Organization	Headquarters	Year Founded	Registered Investment Advisor	Firm Assets ($ mm)	Affiliations/Ownership	Investment Fund
Aetos Capital, L.P.	New York, NY	1999	Yes	$6.5 billion	Aetos is 100% employee owned across 13 partners. Firm founder Jim Allwin recently passed away. His ownership is controlled by his family. The voting rights attached to this ownership have been transferred to Aetos.	Aetos Growth Offshore, LLC
Blackstone Alternative Asset Mgmt.	New York, NY	1990	Yes	$28 billion	The Blackstone Group, Inc., recently sold 15% of the firm's management company via an initial public offering (IPO) and also entered into an agreement to sell 20% to the People's Republic of China. Following these transactions, approximately 68% of the firm will be privately owned by individual partners and 7% by American International Group (non-voting equity interest).	BPIF Partners Offshore Ltd.
Common Sense Investment Management, LLC	Portland, OR	1991	Yes	$3.9 billion	CSIM is 100% employee owned across 10 partners. Firm founder and co-CIO Jim Bisenius owns over 85% of the company.	Common Sense Partners, Ltd.
Entrust Capital Inc.	New York, NY	1997	Yes	$4.3 billion	The firm is 100% employee owned by three principals: Michael Horowitz, Mark Fife and Gregg Hymowitz. Prior to founding the firm, the Principals were all Vice Presidents in the Private Client Services Group of Goldman Sachs & Co where they worked as a team.	EnTrust Capital Diversified Fund Ltd.
Grosvenor Capital Management L.P.	Chicago, IL	1971	Yes	$24.5 billion	In October 2007, three investment funds under the management of Hellman & Friedman LLC acquired Value Asset Management's (VAM) 30% stake in Grosvenor. The remainder is owned indirectly by Grosvenor Holdings, LLC which is owned by senior employees of the firm.	Grosvenor Institutional Partners, L.P.

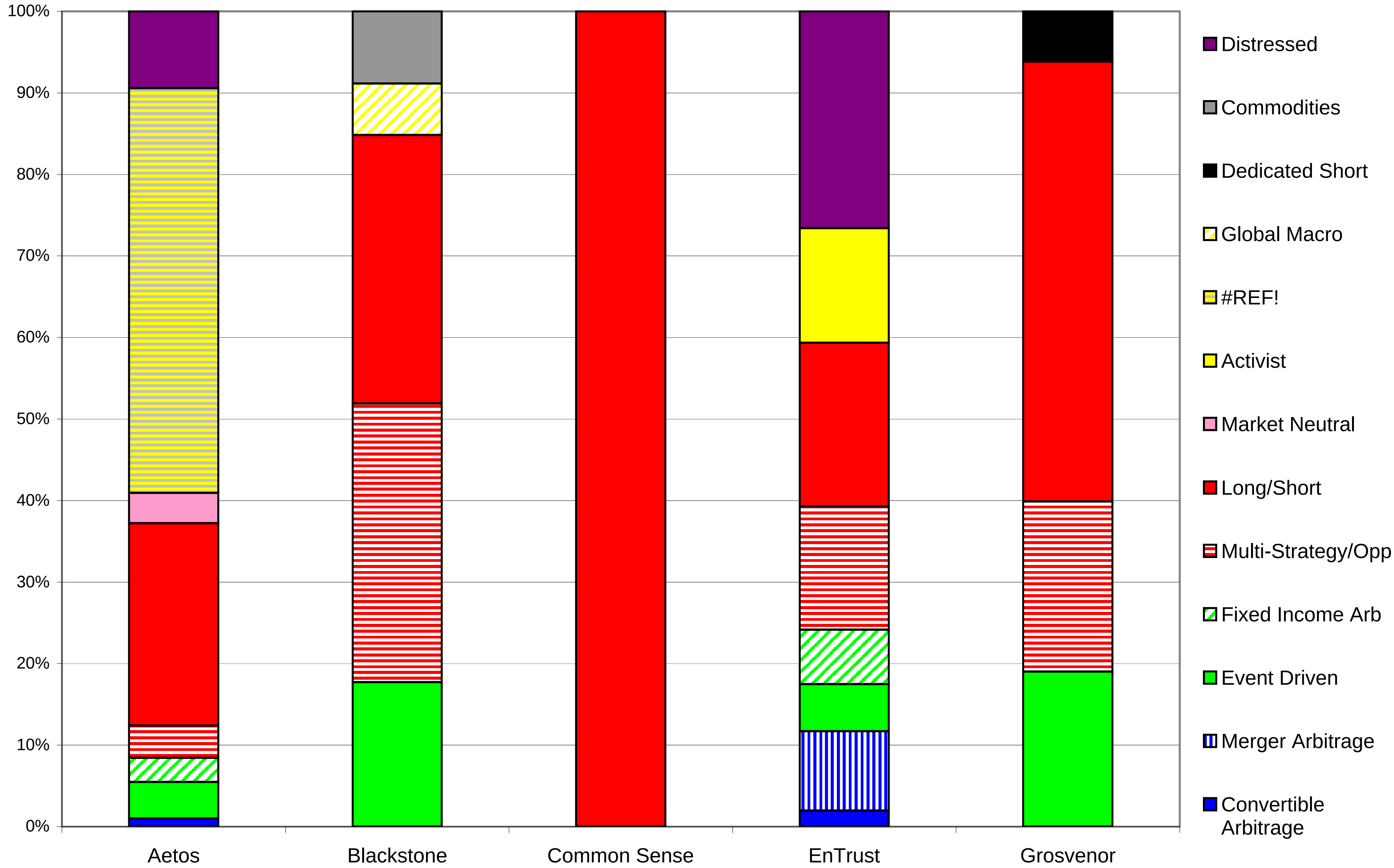
PERFORMANCE REVIEW: STATED OBJECTIVES VS. ACTUAL RESULTS

Period Ending: September 30, 2008

	Performance Objective(s)		Actual Results - Last Five Years								
			Annual Returns - 12 months ending Sept. 30th					Cumulative Returns		Risk (st. dev.)	
Alternatives Candidates	Return	Vol	2004	2005	2006	2007	2008	5-Year	3-Year	5-Year	3-Year
Aetos Capital Growth OS	T-Bill + 5%	< 5%	5.8	8.9	6.5	9.5	-6.4	4.7	3.0	5.4	6.5
Blackstone Partners OS	T-Bill + 5%	< 5%	5.3	9.0	8.5	15.3	-6.5	6.1	5.4	5.6	6.9
Common Sense Partners	Equity-Like	Half Equity Vol	4.7	8.4	2.1	13.0	5.6	6.7	6.8	7.1	8.5
EnTrust Capital Diversified Ltd.	T-Bill + 5%	< 5%	11.9	9.2	8.1	14.0	-11.1	6.0	3.1	7.3	8.5
Grosvenor Inst'l Partners L.P.	T-Bill + 5%	< 5%	6.1	9.2	6.5	12.8	-9.5	4.7	2.8	6.4	7.7
Benchmark Indices											
HFRI Composite			5.7	10.3	7.0	14.0	-10.8	4.9	2.9	7.2	8.5
Citigroup T-Bill: 3 Month			1.0	2.5	4.4	5.0	3.0	3.2	4.1	0.7	0.5
S&P 500			13.9	12.2	10.8	16.4	-22.0	5.2	0.2	10.4	10.4
Lehman Aggregate Index			3.7	2.8	3.7	5.1	3.7	3.8	4.2	3.4	3.1

Fresno County Employees Retirement System

Fund Allocation by Strategy Type Period Ending: September 30, 2008



Organization / Fund of Funds Program	Assets	Managers			Largest	Use of Leverage: Avg		
	Strategy AUM ($mm)	Currently Invested	Limits	Turnover	Drawdown	Manager Level	Fund Level	Total Fund
Aetos Capital Management Aetos Growth Offshore LLC	$2,152	46	15%	15%	-8.44% 6/2008 - 9/2008	2.1:1	0.00	2.1:1
Blackstone Alternative Asset Management Blackstone Partners Offshore Ltd.	$5,020	164	15%	14%	-7.67% 6/2008 - 9/2008	2.2:1	0.00	2.2:1
Common Sense Investment Management Common Sense Partners	$2,500	39	15%	10%	-9.67% 7/2008 - 9/2008	1.4:1	0.00	1.4:1
EnTrust Capital Management EnTrust Capital Diversified Fund Ltd.	$3,609	40	15%	12%	-11.77% 6/2008 - 9/2008	1.5:1	0.00	1.5:1
Grosvenor Capital Management Grosvenor Institutional Partners L.P.	$5,500	64	15%	18%	-10.89% 6/2008 - 9/2008	1.8:1	0.00	1.8:1

Fresno County Employees Retirement System

Performance Review: Cumulative Returns

Period Ending: September 30, 2008

	Annualized Returns									
	10 Years	**9 Years**	**8 Years**	**7 Years**	**6 Years**	**5 Years**	**4 Years**	**3 Years**	**2 Years**	**1 Year**
Benchmarks										
HFRI Composite	6.6	5.9	4.3	5.1	5.6	4.9	4.7	2.9	0.9	-10.8
S&P 500	3.1	0.6	-0.9	3.5	8.1	5.2	3.1	0.2	-4.7	-22.0
LB Aggregate	5.2	5.8	5.7	4.7	4.1	3.8	3.8	4.2	4.4	3.7
90-Day T-Bills	3.4	3.3	3.0	2.7	2.9	3.2	3.7	4.1	4.0	3.0
T-Bills + 5%	8.7	8.6	8.3	8.0	8.0	8.3	8.9	9.4	9.5	8.5
Fund of Fund Candidates										
Aetos Capital Growth					5.4	4.7	4.4	3.0	1.3	-6.4
Blackstone Partners	8.3	7.6	6.1	5.9	6.5	6.1	6.3	5.4	3.9	-6.5
Common Sense Partners	10.2	10.2	8.8	6.9	6.6	6.7	7.2	6.8	9.2	5.6
Entrust Capital Diversified						6.0	4.6	3.1	0.7	-11.1
Grosvenor Institutional Partners			5.6	5.0	5.6	4.7	4.4	2.8	1.0	-9.5

All returns are net of investment management fees and are calculated by the investment manager.

