

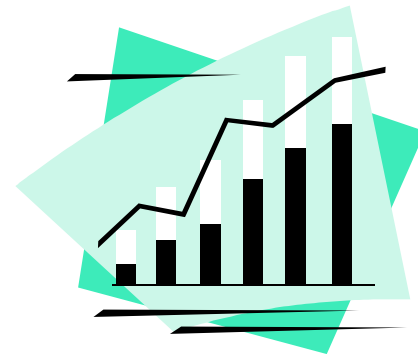
Hedge Fund Overview



The State of the Art

Hedge Funds (Original Format)

- ⌘ Private partnership investment mechanism
- ⌘ Typically uses speculative tools like leverage and hedging
- ⌘ Charges a management fee and incentive fee based on fund performance--industry practice is to charge a 2% annual management fee and 20% incentive fee
- ⌘ Traditionally geared toward sophisticated and/or wealthy investors able to understand the risk/reward benefits of the product



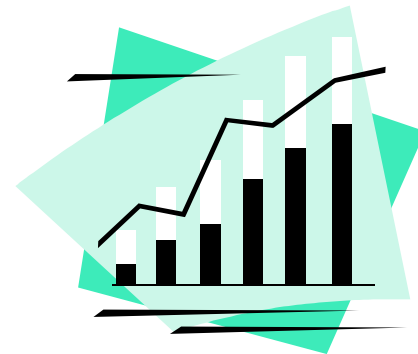
Hedge Fund Organization



- ⌘ Investment Advisor--develops investment strategy
- ⌘ Regulator(s)--government agencies supervising hedge fund
- ⌘ Prime Broker--tracks hedge fund's positions, issues account statements, may analyze risk of fund's trades and may also act as executing broker
- ⌘ Executing broker--executes specific trades for hedge fund
- ⌘ Administrator--performs many services, e.g. issues and redeems shares, organizes fund shareholder meetings, calculates Net Asset Value
- ⌘ Custodian--holds hedge fund's assets
- ⌘ Auditor/Accountant--audits fund and checks work of Administrator
- ⌘ Lawyers--organize fund and handle regulatory issues

Hedge Funds (New Improved Formats)

- ⌘ Total Rate of Return Swap
- ⌘ Insurance Wrapper
- ⌘ Plus Fund Equity
- ⌘ Publicly Offered Unit Trusts
- ⌘ Guaranteed Return of Principal Performance Notes
- ⌘ Individual Account
- ⌘ Collateralized Debt Obligation



Investment Styles

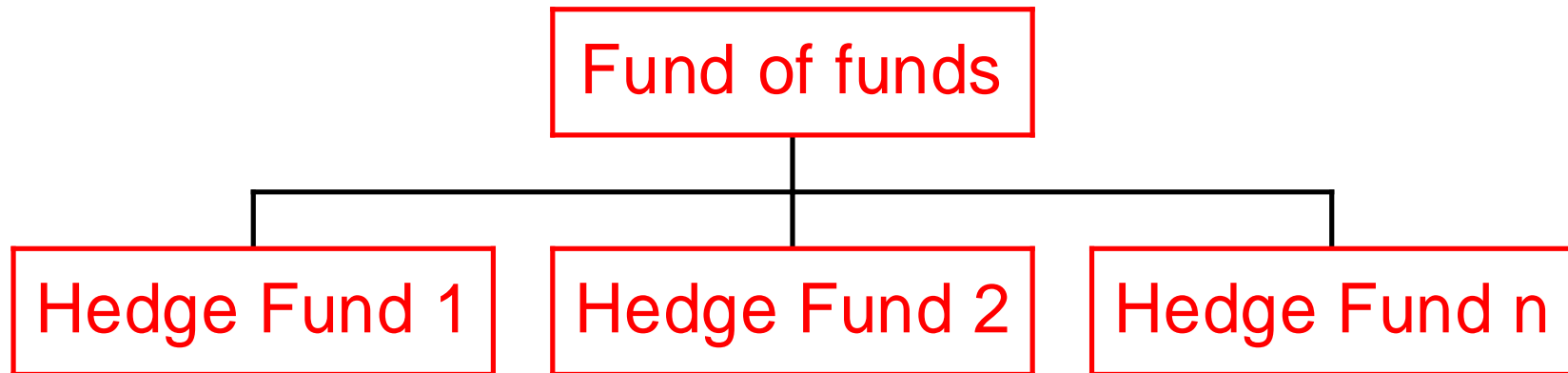


- ⌘ Many different style categories for hedge fund investments:
 - ⌘ Distressed
 - ⌘ Global/Macro
 - ⌘ Systems
 - ⌘ Opportunistic
 - ⌘ Value investing

Hedge Fund Style Definition Comparison

MAR	HFR	TASS / CSFB Tremont
Event Driven Distressed Securities Risk Arbitrage	Event Driven Distressed Securities Merger Arbitrage (Risk Arb) Special Situations	Event Driven Distressed Securities Risk Arbitrage Regulation D High Yield
Fund of Funds Diversified Niche	Fund of Funds	Fund of Funds
Global International Regional Emerging Regional Established	Macro Investing	Global Macro
Long Only Leveraged	Equity Non Hedge	
Market Neutral Long-Short Convertible Arbitrage Stock Arbitrage Fixed Income Arbitrage	Equity Hedge Convertible Arbitrage Equity Market Neutral (Stat Arb) Fixed Income Arbitrage	Long-Short Equity Convertible Arbitrage Equity Trading Equity Market Neutral Fixed Income Arbitrage
Sector	Sector	
Short Sellers	Short Selling Emerging Markets	Dedicated Short Bias Emerging Markets Managed Futures

Fund of Funds



- A fund of funds sub-allocates its assets to hedge funds
- It is a separate legal structure and charges fees in addition to those of the underlying funds
- A fund-of-funds provides a greater diversification of assets and the expertise of a professional asset manager

History

⌘ "Hedge Fund Zero:" 1949: Alfred Winslow Jones

- ⊞ Performance Fee
- ⊞ Ability to short
- ⊞ Leverage
- ⊞ Returns a function of security selection, not the assumption of systematic risk

⌘ 1966 Article in Fortune Magazine

- ⊞ Hundreds of Hedge Funds formed over the next two years
- ⊞ 1969-70 and 1973-74 bear markets drive most hedge funds out of business

⌘ 1986 Institutional Investor Article on Tiger Fund

- ⊞ Interest reignited: many new funds created

⌘ 2000 CalPERS Approves Major Hedge Fund Allocation Program

Research Issues



- ⌘ Return, Volatility, Correlation
- ⌘ Attrition Rates, Survivorship Bias
- ⌘ Attribution Analysis
- ⌘ Style Classification
- ⌘ Manager Incentive Structures

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Event Driven Distressed Securities Risk Arbitrage	Event Driven Distressed Securities Merger Arbitrage (Risk Arb) Special Situations	Event Driven Distressed Securities Risk Arbitrage Regulation D High Yield
Fund of Funds Diversified Niche	Fund of Funds	Fund of Funds
Global International Regional Emerging Regional Established	Macro Investing	Global Macro
Long Only Leveraged	Equity Non Hedge	
Market Neutral Long-Short Convertible Arbitrage Stock Arbitrage Fixed Income Arbitrage	Equity Hedge Convertible Arbitrage Equity Market Neutral (Stat Arb) Fixed Income Arbitrage	Long-Short Equity Convertible Arbitrage Equity Trading Equity Market Neutral Fixed Income Arbitrage
Sector	Sector	
Short Sellers	Short Selling Emerging Markets	Dedicated Short Bias Emerging Markets Managed Futures

Hedge Fund Data

What's Not There

- ⌘ Moore Capital
- ⌘ Caxton
- ⌘ Omega
- ⌘ Most of Chilton
- ⌘ Madoff
- ⌘ Duquesne
- ⌘ Renaissance
- ⌘ SAC
- ⌘ "THE GRAVEYARD FILE"

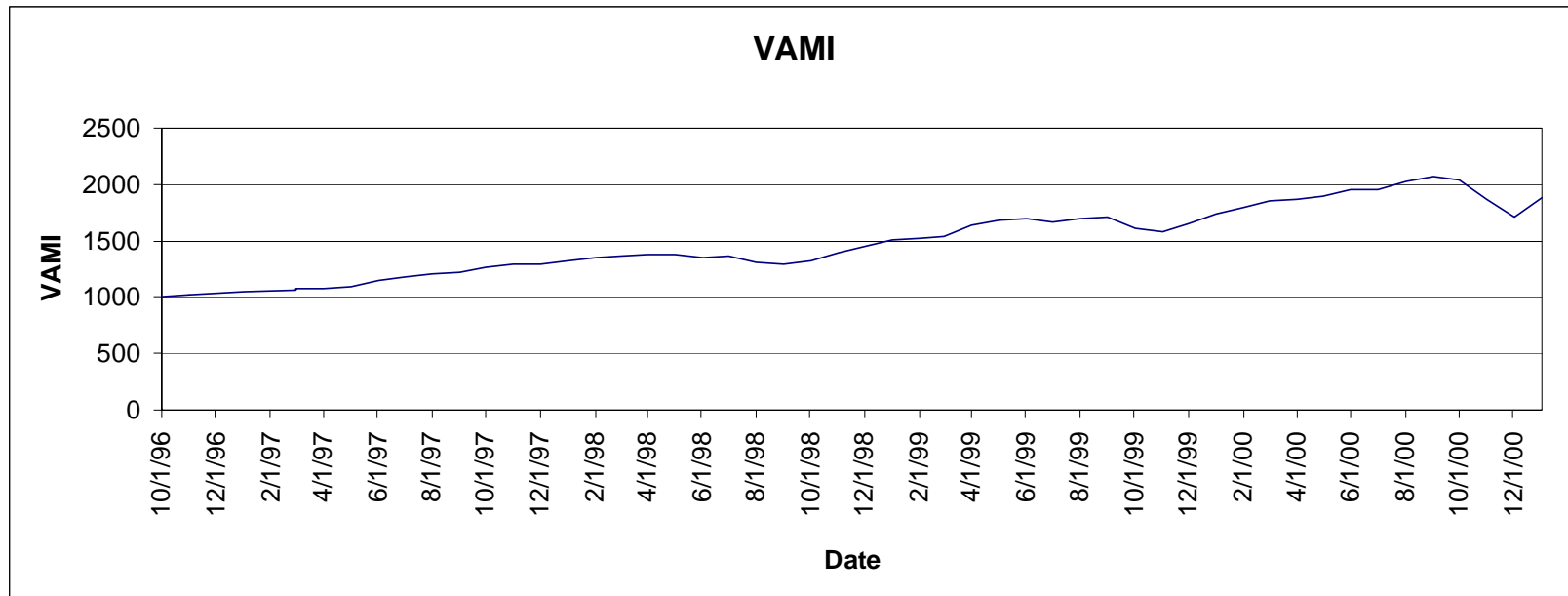
Manager 1A Onshore
Auditor Richard A Eisner & Company LLP
Source TASS
From: Oct-1996 To: Jan-2001

Convertible Arbitrage

Annual Performance							
	1996	1997	1998	1999	2000	2001	Average
Annual Return	3.90%	24.44%	12.77%	13.79%	3.32%	9.84%	15.71%
Annualized Std.	0.99%	3.97%	9.70%	11.44%	15.23%	#N/A	11.07%
Growth of 1000 Assets (Mil.)	1.039	1,293	1,458	1,659	1,714	1,883	70.77

