“Absolute Return and Hedge Funds”

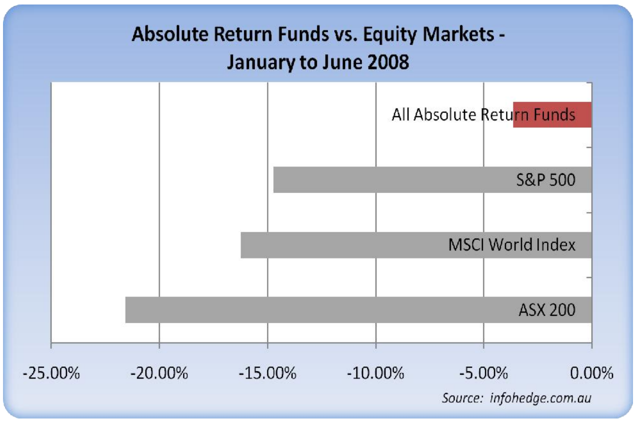
Australian Fund Monitors:

June YTD Review of Absolute Return and Hedge Funds:

Australia’s Absolute Return and Hedge Fund managers significantly outperformed both local and overseas equity markets in the first half of 2008, with over 80% achieving better returns than the ASX200, and 36% achieving a positive return after fees.

The average cumulative return of all Australian Hedge funds in the six months to June 2008 was -3.64%. Collectively on average they outperformed the ASX200 benchmark by almost 18%.

All Absolute Return Funds	-3.64%
S&P 500	-14.72%
MSCI World Index	-16.23%
ASX 200	-21.56%



For further information please contact:

Chris Gosselin
Australian Fund Monitors Pty Ltd
chris.gosselin@fundmonitors.com
www.infohedge.com.au
Office: +61 2 9276 2704 Mobile: +61 411 537 830
Australian Fund Monitors Pty Limited

Australian Fund Monitors
Targeting Absolute Returns

Contents and Synopsis of Results:

1 Absolute Return and Hedge Fund Returns vs. Equity Markets: YTD January – June 2008

Australia's Absolute Return and Hedge Fund managers significantly outperformed both local and overseas equity markets in the first half of 2008, with 88% achieving better returns than the ASX200, and 36% achieving a positive return after fees.

2 Distribution of Returns: All Australian Absolute Return and Hedge Fund Managers – YTD June 2008

88% of reporting managers (Single Managers, Funds of Funds, All Asset classes and Strategies) outperformed the ASX200, while 36% achieved a positive return. The top performing manager (Equity Long/Short) returned 186%.

3 Returns by asset class: Australian Absolute Return and Hedge Funds – YTD June 2008

Global Macro, Futures, CTA's and FX strategies significantly outperformed all other Absolute Return and Hedge Fund asset classes, posting an average return of 7.55%. Equity based strategies recorded a negative 4.97% against the ASX200's negative 21.65%.

4 Monthly Volatility of returns: Australian Absolute Return and Hedge Funds – YTD June 2008

Volatility of Absolute Return and Hedge Fund's returns was significantly lower than the ASX200 with overall outperformance in each month with the exception of April when Australian equity markets staged a 4% rally.

5 Strategy Breakdown: Equity Based Absolute Return Managers – YTD June 2008

Of six Equity based strategies, those implementing Equity Market Neutral achieved the best average returns, with a positive performance of 8.52%, followed by Event Driven at -3.08%. Not surprisingly the worst performing Equity based strategy was "Equity Long Only" which still managed to outperform the ASX200.

The largest group by strategy, was Equity Long/Short (-5.33%) followed by Equity Market Neutral (+8.52%). These two made up over 75% of Equity based strategies.

6 Strategy Breakdown: Non Equity Based Absolute Return Managers – YTD June 2008

All Non Equity based strategies (with the exception of Multi Strategy which includes a proportion of Equity assets) performed positively. Commodity based strategies were the standout performers, returning +24.29%, followed by Managed Futures at +10.28.

7 Performance by Investor type: Australian Absolute Return and Hedge Funds – YTD June 2008

Funds open to Wholesale investors performed better than their retail counterparts, although Retail investors enjoyed lower monthly volatility. Over 80% of funds (by number) are restricted to Wholesale investors.

8 Performance by Manager type: Australian Absolute Return and Hedge Funds – YTD June 2008

Single Managers (over 80% of the total) outperformed Funds of Funds by less than 1%, but experienced greater volatility of monthly returns.

9 Performance by Fund Domicile: Australian Absolute Return and Hedge Funds – YTD June 2008

Returns from Offshore Funds (over 30% of the total) were significantly higher (+2.21%) than Onshore Funds (-6.42%), but the increased returns came at the expense of greater volatility of monthly returns.

10 Performance by Geographic Mandate: Australian Absolute Return and Hedge Funds – YTD June 2008

Not surprisingly Funds allocating to Global strategies or markets (including Macro, FX, CTA and Futures) were the top performer (+2.48%), with Japan the worst (-11.88%). Australia/NZ mandates lost -8.04% and made up over 40% of total Funds.