Fresno County Employees Retirement System

Performance Review: Fiscal-Year Returns

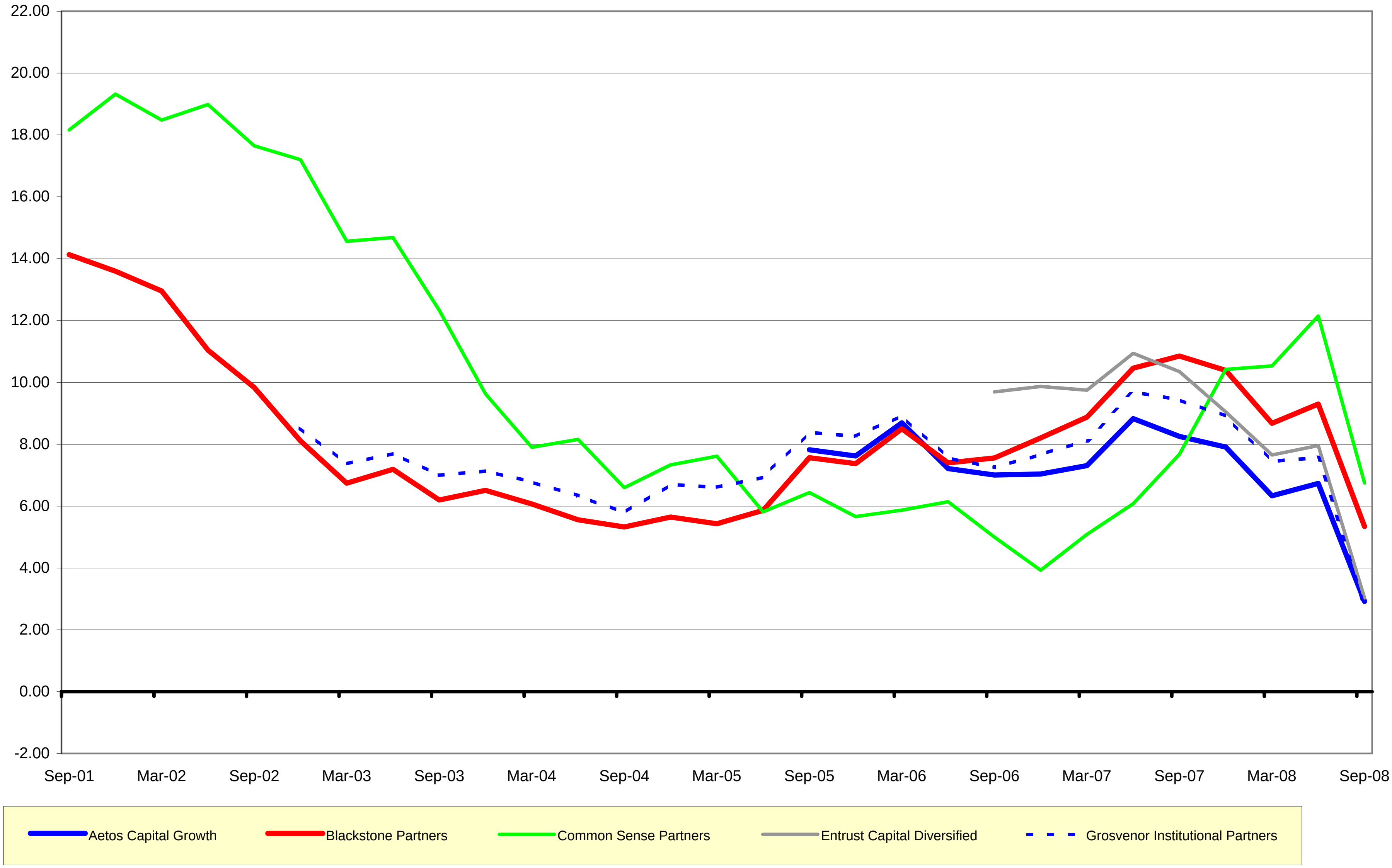
Period Ending: September 30, 2008

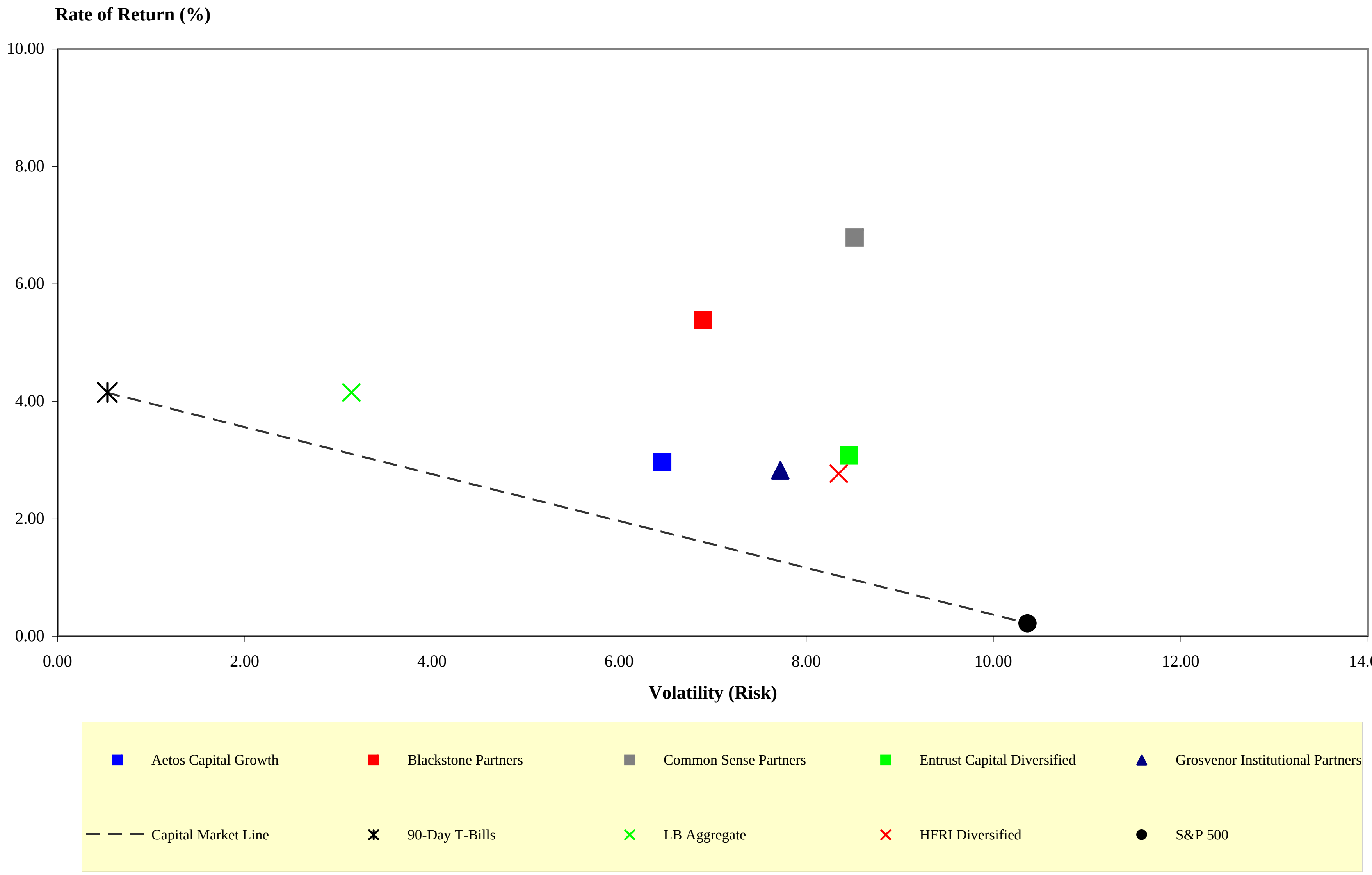
	12-Month Periods Ending September 30th…									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Benchmarks										
HFRI Composite	12.6	19.6	-0.8	2.1	9.0	5.7	10.3	7.0	14.0	-10.8
S&P 500	27.8	13.3	-26.6	-20.5	24.4	13.9	12.2	10.8	16.4	-22.0
LB Aggregate	-0.4	7.0	13.0	8.6	5.4	3.7	2.8	3.7	5.1	3.7
90-Day T-Bills	4.6	5.6	5.0	2.0	1.2	1.0	2.5	4.4	5.0	3.0
T-Bills + 5%	10.0	10.7	11.0	7.7	6.6	6.1	7.3	9.2	10.4	8.5
Fund of Fund Candidates										
Aetos Capital Growth					8.9	5.8	8.9	6.5	9.5	-6.4
Blackstone Partners	14.8	20.1	8.0	2.3	8.5	5.3	9.0	8.5	15.3	-6.5
Common Sense Partners	10.3	22.1	22.6	8.8	6.3	4.7	8.4	2.1	13.0	5.6
Entrust Capital Diversified						11.9	9.2	8.1	14.0	-11.1
Grosvenor Institutional Partners			9.8	1.5	9.9	6.1	9.2	6.5	12.8	-9.5

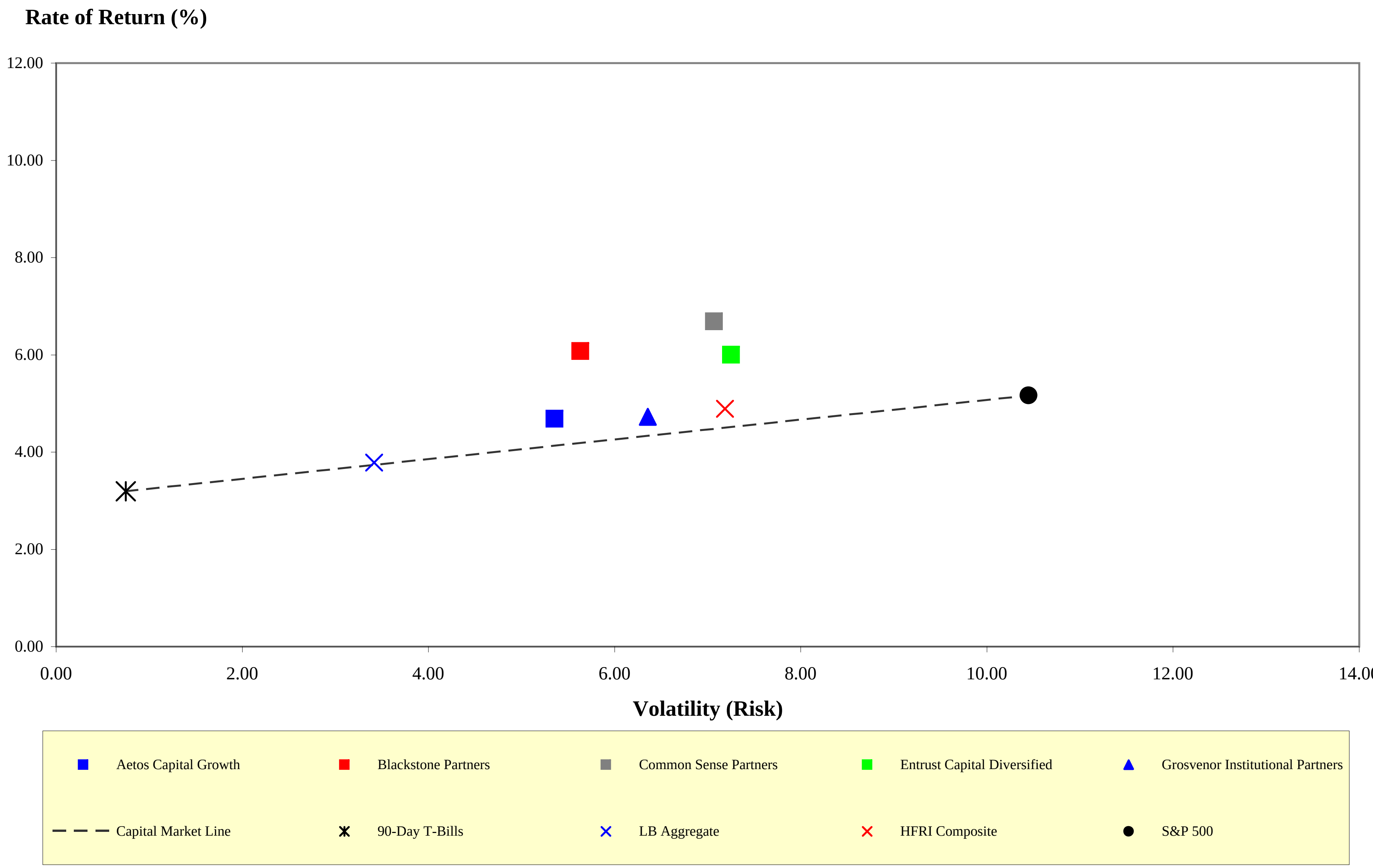
Fresno County Employees Retirement System

