

Plenum Investments



December 2007

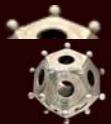
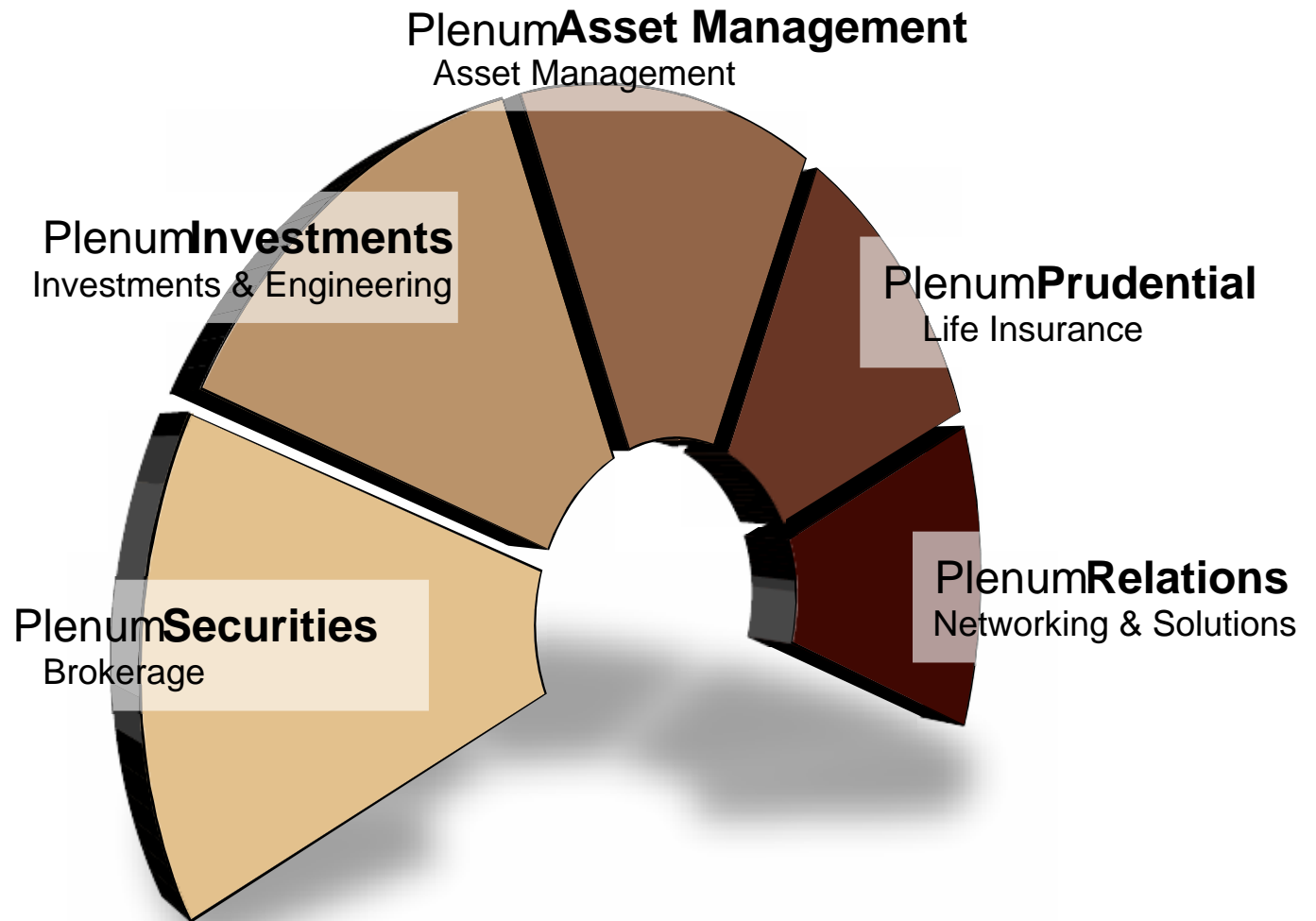


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The Plenum Group





- **The Basics of Hedge Fund Investing**
- **Value-Added Benefits of Hedge Funds**
- **Plenum Hedge Fund Investment Approach**
- **Plenum Funds of Hedge Funds**





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What are Hedge Funds?

