E. LEE HENNESSEE
Managing Principal
CHARLES J. GRADANTE
Managing Principal

500 FIFTH AVENUE, 47TH FLOOR
NEW YORK, NY 10110
(212) 857-4400
(212) 768-8190 FAX

Hennessee Group Economic Overview

October 12, 2009

500 Fifth Avenue
New York, NY

[Confidential and Proprietary]

HENNESSEE GROUP LLC
HEDGE FUND ADVISORY

TABLE OF CONTENTS

I. ECONOMIC REVIEW

HENNESSEE GROUP LLC

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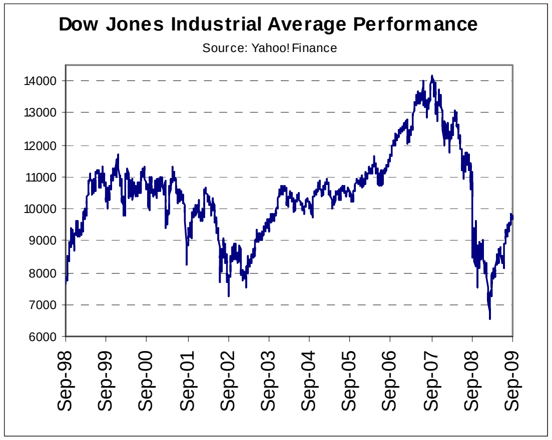
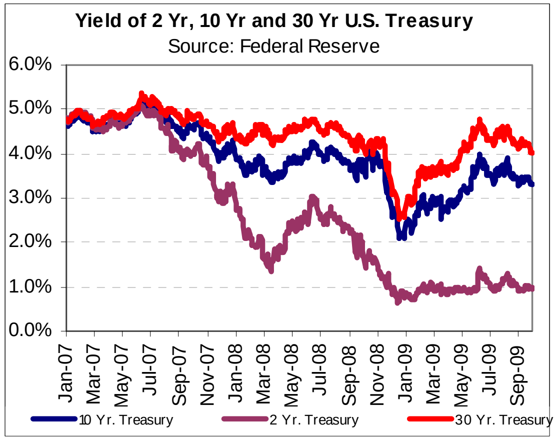
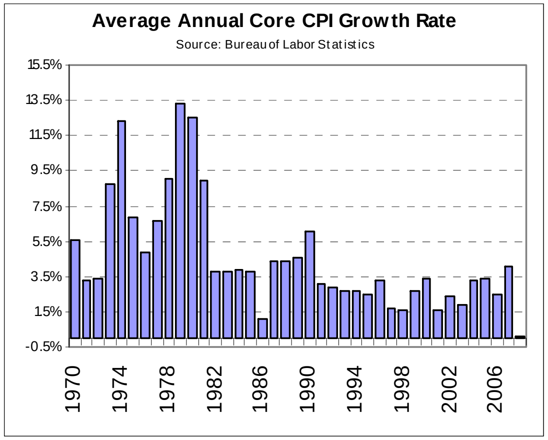
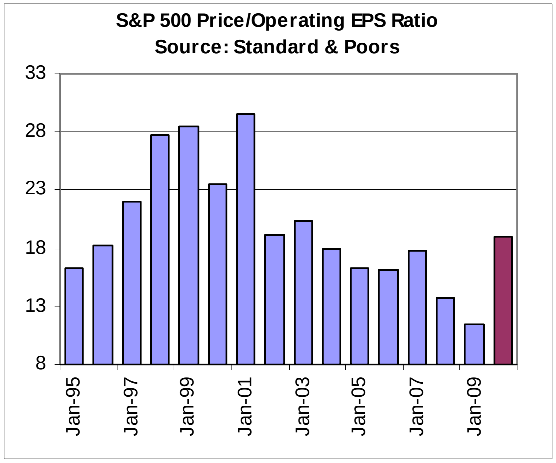
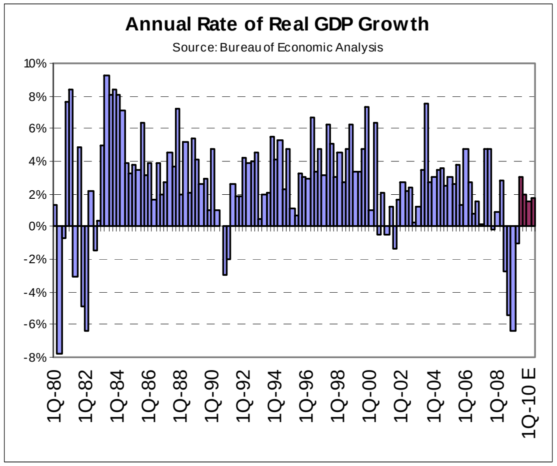
OVERVIEW

