.6%)	1.5%	0.7%	1.3%	0.0%	0.3%	0.8%	0.4%	0.5%	0.8%	0.2%	0.7%
Special Situations (0.7%)	1.0%	0.7%	0.3%	0.0%	0.5%	0.8%	0.4%	0.6%	1.3%	0.9%	0.7%
Convertible Arbitrage (1.4%)	1.5%	1.9%	1.3%	2.3%	1.9%	1.1%	2.1%	0.5%	0.5%	0.7%	0.5%
Other Arbitrage (0.2%)	0.0%	0.4%	0.3%	0.2%	0.2%	0.1%	0.1%	0.4%	0.1%	0.6%	0.5%
Merger/Risk Arbitrage (0.8%)	1.9%	1.1%	2.5%	1.2%	0.6%	0.1%	0.4%	0.1%	0.0%	0.0%	0.5%
Distressed (1.7%)	1.0%	2.2%	1.9%	2.3%	1.8%	2.6%	2.3%	1.0%	0.9%	0.6%	0.5%
Healthcare Sector (0.6%)	0.0%	0.7%	0.6%	0.9%	0.8%	0.1%	0.7%	0.4%	0.7%	1.3%	0.5%
Value (1.6%)	3.4%	1.5%	2.5%	1.6%	1.6%	1.9%	0.3%	1.0%	1.3%	0.6%	0.4%
Short-term Trading (0.2%)	0.0%	0.4%	0.0%	0.2%	0.2%	0.1%	0.1%	0.0%	0.3%	0.4%	0.4%
Regulation D (0.5%)	0.0%	0.7%	0.0%	1.2%	0.5%	0.3%	0.3%	0.5%	0.5%	0.6%	0.4%
Technology Sector (0.3%)	1.0%	0.0%	0.3%	0.2%	0.3%	0.8%	0.2%	0.0%	0.4%	0.2%	0.4%
Capital Structure Arbitrage (0.3%)	0.0%	0.7%	0.0%	0.7%	0.3%	0.1%	0.0%	0.3%	0.2%	0.2%	0.2%
Short Bias (0.3%)	0.0%	0.4%	0.9%	0.0%	0.0%	0.1%	0.3%	0.2%	0.4%	0.6%	0.0%
Market Timer (0.1%)	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net Number of 'Emerging' Funds	206	269	319	433	628	736	1002	1093	1267	1113	554
Average Number of New entrants	30-Jun-98	30-Jun-99	30-Jun-00	30-Jun-01	30-Jun-02	30-Jun-03	30-Jun-04	30-Jun-05	30-Jun-06	30-Jun-07	30-Jun-08
Fund of Funds - Multi-Strategy (189)	51	64	81	103	182	209	340	293	289	273	124
Long/Short Equity (145)	34	60	70	111	124	140	197	220	263	230	93
Fund of Funds - Single Strategy (53)	11	14	25	35	64	63	65	83	111	56	43
Multi-Strategy (37)	6	6	15	21	18	28	46	67	81	82	39
Macro (21)	5	12	9	7	14	24	37	31	35	39	33
CTA/Managed Futures (44)	21	30	23	27	33	36	66	76	71	58	31
Emerging Markets (20)	9	6	13	5	15	16	21	36	39	44	24
Asset Based Lending (7)	0	1	1	3	3	2	2	11	17	31	15
Market Neutral Equity (24)	6	10	11	13	19	37	24	48	38	33	14
Country Specific (15)	2	4	3	3	7	5	6	26	54	41	13
Statistical Arbitrage (2)	1	1	5	0	1	1	0	0	7	4	13
Options Strategies (8)	1	3	0	9	9	8	10	8	12	18	12
Energy Sector (9)	2	0	0	1	2	8	11	18	27	16	11
Fixed Income (non-arbitrage) (16)	4	3	5	13	10	18	16	34	32	20	11
Long Only (12)	9	6	2	2	18	13	12	18	20	21	10
Fund of Funds - Market Neutral (13)	3	6	6	12	20	17	21	12	11	18	10
Event Driven (16)	8	5	8	9	15	21	22	24	21	22	10
Mortgages (3)	3	0	1	0	0	2	5	2	6	6	6
Fixed Income Arbitrage (11)	6	4	2	7	10	15	16	19	25	10	5
Small/Micro Cap (7)	0	3	1	5	8	6	9	8	15	12	5
Finance Sector (4)	3	2	4	0	2	6	4	5	10	2	4
Special Situations (5)	2	2	1	0	3	6	4	7	16	10	4
Convertible Arbitrage (8)	3	5	4	10	12	8	21	5	6	8	3
Other Arbitrage (2)	0	1	1	1	1	1	1	4	1	7	3
Merger/Risk Arbitrage (3)	4	3	8	5	4	1	4	1	0	0	3
Distressed (11)	2	6	6	10	11	19	23	11	12	7	3
Healthcare Sector (5)	0	2	2	4	5	1	7	4	9	14	3
Value (9)	7	4	8	7	10	14	3	11	16	7	2
Short-term Trading (1)	0	1	0	1	1	1	1	0	4	5	2
Regulation D (3)	0	2	0	5	3	2	3	6	6	7	2
Technology Sector (2)	2	0	1	1	2	6	2	0	5	2	2
Capital Structure Arbitrage (2)	0	2	0	3	2	1	0	3	2	2	1
Short Bias (2)	0	1	3	0	0	1	3	2	5	7	0
Market Timer (0)	1	0	0	0	0	0	0	0	1	1	0
	707	206	269	319	433	628	736	1002	1093	1267	554

For further research on Emerging Managers please see:

(1) Do Emerging Managers add value?

By, Peter Urbani, Head of Quantitative Research, Infiniti Capital. Jun 2008 update.

(2) The Search for Alpha: Investing in Newer Hedge Funds

By, Sam Kirschner, Managing Director; Matthew Hoffman, Chief Investment Officer; Ron Panzier, Chief Risk Officer, Mayer & Hoffman Capital Advisors LLC, New York

Published in **Hedge Fund Monthly**

http://www.eurekahedge.com/news/06_jan_Mayer_Hoffman_The_Search_for_Alpha.asp

(3) The Performance of Emerging Hedge Fund Managers

By, Rajesh K. Aggarwal, Carlson School of Management and Philippe Jorion, Paul Merage School of Business

Published on January 23, 2008

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1103215

(4) The Young Ones

By, Cross Border Capital Limited, April 2001

<http://www.crossbordercapital.com/>

(5) Emerging Manager Out-Performance:

By, HFR Asset Management, Chicago

<http://www.hedgeweek.com/download/2085/Emerging%20Manager%20Outperformance.pdf>

(6) Alternative Asset Strategies: Early Performance in Hedge Fund Managers

By, Lazard Asset Management, Chicago

<http://www.edge-fund.com/JeHB02.pdf>

(7) First two years best for hedge funds – FT Article referencing Pertrac study

By James Mackintosh, Financial Times, March 26 2007

http://www.pertrac.com/per0020/web/me.get?web.websections.show&PER0020_1278

(8) HFRAM and Barclays Capital launch Emerging Managers platform – Hedge Week ,Oct 2005

http://www.hedgeweek.com/articles/pdf_page.jsp?content_id=9391