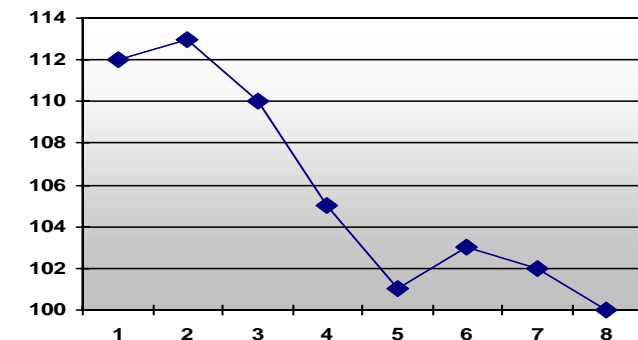
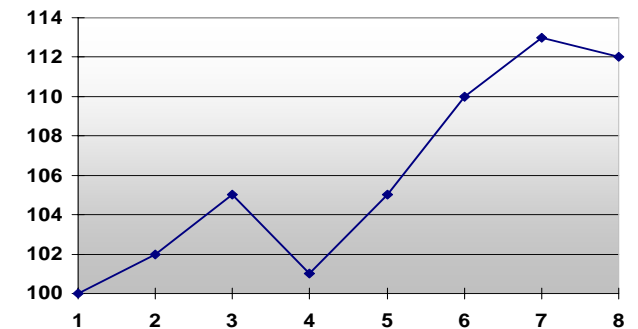
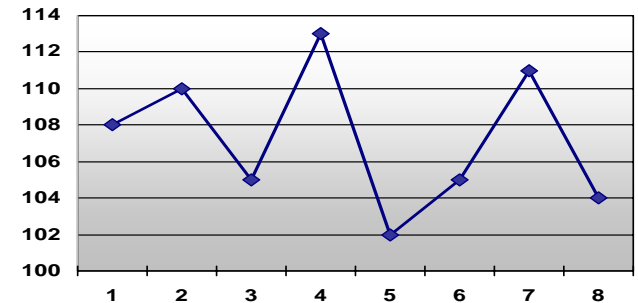
A hedge fund may be simply defined as an investment fund that strives to produce positive absolute returns under all market conditions, where such returns exhibit low volatility as well as low correlation to bonds and stocks. The hedge fund universe comprises a broad range of investment strategies applied across a spectrum of asset classes and risk levels.

Common characteristics shared by many hedge funds:

- They are managed with the goal of generating positive absolute returns under all market conditions, not just beating a specific market index, such as the S&P 500. Hence, they are often referred to as “absolute return strategies.”
 - They can “hedge” or reduce the risk associated with market downturns by using short positions and other techniques to protect capital. Consequently, they emphasize manager investment skills and strategy.
 - Hedge fund managers are opportunistic and entrepreneurial in their approach to investing. They often seek sources of return overlooked or unattainable by other investors and employ flexible, multi-faceted investment styles.
 - Hedge fund managers work with smaller assets under management, are paid incentive fees based on performance, and invest a significant position of their personal wealth in their funds, thus assuring their interests are aligned with their clients.
- 

Observation

- If markets will always do this... ..
- Mutual funds only make money when the market is moving up... ..
- And always lose money when the market is moving down

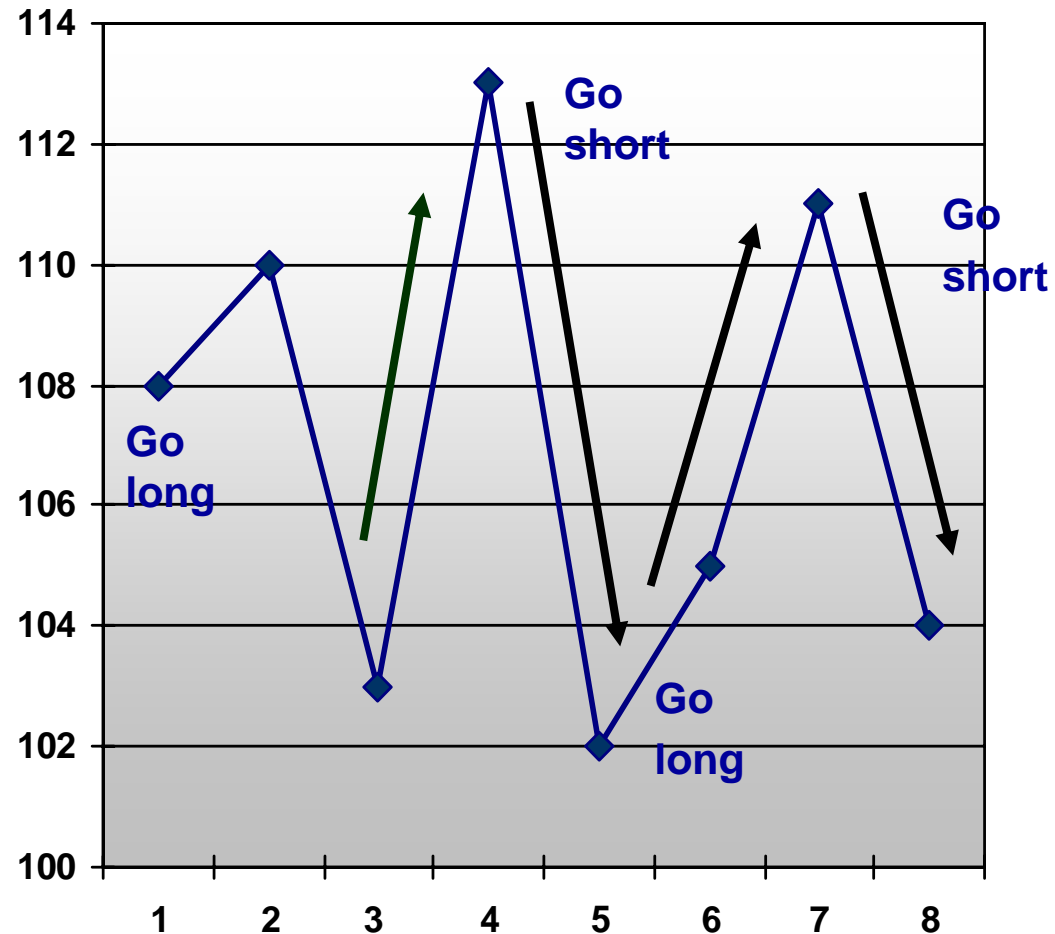




Observation

• This doesn't it make sense to make money:

