

Description of Percentile Return Rankings Report:

January 26, 2007

The tables below display the year-to-date return rankings, by percentile and asset size, for hedge funds¹ within the HFN database broken down by the regions in which they focus their investments. The first table includes all hedge funds¹ and the remainder break down best regional performance and then rank funds by individual regions in which they invest.

Asset size categorizations are:

- Less than \$50mm
- \$50mm to \$250mm
- \$250mm - \$500mm
- \$500mm - \$1bb
- Greater than \$1bb
- No assets reported

Fund returns are ranked by 10th, 25th, 50th, 75th, and 90th percentile.

All Single Manager Hedge Funds:

On a broad scale in 2006, there appeared to be no distinct advantage for smaller funds at the highest levels of performance and smaller funds' returns were significantly lower at the bottom levels. The best performing asset category at almost every percentile point was \$250-500mm.

SUMMARY – REGIONAL RANKINGS

All Developed Regions:

Out of all developed regions, including global exposure to developed markets, those investing in the US had the most consistent performance across most asset sizes. Funds investing predominantly in Australia were the best performing small developed market funds.

All Emerging Markets:

The best performing small EM funds have focused their investment strategy in China during 2006 while the best performing larger EM funds have focused in Eastern Europe. Funds investing in EM Americas had the best performing 90th percentile small fund, only 50 basis points better than the 90th percentile China focused fund.

Funds investing in both EM and Developed Markets:

For the largest funds which invest in both EM and developed markets, global allocations performed the best. Small funds were able to perform better with specific regional focus. A mix of investments in developed and emerging Europe provided the most stable returns for small funds while exposure to Mexico was the likely reason for funds investing across North America to perform well.

All regions with a significant number of funds focusing investments to that region*:

China clearly was the best region for the smallest funds and Eastern Europe has provided the best overall exposure for slightly larger managers in 2006. For funds in the \$250-\$500mm range, the best performance has been found investing across broad European markets due to exposure to developing Eastern Europe, although there was more consistency for funds investing predominantly in the US for this asset size.

For the largest funds, the most consistent source of returns was found investing in US markets.

All Single Manager Strategies -YTD Returns

	< 50mm	50-250	250-500	500-1bb	1bb+
Total Funds	1998	1102	305	165	97
10th Percentile	25.65%	26.50%	25.50%	21.65%	26.15%
25th Percentile	16.32%	16.81%	17.69%	14.72%	16.19%
50th Percentile	9.38%	10.52%	12.13%	10.22%	10.50%
75th Percentile	3.31%	5.64%	7.02%	5.04%	4.18%
90th Percentile	-3.94%	0.46%	1.82%	-0.32%	-2.40%

Regional Rankings – All Developed Regions

	< 50mm	50-250mm	250-500mm	>500mm
10th Percentile	Global	US	US	US
25th Percentile	Australia	US	US	Global
50th Percentile	Australia	US	US	US
75th Percentile	Australia	US	US	US
90th Percentile	Australia	US	Europe	US

Regional Rankings – Emerging Market Regions

	< 50mm	50-250mm	250-500mm	>500mm
10th Percentile	China	China	E. Europe	E. Europe
25th Percentile	China	China	E. Europe	E. Europe
50th Percentile	China	China	Global	E. Europe
75th Percentile	China	China	E. Europe	E. Europe
90th Percentile	Americas - EM	China	E. Europe	E. Europe

Regional Rankings – Developed and Emerging Markets

	< 50mm	50-250mm	250-500mm	>500mm
10th Percentile	Americas	Americas	Europe	Global
25th Percentile	Asia/Pacific	Americas	Asia/Pacific	Global
50th Percentile	Europe	Americas	Europe	Global
75th Percentile	Europe	Americas	Asia/Pacific	Global
90th Percentile	Europe	Americas	Europe	Global

Regional Rankings – All Regions w. significant Concentration of Funds*

	< 50mm	50-250mm	250-500mm	>500mm
10th Percentile	China	E. Europe	Broad - Europe	US
25th Percentile	China	E. Europe	US	Global
50th Percentile	China	E. Europe	Broad - Europe	US
75th Percentile	China	E. Europe	US	US
90th Percentile	Americas - EM	Americas - EM	US	US

*Defined as having more than 15 funds investing predominantly in the region specified

GLOBAL FOCUS

Hedge funds investing primarily in developed markets globally:

The smallest funds in this category performed significantly better than any other asset size, but the advantage for smaller funds was offset by the fact that at the bottom end of performance, smaller funds performed significantly worse. The performance for the largest funds investing globally was much more consistent.