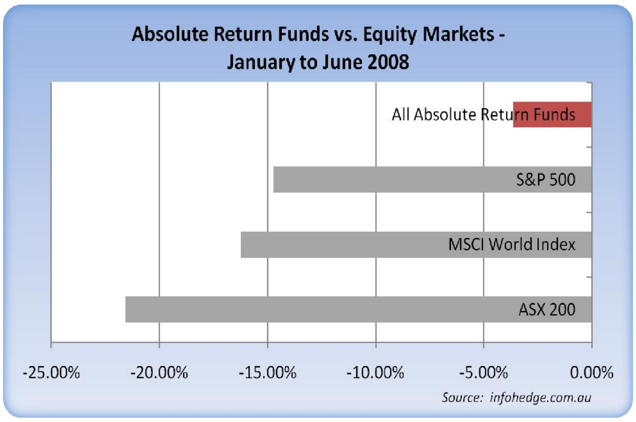
1 YTD Returns vs. Equity Markets: January – June 2008

Australia's Absolute Return and Hedge Fund managers collectively outperformed the ASX200 by 17.92%

Australia's Absolute Return and Hedge Fund managers significantly outperformed both local and overseas equity markets in the first half of 2008, with 88% achieving better returns than the ASX200. Although as a whole many have not quite achieved what is stated as their objective (positive returns in both rising and falling markets) 36% of managers surveyed have returned a positive performance over the first six months of 2008, with one manager returning over 180%.

Many fund managers – managing both traditional long only and absolute return and hedge funds – have described current markets as the most difficult conditions they have ever experienced. As the subprime credit crisis spread across equity markets as well as destabilising the banking and finance industry, investors in Australian Absolute Return and Hedge funds as a whole would be well pleased to have returned -3.64% year to date (YTD) in 2008 compared with the ASX200, which fell an equivalent 21% in the same period.

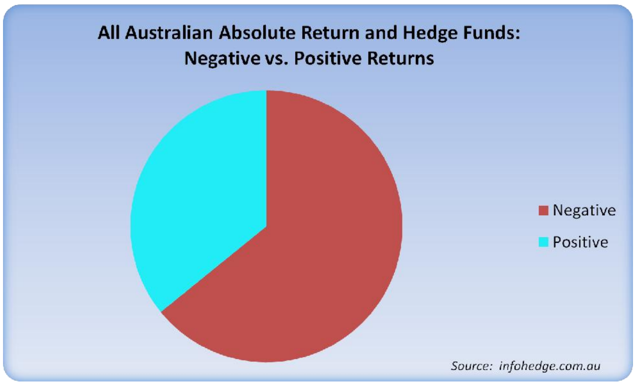
They have also outperformed the S&P500 (-14.72%) and the MSCI World index (-16.23%).



Australian Absolute Return and Hedge Funds vs. Equity Markets: January to June 2008

Investors in Absolute Return Funds have benefited from diversification during the market turmoil following the sub-prime credit crisis. Results for all funds in the Australian Fund Monitors database:

All Absolute Return Funds	-3.64%
S&P 500	-14.72%
MSCI World Index	-16.23%
ASX 200	-21.56%



Positive vs. Negative Returns: All Australian Absolute Return and Hedge Funds.

Against a backdrop of market turmoil following the worldwide credit crisis and sharply falling equity markets, 36% of Australian Absolute Return and Hedge Funds have returned a positive performance YTD since January 2008.

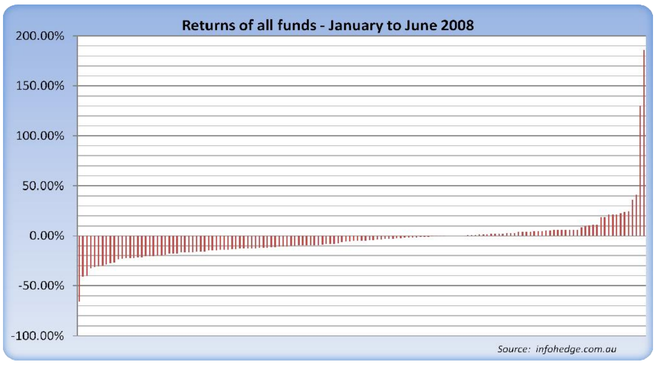
Negative	64%
Positive	36%

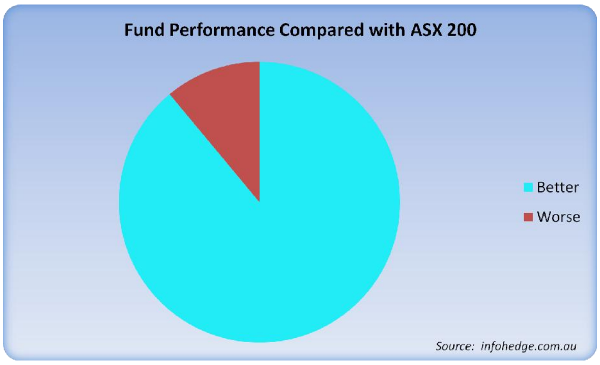
- Data in this report is based on Australian Fund Monitors database of 197 Absolute Return and Hedge Funds as at August 2008. Where individual funds have not reported information to 30 June 2008 their performance has been excluded from the survey results. All returns are shown after management, performance fees, and where applicable, after tax.