- Regardless of market direction
- Ability to generate positive returns in both directions





Hedge Funds V.S. Mutual Funds

Mutual Funds

- “Relative” return objectives
- Portfolio mirrors benchmark
- Asset based fees
- No proprietary capital invested

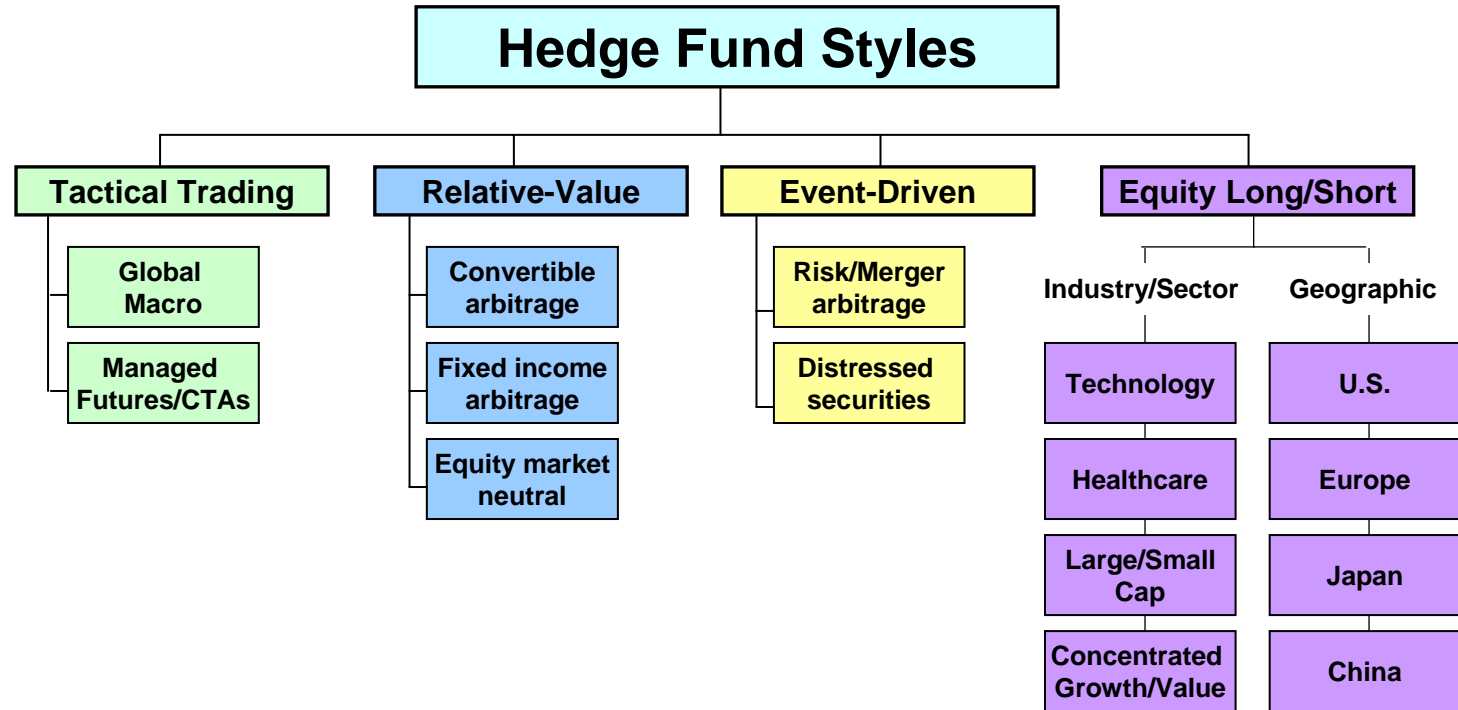
- Long only investments
- Little, if any, arbitrage or leverage
- Highly transparent and extensive client reporting
- Highly liquid
- onshore

Hedge Funds

- “Absolute” return objective
- Portfolio not constrained
- Asset, but also incentive based fees
- Manager invests own money with clients’ capital
- Long and/or short positions
- Dedicated arbitrage strategies & leverage employed
- Varying degrees of transparency and generally little client reporting
- Liquidity restrictions and initial lock-up periods
- Offshore



Hedge Funds Strategy Classification



- **Tactical Trading**-- This style includes macro traders and managed futures. The latter rely on a trading system to generate buy and sell signals in the direction of a newly defined trend in currency, commodities and securities markets.
- **Relative Value**-- This style tends to take advantage of relative pricing discrepancies between instruments including equities, debt, options and futures. It is generally uncorrelated with benchmark indices.
- **Event Driven**-- This style is based on actual or anticipated occurrence of a corporate transaction. Fund returns are relatively unaffected by the direction of the equity and fixed income markets.
- **Equity Long / Short**-- This style combines long investments with short sales and searches for opportunities in rising or declining markets. This brings with it relatively higher levels of correlation to traditional benchmarks.