Monthly Performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2001	9.84%												9.84%
2000	4.64%	3.50%	3.44%	0.40%	1.46%	3.23%	0.10%	3.63%	2.04%	-1.60%	-8.60%	-7.87%	3.32%
1999	3.41%	0.84%	1.19%	6.45%	2.74%	0.49%	-1.52%	1.89%	1.08%	-5.92%	-2.13%	5.07%	13.79%
1998	2.30%	1.86%	1.18%	1.48%	-0.48%	-1.52%	0.94%	-4.77%	-0.86%	1.85%	6.01%	4.52%	12.77%
1997	0.98%	1.14%	0.92%	0.97%	1.65%	4.29%	3.19%	2.07%	1.66%	2.82%	2.06%	0.38%	24.44%
1996										0.96%	1.50%	1.39%	3.90%

Chart



Manager 1B Offshore

Convertible Arbitrage

Auditor KPMG

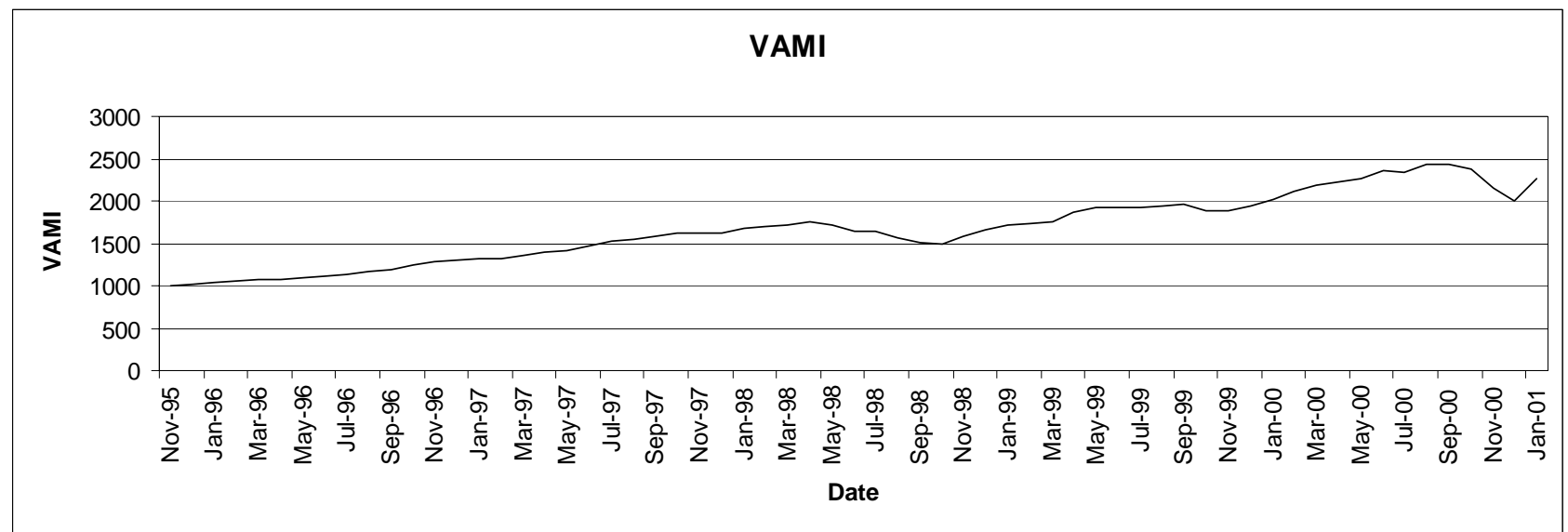
Source TASS

From: Nov-1995 To: Jan-2001

Annual Performance								
	1995	1996	1997	1998	1999	2000	2001	Average
Annual Return	1.99%	27.30%	25.45%	1.88%	16.97%	3.20%	12.98%	17.10%
Annualized Std.	2.40%	2.97%	4.82%	12.36%	8.22%	16.17%	#N/A	11.16%
Growth of 1000	1,020	1,298	1,629	1,659	1,941	2,003	2,263	
Assets (Mil.)	5.10	8.10	60.82	105.36	114.21	109.55	101.71	96.16

Monthly Performance														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	
2001	12.98%													12.98%
2000	4.47%	4.69%	2.71%	1.77%	2.38%	3.88%	-0.86%	4.21%	0.22%	-2.33%	-9.76%	-6.99%		3.20%
1999	3.85%	1.27%	0.97%	5.83%	3.29%	-0.54%	0.38%	0.68%	1.17%	-3.49%	0.04%	2.63%		16.97%
1998	2.71%	1.57%	1.53%	1.36%	-2.27%	-4.29%	0.52%	-4.98%	-3.32%	-1.33%	6.95%	4.11%		1.88%
1997	1.05%	1.23%	2.99%	1.83%	1.36%	4.45%	4.21%	0.56%	2.80%	1.56%	0.33%	0.62%		25.45%
1996	1.85%	1.22%	1.79%	1.12%	1.91%	1.05%	1.57%	3.27%	2.34%	3.75%	2.84%	1.71%		27.30%
1995											0.50%	1.48%		1.99%

Chart



Manager 2

Auditor PricewaterhouseCoopers

Source TASS

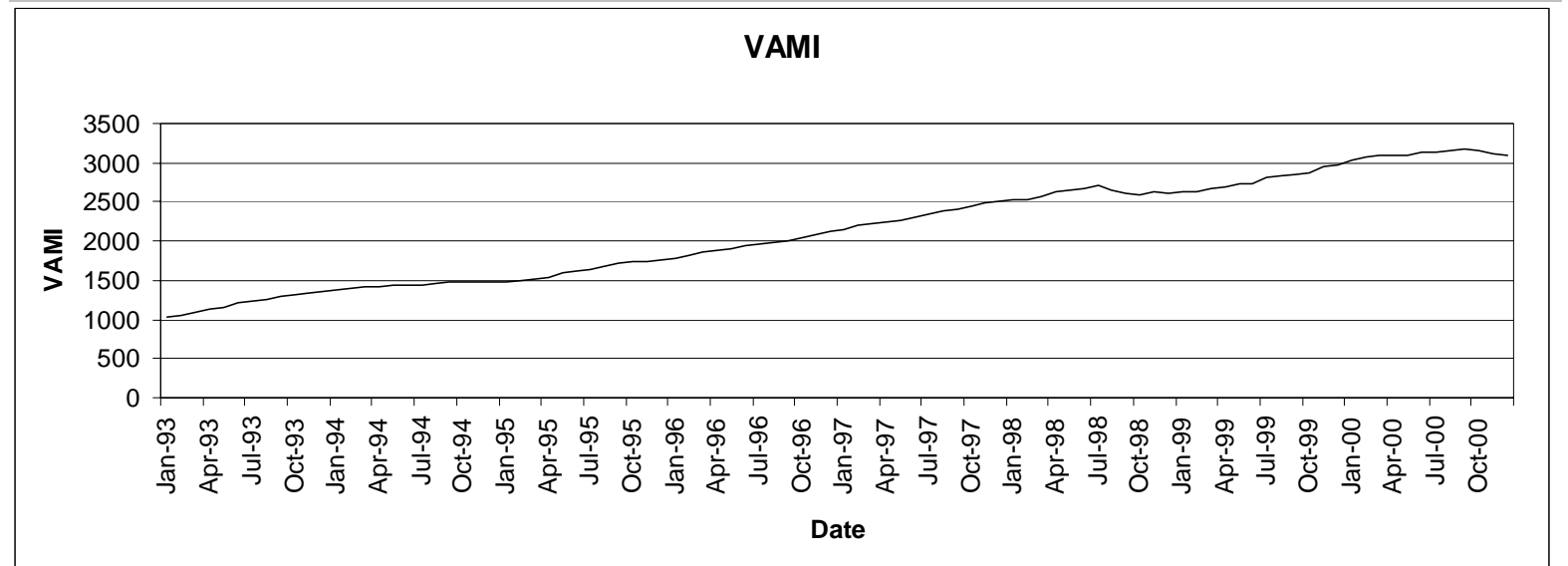
From: Jan-1993 To: Dec-2000

**Event Driven
Distressed Securities**

Annual Performance										
	1993	1994	1995	1996	1997	1998	1999	2000	Average	
Annual Return	36.29%	7.94%	19.99%	19.78%	18.73%	4.15%	13.98%	3.90%	15.59%	
Annualized Std.	2.80%	2.90%	3.01%	1.85%	1.60%	4.87%	2.31%	2.99%	3.77%	
Growth of 1000 Assets (Mil.)	1,363	1,471	1,765	2,114	2,510	2,614	2,980	3,096		

Monthly Performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2000	1.54%	1.81%	0.63%	0.05%	0.05%	1.03%	0.16%	0.48%	0.40%	-0.46%	-1.10%	-0.72%	3.90%
1999	0.42%	0.44%	0.95%	1.10%	1.37%	0.40%	2.42%	1.02%	0.78%	0.80%	2.31%	1.17%	13.98%
1998	0.37%	0.66%	1.65%	2.33%	0.61%	0.86%	1.38%	-2.30%	-1.76%	-0.34%	1.52%	-0.80%	4.15%
1997	1.40%	2.40%	1.30%	0.80%	1.20%	1.50%	1.90%	1.80%	0.90%	1.20%	1.80%	1.10%	18.73%
1996	1.20%	2.10%	1.90%	1.50%	1.00%	1.70%	1.20%	0.60%	1.20%	2.60%	1.50%	1.70%	19.78%
1995	0.00%	1.50%	1.40%	1.50%	3.70%	1.90%	1.50%	1.70%	2.00%	1.40%	0.80%	1.00%	19.99%
1994	1.40%	0.60%	2.30%	0.20%	0.30%	-0.10%	0.00%	1.90%	0.90%	0.60%	-0.10%	-0.30%	7.94%
1993	3.20%	2.40%	3.70%	2.60%	3.30%	4.00%	2.00%	2.10%	2.50%	2.30%	1.10%	2.20%	36.29%