Hedge funds investing primarily in developed and emerging markets globally:

Two major aspects: 1) At the higher levels of YTD returns, the larger funds in this category were able to post consistently better returns than funds investing only in developed markets, yet the smaller funds in this category did not necessarily perform better at these higher levels 2) Smaller funds performed significantly worse at the lower end, the worst 90th percentile return of any category except Japan.

Hedge funds investing primarily in emerging markets globally:

Larger funds investing in EM globally were not only able to perform best, but were also more consistent than smaller funds. Smaller funds however did not perform better at the higher end than their emerging/developed counterparts.

Global emerging market funds had one of the best average 90th percentile returns across any set of regions.

EUROPE

Hedge funds investing primarily in developed Europe:

The smallest hedge funds returned far less at the highest levels and significantly less at the lower levels. This is contrary to popular opinion of smaller funds providing outsized returns. It appears this theory is dependent on region, and is not universal.

Hedge funds investing primarily in developed and emerging Europe:

When European emerging markets are included with developed markets, smaller hedge funds were able to perform better and more consistently at the higher end than other size funds.

Funds in the \$250-500mm range performed most consistently at the low end meaning the safest sized funds investing in developed and emerging Europe were mid-sized funds and smaller funds were the riskiest.

Hedge funds investing primarily in emerging Europe:

The performance of mid-sized hedge funds at the highest level was the best 10th percentile performance of any region, emerging or developed.

The smallest funds investing in this region proved to be the most risky, significantly underperforming larger funds at all percentile points.

Global - Developed Only						
	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	146	86	25	20	6	28
10th Percentile	27.91%	19.03%	18.08%	19.38%	19.64%	14.53%
25th Percentile	15.63%	12.29%	13.51%	14.44%	16.98%	9.56%
50th Percentile	8.81%	7.92%	10.10%	11.41%	13.98%	4.28%
75th Percentile	2.99%	3.39%	6.14%	5.82%	8.23%	0.88%
90th Percentile	-2.49%	-4.08%	3.52%	3.13%	4.27%	0.00%

Global - Developed and Emerging						
	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	791	358	115	76	53	200
10th Percentile	25.47%	26.42%	21.80%	24.37%	26.26%	20.52%
25th Percentile	15.68%	16.12%	17.11%	16.02%	16.03%	12.17%
50th Percentile	8.07%	9.76%	12.61%	10.47%	9.74%	7.67%
75th Percentile	2.24%	5.26%	6.82%	3.68%	2.61%	2.11%
90th Percentile	-5.55%	0.97%	1.24%	-1.14%	-2.54%	-4.43%

Global - Emerging Only						
	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	51	38	9	6	9	13
10th Percentile	23.01%	23.02%	23.17%	28.70%	41.66%	30.33%
25th Percentile	19.79%	15.79%	18.51%	21.11%	20.05%	22.55%
50th Percentile	13.94%	10.37%	15.45%	16.63%	9.72%	12.72%
75th Percentile	9.13%	6.07%	9.75%	11.17%	9.56%	7.64%
90th Percentile	5.44%	4.07%	5.85%	9.98%	7.83%	-1.77%

Europe - Developed Only						
	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	38	71	22	9	1	30
10th Percentile	16.17%	21.76%	21.81%	13.15%	NA	22.68%
25th Percentile	13.35%	17.75%	14.22%	12.69%	NA	18.20%
50th Percentile	6.39%	10.78%	11.09%	9.04%	NA	10.56%
75th Percentile	1.32%	6.71%	6.60%	3.58%	NA	7.94%
90th Percentile	-1.05%	3.53%	3.97%	2.56%	NA	5.00%

Europe - Developed and Emerging						
	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	72	81	38	10	3	58
10th Percentile	22.98%	24.04%	32.11%	18.55%	16.01%	22.50%
25th Percentile	17.63%	17.54%	14.64%	12.58%	14.65%	19.21%
50th Percentile	11.22%	11.06%	10.43%	7.42%	12.38%	14.78%
75th Percentile	7.24%	7.69%	8.47%	1.84%	11.45%	12.42%
90th Percentile	2.74%	4.35%	6.19%	0.14%	10.89%	5.71%