Developments in the Hedge Fund Industry

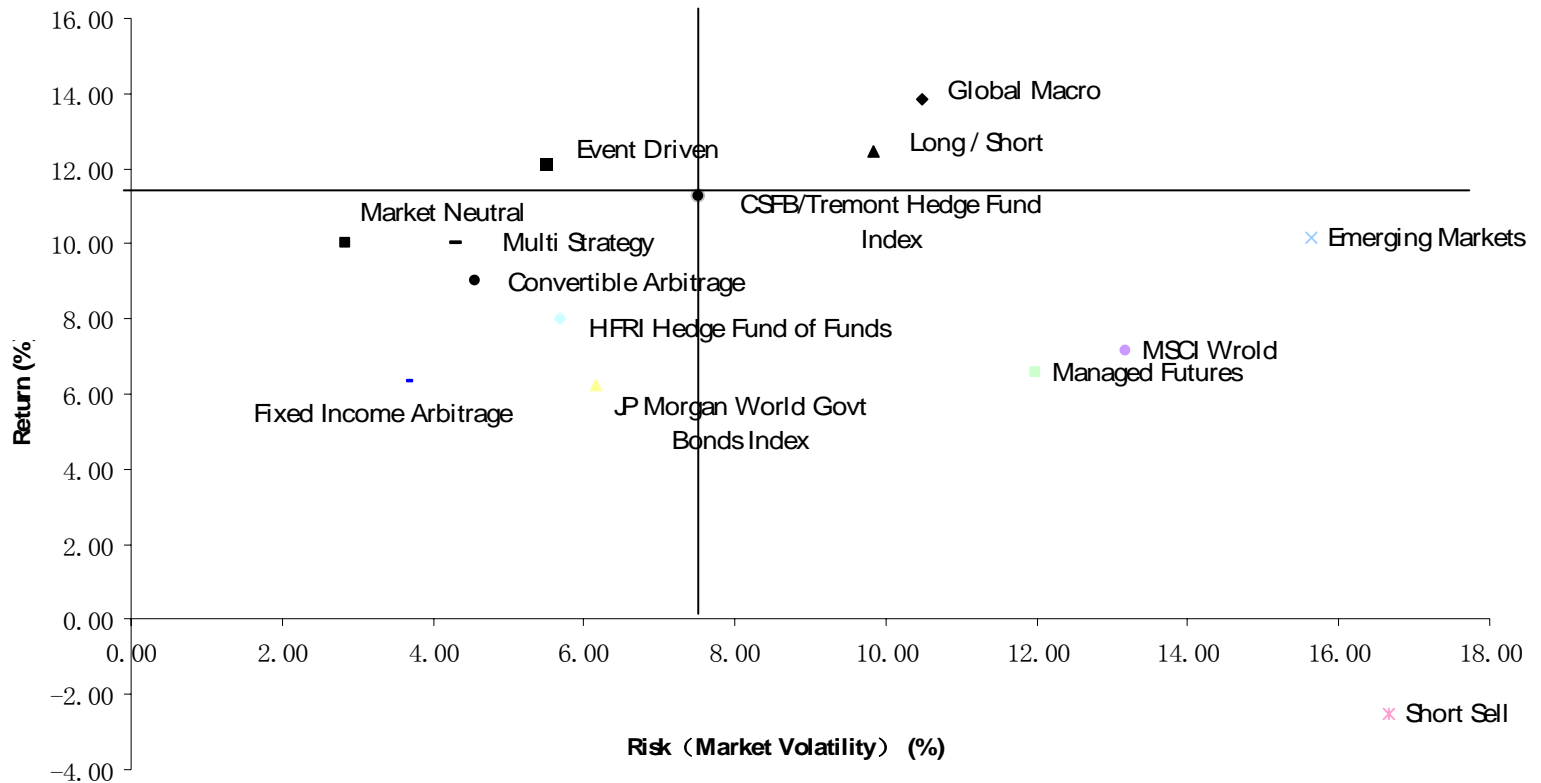
Top performing strategies over the past 7 years

2000	2001	2002	2003	2004	2005	2006
Convertible Arbitrage 25.64%	Global Macro 18.38%	Managed Futures 18.34%	Event Driven 20.02%	Event Driven 14.47%	Long / Short Equity 10.61%	Event Driven 15.73%
Equity Market Neutral 14.99%	Convertible Arbitrage 14.59%	Global Macro 14.67%	Global Macro 17.99%	Long / Short Equity 11.56%	Event Driven 8.73%	Long / Short Equity 14.38%
Global Macro 11.69%	Event Driven 11.18%	Equity Market Neutral 7.37%	Long / Short Equity 17.27%	Hedge Fund Index 9.64%	Global Macro 8.50%	Convertible Arbitrage 14.30%
Event Driven 7.26%	Equity Market Neutral 9.33%	Fixed Income Arbitrage 5.73%	Hedge Fund Index 15.44%	Global Macro 8.49%	Hedge Fund Index 7.97%	Hedge Fund Index 13.86%
Fixed Income Arbitrage 6.29%	Fixed Income Arbitrage 6.55%	Convertible Arbitrage 4.04%	Managed Futures 14.13%	Fixed Income Arbitrage 6.86%	Equity Market Neutral 5.76%	Global Macro 13.53%

Risk/Return of Hedge Funds vs. Stocks & Bonds

January 1994 – October 2007

Almost every hedge fund strategy has outperformed stocks since 1994 with lower volatility