Chart



Manager 3

Auditor PricewaterhouseCoopers

Source TASS

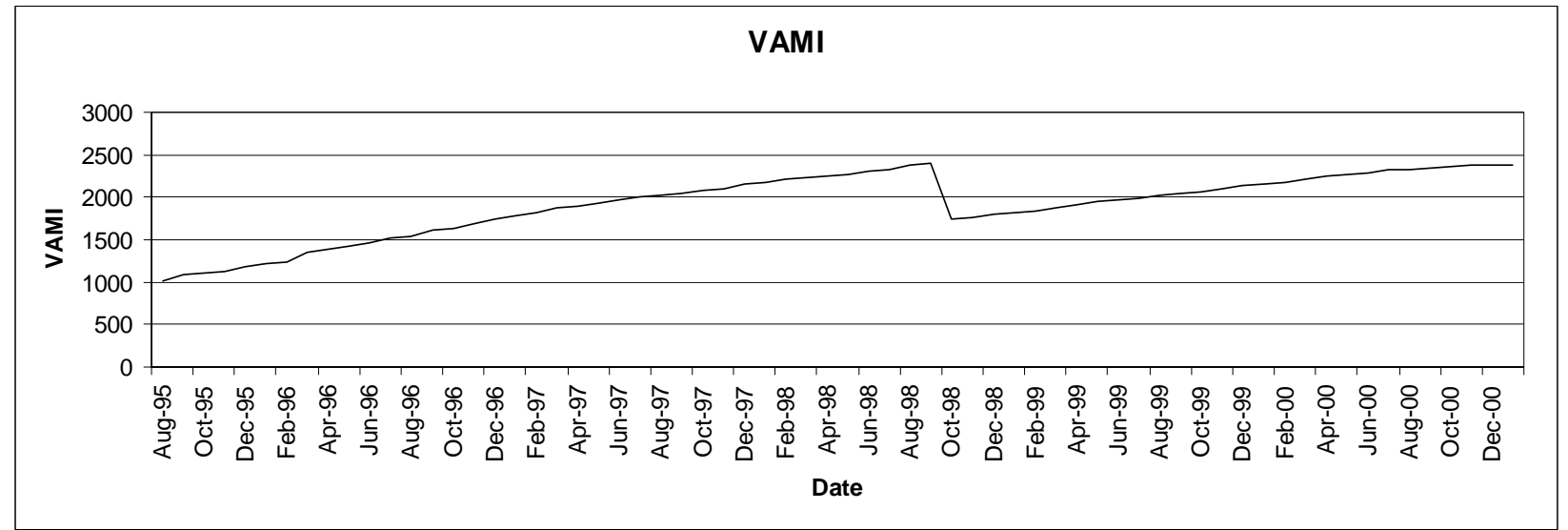
From: Aug-1995 To: Jan-2001

**Market Neutral
Non-Directional Relative Value
Fixed Income Arbitrage**

Annual Performance								
	1995	1996	1997	1998	1999	2000	2001	Average
Annual Return	18.59%	47.59%	23.22%	-16.74%	19.04%	11.61%	0.05%	18.79%
Annualized Std.	7.66%	6.52%	1.72%	28.72%	1.67%	1.80%	#N/A	13.40%
Growth of 1000 Assets (Mil.)	1,186	1,750	2,157	1,796	2,138	2,386	2,387	
	74.40	198.22	284.16	130.11	175.00	0.00	0.00	156.71

Monthly Performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2001	0.05%												0.05%
2000	0.50%	0.97%	1.57%	1.88%	0.80%	1.45%	1.14%	0.38%	0.63%	0.78%	0.88%	0.07%	11.61%
1999	1.11%	1.06%	2.18%	1.56%	2.10%	1.52%	0.60%	1.66%	1.20%	1.24%	1.25%	2.09%	19.04%
1998	1.10%	1.07%	1.43%	0.75%	0.50%	1.53%	1.45%	2.28%	0.79%	-27.42%	1.46%	1.46%	-16.74%
1997	1.97%	2.24%	2.35%	1.67%	1.22%	2.08%	1.83%	1.34%	1.17%	1.32%	1.27%	2.62%	23.22%
1996	3.13%	1.67%	8.58%	2.14%	3.12%	3.38%	3.59%	1.30%	4.05%	1.78%	3.63%	3.38%	47.59%
1995								1.38%	6.47%	2.48%	1.94%	5.17%	18.59%

Chart



Manager 5

Global Macro Discretionary

Auditor PricewaterhouseCoopers

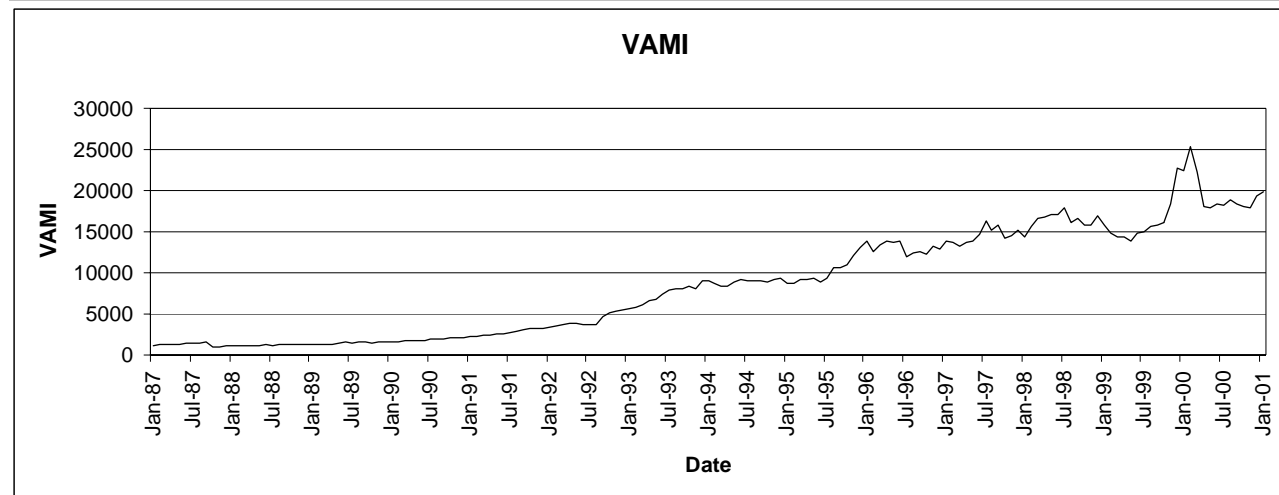
Source TASS

From: Jan-1987 To: Jan-2001

Annual Performance												
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Average
Annual Return	53.30%	68.61%	63.25%	3.95%	38.98%	-1.50%	17.13%	12.17%	34.68%	-15.35%	3.15%	25.84%
Annualized Std.	8.60%	25.49%	14.63%	10.78%	21.50%	22.66%	21.46%	19.06%	30.17%	29.00%	#N/A	22.50%
Growth of 1000	3,287	5,542	9,048	9,405	13,071	12,875	15,081	16,917	22,784	19,286	19,893	
Assets (Mil.)	3157.26	3734.87	4970.27	3696.03	5372.45	4609.97	5670.47	5196.20	5826.56	2554.91	2734.91	3967.00

Monthly Performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2001	3.15%												3.15%
2000	-1.44%	12.93%	-12.04%	-19.29%	-0.27%	2.79%	-0.89%	3.41%	-2.86%	-1.52%	-1.36%	8.05%	-15.35%
1999	-6.50%	-5.81%	-4.08%	0.69%	-3.42%	6.79%	1.60%	4.03%	1.15%	1.76%	14.23%	23.54%	34.68%
1998	-4.94%	8.74%	6.67%	1.06%	1.49%	0.63%	4.30%	-9.67%	3.05%	-4.98%	-0.36%	7.23%	12.17%
1997	7.40%	-0.37%	-3.56%	2.78%	1.86%	5.58%	11.44%	-7.43%	4.58%	-10.56%	2.47%	3.86%	17.13%
1996	5.52%	-9.04%	6.80%	3.18%	-0.51%	0.97%	-13.79%	3.29%	1.90%	-3.08%	8.80%	-3.11%	-1.50%
1995	-6.54%	-0.37%	4.63%	-0.20%	1.53%	-4.98%	6.07%	14.54%	-0.25%	2.22%	11.30%	7.46%	38.98%
1994	0.39%	-3.47%	-4.62%	-0.23%	6.04%	3.63%	-2.14%	0.82%	0.54%	-1.99%	3.27%	2.17%	3.95%
1993	2.20%	2.30%	4.50%	9.00%	2.97%	10.28%	5.92%	1.79%	-0.49%	3.71%	-2.54%	11.32%	63.25%
1992	4.00%	4.75%	5.01%	1.60%	0.05%	-2.21%	-1.52%	1.46%	25.51%	9.92%	2.17%	5.28%	68.61%
1991	2.55%	3.38%	7.81%	0.31%	2.18%	3.85%	2.50%	8.07%	5.86%	3.29%	0.49%	3.53%	53.30%
1990	-2.32%	3.25%	6.94%	2.89%	-3.00%	2.29%	5.75%	-2.64%	5.58%	6.58%	0.42%	1.15%	29.57%
1989	3.30%	0.03%	2.44%	2.70%	3.58%	18.74%	-9.86%	1.89%	1.90%	-4.90%	2.65%	7.77%	31.64%
1988	-6.50%	4.14%	5.79%	2.85%	-0.28%	0.98%	-0.68%	0.12%	1.01%	4.09%	-1.70%	0.45%	10.14%
1987	18.76%	6.19%	1.99%	1.30%	2.23%	4.68%	7.32%	-0.94%	4.10%	-33.37%	-0.07%	11.08%	14.13%

Chart



Manager 6

**Market Neutral
Event Driven**

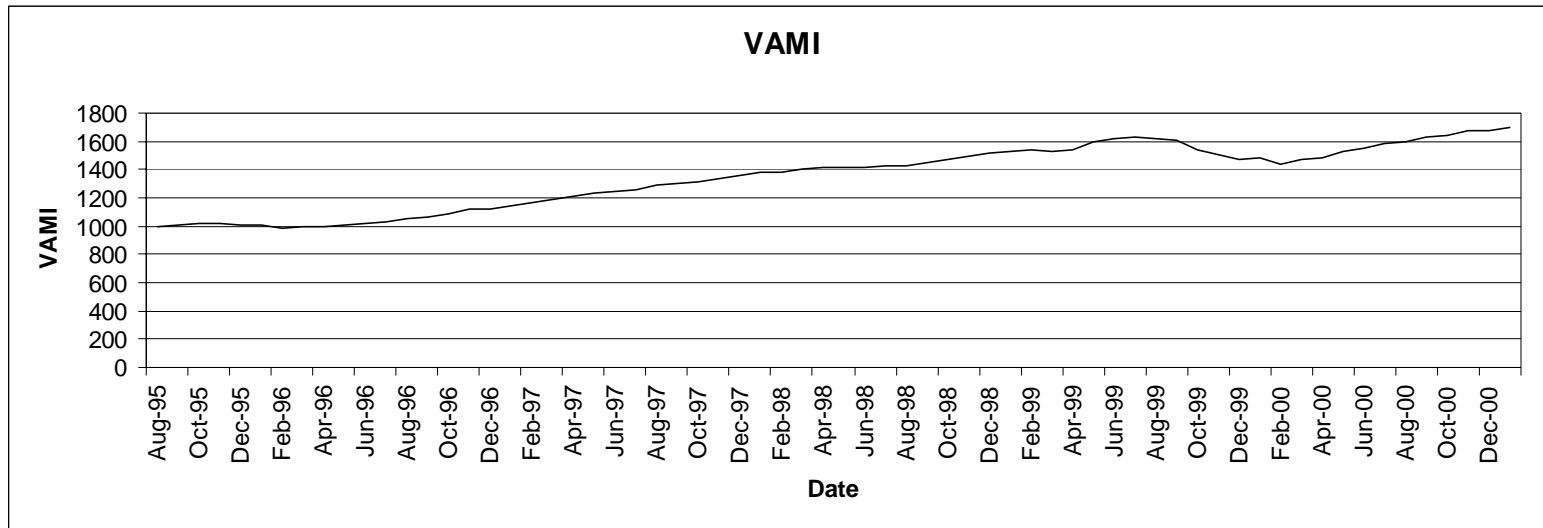
**Auditor Grant Thornton LLP
Source TASS**

From: Jul-1994 To: Jan-2001

Annual Performance										
	1994	1995	1996	1997	1998	1999	2000	2001	Average	
Annual Return	-1.05%	18.29%	18.29%	11.01%	-6.25%	17.94%	24.09%	1.00%	12.66%	
Annualized Std.	3.41%	2.16%	2.04%	2.04%	7.44%	2.81%	5.48%	#N/A	4.93%	
Growth of 1000	990	1,171	1,385	1,537	1,441	1,700	2,109	2,130		
Assets (Mil.)	577.50	528.00	591.00	681.00	670.00	625.00	0.00	0.00	557.85	