Europe - Emerging Only						
	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	26	28	10	4	2	8
10th Percentile	55.67%	59.06%	83.80%	65.74%	23.86%	50.68%
25th Percentile	28.37%	50.24%	48.67%	61.92%	23.74%	43.19%
50th Percentile	13.67%	26.39%	12.41%	45.03%	23.55%	41.08%
75th Percentile	5.87%	14.43%	11.58%	25.78%	23.36%	34.56%
90th Percentile	1.32%	8.15%	11.12%	17.70%	23.25%	27.34%

ASIA

Hedge funds investing across all Asia:

The largest funds investing across broad Asian markets significantly underperformed smaller funds. This is likely due to higher exposure to more liquid markets in Japan. Funds in the \$500-1bb range were the most consistent, but did not perform as well as smaller funds at the higher levels.

Hedge funds investing primarily in Japan:

Funds investing in Japan were the worst performers of any regional category in 2006 across all percentile rankings and asset sizes.

Smaller funds provided higher returns while mid-sized funds were more stable.

No funds at the 50th percentile rank and lower were able to have positive performance despite Japanese equity markets ending 2006 slightly positive.

Hedge funds investing primarily in emerging Asian markets excluding China:

These funds which focus their investments in the "Tiger" countries are predominantly smaller funds. While the funds investing in this region have been able to outperform those investing across all Asia, they have lagged those investing predominantly in China at all percentile levels.

Hedge funds investing primarily in China:

Many large EM funds may have exposure to China, but smaller funds are more likely to focus their investment strategy in the country.

China focused funds provided the highest and most consistent performance of any region. The median China fund (50th percentile) returned over 41% while the median E. Europe focused funds returned roughly 20.5%.

Hedge funds investing primarily in Australia:

As the hedge fund industry in Australia is still relatively young, the majority of the funds investing predominantly in the region are domiciled there and most of them are relatively small.

Returns were fairly consistent across all sizes even at the lower end of the smaller funds.

Hedge funds investing primarily in Africa/Middle East:

There are few funds whose investments are focused in Africa/Middle East region and their performance has understandably varied widely given the volatility of the region. The best performing funds have not displayed outstanding returns at the high end in 2006. This may change going forward as the region remains one of the most underdeveloped in a world constantly seeking new avenues for growth.

Asia/Pacific - Broad Markets

	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	58	45	9	10	4	26
10th Percentile	30.21%	35.12%	26.12%	14.05%	-1.67%	33.92%
25th Percentile	20.77%	23.22%	19.69%	12.98%	-7.07%	18.82%
50th Percentile	9.68%	12.43%	12.78%	11.66%	-11.28%	9.97%
75th Percentile	5.00%	6.46%	10.44%	9.80%	-13.02%	0.00%
90th Percentile	0.00%	0.39%	-1.26%	7.20%	-13.98%	-6.81%

Asia/Pacific - Japan

	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	82	47	15	10	2	32
10th Percentile	7.07%	2.84%	3.69%	6.77%	-23.22%	5.19%
25th Percentile	1.79%	-0.86%	1.35%	6.26%	-23.26%	3.33%
50th Percentile	-5.75%	-3.24%	-4.01%	-0.27%	-23.33%	-0.66%
75th Percentile	-12.47%	-9.87%	-6.55%	-6.08%	-23.39%	-5.47%
90th Percentile	-16.68%	-16.47%	-9.61%	-18.10%	-23.43%	-20.50%

Asia/Pacific - Emerging Markets ex-China

	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	22	13	0	0	0	10
10th Percentile	42.50%	53.84%	NA	NA	NA	65.85%
25th Percentile	36.99%	32.19%	NA	NA	NA	32.36%
50th Percentile	14.59%	14.06%	NA	NA	NA	10.37%
75th Percentile	12.74%	11.54%	NA	NA	NA	4.75%
90th Percentile	5.42%	9.33%	NA	NA	NA	-1.06%