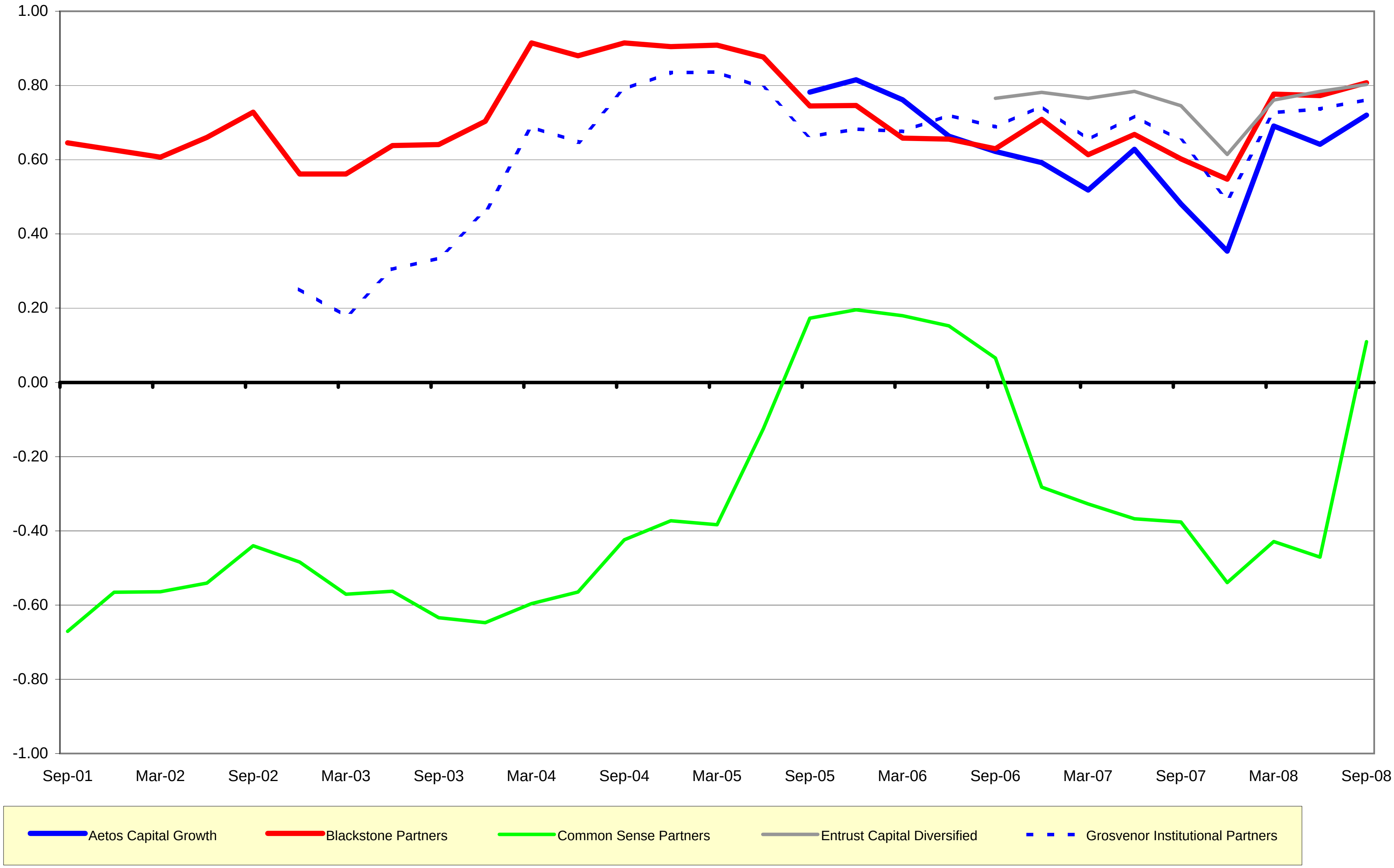
Rolling Three Year Excess Returns vs 90 Day T-Bills

Period Ending: September 30, 2008




Rate of Return (%)
10.00
8.00
6.00
4.00
2.00
0.00
0.00
2.00
4.00
6.00
8.00
10.00
12.00
14.00
Volatility (Risk)
Aetos Capital Growth
Blackstone Partners
Common Sense Partners
Entrust Capital Diversified
Grosvenor Institutional Partners
Capital Market Line
90-Day T-Bills
LB Aggregate
HFRI Diversified
S&P 500

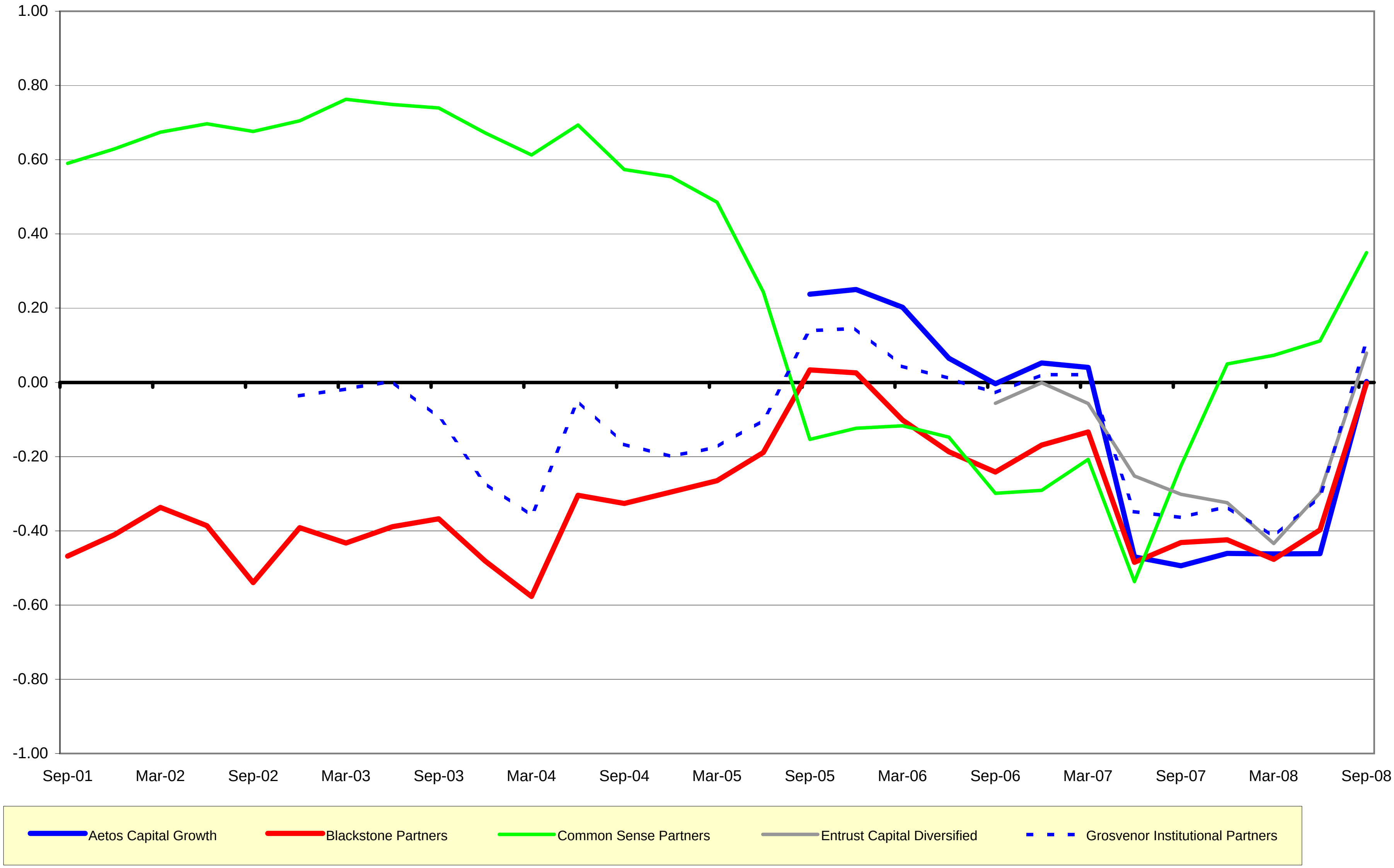

Rate of Return (%)
12.00
10.00
8.00
6.00
4.00
2.00
0.00
0.00
2.00
4.00
6.00
8.00
10.00
12.00
14.00
Volatility (Risk)
Aetos Capital Growth
Blackstone Partners
Common Sense Partners
Entrust Capital Diversified
Grosvenor Institutional Partners
Capital Market Line
90-Day T-Bills
LB Aggregate
HFRI Composite
S&P 500


1.00
0.80
0.60
0.40
0.20
0.00
-0.20
-0.40
-0.60
-0.80
-1.00
Sep-01
Mar-02
Sep-02
Mar-03
Sep-03
Mar-04
Sep-04
Mar-05
Sep-05
Mar-06
Sep-06
Mar-07
Sep-07
Mar-08
Sep-08
Aetos Capital Growth
Blackstone Partners
Common Sense Partners
Entrust Capital Diversified
Grosvenor Institutional Partners