Monthly Performance													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2001	1.00%												1.00%
2000	3.00%	5.50%	1.56%	3.00%	1.00%	0.93%	1.00%	1.00%	3.42%	1.00%	0.50%	0.00%	24.09%
1999	2.00%	1.00%	2.89%	1.50%	2.00%	0.94%	2.00%	1.00%	1.92%	0.00%	1.00%	0.40%	17.94%
1998	-0.50%	1.00%	3.50%	1.00%	1.00%	-0.50%	-1.00%	-4.00%	-2.67%	-2.00%	1.00%	-3.01%	-6.25%
1997	1.00%	1.00%	0.48%	0.01%	0.50%	0.24%	1.00%	1.80%	2.00%	1.00%	1.00%	0.48%	11.01%
1996	2.00%	1.00%	2.50%	1.00%	1.00%	2.44%	1.00%	1.00%	1.50%	1.50%	1.50%	0.50%	18.30%
1995	0.50%	0.50%	0.80%	1.50%	1.00%	2.42%	0.85%	2.00%	3.34%	0.01%	1.61%	2.44%	18.28%
1994							0.50%	1.00%	0.22%	-1.00%	-0.50%	-1.25%	-1.04%

Chart



Hedge Fund Data

What's There

Time Since Inception

*As Reported by TASS

Period In Years	Cumulative Observations	Period Observations	Cumulative Percentage	Period Percentage
<1	67	67	3.60%	3.60%
<2	279	212	14.99%	11.39%
<3	529	250	28.43%	13.43%
<4	788	259	42.34%	13.92%
<5	1021	233	54.86%	12.52%
<6	1207	186	64.86%	9.99%
<7	1370	163	73.62%	8.76%
<8	1489	119	80.01%	6.39%
<9	1587	98	85.28%	5.27%
<10	1657	70	89.04%	3.76%
<11	1718	61	92.32%	3.28%
<12	1765	47	94.84%	2.53%
<13	1783	18	95.81%	0.97%
<14	1799	16	96.67%	0.86%
<15	1818	19	97.69%	1.02%
<16	1826	8	98.12%	0.43%
<17	1838	12	98.76%	0.64%
<18	1844	6	99.09%	0.32%
<19	1849	5	99.36%	0.27%
<20	1851	2	99.46%	0.11%
<21	1853	2	99.57%	0.11%
<22	1857	4	99.79%	0.21%
<23	1857	0	99.79%	0.00%
<24	1861	4	100.00%	0.21%
<25	1861	0	100.00%	0.00%

Q-Group Presentation

April 2 2001



Dangerous Attractions:
Informationless Investing
and Hedge Fund
Performance Bias

Short Volatility Investing

- ⌘ Invest in T-Bills, and Earn Risk-Free Rate of 5%
- ⌘ Write Options Every Month With a Payoff at Month End
- ⌘ Option Strike Prices 1.5, 2.0, 2.5 Standard Deviations from Current Market for Programs A, B, and C respectively
- ⌘ Take in Premium Every Month Equal to the Risk-Free Rate
- ⌘ Option Prices are Constrained to be Fairly Valued
- ⌘ Performance Analyzed Using Monte Carlo Simulation

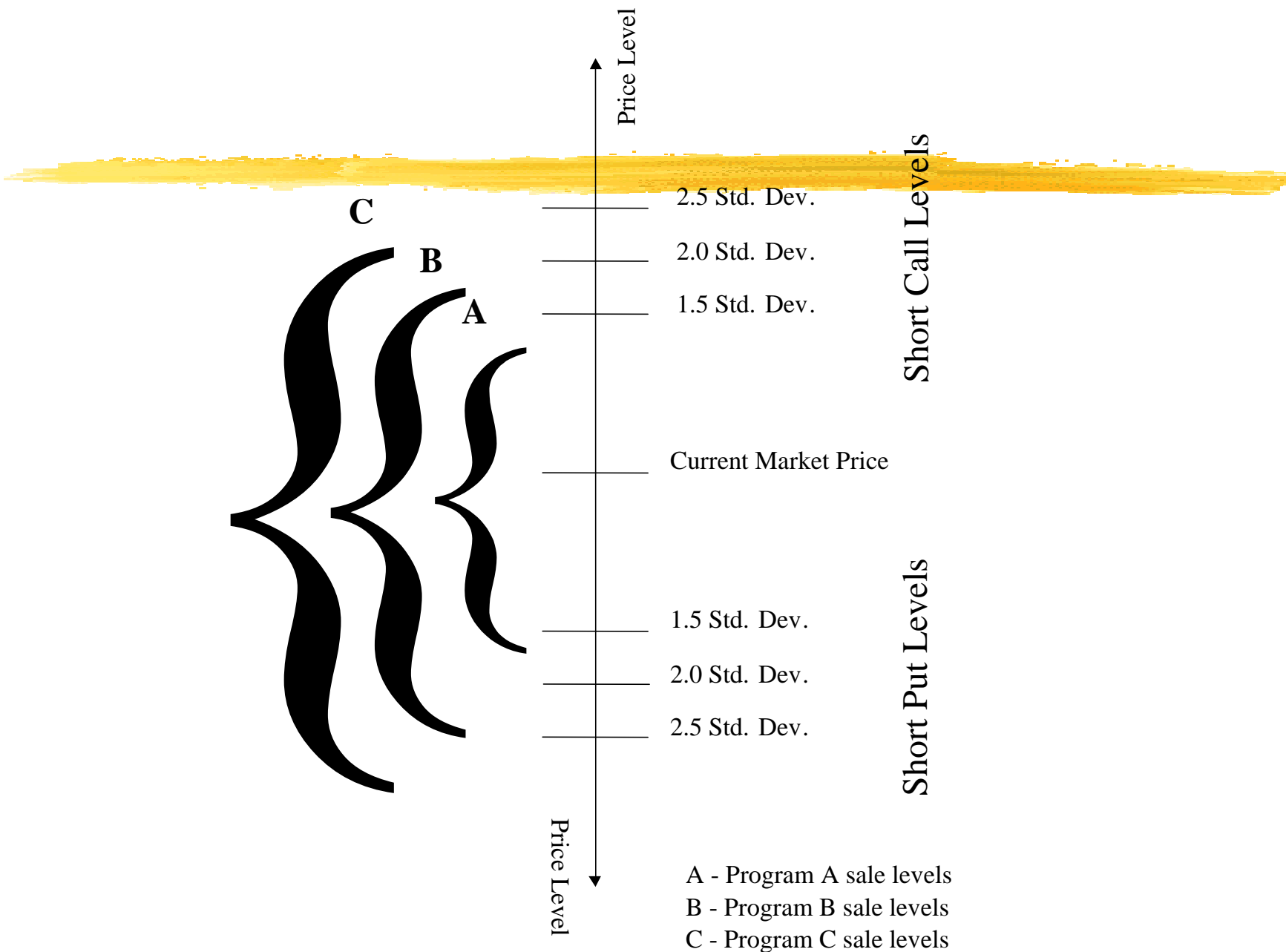


Figure 1

Randomly Generated 5-year Performance T-Bill vs Short Volatility Strategy (2.5sdv)

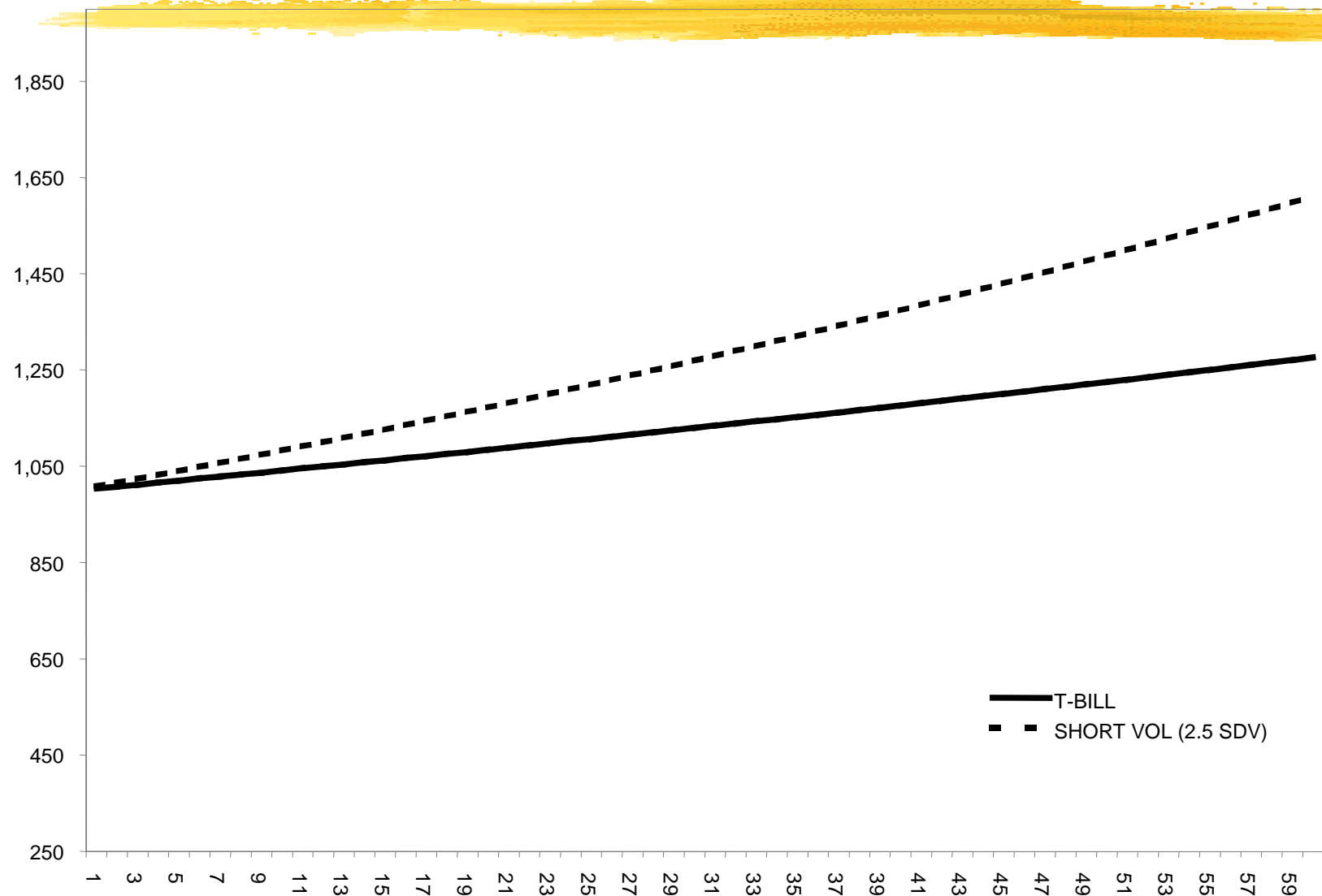


Figure 2

Randomly Generated 5-year Performance T-Bill vs Short Volatility Strategy (2.5sdv)