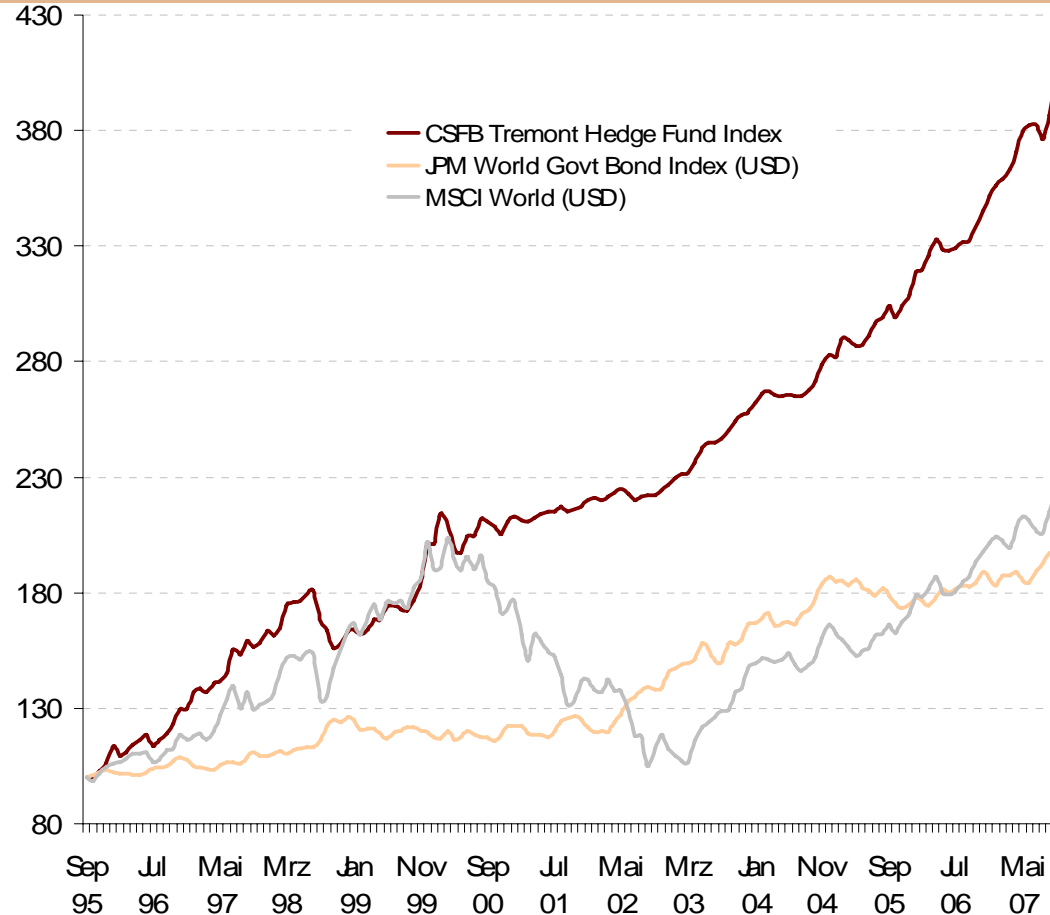


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Hedge Funds - an Attractive Alternative to Stocks & Bonds

September 1995 – October 2007



Correlation:	JPM World Govt Bond Index (USD)	MSCI World (USD)
CSFB Tremont Hedge Fund Index	-0.060	0.495



Value-added of Hedge Funds within an Asset Allocation

Adding hedge funds to a traditional portfolio of bonds and stocks can significantly improve the risk-adjusted return of the portfolio, and

- **Provide absolute returns** (downside protection combined with upside participation in positive market swings)
- **Enhance portfolio diversification** (low correlation with traditional asset classes)
- **Preserve capital** (low risk profile)





