



January 2008 Asset Flows Update

Eurekahedge Research

As the composite Eurekahedge Hedge Fund Index posted one of its worst monthly returns in the last several years (-3.1%) amid steep declines and heightened volatility in the underlying markets, January 2008 assets under management (AuM) data from early reporting funds to the Eurekahedge databases suggests that hedge funds globally shed assets to the tune of US\$9 billion in performance-based declines, and another US\$6 billion through investor redemptions. This translates to an estimated 0.9% drop in global hedge fund assets, to US\$1.63 trillion¹.

In terms of regional hedge fund mandates, emerging market-focused managers, however, were the most adversely affected, as large losses in regional equities in Emerging Asia and Eastern Europe, took a toll on performance. Conditions in other European markets were choppy as well, and were exacerbated by the turmoil at the French bank Societe Generale involving rogue trading. Consequently, allocations to Asia ex-Japan and Europe saw the biggest declines in assets during the last month, as is evident from Figure 1 below.

Figure 1: Jan-2008 Asset Flow Estimates by Fund Geographic Mandate

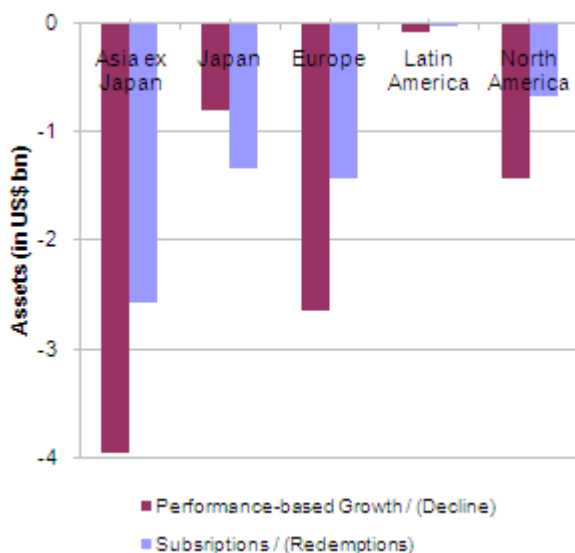


Figure 2: Jan-2008 Asset Flow Estimates by Strategy Employed



Source: Eurekahedge

Asset flows across strategies were not as unequivocally negative, as is clear from Figure 2 above. Equity-focused strategies both in the hedged and the long-only spaces were understandably the worst-hit, given steep declines in global equities; the MSCI World Index shed 7.7% on the month, with major regional equity indices posting similar losses (Topix -8.8%; S&P 500 -6.1%; FTSE -8.9%; MSCI Emerging Markets -12.6%). The sharp decline in equity prices across the board was a product of persisting uncertainty in the underlying markets in recent months given tightening credit conditions, a slowing US economy, mounting recessionary fears, ongoing housing/subprime woes and shrinking liquidity (despite aggressive rate cuts from the Federal Reserve).

In spite of that, profitable directional plays were to be found in the underlying markets, such as short exposure to the US dollar (given narrowing interest rate differentials) and long exposure to precious metals. As a result, global macro (1.9%) and managed futures (1.1%) funds were able to grow their asset bases during this trying month.

¹ These are preliminary estimates based on about 60% of Jan 2008 AuM data reported to the Eurekahedge databases as at 19 Feb 2008.