Fresno County Employees Retirement System

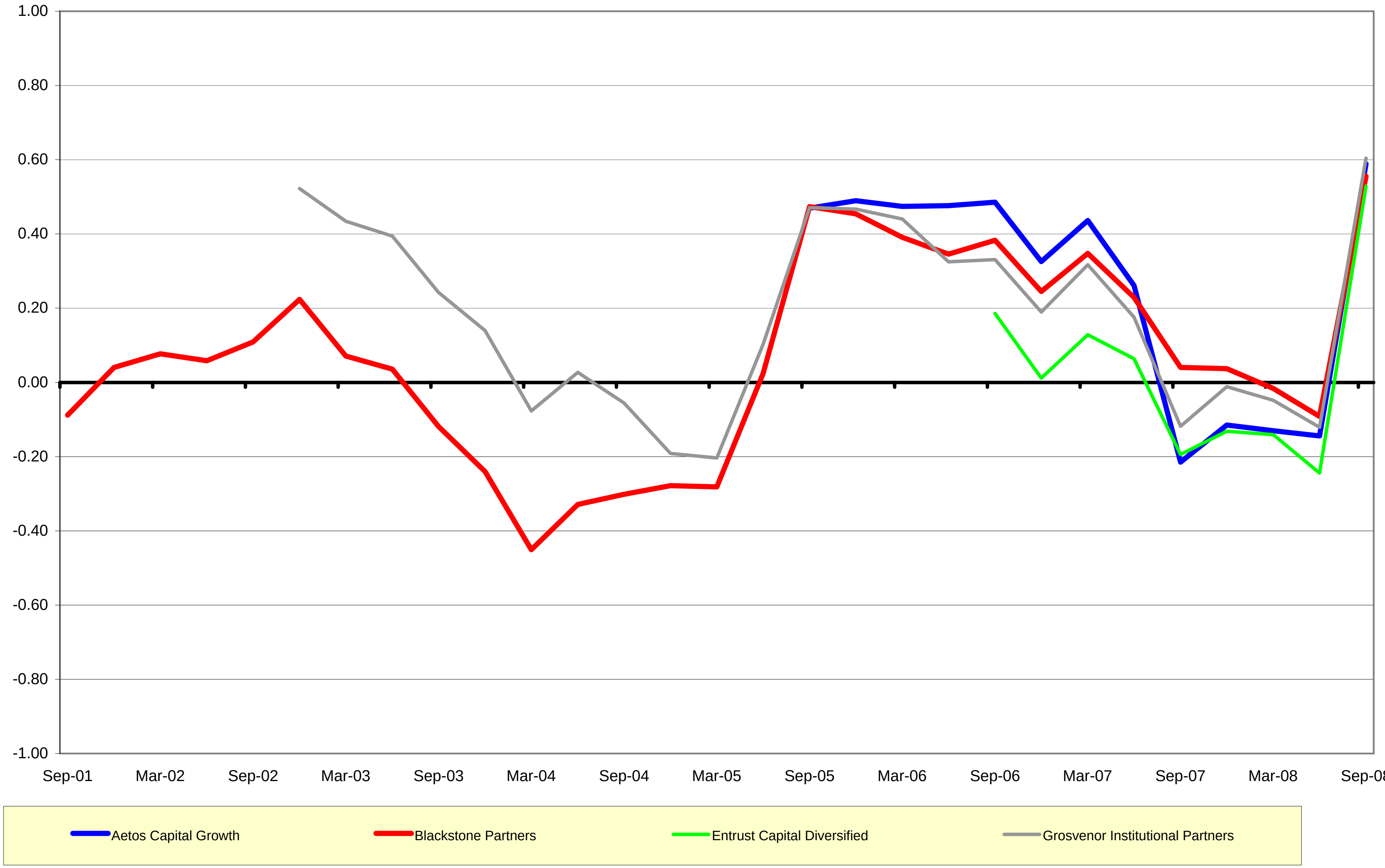
Rolling 3 Year Correlation to LB Aggregate

Period Ending: September 30, 2008



Rolling 3 Year Correlation to Common Sense

Period Ending: September 30, 2008



Fund Expenses

Period Ending: September 30, 2008

Organization / Fund of Funds Program	Minimum Investment	Management Fee / Expense Ratio	Performance Fee	Other: Hurdle Rate	Other: High Water Mark	Liqudity
Aetos Capital Management Aetos Capital Growth	$1,000,000	0.75%	10.0%	Yes (T-Bills)	Yes	One year lock-up. Quarterly liquidity with 90 days written notice.
Blackstone Alternative Asset Mgmt BPIF Partners Offshore	$5,000,000	1.25%	none	NA	NA	No lock up. Semi-annual withdrawals on June 30th & December 31st subject to 95 days written notice
Common Sense Investment Mgmt Common Sense Partners	$1,000,000	1.50%	1.0%	No	Yes	One year lock-up. Annual liquidity with 100 days written notice.
Entrust Capital Entrust Capital Diversified Fund Cl. C	$1,000,000	1.50%	5.0%	No	Yes	One year lock-up. Quarterly liquidity with 60 days written notice.
Grosvenor Capital Management, L.P. Grosvenor Institutional Partners, L.P.	$5,000,000	1.30%	none	NA	NA	One-year lock up. Quarterly withdrawals thereafter upon 70 days' written notice.

Aetos Capital Management
Aetos Growth Offshore Fund

Fund Type:	Offshore	Legal Counsel:	Maples & Calder
Inception Date:	June 1, 2004	Auditors:	PricewaterhouseCoopers LLP
Domicile:	Cayman Islands	Last Audit:	December 31, 2007

Investment Objective:

The fundamental strategy is to develop a limited number of investment capabilities which generate positive risk-adjusted returns over a full market cycle. Aetos Capital organizes the universe of absolute return strategies into four distinct "core" categories based on their underlying characteristics. These core categories are: multi-strategy arbitrage, distressed investments, long/short and market neutral.

Investment Thesis:

Aetos has created four SEC-registered commingled vehicles each investing with multiple managers of a single strategy type. Investments can be made directly into these commingled vehicles or investors can select one of three model portfolios consisting of tactical allocations to the commingled vehicles managed to specific return and volatility targets. The four underlying commingled funds are the long/short, market neutral, distressed, and multi-strategy arbitrage. The three model portfolios are: Conservative, Balanced and Growth. The Conservative portfolio targets T-bills + 5% with a standard deviation of 3.5% and a 0% allocation to the distressed commingled fund. The Balanced portfolio targets T-Bills + 6% with an estimated standard deviation of 3.7%. The Growth portfolio targets T-Bills + 7% with an estimated standard deviation of 4.8% and 15% allocation to the distressed commingled fund.

Manager Identification and Evaluation:

The Aetos Capital manager evaluation program includes a comprehensive operation due diligence assessment designed to manage risk across the entire investment process and business practices of hedge fund managers. This process of identifying managers is iterative in nature and involves both fundamental and organizational risk assessments. The initial manager universe that Aetos considers consists of over 6,000 managers. After initial screens have been conducted on the universe that number is narrowed down to 250-300 managers. Of these managers, 100-150 receive some form of ongoing monitoring and 25-75 are put through a more active due diligence process. The process concludes with investment relationships being formed with 15-35 managers.

The fundamental screening is a fairly straight forward process that attempts to identify economic fundamentals, drivers of strategy and performance, viability in various market environments, strategy capacity, fund flows and milestone issues and deals. Fundamentals such as interest rates, credit spreads, liquidity, equity and debt market conditions are an essential part of their evaluation process. However, Aetos places a greater emphasis on qualitative factors. The qualitative component is critical to the evaluation process. This portion of the process focuses on areas such as experience and organizational depth, culture and values, overall investment strategy, integrity, discipline of investment and risk management framework. This evaluation is conducted through a network of existing contacts and relationships, onsite process reviews of the manager, third party background checks on the manager as well as any external partners that the manager is currently doing business with.

Aetos Capital Management
Aetos Growth Offshore Fund

Risk Control & Measurement Process

Aetos has dedicated senior-level operational and quantitative risk management teams presiding over the entire risk management process. At the portfolio level, they break risk out into four broad categories: Manager Risk, Market Risk, Liquidity Risk, and Strategy Specific Risk. For the portfolio itself, Aetos continuously runs exposure reports, internal stress testing and third party risk systems stress testing.

They are continually assessing broader implications for each absolute strategy that they invest with. Part of this process seeks to identify changing drivers of specific strategy performance such as: M&A announcements and offer premiums (event driven arbitrage), convertible issuance and volatility (convertible arbitrage), default rates and bond spreads (distressed investments) and industry sector trends (long/short). In addition to monitoring these strategy drivers, they evaluate aggregate assets under management in a strategy and the outlook for new issues/transactions vs. fund flows. The end goal of the constant monitoring is to assure the portfolio remains focused on low beta strategies, while not becoming overly concentrated or illiquid.

Aetos monitors the leverage and large positions of each of its managers on an ongoing basis through frequent discussions with the managers concerning trades and market strategies, along with their awareness of their quantitative risk measures. Their system allows the investment team not only to look at all relevant measures of risk, including volatility, betas, cross correlations and drawdowns, but most importantly, creates a formalized method of looking at these risks quickly, easily and regularly. All of these factors are viewed together in models, which simulate the entire array of allocation options within the fund, providing a complete view of the current and potential quantitative risks. These measures are all integrated with a portfolio construction process that aims at operating within client specific guidelines, targeting specific return and volatility parameters and low correlation.

Underlying Manager Risk & Style Drift Monitoring Process

Through constant communication, strategy and onsite process reviews Aetos maintains a high level of transparency. The primary goal is to monitor performance and measure leverage and concentration. Periodic rebalancing stems from these reviews as well as the outlook for the underlying strategies. In addition to the continued analysis of managers' resources and core competencies, Aetos conducts ongoing operational reviews. The operational reviews are administered through onsite audits, regular conference calls, documentation review adn third party background checks. The manifestation of the ongoing monitoring is an operational risk scorecard that provides a synopsis of critical evaluation elements. Some of the elements are: ownership and legal structure, key person risk, trading program and procedures, investment process operations, subscription and redemption terms, regulator compliance and control, systems and automation controls, counterparty and credit risk management.

Aetos Capital Management
Aetos Growth Offshore Fund

Biographies of Key Investment Professionals:

James Allwin, Founder and Chief Excecutive Officer

Mr. Allwin is the Founder and President of Aetos Capital and CEO of Aetos Absolute Return Strategies. Prior to founding Aetos Capital, Mr. Allwin was head of the investment management businesses of Morgan Stanley, which included Morgan Stanley Asset Management, Miller Anderson & Sherrard and the firm's Private Equity and Real Estate Funds. Over the course of his career at Morgan Stanley, Mr. Allwin also worked in areas such as Corporate Finance and M&A. He was a member of the Morgan Stanley Management Committee. Mr. Allwin is a graduate of Yale University, where he served as a member of the Investment Committee from 1997 to 2002 and a graduate of the Amos Tuck School of Business Administration at Dartmouth College where is a member of the Board of Overseers.