Asia/Pacific - China

	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	20	10	2	0	0	4
10th Percentile	76.70%	60.02%	39.44%	NA	NA	27.08%
25th Percentile	58.12%	55.24%	39.39%	NA	NA	20.88%
50th Percentile	48.52%	40.90%	39.31%	NA	NA	16.37%
75th Percentile	27.18%	14.38%	39.23%	NA	NA	11.48%
90th Percentile	8.55%	10.89%	39.18%	NA	NA	4.59%

Asia/Pacific - Australia

	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	15	4	2	0	0	2
10th Percentile	18.24%	22.78%	24.99%	NA	NA	14.52%
25th Percentile	16.68%	19.76%	24.13%	NA	NA	12.45%
50th Percentile	16.64%	16.13%	22.70%	NA	NA	9.00%
75th Percentile	14.08%	12.30%	21.26%	NA	NA	5.55%
90th Percentile	5.39%	8.90%	20.40%	NA	NA	3.47%

Africa/Middle East

	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	8	4	1	0	0	1
10th Percentile	20.49%	20.95%	NA	NA	NA	NA
25th Percentile	13.01%	19.62%	NA	NA	NA	NA
50th Percentile	5.00%	-0.43%	NA	NA	NA	NA
75th Percentile	0.55%	-23.94%	NA	NA	NA	NA
90th Percentile	-2.67%	-31.48%	NA	NA	NA	NA

AMERICAS

Hedge funds investing primarily in the US:

The best small funds did not show any outperformance. In fact, mid and large funds had the highest returns.

Small funds did show less consistency, as they were the only asset size to post negative returns at the 90th percentile.

The largest funds were the most consistent, and provided the highest 10th percentile returns.

US Only						
	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	701	347	74	32	26	131
10th Percentile	22.75%	23.51%	27.37%	20.68%	28.76%	19.41%
25th Percentile	15.70%	16.47%	18.58%	13.85%	14.15%	13.96%
50th Percentile	9.98%	11.23%	12.59%	9.20%	12.18%	9.63%
75th Percentile	4.53%	7.51%	8.54%	6.86%	9.60%	2.94%
90th Percentile	-1.56%	3.69%	6.40%	3.58%	6.42%	-2.41%

Hedge funds investing primarily in Latin and South America:

Funds focusing in emerging markets of South and Central America performed very well. The smallest funds performed best and had higher returns small Eastern Europe focused funds, but not as well as EM funds focusing in Asia.

Americas - Emerging Only						
	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	32	17	3	0	0	8
10th Percentile	58.01%	30.60%	35.55%	NA	NA	32.34%
25th Percentile	40.52%	22.11%	33.66%	NA	NA	22.28%
50th Percentile	19.50%	17.63%	30.51%	NA	NA	19.84%
75th Percentile	14.71%	11.73%	26.54%	NA	NA	15.01%
90th Percentile	9.90%	9.28%	24.16%	NA	NA	5.41%

Hedge funds investing primarily in both the US and Canada:

Smaller funds had the highest returns, but were ultimately more risky than slightly larger funds.

The smallest funds investing across all North America had the lowest return at the 90th percentile level.

North America						
	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	34	9	1	0	0	8
10th Percentile	53.58%	52.16%	NA	NA	NA	17.33%
25th Percentile	16.05%	24.82%	NA	NA	NA	13.11%
50th Percentile	8.63%	14.47%	NA	NA	NA	4.74%
75th Percentile	5.07%	8.06%	NA	NA	NA	-9.91%
90th Percentile	-5.83%	5.33%	NA	NA	NA	-12.17%

Hedge funds investing primarily in Canada:

There are few funds in the HFN database which invest primarily in Canada, and at least in 2006 they generally underperformed their US focused counterparts which is roughly in line with relative performance of both countries' equity markets.

Canada						
	< 50mm	50-250	250-500	500-1bb	1bb+	Assets NA
Total Funds	8	7	0	0	0	1
10th Percentile	19.62%	23.62%	NA	NA	NA	NA
25th Percentile	10.01%	11.77%	NA	NA	NA	NA
50th Percentile	2.16%	8.46%	NA	NA	NA	NA
75th Percentile	0.84%	4.06%	NA	NA	NA	NA
90th Percentile	-0.51%	-3.46%	NA	NA	NA	NA

Disclosure:

Past performance is no guarantee of future results

1 – Single strategy hedge funds include hedge funds and CTA managed products in the HFN database.

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