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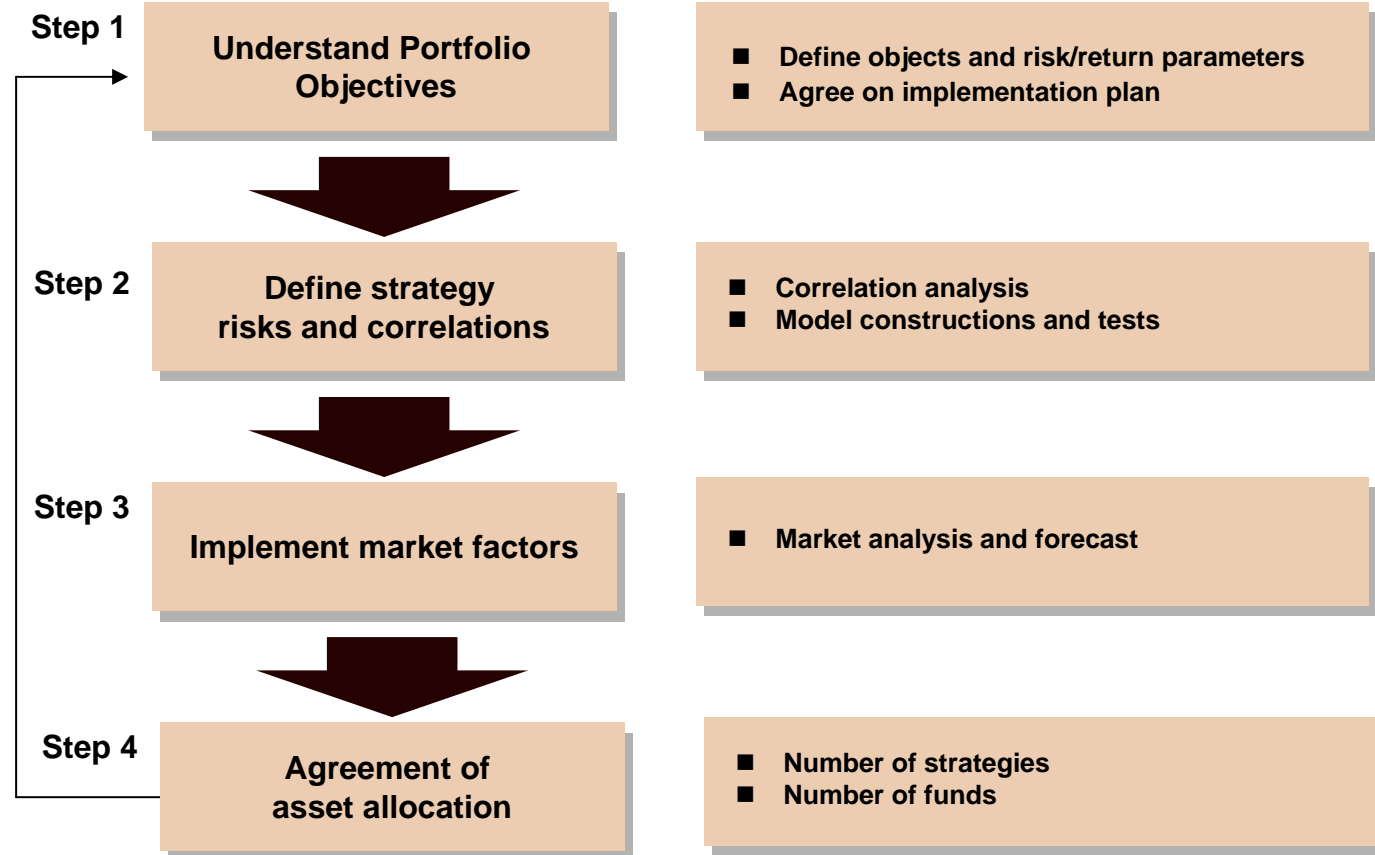


How Plenum Approaches Hedge Fund Investments

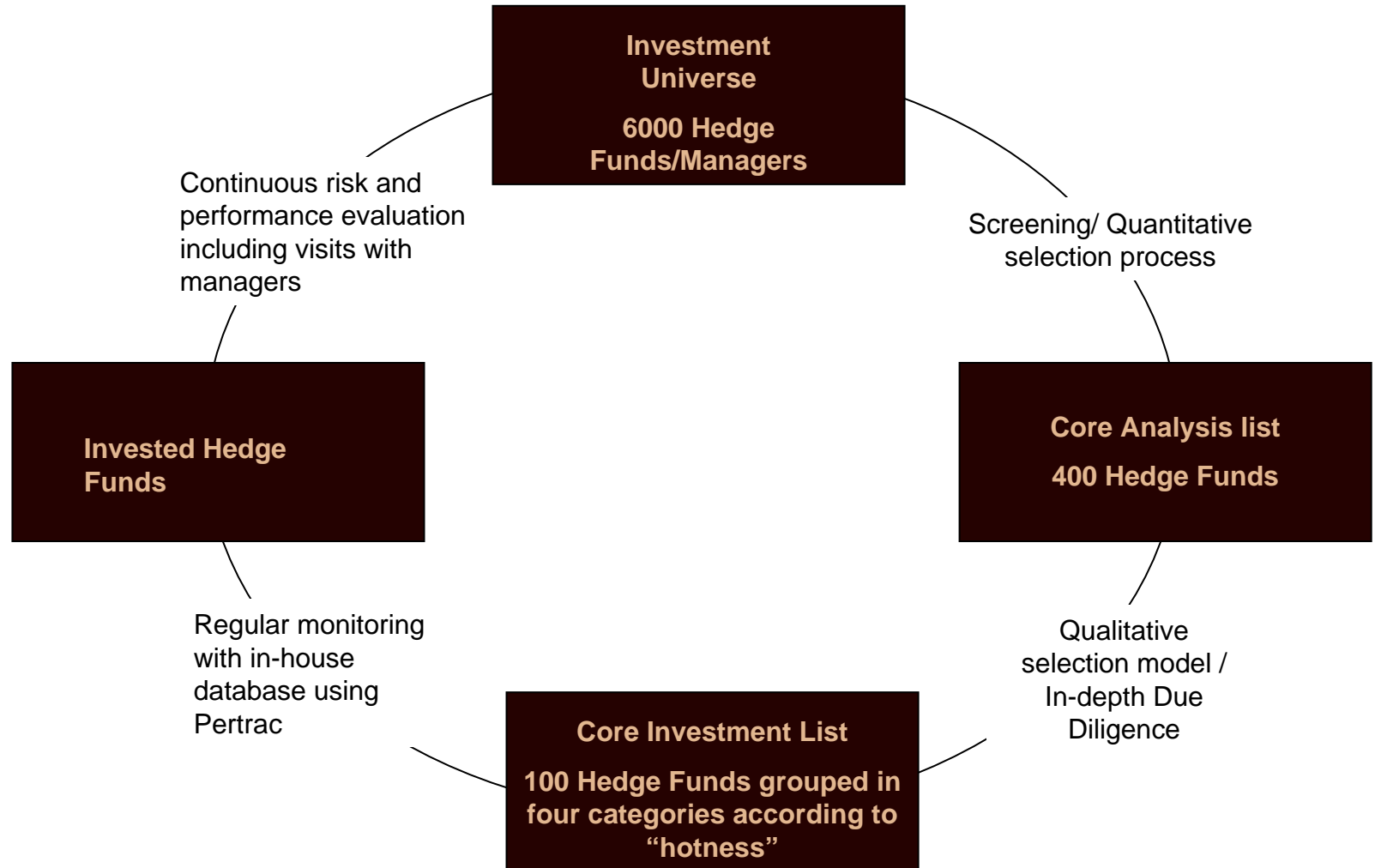
- Hedge funds play a decisive role in our advisory and asset allocation practice.
- Plenum offers investment management services to clients who wish to invest in offshore multi-manager fund-of-funds and single manager funds.
- Our hedge fund products provide diversification across diverse strategies including: long/short equity (growth and value), global macro, event driven and sector-specific strategies and access to exclusive managers who are not generally available to the public.