Anne Casscells, Managing Director, Portfolio Manager

Ms. Casscells is a Managing Director of Aetos Capital and the Co-President and Chief Investment Officer of Aetos Absolute Return Strategies. Prior to joining Aetos in October 2001, Ms. Casscells was the Chief Investment Officer of the Stanford Management Company, where she was responsible for the investment of over $10 billion in endowment funds and other assets on behalf of Stanford University. Prior to assuming her position as CIO in 1998, Ms. Casscells served for two and a half years as Managing Director of Investment Policy Research, where she was responsible for asset allocation and for the endowment’s absolute return investments. During this period, she expanded the absolute return portfolio from $150 million to $650 million and developed a portable alpha program to enhance returns in the endowment’s U.S. equity and fixed income asset classes. Prior to joining the Stanford Management Company, Ms. Casscells was a Vice President in Goldman Sachs’ fixed income division and an analyst at Morgan Stanley. Ms. Casscells earned her Masters of Business Administration from the Stanford Graduate School of Business, where she was an Arjay Miller Scholar, and a Bachelor of Arts in British Studies, cum laude, from Yale University.

James T. Gibbons, Managing Director, Portfolio Manager

Mr. Gibbons is a Managing Director of Aetos Capital and is a portfolio manager and senior member of the of the Aetos Absolute Return Strategies’ Investment Team. Prior to joining Aetos Capital in July 2002, Mr. Gibbons served as a Senior Vice President at Evaluation Associates Capital Markets, where he was responsible for research and due diligence on a large group of relative value and event driven hedge fund managers. During his career at Evaluation Associates Mr. Gibbons and team managed up to $2.6 billion in assets. Before joining Evaluation Associates, Mr. Gibbons spent ten years with AIG in New York, London and Tokyo. He served as chief investment officer for various AIG insurance entities, and his responsibilities included asset allocation as well as the management of fixed income, equity and non-traditional investment teams that invested $13 billion as a managing director for AIG Global Investment Corp. Earlier in his career, Mr. Gibbons worked for Unilever in their treasury units in the U.S. and London. Mr. Gibbons received his Bachelor of Science degree in Finance from Georgetown University.

Michael Klein, Managing Director, Co-President and Chief Operating Officer

Mr. Klein is a Managing Director of Aetos Capital and the Co-President and Chief Operating Officer of Aetos Absolute Return Strategies. Prior to joining Aetos Capital in March 2000, Mr. Klein was a Managing Director of Morgan Stanley & Co. Mr. Klein was President and a Director of the Morgan Stanley Institutional Open and Closed-End Funds. Mr. Klein joined Morgan Stanley in 1995 and was involved in both the firm’s institutional asset management and retail funds businesses. Prior to joining Morgan Stanley, he practiced law at the international law firm of Rogers & Wells in New York. Mr. Klein is a magna cum laude graduate of Colgate University where he was elected to Phi Beta Kappa, and received his Juris Doctor degree from Boston College Law School where he graduated cum laude

Blackstone Alternative Asset management
BPIF Partners Offshore Ltd.

Fund Type:	Offshore	Legal Counsel:	Schulte Roth & Zabel LLP
Inception Date:	March 1, 2005	Auditors:	Deloitte & Touche LLP
Domicile:	Cayman	Last Audit:	December 31, 2007

Investment Objective:

The goal of Partners is to produce attractive risk-adjusted returns through a highly diversified multi-strategy approach utilizing relative value, interest rate-driven, and event-driven investment disciplines. The fund targets an annualized net rate of return of treasury bills plus 5% over a full market cycle, with low volatility and low correlation as compared to traditional asset classes.

Investment Thesis:

BAAM's investment thesis is first and foremost to deliver superior risk adjusted returns. Their goal is to achieve these returns while consistently maintaining the risk/reward profile that BAAM has developed for each strategy, with low volatility and low correlation to traditional asset classes. Consistent with their objectives, the focus on downside protection is a prominent theme across all of BAAM's strategies. BAAM's investment process has been influenced by the broad market backgrounds of its Team. BAAM's Senior Investment Officer and its Manager Team have extensive backgrounds in trading, risk management and fund management on a global basis in the fixed income, foreign exchange and equities sectors, and with various derivative products.

Manager Identification and Evaluation:

The BAAM manager selection process begins with the identification of new managers. BAAM is able to find the most established and "up and coming" managers in the industry through its Manager Identification Team. Their role is to identify the very best new manager talent wherever and however it may arise. They seek to cultivate as many conduits for new manager ideas as possible and as such make use of the internal resources of The Blackstone Group, BAAM's Advisory Board, current BAAM managers, prime brokerage firms and leading hedge fund attorneys, as well as publicly available information sources such as databases, websites and newsletters. In addition, hedge fund managers regularly contact BAAM directly. On average, BAAM's Manager Identification Team meets with approximately 350 managers per year. Each week the members of the Manager Identification Team present a summary of the new managers that they met with the previous week to the rest of the team. Approximately eight to ten managers will be presented each week.

If a potential manager becomes a prospect, a thorough due diligence review is conducted. The BAAM due diligence process contains qualitative, structural/operational and quantitative elements. Approximately 1/3 of the weighting is given to various qualitative factors, 1/3 to structural/operational and 1/3 to quantitative factors. Prior to funding, the Manager Team spends a considerable amount of time with the manager to thoroughly assess these aspects of the fund.

BAAM's qualitative due diligence is divided into two categories. First, the candidates are evaluated based on the consistency of their investment process, investment strategy and risk controls. Secondly, business operational issues are evaluated. The background and organization of the group is considered as well as the legal structure of the business itself. The back office, operations and accounting departments as well as clearing and prime brokerage relationships are also investigated.

The Risk Management and Portfolio Management Teams are responsible for performing a variety of quantitative analyses to assess the quality of the manager's performance record. Making use of monthly historic returns since inception, various risk and return measures are calculated and evaluated. These measures are evaluated not only on a stand-alone basis but also in relation to the performance of the manager's peer group as well as the market conditions prevailing at the time. Risk scenario modeling is also performed under various hypothesized market conditions which include both high and low volatility environments. Stress testing of key inputs into the scenarios are also conducted to evaluate the robustness of underlying assumptions.

Based on the results of the steps outlined above, a collective decision will be made on whether or not to proceed with the final stages of the process. This involves requiring each prospective manager to complete an exhaustive due diligence book, which reviews all aspects of the investment fund and business in detail. BAAM's Chief Administrative Officer and the Legal Team review the fund's legal documents with BAAM's external legal counsel. The Administration Team is also responsible for reviewing necessary regulatory filings and conducting manager reference checks through several sources. On completion of the due diligence process, BAAM's Portfolio Management Team prepares a synopsis and recommendation for the proposed manager. BAAM's Investment Committee will then make a decision on whether or not to present the manager to the Advisory Board. A conference call discussion with BAAM's Advisory Board takes place to review the underlying manager before a final decision on whether or not to make an investment.

Blackstone Alternative Asset management
BPIF Partners Offshore Ltd.

Risk Control & Measurement Process

BAAM uses their proprietary risk management system to thoroughly analyze each manager's individual risk profile as well as the effect it may have on the overall portfolio. Their dedicated Risk Management Team is involved in every step of the process at BAAM. The Team examines risk at both the individual manager level and on the aggregate portfolio level. A variety of quantitative analyses are performed, including risk scenario modeling under different market conditions, as well as stress testing of key inputs into the scenarios.

To compile risk data, the underlying managers complete detailed risk reports quarterly. These reports break out exposure levels at the asset class and security level, as well as report the percentage of the portfolio that is considered illiquid and the top ten long and short positions. Each of these reports is analyzed against the prior data received from the manager. Anything that is not consistent with BAAM's understanding of the manager is questioned and any trends are noted. These reports are entered into BAAM's proprietary system, which aggregates portfolio exposures. There are also extensive due diligence questionnaires that are filled out before the initial funding and are updated annually for each manager. At least once a year the Manager Team performs an on-site front-office and backoffice visit to every funded manager.

BAAM monitors the leverage and large positions of each of its managers on an ongoing basis through frequent discussions with the managers concerning trades and market strategies, along with their awareness of their statistical risk measures. They also monitor trends in the underlying risk variables such as the use of rolling correlations. In addition, Blackstone has built a state-of-the-art proprietary risk management system designed to analyze hedge fund portfolio risk. This system allows the investment team not only to look at all relevant measures of risk, including volatility, betas, cross-correlations and drawdowns, but most importantly, creates a formalized method of looking at these risks quickly, easily and regularly. Specific periods of time are compared across managers. Performance trends of managers are analyzed for style drift using cluster analysis. All of these factors are viewed together in models, which simulate the entire array of allocation options within a fund, providing a complete view of the current and potential quantitative risks in the hundreds of hedge funds they monitor.

Underlying Manager Risk & Style Drift Monitoring Process

During monthly color calls and front office review meetings the team is reviewing the key risk/return drivers of the portfolio, discussing the largest positions and hedges of those positions, reviewing performance and getting an update on any changes at the organization. In addition, to the scheduled calls and visits, BAAM receives weekly performance numbers from approximately 90% of the underlying managers. The team looks at this data with respect to their understanding of their key risk/return drivers, if there are any questions based on this information the team follows up with the manager. For example, if a net long equity manager has a negative week during a strong market rally, the team could call the manager to follow up in a timely manner versus waiting until the end of the month.

Blackstone Alternative Asset management
BPIF Partners Offshore Ltd.

Biographies of Key Investment Professionals:

J. Tomilson Hill, Senior Managing Director

Mr. Hill is President & CEO of BAAM, a Vice Chairman of The Blackstone Group and President & CEO of Blackstone H.F. Associates L.P. Mr. Hill is a member of Blackstone's Management Committee, as well as the private equity group's Investment Committee, where he participates actively in the development and review of merchant banking transactions. Mr. Hill began his career at First Boston where he was one of the co-founders of the Mergers & Acquisitions Department. After running the M&A Department of Smith Barney, he joined Lehman Brothers as a partner in 1982, serving as Co-Head and subsequently Head of Investment Banking. Later, he served as Co-Chief Executive Officer of Lehman Brothers and Co-President and Co-COO of Shearson Lehman Brothers Holding Inc. Mr. Hill is a graduate of Harvard College and Harvard Business School.