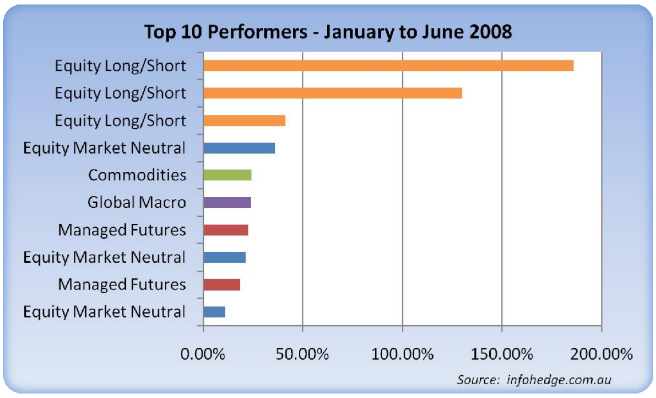
- All Australian Absolute Return and Hedge Funds = Managers of Absolute Return and Hedge Funds that are either Australian based, or marketed to and available to Australian investors.

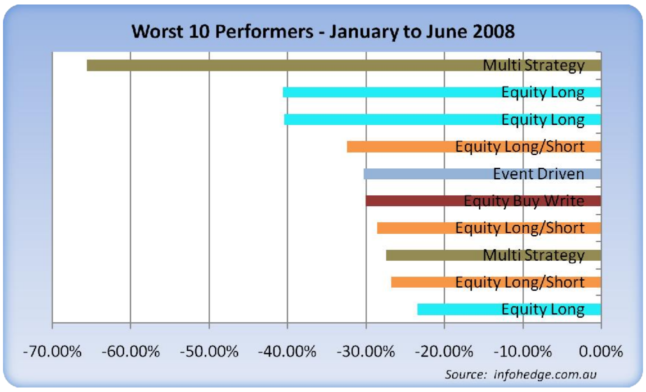
2 Distribution of Returns: All Australian Absolute Return Managers: YTD June 2008

36% of managers achieved a positive return during the period, with the best performing manager (Mathews Capital) returning 186%. 88% of Absolute Return managers outperformed the ASX200.









Volatility at the Extremes:

Both the Top and Bottom results indicate that Absolute Return and Hedge Funds can deliver extremes, however across the whole sector they significantly outperformed equity markets as a whole.

Top Performing Funds:

Equity Long Short Funds achieved the top three positions (Position 1 and 2 being managed by the same manager, Mathews Capital which has a strong focus on commodities).

Equity Market Neutral Funds and Commodity, Global Macro and Futures Funds made up the balance of the Top 10 results.

Worst Performing Funds:

Not surprisingly nine out of ten of the worst performing funds were Equity based strategies, of which three were "Long Only" equity managers using absolute return techniques or strategies.

3 Australian Hedge Fund returns classified by Asset Class: January – June 2008

Significant differences in asset classes and strategy returns have emerged as specialist real estate funds and equity based strategies were adversely affected by underlying assets, while Foreign Exchange, Commodities, Futures and Global Macro performed strongly. However, all Absolute Return asset classes outperformed the ASX200.

Asset class returns were consistent with their underlying asset, although the speed at which various markets fell made it difficult for some long biased funds to adapt their portfolio positions to reflect market conditions.

Global Macro, Managed Futures, Commodities and Foreign Exchange managers were understandably the best performing sector, changing the trend of the past four years when strong equity markets made Equity managers the top performing sector. This also emphasised the benefits of diversification, not only out of traditional equity based assets into Absolute Return funds, but also within the Absolute Return sector.

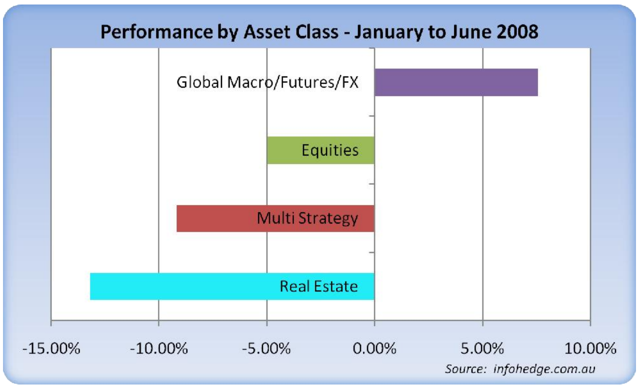
Equity Managers, which make up the bulk of the total by number and funds under management (covering a range of strategies including long/short, market neutral, dedicated long, and event driven) performed creditably, with the best performing manager (with a strong commodity bias) surveyed returning in excess of 180%.