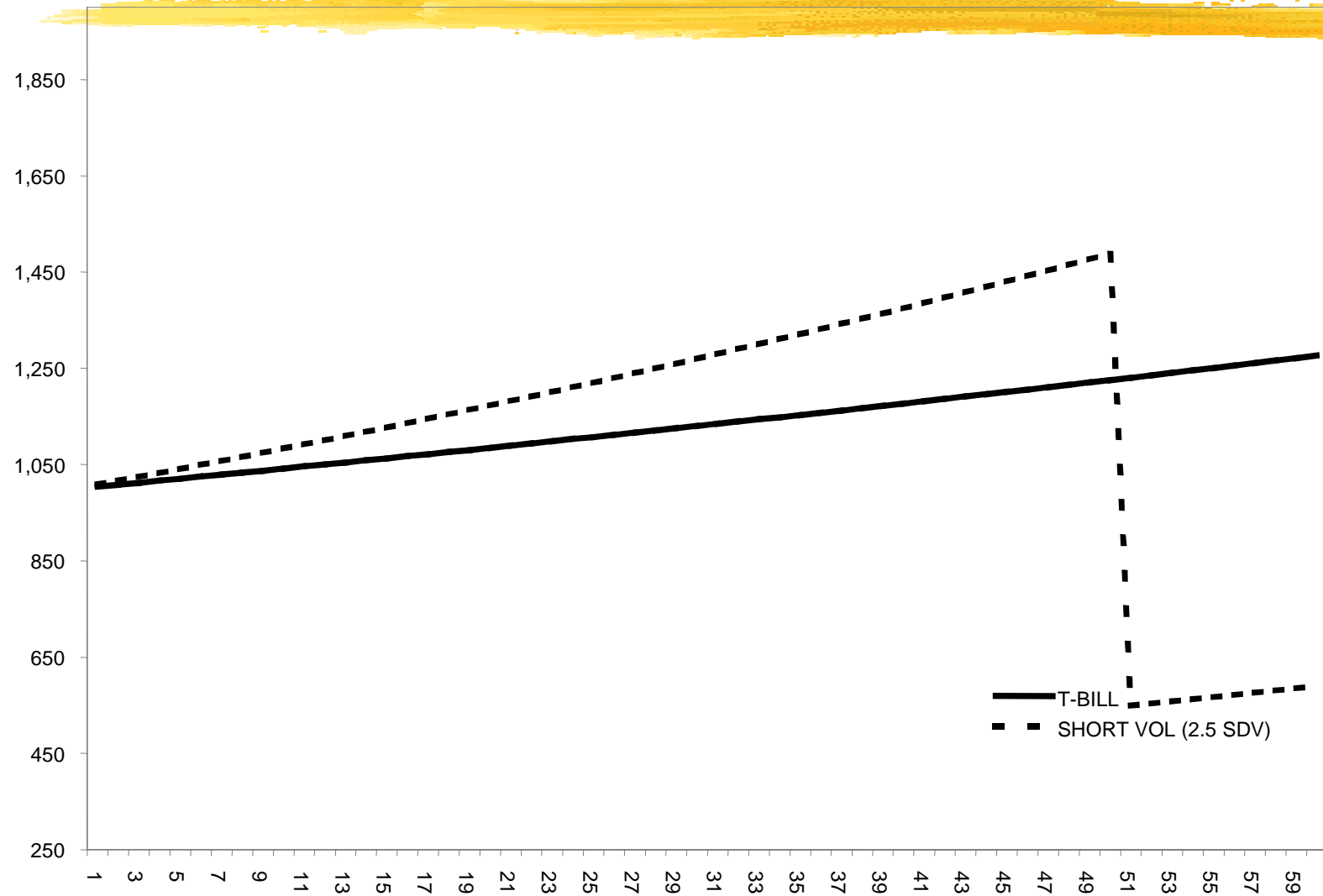


Table 1

Probability of Outperforming the Risk Free Rate of Return

Distance to Strike (Standard Deviations)	Time Period		
	1 Year	3 Year	5 Year
1.50	.57	.50	.47
2.00	.70	.58	.52
2.50	.88	.73	.65

Table 2

Probability of Doubling the Risk Free Rate of Return

Distance to Strike (Standard Deviations)	Time Period		
	1 Year	3 Year	5 Year
1.50	.18	.01	.00
2.00	.57	.19	.06
2.50	.86	.63	.46

Table 3

Expected Time to Draw Down (Capital Loss)

Distance to Strike (Standard Deviations)	Length of Time (Years)
1.50	0.80
2.00	1.97
2.50	6.83

Table 4

Expected Draw Down (Capital Loss)

Distance to Strike **Percent Loss of Capital**

(Standard Deviations)

1.50

-2.96

2.00

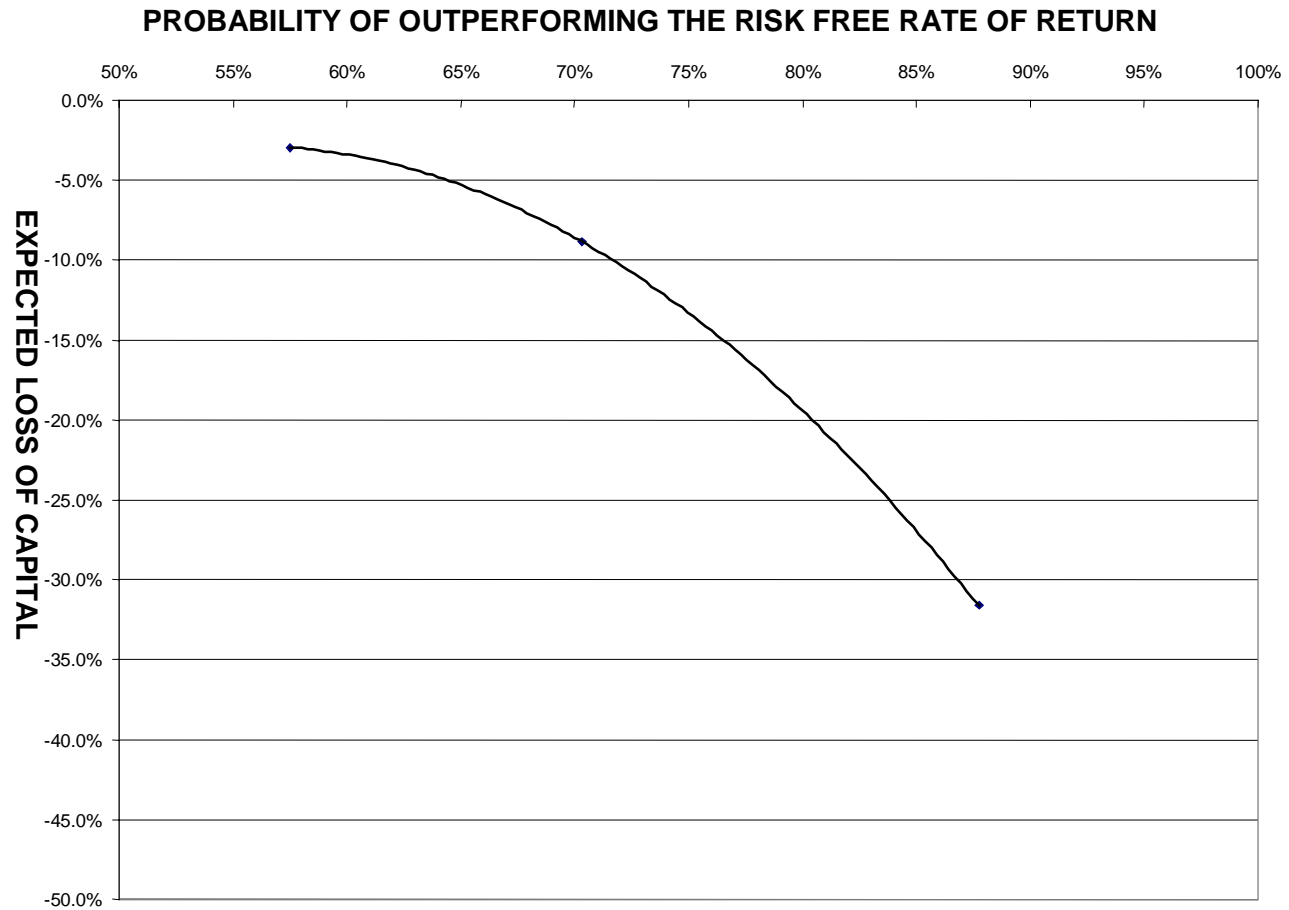
-9.0

2.50

-31.92

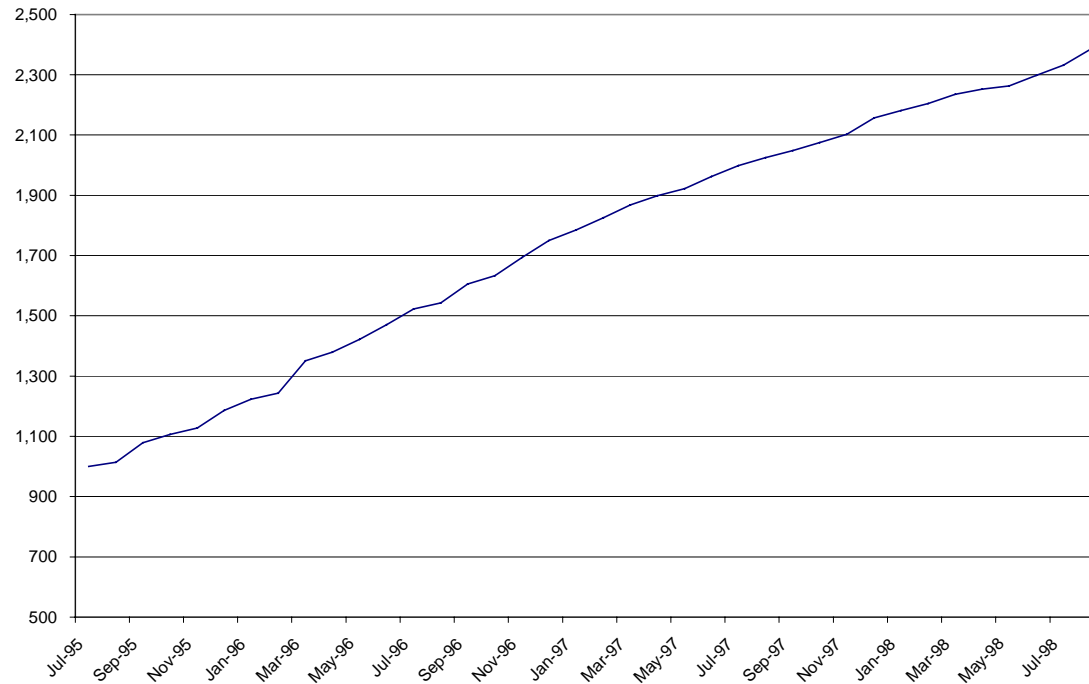
Figure 3

COMPARISON OF PROBABILITIES OF OUTPERFORMING
THE RISK FREE RATE OF RETURN VS EXPECTED DRAWDOWN



Would You Choose This Manager?

Manager A Historical Performance



Sharpe Ratio: 4.99% **Annualized ROR – RFR: 28.03%**

Wrong Answer!