Halbert D. Lindquist, Senior Managing Director

Mr. Lindquist is Senior Investment Officer of BAAM and a Senior Managing Director of The Blackstone Group. Mr. Lindquist is actively involved in the evaluation and selection of managers, in particular focusing on the risk management analysis of their operations. From 1986 to 1996, Mr. Lindquist was a Senior Managing Director of Bear Stearns where he structured the Mortgage Backed and Derivatives Arbitrage desks, and assumed responsibility for the Foreign Exchange and American Stock Exchange options desks. Importantly, during his tenure at Bear Stearns, Mr. Lindquist developed and implemented the Risk Management desk. From 1993 to 1996, Mr. Lindquist co-managed the European operations of Bear Stearns. Prior to joining Bear Stearns, Mr. Lindquist was employed by Carroll McEntee and McGinley, Inc. managing subsidiaries specializing in trading leveraged fixed income securities and commodity futures. Mr. Lindquist graduated from the University of Arizona with a degree in Business Administration and also earned his MBA from the University of Arizona.

Bruce H. Amlicke, Senior Managing Director

Mr. Amlicke is Chief Investment Officer of BAAM and a Senior Managing Director of The Blackstone Group. Since joining Blackstone, Mr. Amlicke has overseen all aspects of hedge fund manager evaluation, selection and monitoring, portfolio construction, portfolio management and risk management. He also serves on BAAM’s Advisory Board. Before joining Blackstone in 2004, Mr. Amlicke was Chief Investment Officer at UBS O’Connor for the global hedge fund-of-funds business. He chaired the group’s investment committee and ran the investment function including manager selection, portfolio management, risk control and asset allocation related to the firm’s various product offerings and institutional mandates. Mr. Amlicke began his career at O’Connor & Associates as a currency options trader. From 1986 to 1995, Mr. Amlicke traded listed, OTC and exotic derivatives, with his ultimate responsibilities in Philadelphia, Chicago, Singapore and London including managing global derivative portfolios and acting as Risk Manager for the Far East time zone. Mr. Amlicke is a graduate of the University of Michigan, where he received a BA in International Economics and Finance.

Brian Gavin, Managing Director

Mr. Gavin is a Managing Director of BAAM and is responsible for performing operational due diligence and monitoring procedures on BAAM’s underlying hedge fund managers from a business/financial perspective. He also serves on BAAM’s Allocation Committee. Before joining Blackstone in 2002, Mr. Gavin was a Partner in Arthur Andersen's Hedge Fund Advisory and Capital Markets group. Mr. Gavin received a BS in Accounting from New York University, where he graduated summa cum laude and was elected to Beta Gamma Sigma. He is a Certified Public Accountant.

Stephen W. Sullens, Managing Director

Stephen W. Sullens is a Managing Director of BAAM where he has responsibility for portfolio management. Prior to joining Blackstone, Mr. Sullens served as a Director with Citi Alternative Investment Strategies, Citigroup’s hedge fund investment center. In that role, he oversaw more than $650 million of hedge fund investments and was responsible for manager selection and monitoring, as well as portfolio construction and ongoing portfolio management. Previously, Mr. Sullens served as Manager of Alternative Investments for The Walt Disney Company. Mr. Sullens received both his BA in Economics and Political Science and his Masters in Industrial Engineering from Stanford University. Mr. Sullens is also a Chartered Financial Analyst.

Michael B. Purvis, Managing Director

Mr. Purvis is a Managing Director in BAAM responsible for hedge fund manager risk analysis, as well as risk monitoring and analysis of the BAAM funds. He also serves on BAAM’s Allocation Committee. Before joining Blackstone in 2001, Mr. Purvis served as a Senior Vice President at Dime Bancorp where he oversaw the valuation and hedging of a wide variety of fixed-income products and derivatives. Mr. Purvis holds an MS in Accounting from New York University and an AB in Economics from Princeton University. Mr. Purvis is also a Certified Public Accountant

Common Sense Investment Management
Common Sense Partners Offshore, Ltd.

Fund Type:	Offshore	Legal Counsel:	Ogier
Inception Date:	January 1, 2002	Auditors:	Ernst & Young, LLP
Domicile:	Cayman	Last Audit:	December 31, 2007

Investment Objective:
Common Sense Partners is their balanced less directional low net market exposure offering. The objective of the strategy is generate equity-like returns over a full market cycle with half the volatility of public equity.

Investment Thesis:
Common Sense believes that an investment approach that emphasizes the following characteristics can provide a significant value-added component to an investor's overall portfolio and superior risk-adjusted returns. Areas of emphasis include: U.S. equity long/short managers; an overall focus on low net market exposure; small and flexible managers focused on fundamental research; and systematic diversification by manager, style and capitalization. The hallmark of Common Sense's approach is performing well during down periods or risk averse market environments.

Manager Identification and Evaluation:
The key attributes of our Investment Process essentially break down into four main areas including: 1) Identifying and sourcing managers; 2) Evaluating managers both quantitatively and qualitatively to determine whether or not they would be an exceptional addition to the portfolio; 3) Hiring/ongoing monitoring/terminating of managers; and 4) Portfolio management.

To provide a bit more color on each of these areas, following are key characteristics of our process within each sub-category

Identify:
- Exceptional reputation in the hedge fund industry as a good investor partner
- Friendship network with existing managers, traders, prime brokers, service providers, professional contacts
- Experienced team

Evaluate:
- Senior professionals involved at all levels
- Emphasis on qualitative factors
- Focus on integrity
- Personal motivation & intensity
- Willingness to limit asset growth
- Hates to lose money
- Respected by peers
- Focus on how managers generate returns to determine repeatability
- Are they skilled money makers / portfolio managers vs. great analysts

Hire / Monitor / Terminate:
- Emphasis on qualitative factors
- Investment team concensus
- Develop relationships and use techniques to get beyond basic story
- Range of expectations across multiple market environments
- Regular onsite visits and phone calls with both investment and operational team
- Random prime broker checks
- Exit interviews for all employees

Portfolio Management:
- Experience - no substitute
- Contrarian approach to funding requires discipline and conviction with managers
- Do not rebalance managers
- Each manager stands alone
- Allow managers to drive asset allocation

Common Sense Investment Management
Common Sense Partners Offshore, Ltd.

Risk Control & Measurement Process

They employ numerous qualitative and quantitative processes that they have developed in their 16+ years of existence. Common Sense focuses on various performance based analysis including stock selection skills relative to net market exposure, portfolio management skills, exhibited flexibility in capital allocation long and short, historic performance in up and down market environments, and risk-adjusted returns. Additionally, the team is evaluating performance and risk attribution, liquidity, and breakdowns of sectors, geographic, and capitalizations. Their entire management team and research analysts (a total of 11) are involved in the due diligence process. They will have conducted numerous conference calls; several on site visits (they split up in teams) to meet with the manager, their investment personnel, finance personnel and back office support.

To reference the above chart, qualitatively, we are looking at the manager from an operational and personnel standpoint. Qualitatively, we analyze integrity, consistency with stated disciplines, back office support, personal motivation, focus and intensity, personal investment, and repeatability of results. We complete extensive personal, professional and third party reference checks of the manager, their organization, and their service providers. We scrutinize their financial and legal documents, run Nexis/Lexis reports and examine SEC and NASD records. Regarding background checks - These investigations are conducted by Backtrack Reports, a well-respected firm within the hedge fund industry. These investigations include verification of education and employment resume, extensive search of court records, media, legal, identification and corporate sources, regulatory agency records, internal Backtrack reference materials and similar sources. In our experience, Backtrack has provided the most thorough and useful compilation of this information, including an actual search of court documents in each identified jurisdiction, multiple media sources and search tools, and the identification of independent sources capable of adding insight into the subject's history, candor and character. In addition, we implement several additional investigative procedures interna

Common Sense is receiving information monthly from their managers on performance and exposures, so if there is something outside of their mutual expectations, they are setting up a conference call or in-office meeting with the manager in order to understand and evaluate the change. Additionally, they are conducting random Prime Broker checks with each manager's PB to know their largest long position and their longest short. They also look at managers' 13F filings to verify positions. They do not use leverage at the Fund of Funds level. In their due diligence process, they are screening out managers with excessive levels of leverage. They like managers who are generally fully invested and use low to moderate leverage between 100%-200%. Leverage of both their underlying managers and the fund is monitored monthly. Managers report their long and short allocations and performance on a monthly basis to JD Clark, their fund accountants and compliance administrator. Additionally, managers report directly to CSIM which allows them to run the numbers parallel to JD Clark and determine if they need to follow up with a manager based on changes to their allocation or performance outside the range they would expect given the market environment and their particular strategy.

Common Sense Investment Management
Common Sense Partners Offshore, Ltd.

Biographies of Key Investment Professionals:

Jim Bisenius, CEO/Founder, Chief Investment Officer

Jim Bisenius founded Common Sense Partners in January 1991. He has been actively involved in the investment business since 1978. He began his career as a Registered Representative with Foster & Marshall, a registered investment brokerage firm based in Seattle, WA. In 1982 Jim opened Boettcher & Company, a Denver, CO based firm with offices in Portland, OR as Senior Vice President in the firm's executive committee. In 1986 Jim joined Dain Bosworth Incorporated (Dain), a registered investment advisory and brokerage firm based in Minneapolis, MN, as Vice President. Jim was the original founder of Dain's Investment Management Consulting Department, where his client base consisted primarily of high net worth individuals. Due to what he believed was an impressive risk/return profile, Jim began actively researching and recommending hedge fund managers to his clients in 1987. He left his consulting practice at the end of 1990 and formed Common Sense Partners, a multiple manager investment partnership. In addition, Jim served as a Managing Director of The Leuthold Group, an institutional research firm located in Minneapolis, MN, from 1994-1998. Jim earned his Bachelor of Science degree in Communications from Oregon State University in 1972.

Corey Von Allmen, Partner, Research

Corey joined CSIM in December 2007. Prior to joining CSIM, Corey was with Mesirow Advanced Strategies (Chicago, IL) where he was a Vice President and leader of the Hedged Equity Group. He managed a team of four analysts and was responsible for manager due diligence, sourcing new ideas and monitoring existing managers. Prior to Mesirow, Corey was a Managing Director and portfolio manager at Fort Point Capital, a long/short equity fund in San Francisco for five years. Previously, he was a short seller and special situations analyst at Zweig-DiMenna Associates, a global hedge fund in New York. Corey began his career as an equity trader at Jensen Securities in Portland, OR. He graduated from DePaul University in 1994 with a Bachelor of Science in Finance.

Scott Thompson, Partner, Research

Scott Thompson joined CSIM in 1996. He has been actively involved in the finance and investment business since 1990. Scott began his career as a Treasury Analyst at Nike, Inc., where he managed the short-term investment portfolio for Sports Specialties, a Nike subsidiary. Additional responsibilities at Nike included foreign exchange trading, cash flow forecasting and short-term borrowing. In 1994 Scott joined Document Solutions, a regional Xerox Authorized Sales Agent, where he acted as Chief Financial Officer. Scott earned a Bachelor of Science degree in Finance with high scholarship from Oregon State University in 1990. He earned his MBA in Finance from Portland State University in 1998.