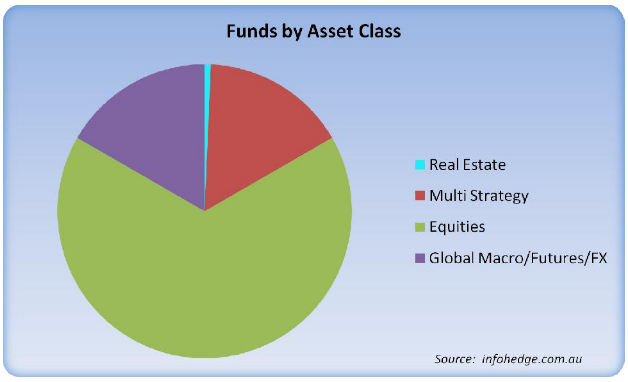
Multi Strategy and Real Estate strategies were the worst performing, again reflecting difficult underlying conditions in both local and offshore real estate markets. It is worth noting that Real Estate funds significantly outperformed underlying markets, although as property valuations filter through this may not continue.

Performance by Asset Class: Australian Absolute Return and Hedge Funds, January to June, 2008

Significant differences in asset classes and strategy returns have emerged as specialist real estate funds and equity based strategies were adversely affected by underlying assets, while Foreign Exchange, Commodities, Futures and Global Macro performed strongly.

Global Macro/Futures/FX	7.55%
Equities	-4.97%
Multi Strategy	-9.19%
Real Estate	-13.20%





Percentage of Funds by Asset Class

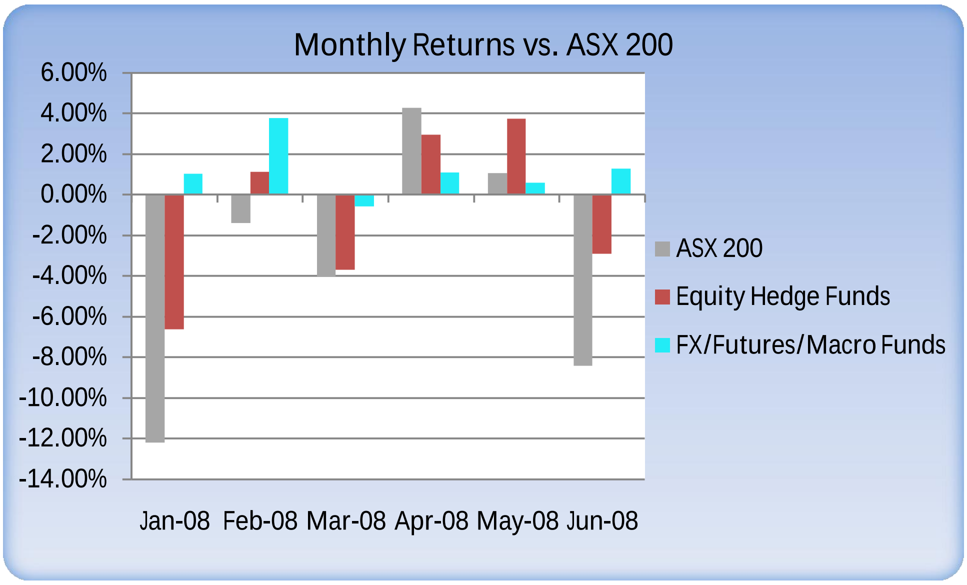
Equity type strategies make up the majority of all funds, followed by Global Macro/CTA's/Futures & Foreign Exchange. This is consistent with Global trends.

Equities	66%
Global Macro, CTA's, Futures, FX	17%
Multi Strategy	16%
Real Estate	1%

4 Monthly Volatility: Absolute Return Managers reduced downside exposure and volatility

Consistent with most managers' stated objective of protecting capital and targeting "equity like returns with bond like volatility", the monthly performance statistics showed the benefits of Absolute Return strategies in volatile markets, outperforming in all ASX200's negative months, but underperforming the April rally.

As might be expected in the current climate, FX/Futures, Global Macro and Commodity strategies displayed significantly less volatility of monthly returns than Equity based funds, returning positive performance in five out of the six months.



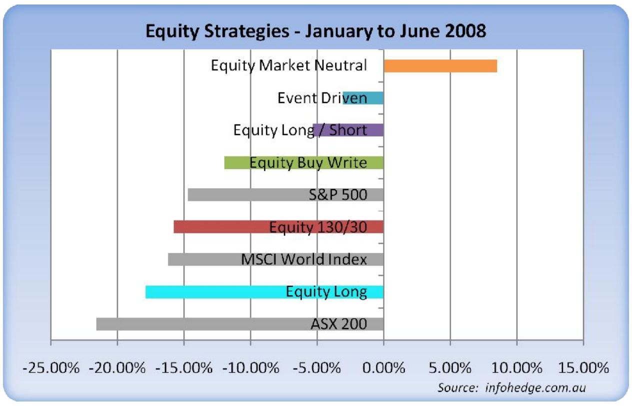
5 Strategy Breakdown: Equity Based Absolute Return Strategies:

Equity Market Neutral managers achieved an overall return of 8.52% over the 6 months to June 2008, consistently outperforming all other Equity strategies. Of interest was the positive consistency of the Managers using this strategy (see section 2, Distribution of Returns and Top Performers).