Top Down Asset Allocation Process



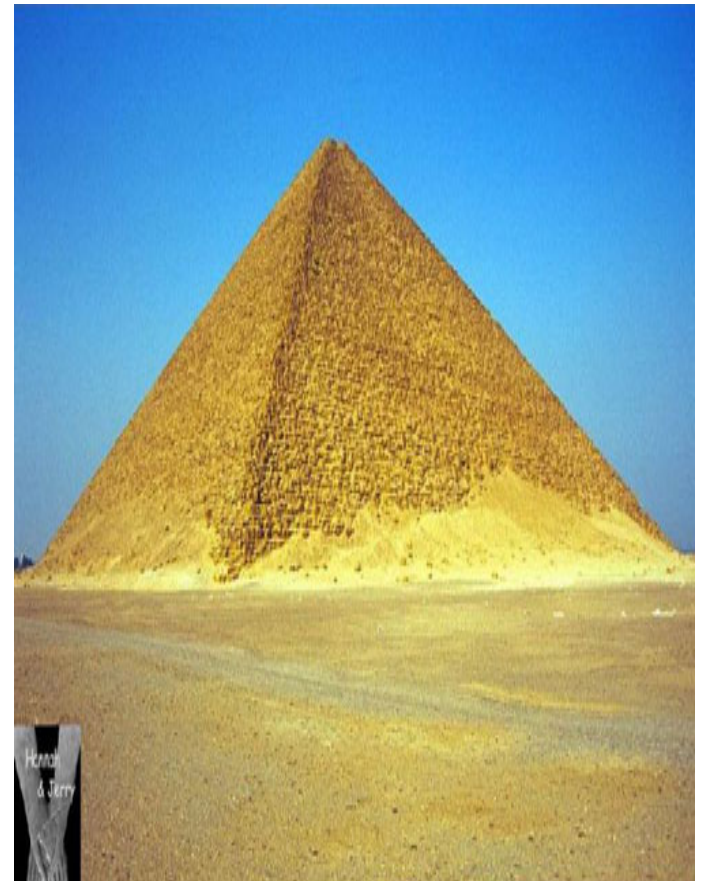
Bottom Up Hedge Fund Selection Process



Plenum Hedge Fund Portfolio Creation & Due Diligence Processes

Evaluating prospective managers requires attention to the four 'P's:

- **People (education, experience, turnover)**
- **Philosophy (consistent strategy, risk management)**
- **Process (how investment philosophy is implemented)**
- **Performance (calculation, risk/return over market cycles, consistency)**