Jonathan McGowan, Partner, Research

Jonathan McGowan joined CSIM in July 2000. He has been actively involved in the finance and investment business since 1997. Jonathan began his career as an Associate Pension Administrator with Milliman and Robertson in 1997, where he administered defined contribution plans with total assets of $50 million. Additional responsibilities at Milliman included compiling financial reports for clients, reconciling financial trust statements, and reviewing plan participant requests for compliance with applicable laws and regulations. In 1998, Jonathan joined Windermere Investment Associates, a registered investment advisory firm, where he provided quantitative and qualitative analysis of both traditional and alternative investment managers. While at Windermere he was responsible for the quantitative analysis of equity, fixed income, hedge fund, and private investment managers; he conducted due diligence on firm investment managers; and he created client reports summarizing both quantitative and qualitative factors. Jonathan earned his Bachelor of Science degree in Finance with honors from Oregon State University in 1996. Jonathan earned his Chartered Alternative Investment Analyst designation in 2005.

Richard Gass, Partner, Research

Richard joined CSIM in January 2003. He has been actively involved in the investment business since 1984. Richard began his career as a Tax Specialist with Arthur Andersen & Company from 1979 to 1984. He was a Tax Manager in their Dallas, Texas office from 1982 to 1984. Richard then joined Berry R. Cox, Inc., a family office in Dallas, Texas, where he was employed from 1984 to 2001. He held the positions of Chief Financial Officer and later President during his tenure. He focused on hedge fund investments and managed a hedge fund investment portfolio in his last 10 years there. In 2001 he joined Hunt Consolidated, Inc, the holding company for Ray L. Hunt's businesses, as an Investment Manager where he again managed a hedge fund investment portfolio. Richard earned both his Bachelor of Arts in Economics and Master of Accounting degrees from Rice University. He resides in Dallas, Texas.

EnTrust Capital Inc.
EnTrust Capital Diversified Fund Class C, Ltd.

Fund Type:	Offshore	Legal Counsel:	Ogier
Inception Date:	August, 1998	Auditors:	Goldstein Golub Kessler LLP
Domicile:	Cayman	Last Audit:	December 31, 2007

Investment Objective:

The primary focus of EnTrust's fund-of-funds approach is finding the best managers within a range of non-correlated investment strategies that they regard as likely to provide favorable investment opportunities in most economic environments. Their multi-manager, multi-strategy approach is intended to achieve high risk-adjusted rates of return within a volatility range of 5-7%.

Investment Thesis:

The underlying Diversified investment approach is to achieve consistent, risk-adjusted returns in changing market environments with a diversified portfolio of managers. The majority of the firm's fund-of-funds resources is devoted to extensive bottom-up research of managers and their organizations. Consideration is also given to the managers' strategies and any macro conditions which may impeded their investment opportunities.

Manager Identification and Evaluation:

In selecting managers for the portfolio, EnTrust does not follow a rigid asset allocation policy but instead, seeks diversification through a combination of managers trading a range of strategies, including but not limited to long/short equity, distressed securities, arbitrage, special situations and activism. The Diversified fund is designed not only to utilize expert managers but also to deploy and redeploy investment capital within a range of investment strategies which Diversified regards as likely to provide favorable opportunities in changing economic environments. While they will consider any investment strategy which they believe will add alpha to the portfolio, they will not invest in any investment style or strategy which they are not comfortable with after interviewing the investment manager and performing extensive due diligence. Historically, they have not invested in global, macro, statistical arbitrage, commodities, CTA's or other "black box" strategies. Although it is not mandated by the fund documents, the Diversified Investment Committee has maintained a philosophy which limits their exposure to any one manager to 10% of the capital of the fund-of-funds. In addition, the fund is focused on investing with mature managers and they intentionally avoid small, young "hot" managers.

The screening process utlized by the Diversified Investment Committee includes a review of a number of different factors, the most important being: A definable investment strategy and process; a consistent, risk-adjusted historical performance; disciplined risk management techniques; and a commonality of financial interests. While they are focused on the long-term performance record of potential managers, the due diligence they perform on the investment managers and the quality of their analysts and back-office personnel is equally important. They will only invest with people they have either known for a long period of time or when they have the ability to do significant background checks and due diligence. The majority of the firm's fund-of-funds resources and time is devoted to extensive bottom-up research of managers and their organizations. Consideration is also given to the managers' strategies and macro conditions which may impede their investment opportunities.

100% of Diversified hedge fund research is conducted internally by their fund-of-funds team. Their minimum qualifications for a manager are a capital base of at least $100 million, a track record of at least 3 years with no down year greater than 25% and no two consecutive down years. Their investment ideas are generated from numerous sources such as referrals from their network of investment professionals, existing managers and hedge fund databases (TASS, hedgefund.net, HFR etc.). Initially, prospective managers are quantitatively screened for various indicators such as low beta, sharpe ratios and high risk adjusted returns. Once a prospective investment manager is identified, members of Diversified's fund-of-funds team meet and interview the prospective investment manager(s) and where they deem appropriate, their research analysts. After their initial review, if the team determines that the prospective manager meets their requirements, a prospective manager is then required to complete their due diligence questionnaire. Their investment and operational due diligence questionnaire's incorporate questions related to performance, transparency, exposures, concentrations and leverage.

Prior to making an investment with any new manager, members of the fund-of-funds team contact individuals within their network for background checks/referrals and their Chief Financial and Risk Officer contacts both the attorney and accountant of the fund for referrals. Final decisions regarding initial investments with managers and any subsequent additional capital allocations are made solely by the Diversified Investment Committee, which is comprised of two Principals of the firm and the Chief Financial/Risk Officer, based on their meetings with the prospective manager and input from various members of the fund-of-funds team.

EnTrust Capital Inc.
EnTrust Capital Diversified Fund Class C, Ltd.

Risk Control & Measurement Process

The Diversified Risk Committee consists of the Diversified Investment Committee and is augmented by Dr. Bing Liang who serves as an independent Senior Risk Advisor. Dr. Liang is an Associate Professor of Finance at the University of Amherst who specializes in the areas of hedge funds, capital market efficiency and econometrics. Dr. Liang, who became involved with EnTrust in September 2006, has been instrumental in guiding EnTrust to incorporate more sophisticated risk management techniques and has expanded their risk management scoring system to include 18 different risk metrics. The Diversified Risk Committee frequently addresses inherent and exogenous risk factors in the portfolio as well as Diversified's mitigation methodologies.

EnTrust believes that manager and strategy diversification is the first level of controlling risk. By limiting exposure to any one investment strategy or investment manager and maintaining a diversified portfolio, EnTrust believes this mitigates the risk that any investment strategy or individual manager might materially negatively impact the portfolio. By employing various non-correlated strategies, they feel it is unlikely that the portfolio will sustain a downturn that is beyond what is expected. The team continually monitors the various correlations and sensitivities to market factors amongst its existing investment managers and by employing a large array of historical data, tests the correlative affect a new investment might have on the existing portfolio. In addition, there are specific criteria that are built into the screening process for selecting hedge fund managers. These include: Only investing in hedge funds that have been in existence in excess of three years (or hedge funds whose investment managers has a long track record at another fund trading in the same type of securities); will not invest with any hedge fund that has experienced a drawdown of more than 25% in any year or has had two consecutive down years; per the Offering Memorandum, will not invest more than 25% of assets in any manager - although historically, exposure has been less than 10% of the partnership's assets.

Underlying Manager Risk & Style Drift Monitoring Process

EnTrust receives performance updates of both gross and net performance on at least a monthly basis from all of their managers, with many of the managers reporting weekly. Additionally, they request exposure reports, risk management reports, a listing of the 5-10 largest positions, both long and short and, where available, full position reports. In instances where they receive a manager's portfolio, they subject these portfolios to in-depth analyses. The fund utilizes the exposure reports gathered from the managers to aggregate the granular data into a composite on the fund-of-funds level. They then conduct numerous analyses and tests on the consolidated data to determine overall fund exposures and risks. The analysts regularly meet with managers and their teams in their offices. They formally conduct operational due diligence in their office once per year.

Based on monthly information received, if the team has concerns with respect to a specific manager, they will schedule frequent meetings and/or conference calls to garner more in-depth information regarding the manager's portfolio construction, near term outlook and changes he/she anticipates making. On a quarterly basis, the team receives more detailed information from each investment manager which encompasses exposures, largest positions, specific information regarding existing or new positions as well as detailed commentary regarding the manager's outlook. Based on this information and the performance, the Diversified Investment Committee may schedule interim meetings and/or conference calls with managers to get more in-depth information. At least bi-annually, members of the Diversified Investment Committee meet with each investment manager (at least once in their offices) to attain updated information about their investment philosophies, organizational changes, employee turnover, changes regarding key personnel and outlook.

Annually, the team receives each fund's audited financial statements, which usually include a schedule of investments. Every manager's audited financial statement is reviewed by the fund's Chief Financial Officer

EnTrust Capital Inc.
EnTrust Capital Diversified Fund Class C, Ltd.

Biographies of Key Investment Professionals:

Gregg Hymowitz, Managing Partner, Portfolio Manager

Mr. Hymowitz has been a Managing Partner of EnTrust Capital since co-founding the firm in April 1997. Prior to forming EnTrust, Gregg was a Vice President in the Private Client Services Group at Goldman Sachs & Co, which he joined in 1992. For the preceding two years, Gregg engaged in a Mergers & Acquisitions practice at Skadden, Arps, Slate, Meagher & Flom. Gregg also serves as a Trustee of the Riverdale County Day School. He graduated Cum Laude from Harvard Law School with a Juris Doctorate, and holds a BA, Phi Beta Kappa from the State University of New York at Binghamton from 1987. Gregg is the 1985 Harry S. Truman Scholar from New York and a 1987 British Hansard Society Scholar.

Michael Horowitz, Managing Partner

Mr. Horowitz has been a Managing Partner since co-founding the firm in April 1997. Prior to forming EnTrust, Michael was a Vice President in the Private Client Services Group at Goldman Sachs & Co., which he joined in 1973. Michael is the Chairman of the Investment Committee at Vermont Academy. He also serves as a National Commissioner for the Anti-Defamation League. Michael received an MBA from the University of Chicago and a BA from Brooklyn College.