Equity Long / Short managers (who make up the majority by number) came in at position 3, outperforming the ASX200 by over 15% for an average return of -5.33% for the six month period

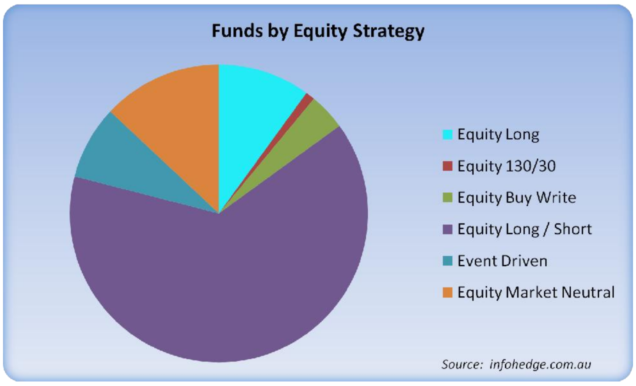
Worst performing, as might be expected were "Long Only" absolute return managers, although this group also outperformed the ASX200 by almost 4%.

The relatively new strategy of 130/30 funds outperformed the ASX200 by almost 6%, reflecting both their ability to have a more concentrated portfolio, hedging strategies and short positions of up to 30%. However, given the pre-launch publicity and claims by some managers that Equity 130/30 performance would rival Equity Long/Short performance, these funds have probably disappointed in current market conditions.



Equity Based Absolute Return Strategies:

Equity Market Neutral	8.52%
Event Driven	-3.08%
Equity Long / Short	-5.33%
Equity Buy Write	-11.95%
S&P 500	-14.72%
Equity 130/30	-15.78%
MSCI World Index	-16.23%
Equity Long	-17.87%
ASX 200	-21.56%

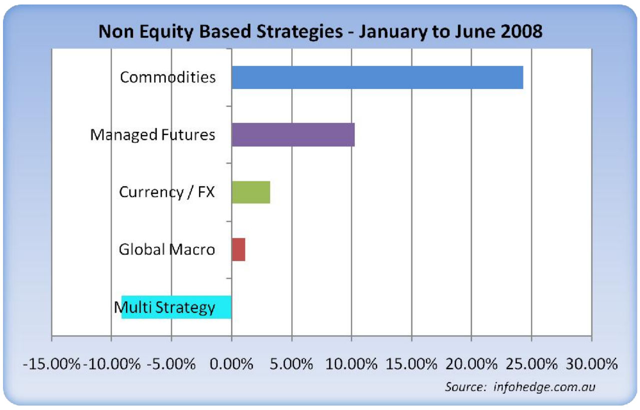


6 Strategy Breakdown: Non Equity Based Absolute Return Strategies:

Commodity based strategies, although few in number, were the best performing strategy followed by Managed Futures.

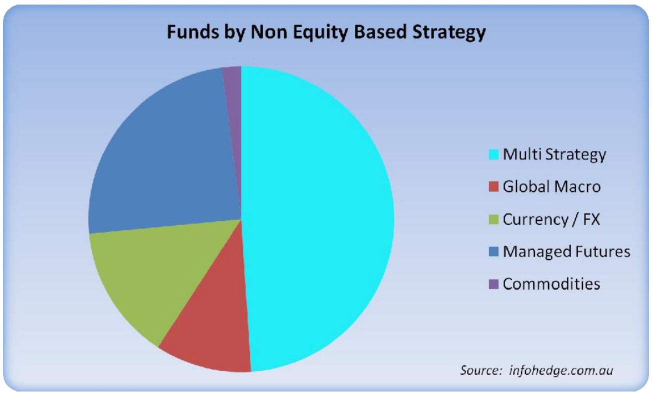
While Global Macro results were still positive overall, returns reflected their investment across multiple asset classes including Equities, FX and Fixed Income.

Multi Strategy Funds include Funds of Funds and Single Managers. As a number of Multi Strategy funds only operate underlying Equity Strategies, this accounts for the relative underperformance of this group.



Non Equity Based Absolute Return Strategies:

Commodities	24.29%
Managed Futures	10.28%
Currency / FX	3.19%
Global Macro	1.14%
Multi Strategy	-9.19%



Distribution of Strategy Type

Multi Strategy funds made up almost 50% of non equity strategies by number, but this group includes some proportion of equity elements.

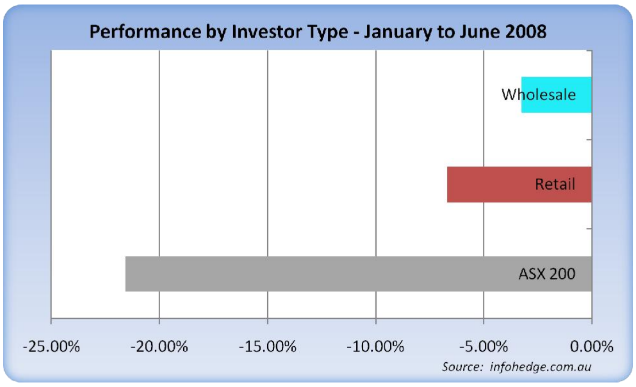
7 Performance by Investor Type:

In what is likely to be a contested issue, the survey includes the performance of Absolute Return and Hedge Funds based on Investor Type.

Australia's regulator ASIC issues managers AFSL licences to provide services to either Wholesale or Retail investors. There are many reasons why a manager might elect to operate with either licence, with attractions and barriers to both. Distribution costs are higher when marketing to retail investors as a result of numbers and the multi channel (and therefore commission level) structure involving Ratings Agencies/Platform Operators/Dealer Groups/Financial Planners. Funds require considerable marketing efforts and personnel to service this investor structure. However, retail investors are less likely to switch funds in times of poor performance, and are known as being "sticky" investors as a result.