Manager A Historical Performance

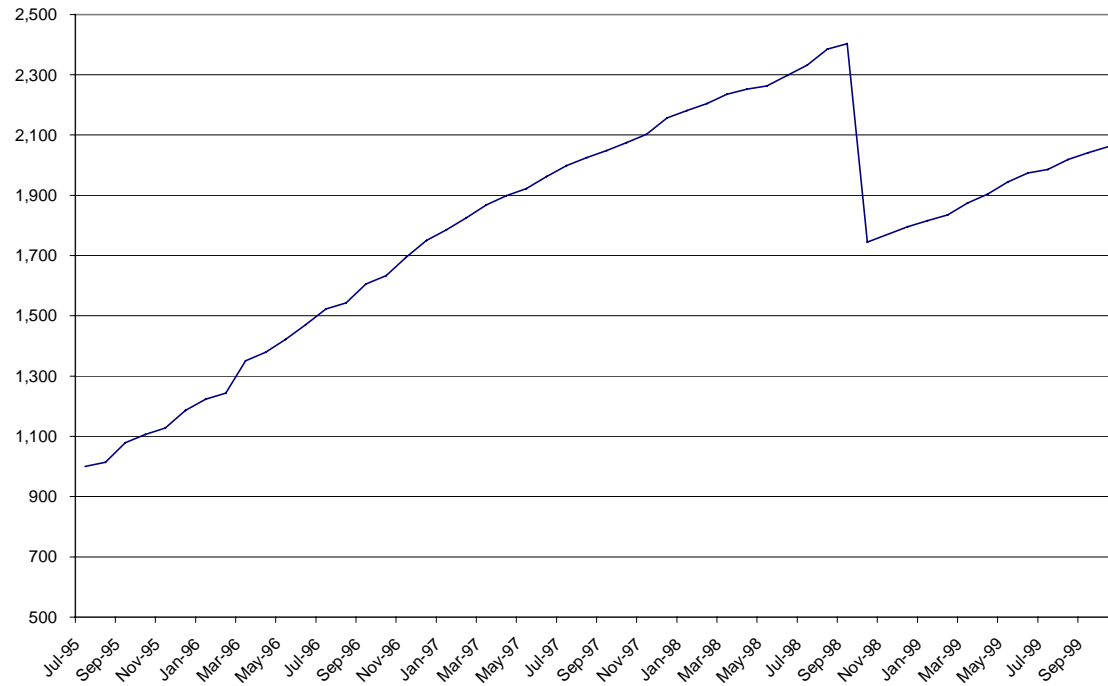


Figure 2

Randomly Generated 5-year Performance T-Bill vs Short Volatility Strategy (2.5sdv)

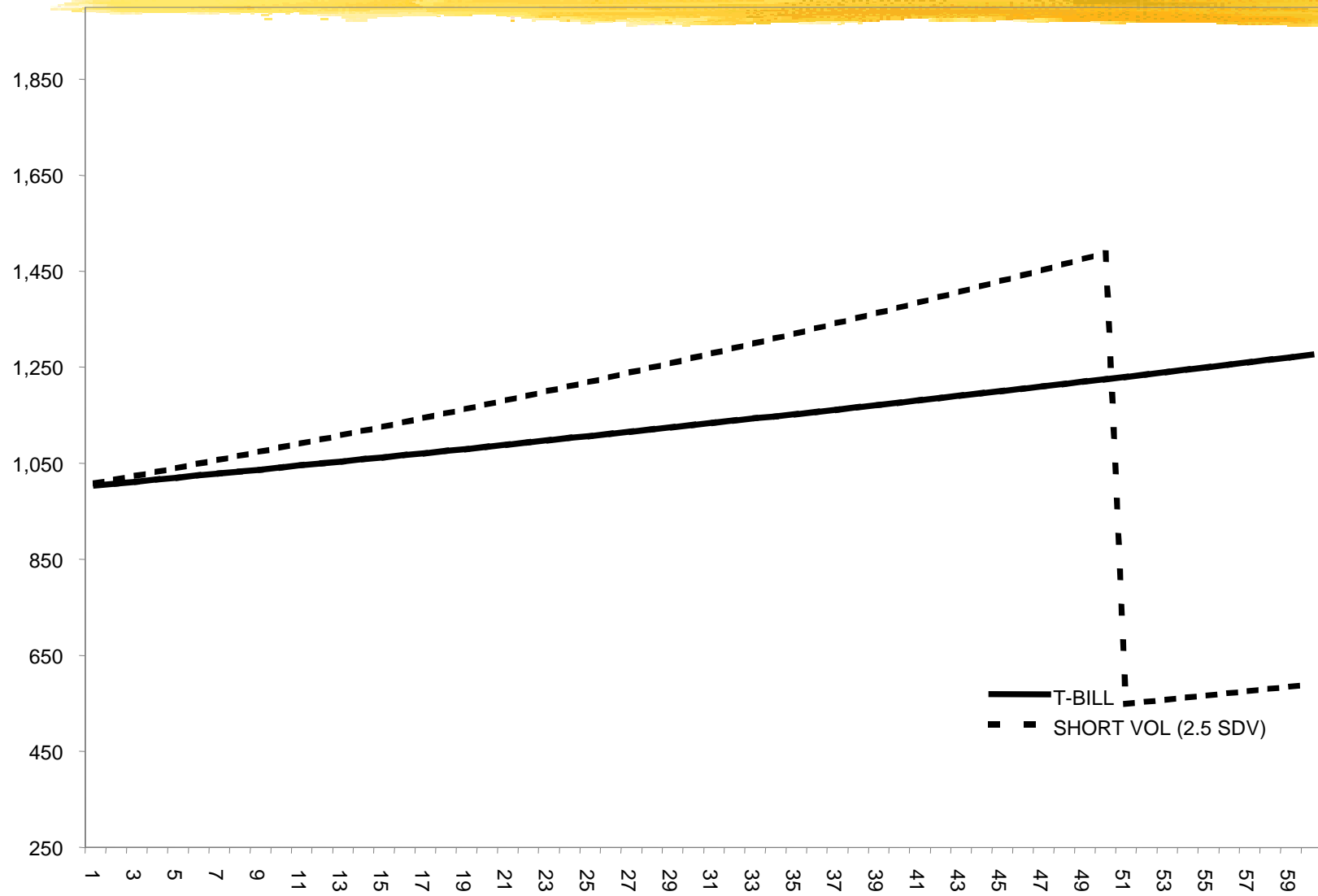
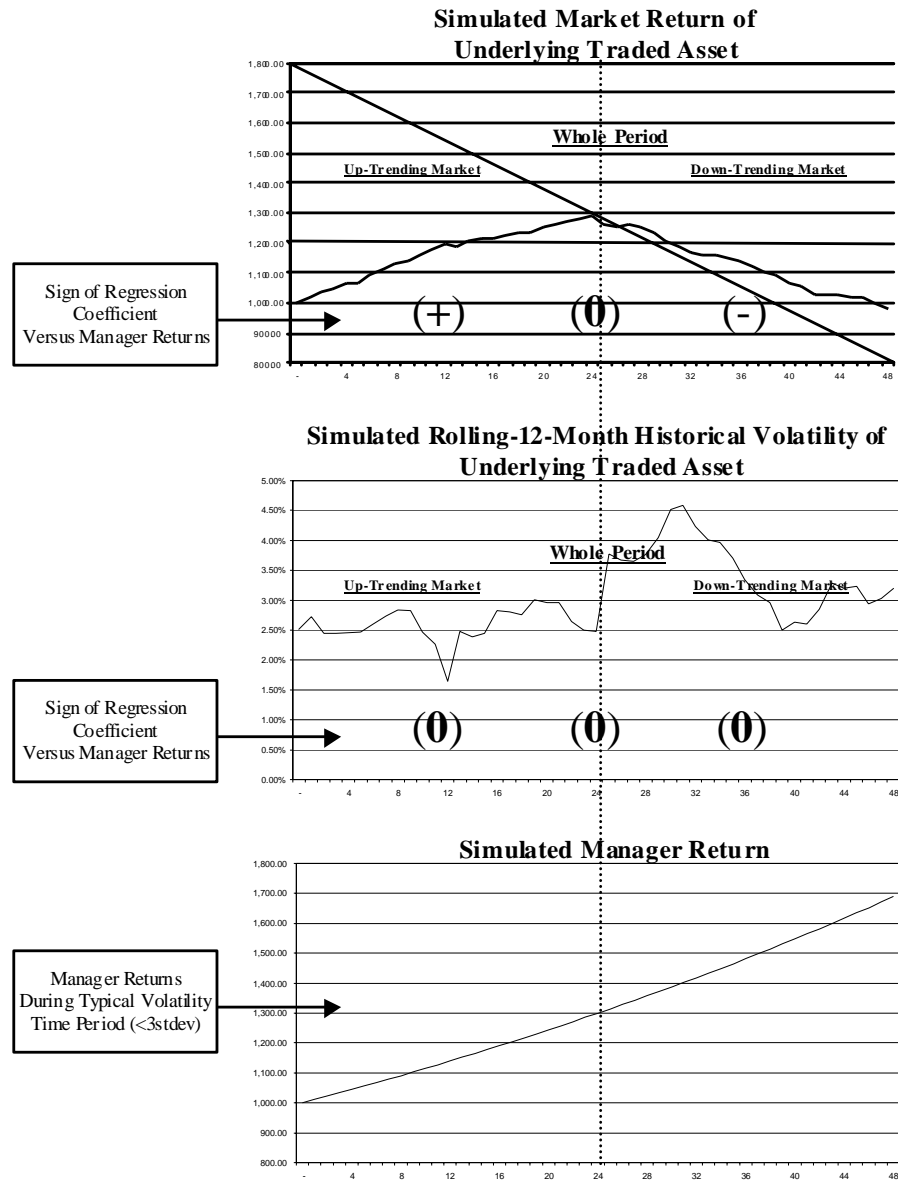


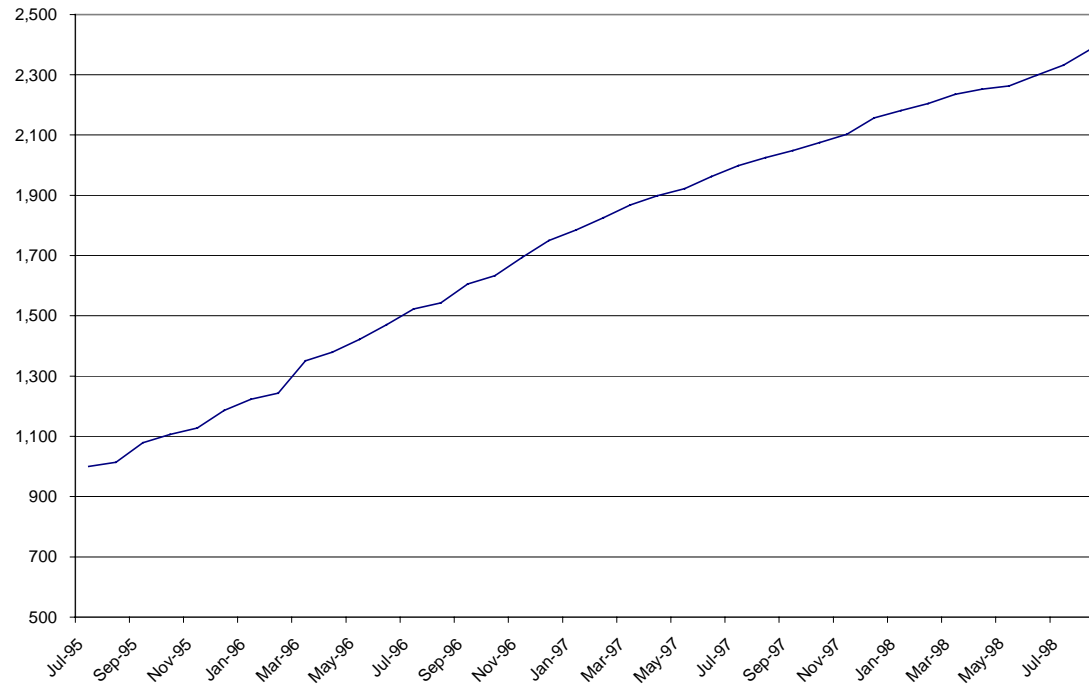
Figure 4

Short-Volatility Regression Bias



Would You Choose This Manager?