Jill Zelenko, Managing Director, Chief Financial Officer/Chief Risk Officer

Ms. Zelenko joined EnTrust Capital in 2000. Prior to joining the firm, she was a Managing Director/Partner of American Express Tax & Business Services Inc./Goldstein Golub Kessler LLP, which she joined in 1990. There she served as auditor, regulatory and business advisor to her clients, which included investment advisors, broker-dealers and hedge funds. Jill is a member of the Executive Committee of the Securities Industry Association, Internal Auditors Division and a member of the Board of Directors of the Hedge Fund CFO Association. Additionally, Jill is the President of the Board of Directors and Chairman of the Finance Committee of the Block Institute, Inc., a not-for-profit organization for mentally challenged and developmentally disabled children and adults. Jill has a BS degree from Hofstra University and is a CPA.

Chris Keenan, Managing Director, Hedge Fund Analyst

Mr. Keenan joined EnTrust Capital in 2005. Prior to joining EnTrust, Chris worked for Meketa Investment Group as an investment analyst. Chris worked at Meketa for over three years and managed the firm's hedge fund research group. Chris is a member of the New York Society of Security Analysts, the CFA Institute, Global Association of Risk Professionals and holds the Chartered Financial Analyst Designation. Chris holds a MBA in Finance from Suffolk University and a BA in Economics from Saint Anselm College.

Dr. Bing Liang, Senior Risk Adviser

Dr. Bing Liang became involved with EnTrust in an advisory capacity in late 2005. Dr. Liang is currently an Associate Professor of Finance at the University of Massachusetts Amherst. He specializes in the areas of hedge funds, capital market efficiency and econometrics. Dr. Liang is also on the Editorial Boards of the Journal of Investment Management and the Journal of Alternative Investments. In 1995, Dr. Liang earned a Ph.D. in Finance from the University of Iowa and in 1990 earned a MS in Quality Management and Productivity from the same university. Dr. Liang also holds a MS in Applied Statistics from the Chinese Academy of Science and a BS in Maritime Meteorology from China Ocean University.

Grosvenor Capital Management
Grosvenor Institutional Partners, L.P.

Fund Type:	On Shore	Legal Counsel:	Sidley Austin Brown & Wood
Inception Date:	January 1, 2001	Auditors:	PricewaterhouseCoopers
Domicile:	Delaware	Last Audit:	December 31, 2007

Investment Objective:

The Fund seeks to provide excellent absolute returns and superior, risk-adjusted returns while avoiding losses and having little correlation to major equity and fixed income markets.
• Target Annualized Net Return: T-Bills + 5% - 10% (Net)
• Target Standard Deviation: <8.0%
• Target Beta to S&P 500: <0.20
• Target Sharpe Ratio: >1.0

Investment Thesis:

Grosvenor's core philosophy is built around three fundamental tenets:
• Hedging – They seek to mitigate systemic, market risks through the use of hedged investment strategies
• Superior Managers – They strive to identify and allocate capital to the most talented managers who demonstrate excellence in each investment strategy
• Diversification – They diversify exposure across strategies and managers with low correlation to each other as well as to traditional strategies

Manager Identification and Evaluation:

Grosvenor has developed a reliable and consistent network of industry relationships built on 32 years of experience. The quality of this network is vital to their ability to effectively filter through the growing universe of hedge fund managers and identify the top tier prospects on which to focus their attention. The source and caliber of the referral may directly impact the priority given to the due diligence efforts. They prefer referrals from experienced and accomplished investors who they know and trust and rarely review firms that send unsolicited materials. On average, their investment team meets with over 400 prospective money management firms each year. While they subscribe to a number of third party databases as a research tool, they find them to be of limited use as an investment tool and caution their investors on relying too heavily on databases when making investment decisions. In their experience, they have found “off-the-shelf” databases to be of limited value due to the relatively small number of institutional quality managers who submit data and the inclusion of large numbers of small hedge funds, with insignificant capital bases and short firm histories. Additionally, the majority of databases provide an inadequate description of the hedge fund firm, its principals, strategies, investment and risk management processes.

Grosvenor has standard investment and non-investment due diligence processes in place which must be satisfied for every investment they make. Their investment team considers a number of key qualitative and quantitative indicators during the manager due diligence process. Qualitative indicators are further delineated into three sub-categories, which address specific areas of concern: Personnel Issues, Investment Issues and Business/Structural Issues. The quantitative component is based around a detailed historical performance analysis including: Absolute level of performance, volatility of performance and correlation to other managers and markets. They also review the subtleties of a manager’s implementation relative to other practitioners, which typically entails reviewing individual positions and an overview of the current portfolio.

Coupled with the investment due diligence performed by the investment team, they incorporate a critical non-investment element, specifically evaluating all relevant documentation, audit procedures, and detailed reference and background checks. The document review involves a thorough understanding of all legal and regulatory documents, material contracts and subscription/application documents. Any outstanding issues are negotiated via a side letter agreement. They also conduct detailed background checks on the principals of the firm, including reference checks through contact with prior employers, partners and/or employees, investors, dealers and peers. They rely on their industry network to provide introductions to potential references as opposed to relying solely on manager-provided references. They engage a third party investigative service to verify details of the manager’s background such as education, prior employment and certifications, as well search for prior or outstanding litigation and regulatory breaches.

Grosvenor Capital Management
Grosvenor Institutional Partners, L.P.

Risk Control & Measurement Process

The portfolio construction and allocation process begins with the establishment of an investment policy. This policy identifies investment objectives, acceptable risk parameters and any unique restrictions or guidelines. Once the investment policy is established, the construction process begins by establishing initial strategy weightings. This step is largely a qualitative process that relies on the Portfolio Manager's experience and understanding of how the various investment strategies complement one another to achieve various risk/return/correlation objectives. Grosvenor's 32 years of experience in managing many different types of portfolios in varied market environments is a tremendous asset in this judgment driven process. Most of their multi-strategy portfolios are allocated roughly 50% to 6-8 different arbitrage strategies and 50% to hedged equity strategies in various capital markets.

Once initial strategy weightings are determined, the Portfolio Managers then select managers from an internal approved list to fill each strategy mandate. Typically, more than one manager is included for each strategy in order to a) take advantage of manager style differences, b) mitigate manager risk, and c) provide for future capacity as capital is added to the portfolio.

Following this qualitative process, the proposed portfolio is then statistically measured on both a historical and forward-looking basis. The historical analysis is a simulation of historical results based on actual manager returns over a specified historical time period. The forward-looking analysis evaluates the expected return, standard deviation, Severe Case Loss (SCL), and beta to S&P 500 of the portfolio based on Grosvenor's forward- looking estimates for each of these variables for each manager in the portfolio. While the historical analysis is helpful, the forward-looking analysis is a more important assessment of how well the Portfolio Managers think the proposed portfolio will achieve the stated investment policy. The forward-looking analysis is also a critical tool to help overcome the natural survivor bias that can distort the conclusions one might reach if only looking at pro forma historical simulations.

Underlying Manager Risk & Style Drift Monitoring Process

Once invested, the investment team continually communicates with each manager, which enables Grosvenor to systematically evaluate their performance. All managers are assigned a primary contact team comprised of an investment committee member who was involved in the due diligence process and a research analyst. This principal/analyst pairing is accountable for continually monitoring the investment and the manager relationship, including the frequency of contact and nature of discussions. Although principals and analysts may speak with any manager at any time, the assigned principal/analyst team is the manager's most important line of communication with Grosvenor, and this team has ultimate responsibility for the investment.

The Timeline for Portfolio Monitoring:
Weekly: Compile performance of "core" managers and all press mentions. Monthly: Compile performance for all managers and prepare manager attribution reports of select managers detailing sources of profit and loss and summary information about the composition of the portfolio (i.e. top positions, market exposure, etc) Quarterly: Full organizational review, including infrastructure/staffing changes and assets under management. Also portfolio risk management overview, including historical simulation, risk-based allocation analysis and exposure summary.

In addition, the investment team is consistently (no less than quarterly) gathering information on a number of other important factors including:
- recent market developments and opportunities
- composition of portfolio, including risk profile, market exposure, leverage, concentration, and largest positions
- changes in senior staff, investment style, capital under management and other infrastructure issues
- litigation and compliance issues

Grosvenor Capital Management
Grosvenor Institutional Partners, L.P.

Biographies of Key Investment Professionals:

Richard Elden, Chairman

Mr. Elden founded the firm in 1971 and is the firm's chairman. Mr. Elden is a member of the Investment Committee and shares responsibility for portfolio management as well as the evaluation, selection, and monitoring of various investment strategies and managers. Prior to that time, Mr. Elden was a securities analyst with A.G. Becker & Co., Inc., a financial analyst with Science Research Associates, Inc., and a financial writer with the Chicago Sun-Times. He received a B.A. in 1956 from Northwestern University and an M.B.A. in 1966 from the University of Chicago's Graduate School of Business and graduated from the Harvard Business School's Owner/President Management Program in 1997.

Michael Sacks, Managing Director, Chief Executive Officer

Mr. Sacks joined the firm in 1990 and is the firm's Managing Partner. In addition to his management responsibilities, Mr. Sacks is a member of the Investment Committee and shares responsibility for portfolio management as well as the evaluation, selection, and monitoring of various investment strategies and managers. From 1988 through 1990, Mr. Sacks was associated with Harris Associates, L.P. Mr. Sacks received a B.A. in Economics from Tulane University in 1984 and two degrees from Northwestern University in 1988: an M.B.A. from the J.L. Kellogg Graduate School of Management and a J.D. from the School of Law. He is a member of the Illinois Bar.

David Small, Managing Director, Chairman of Investment Committee

Mr. Small joined the firm in 1994. Mr. Small is a member of the Investment Committee and shares responsibility for portfolio management as well as the evaluation, selection, and monitoring of various investment strategies and managers. Prior to joining Grosvenor, Mr. Small was a consultant to Grosvenor and the founder and CEO of David Bruce & Co., a software firm specializing in the development of risk management systems for derivatives trading firms from 1987 through 1994. From 1979 to 1982, Mr. Small was associated with Philadelphia Insurance Research Group. He received a B.S. in Economics from the Wharton School of the University of Pennsylvania in 1978 and an M.B.A. in Finance/Econometrics from the University of Chicago's Graduate School of Business in 1986.

Brian Wolf, Managing Director

Mr. Wolf joined the firm in 1995 and shares responsibility for portfolio management as well as the evaluation, selection, and monitoring of various investment strategies and managers. From 1993 to 1995, he was an analyst and trader for M&M Financial, a Chicago-based money management firm. He received a B.S. summa cum laude in Finance from Bradley University in 1992 and an M.B.A. magna cum laude from the University of Notre Dame in 1993. Mr. Wolf is a Chartered Financial Analyst and a member of the Investment Analysts Society of Chicago. Mr. Wolf is the author of a chapter on hedged equity funds contained in the publication "Hedge Funds: Definitive Strategies and Techniques".