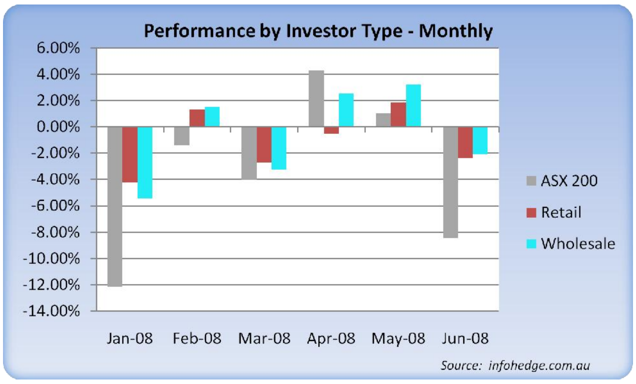
Institutional Investors are a conundrum: They are easier to identify, but require a different level and style of marketing, in addition to having significant due diligence processes. Additionally many managers report little interest from local institutions, many of whom utilise the services of "gatekeepers" and advisory groups such as NAB's Jana, Russell and Frontier. Offshore institutions are more experienced investing in Absolute Return strategies, but distance, communications and general lack of transparency, plus overseas travel costs, create their own barriers to investment.

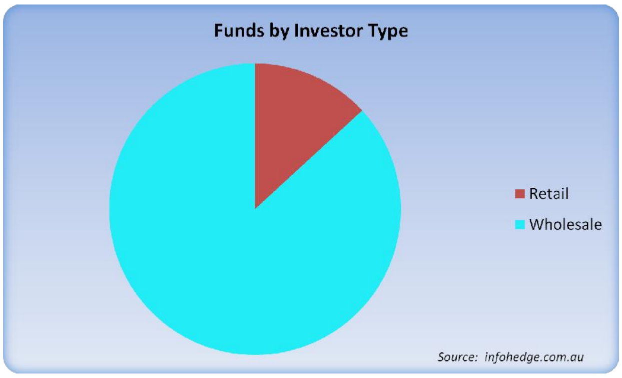
Irrespective, Wholesale Absolute Return funds outperformed Retail funds. Interestingly this came at the expense of monthly volatility, where retail investors experienced smaller drawdowns, albeit with smaller gains in positive months. In February total performance by all managers was positive against a negative ASX200.



Performance by Investor Type:

Wholesale	-3.25%
Retail	-6.69%
ASX 200	-21.56%

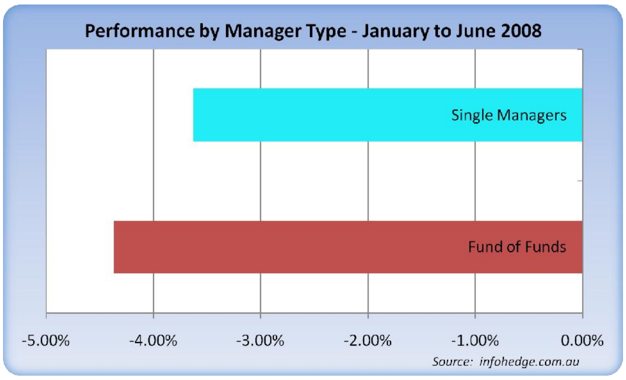


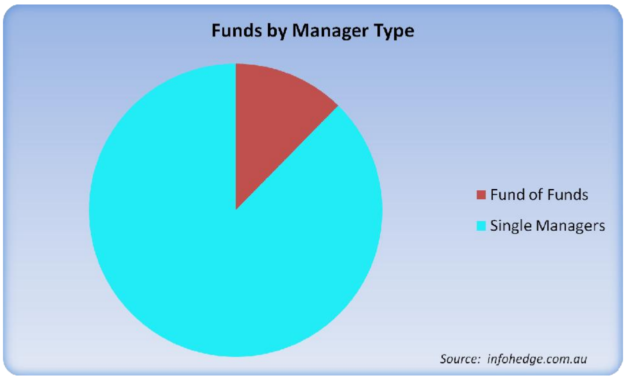


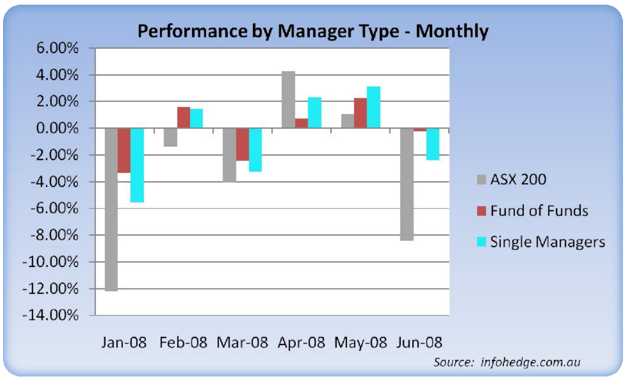
8 Performance by Manager Type:

Performance of Funds of Funds vs. Single Managers reflected similar results to Retail vs. Wholesale Managers: Funds of Funds (-4.37%) underperformed Single Managers (-3.63%) but, as would be expected, provided more consistent monthly returns and lower volatility.