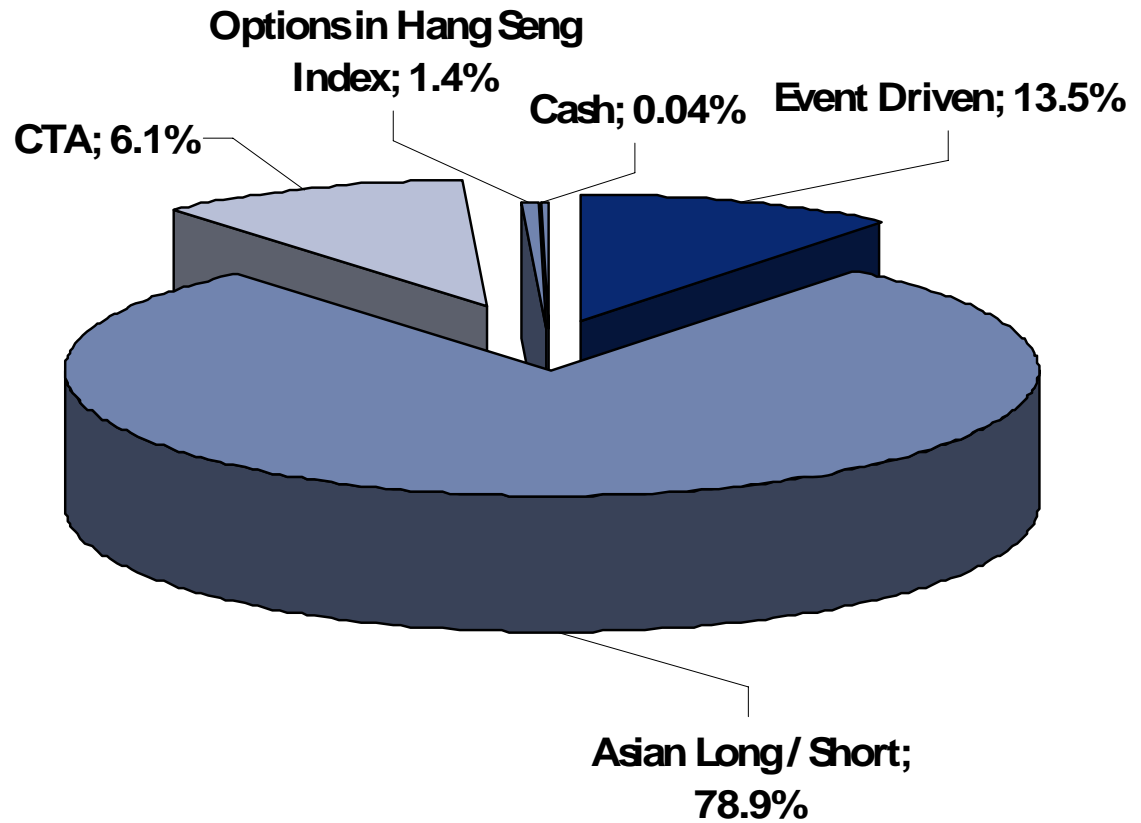


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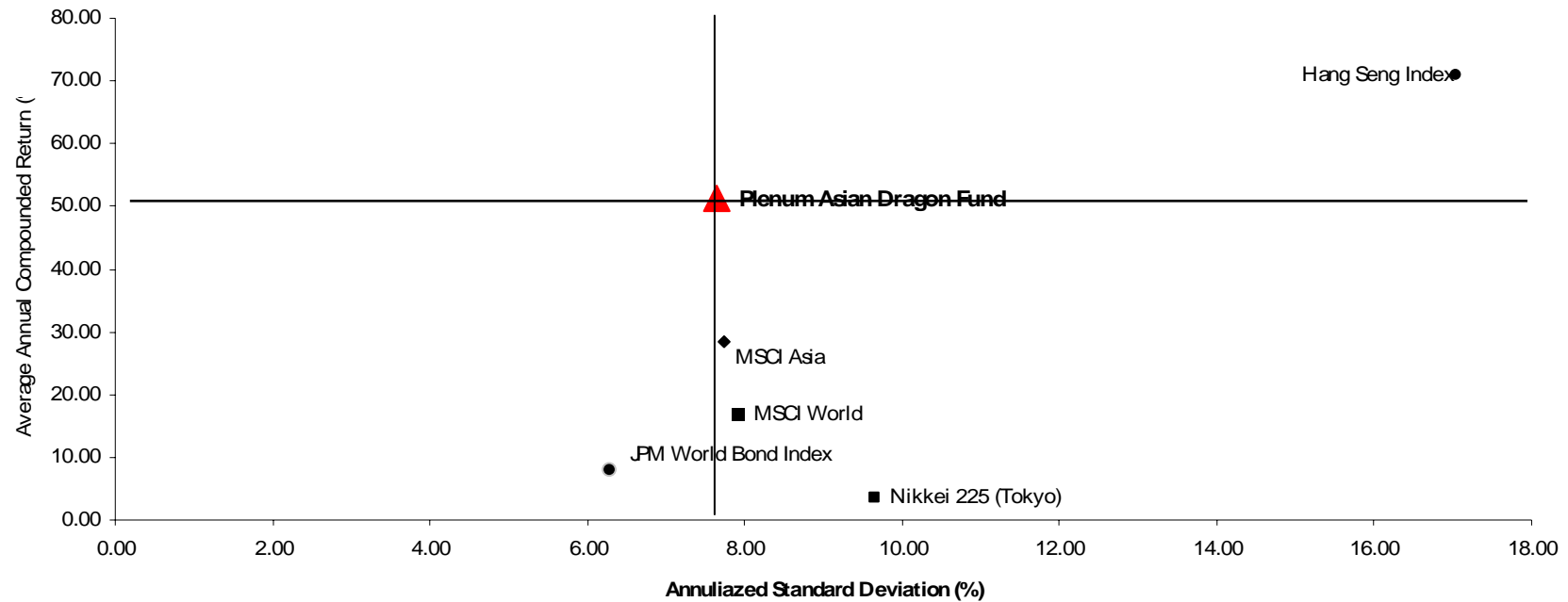
Asian Fund of Hedge Funds

Portfolio and Asset Allocation



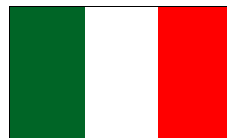
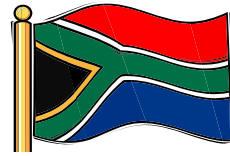
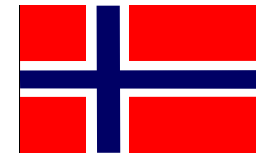
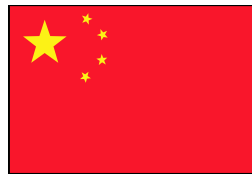
Plenum Asian Dragon Fund Risk/Return Analysis

October 2006 – October 2007





Strength Through Diversity





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