Manager A Historical Performance



Sharpe Ratio: 4.99% **Annualized ROR – RFR: 28.03%**

Analysis of Variance

Source	DF	Sum of Squares	Mean Square	F Value	Pr > F
Model	6	100.26724	16.71121	0.89	0.5095
Error	46	862.86171	18.75786		
Corrected Total	52	963.12895			

Variable	Parameter Estimate	Standard Error	Type III SS	F Value	Pr > F
Intercept	-18.07965	9.52221	67.62188	3.60	0.0639
tycal	0.00822	0.02744	1.68481	0.09	0.7658
typut	0.02036	0.02071	18.13687	0.97	0.3306
otmtycal	-0.00186	0.00968	0.69454	0.04	0.8483
otmtypu	-0.00165	0.00577	1.52838	0.08	0.7766
mlibor	40.97034	20.41950	75.51485	4.03	0.0507
lmbisi	1.58152	1.72594	15.75003	0.84	0.3643

Bounds on condition number: 16.383, 234.09

The above model is the best 6-variable model found.

No further improvement in R-Square is possible.

Hedge Fund Style Analysis



⌘ Traditional Framework Not Directly Applicable

☑ Intended for sign-constrained allocations

⌘ Modified Statistical Framework Not Always Acceptable

☑ Important factors frequently fail to load

☑ Frequent spurious factor loadings

Illiquid Security Investing

\bar{X}_1 = Trend Return for Strategy 1.

σ_1 = Reported Standard Deviation of Return for Strategy 1.

$\bar{X}_2 = \bar{X}_1 = \bar{X}$ = Trend Return for Strategy 2.

$\sigma_2 = \delta\sigma_1$ = Reported Standard Deviation of Return for Strategy 2.

Where δ = Proportional valuation lag.

$f(\bar{X}, \sigma_1)$ = Reported one period change in value for Strategy 1.

$f(\bar{X}, \delta\sigma_1)$ = Reported one period change in value for Strategy 2.

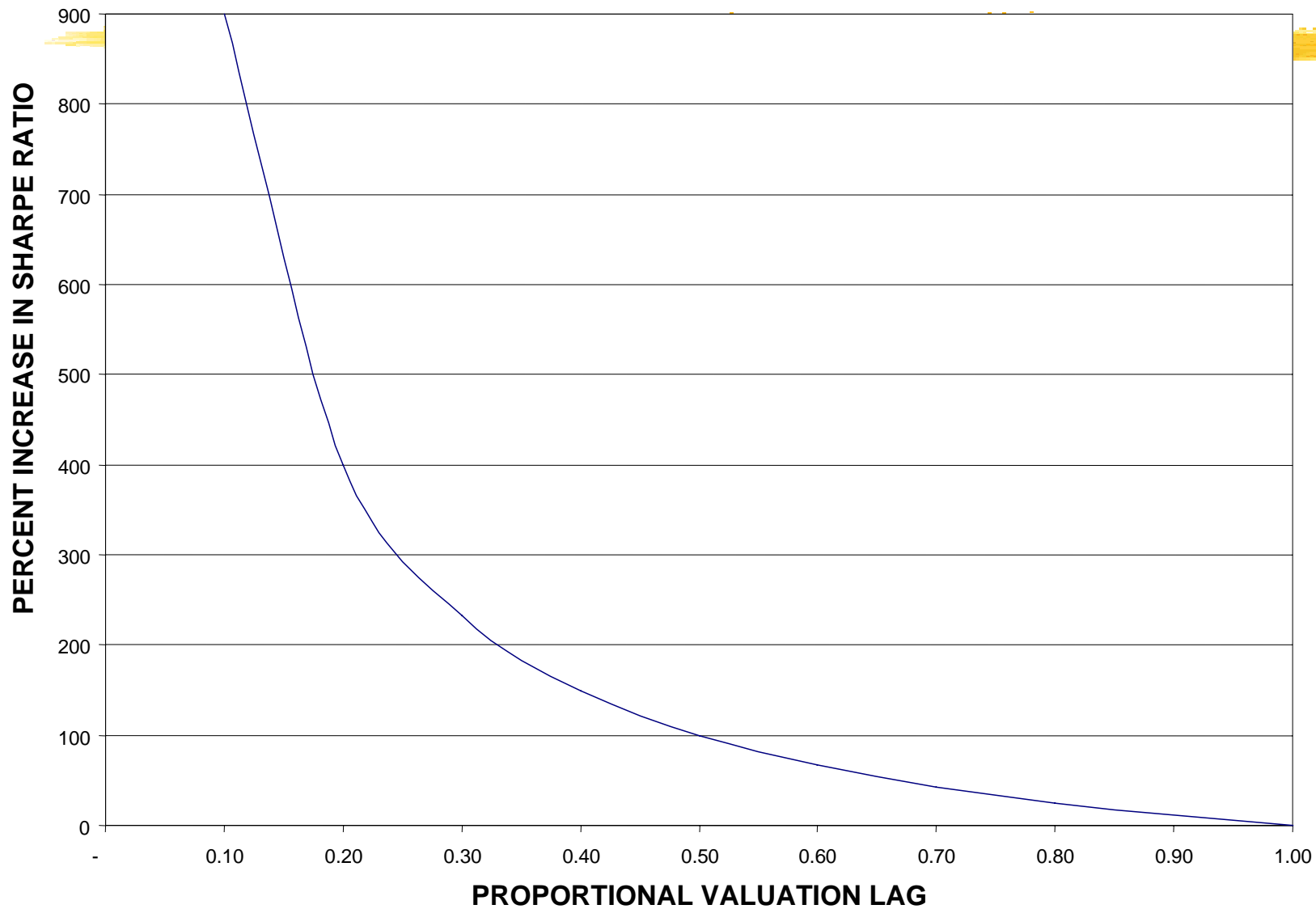
Result:

$(1 - \delta) * 100$ = **Percent reduction in reported volatility.**

$(\frac{1}{\delta} - 1) * 100$ = **Percent improvement in reported Sharpe Ratio.**

Figure 5

ILLIQUIDITY BIAS



Illiquid Security Investing

Predicting Calamitous "Mark-Downs"

$$T = f(\bar{x}, \sigma, \delta, L)$$

T = Expected time to Illiquidity Crisis

\bar{x} = True trend return of underlying portfolio

σ = True volatility of underlying portfolio

δ = Proportional Valuation Lag

L = Crisis Threshold

Figure 6

Reported NAV Vs Actual NAV
mean = .15, sigma = .30, lag valuation = .15

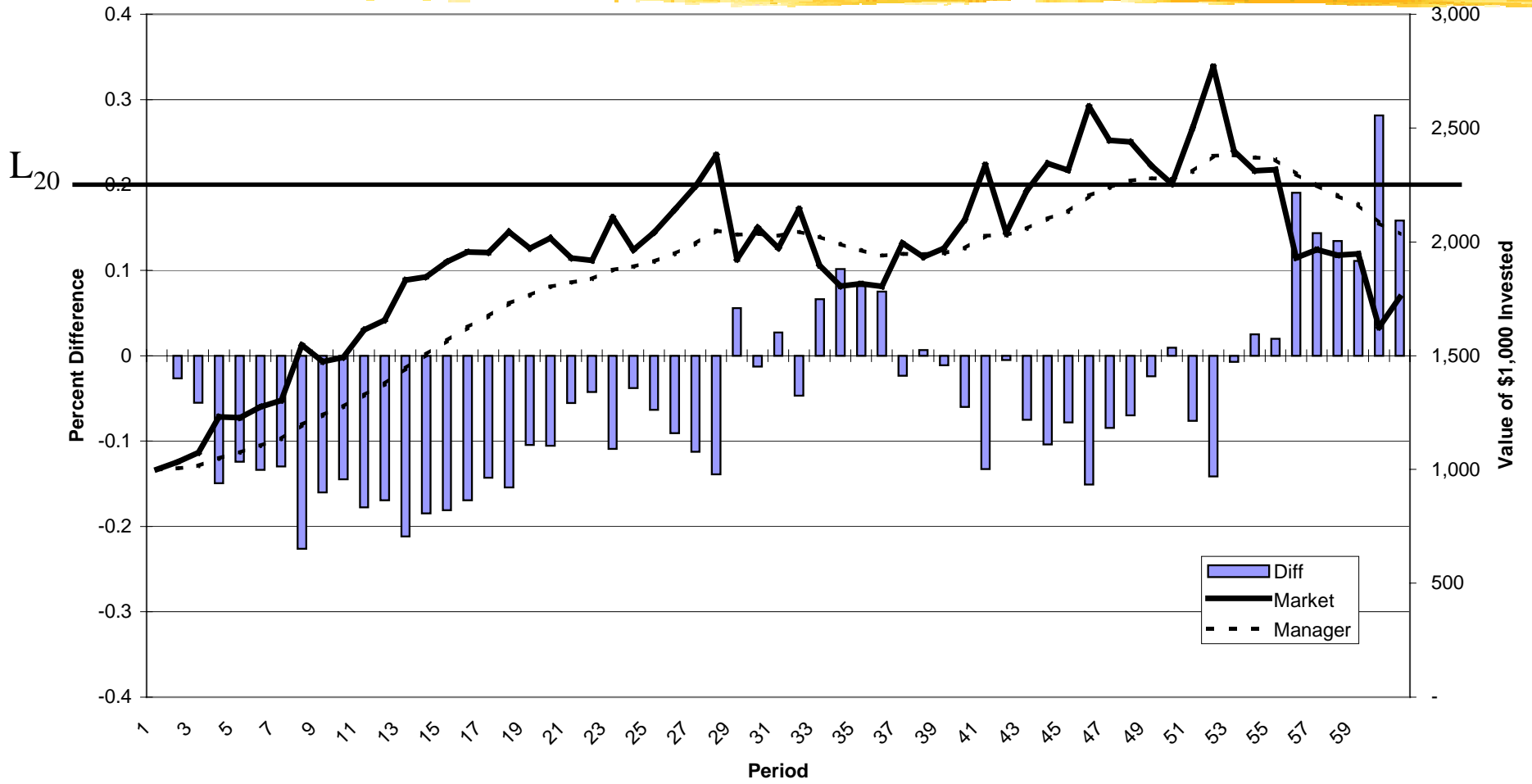


Figure 7

Proportional Valuation Lag Vs Estimated Months to Disaster
mean = 0.15, sigma = 0.3, threshold = 0.2