By investing in a range of Single Managers, Funds of Funds offer investors the benefit of outsourced manager research, selection and ongoing monitoring. Depending on the investment approach, risk tolerance and research capacity of the end investor, this diversification would justify the additional layer of fees (generally 1% management and 10% performance) charged by Fund of Funds.







AUSTRALIAN FUND MONITORS
Targeting Absolute Returns

9 Performance by Fund Domicile:

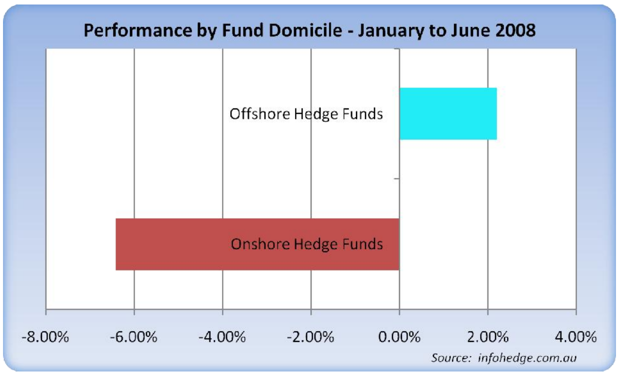
Although fewer in number, Offshore Hedge Funds significantly outperformed Onshore Funds and had higher monthly volatility. As a whole Offshore Funds returned a positive 2.21% to June 2008.

Offshore Hedge Funds (i.e. those established in offshore tax exempt jurisdictions such as the Cayman Islands) generally have Institutional investors, most of whom are offshore themselves, unless an Australian "feeder" fund has been established.

As a result most local Absolute Return managers who raise capital from institutional investors target offshore institutions, and establish Fund structures in tax neutral environment such as the Cayman Islands, BVI or the Channel Islands to overcome the issues associated with Australian withholding tax.

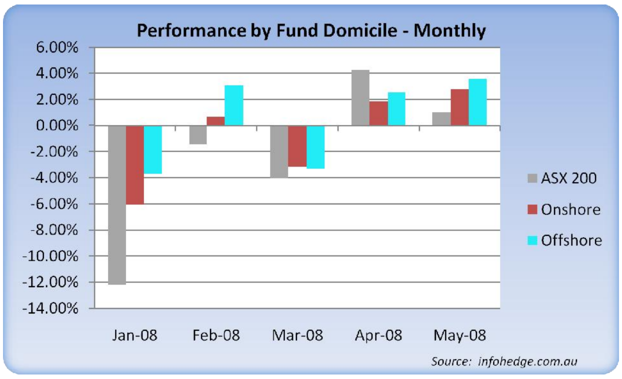
There is significant discussion at present in the industry as the Federal Government progressively reduces withholding taxes for offshore investors in Australian funds. In reality the only attractive fund domiciles for offshore investors, who have a choice of over 18,000 Absolute Return funds worldwide, are those with zero tax rates.

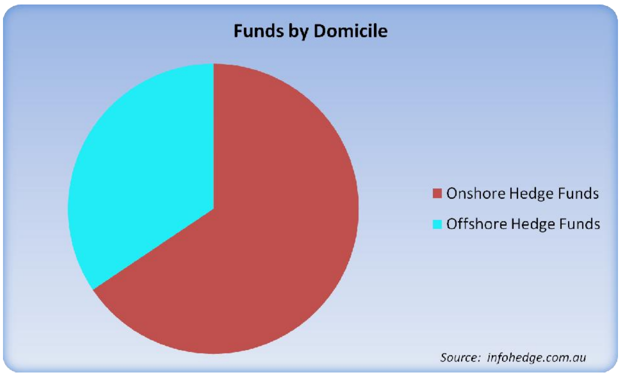
Barriers to local managers establishing truly competitive international fund management businesses are significant, with distance, time, travel and transparency all significant factors. Withholding tax inhibits valuable fund management and administration services from being established in Australia.



Performance by Fund Domicile:

Offshore	2.21%
Onshore	-6.42%

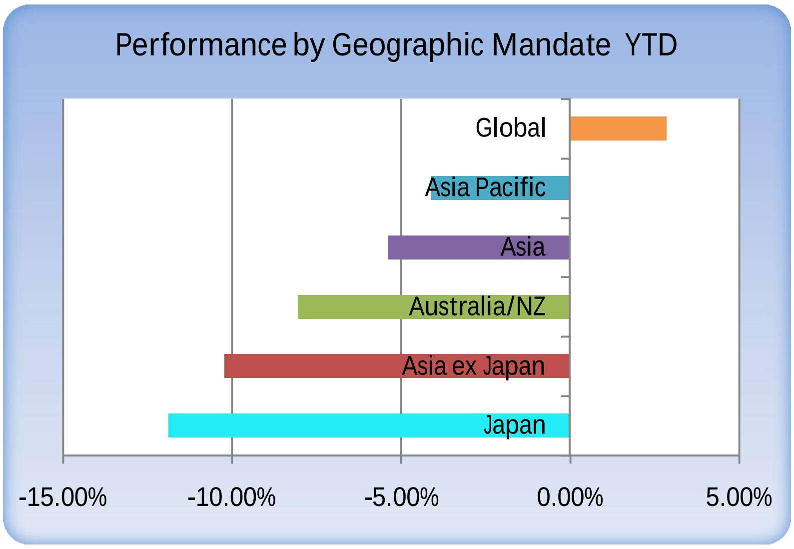




10 Performance by Geographic Mandate:

Funds investing with a Global mandate significantly outperformed all others; however this is likely to have been heavily influenced by:

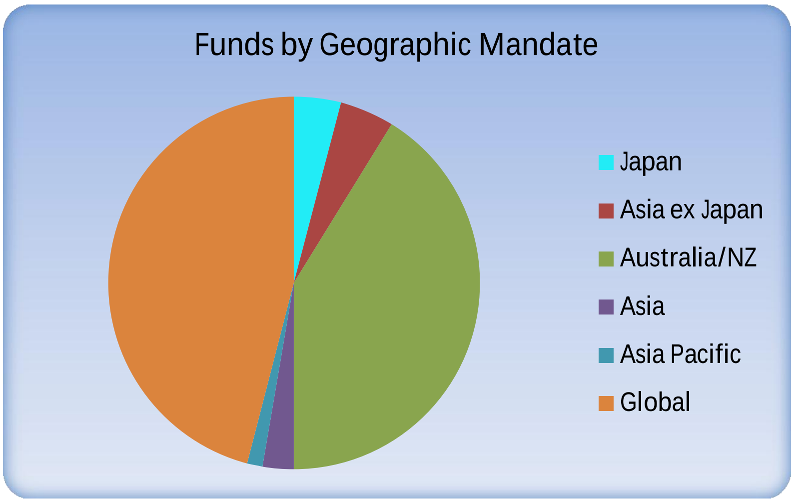
i. Global Mandates include all non Equity strategies and as such reflect the outperformed of Global Macro, Futures, CTA's and FX Strategies.
ii. Local and regional mandates are strongly biased towards Equity Strategies, which have underperformed as an asset class.



Returns by Geographic Mandate

The returns shown in the survey reflected both the large proportion of funds with Global Mandates and Strategies, in addition to their overall positive performance.

Global	2.84%
Asia Pacific	-4.10%
Asia	-5.39%
Australia/NZ	-8.04%
Asia ex Japan	-10.20%
Japan	-11.88%



Absolute Return and Hedge Funds prove the value of diversification in market turmoil

Over the past six months Absolute Return and more specifically Hedge Fund managers have been vilified by everyone including the Federal Treasurer, market commentators, margin borrowers and company executives. However, Australian Fund Monitors' survey of Australian based Absolute Return and Hedge Fund managers shows that far from being market villains, they have an important part to play by providing diversification of risk in times of market volatility.

Australia is a unique environment for Hedge Funds; unlike in most countries where investment is restricted to professional and institutional investors, Australian funds are able to attract investment from private individuals (subject to each manager's ASIC licence). However, from a monitoring point of view they have been largely neglected, with the large research houses such as Morningstar only reporting information on a small fraction of the industry. While this may be understandable given the complexity of the industry and the underlying strategies, the lack of transparency and coverage to date has not been to the benefit of investors.

Australian Fund Monitors Pty Ltd (AFM) is an independent research and information house which only covers Absolute Return and Hedge Funds either managed or marketed in Australia. This covers a wide range of underlying funds, ranging from boutique Australian management companies acting as investment advisors to offshore based funds catering to international institutions, through to foreign multinational investment companies marketing offshore investment products to retail investors through the Australian financial planning network.

AFM's database covers over 100 managers and 200 individual funds. Within this broad group are managers with investment strategies ranging from Equity Long/Short hedge funds, to Commodity Traders, Foreign Exchange, Volatility and Carbon Assets. Funds under management (FUM) range from less than \$5m to over \$10 billion.

The greatest challenges in monitoring and reporting on this market group come from their diversity, with no clear definition of what constitutes a Hedge Fund. This is not helped by a history of secrecy and lack of transparency on the part of some managers, which sadly still exists from time to time – generally when performance is less than stellar.

As far as what constitutes a Hedge Fund, there are a number of guidelines which AFM uses to decide whether to include or exclude a manager from the database. Being able to short sell is an obvious telltale, but the database also includes "long only" absolute managers based on their use of derivatives, or the ability to move out of underlying markets and hold up to 100% of assets in cash. Gearing and leverage, and flexibility in the investment approach are also tell tales. In simple terms, any manager or fund which is not a plain vanilla index based equities manager is considered, and if sufficiently "outside the norm" to be an alternative strategy, they're included.

The issue of transparency is also a touchy subject in a market which has often operated below investors gaze and the radar of the media. Managers understandably don't like the spotlight of attention when performance is negative; however AFM generally manages to gather accurate information through direct or indirect channels.

For further information please contact:

Chris Gosselin
Office: +61 2 9276 2704 Mobile: +61 411 537 830
Australian Fund Monitors Pty Ltd