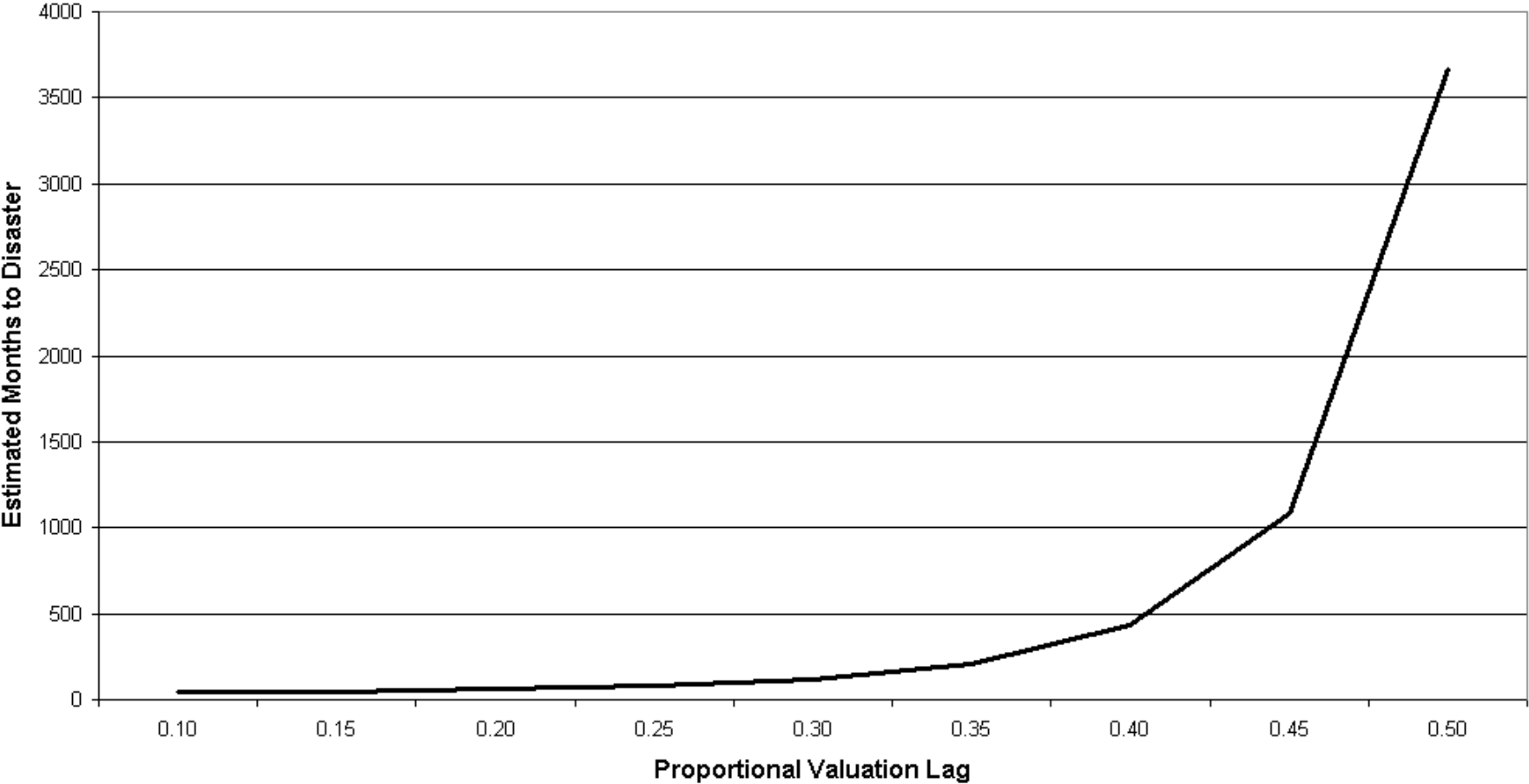


Table 5

$$\bar{x} = 0.15$$

$$\sigma = 0.30$$

$$L = 0.20$$

Lag Valuation Parameter (δ)	Expected Time to Crisis (Percentile₁₀)	Expected Time to Crisis (Percentile₅₀)	Expected Time to Crisis (Percentile₉₀)
0.10	5	44	161
0.15	7	49	167
0.20	9	59	192
0.25	12	77	253
0.30	18	113	390
0.35	32	204	691
0.40	67	437	1411
0.45	165	1088	3702
0.50	560	3668	6000+

St. Petersburg Investing

Figure 8

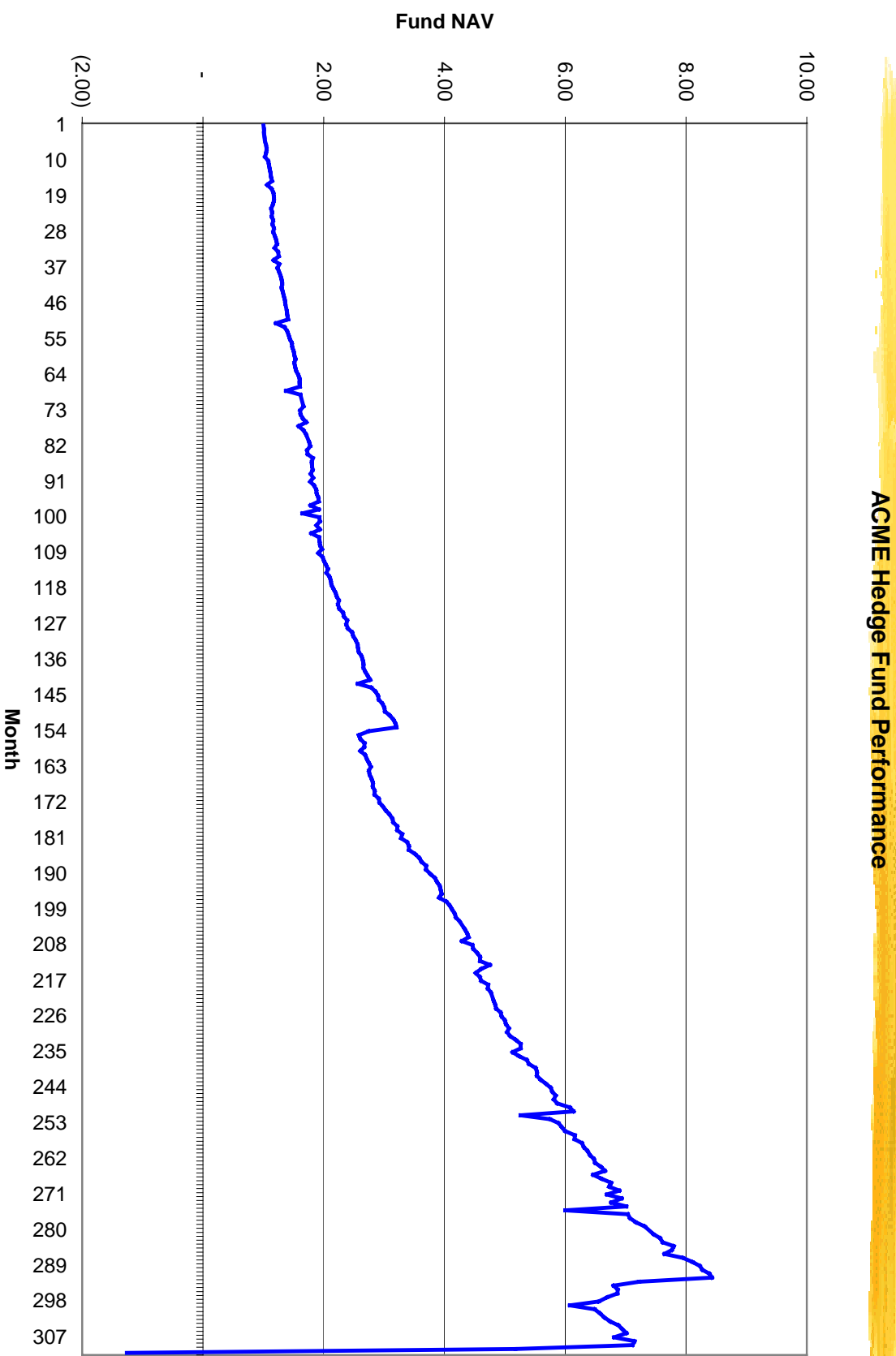
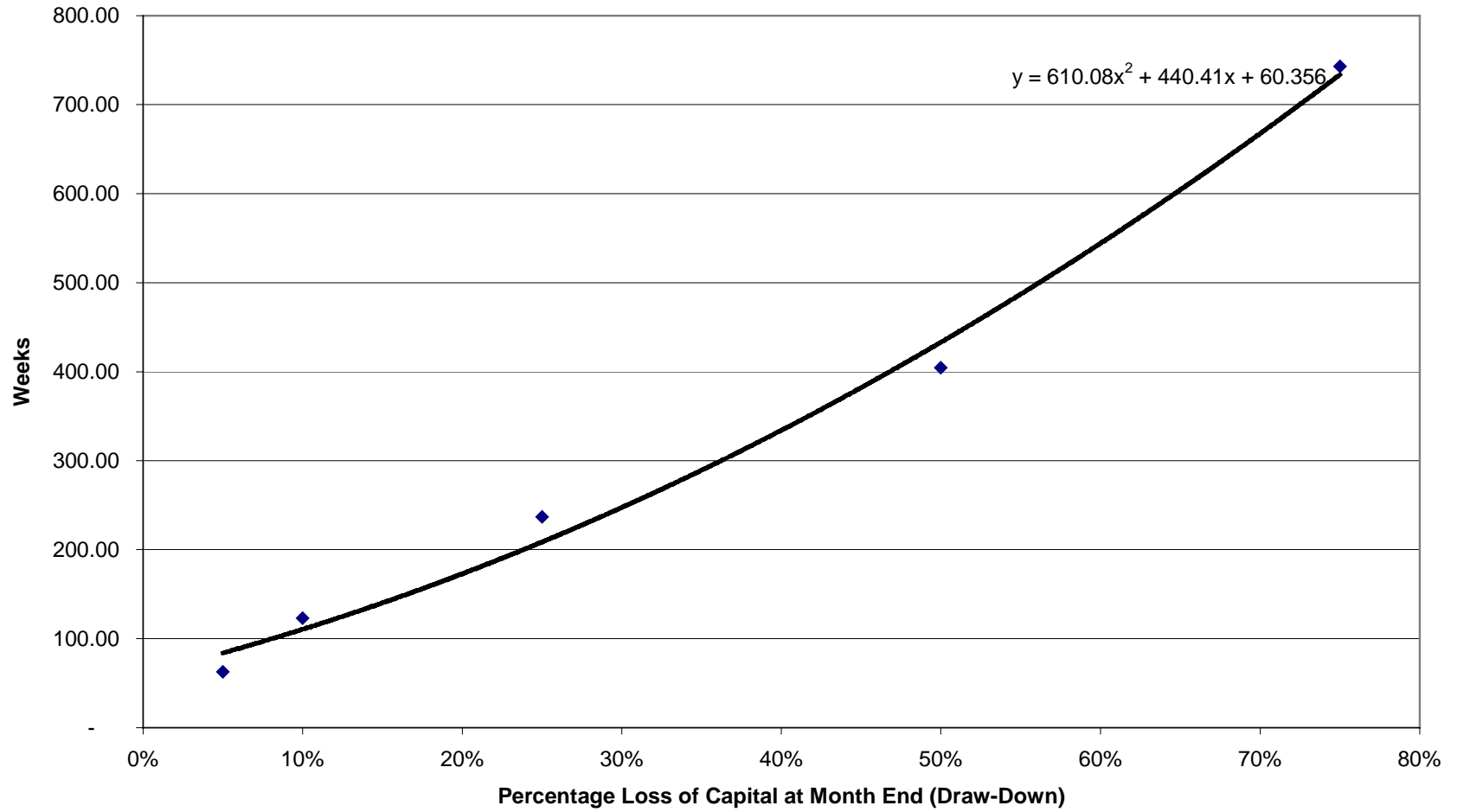


Figure 9

**Comparison of Percentage Draw-Down
vs Mean Time to Occurrence
(Derived via Monte Carlo Simulation)**



Top 10 Comments from Hedge Fund Managers in 1998

- **“We’re market neutral.”**
- **“There’s no risk - it’s arbitrage.”**
- **“We have great risk management models.”**
- **“We use leverage responsibly.”**
- **“We mark our books conservatively.”**
- **“Our strategies don’t correlate.”**
- **“We still look good ... on a relative basis.”**
- **“We’re still up for the year.”**
- **“We’re not seeing redemptions.”**
- **“This will never happen again.”**