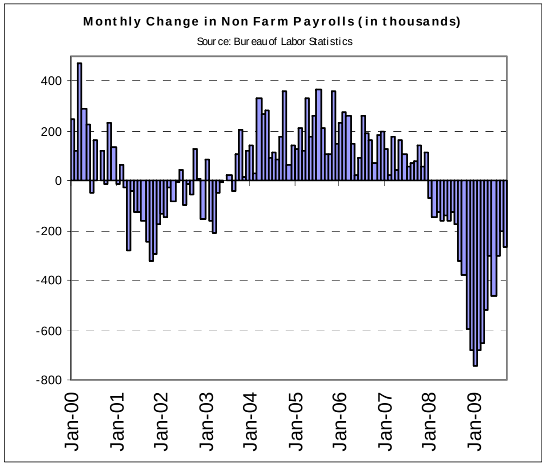












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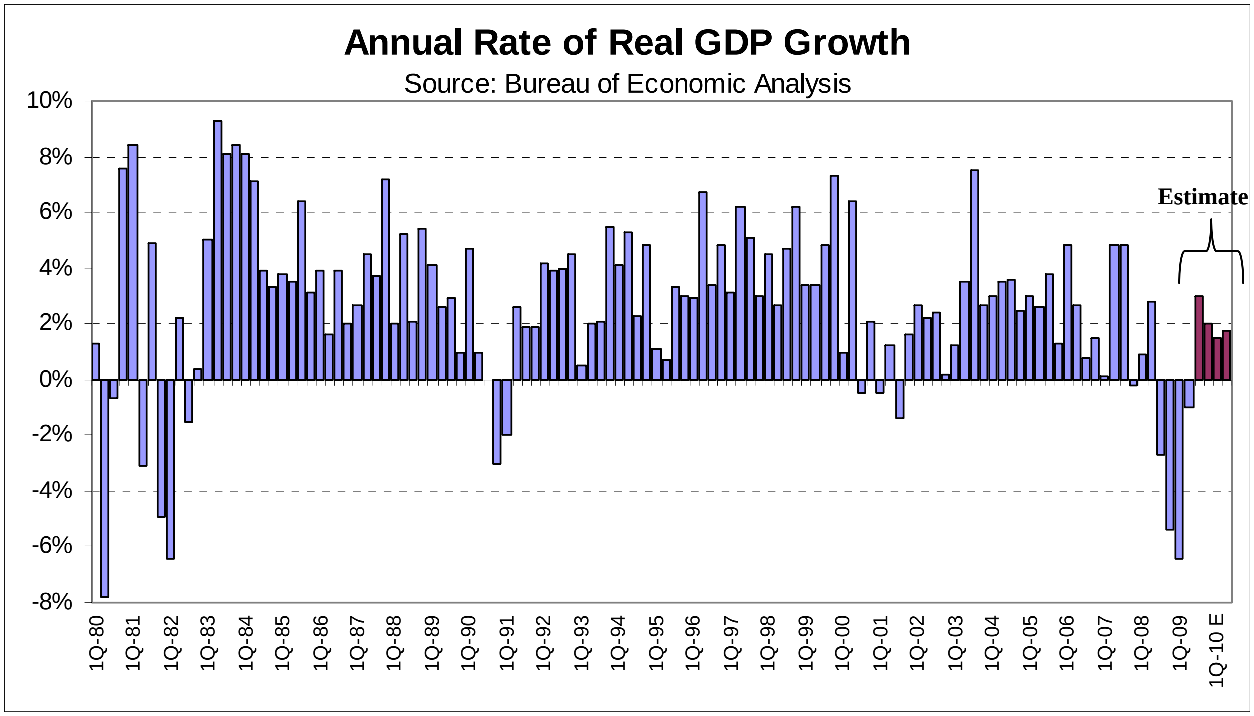
U.S. GDP GROWTH

- GDP declined -6.4% in the first quarter and –0.7% in the second quarter. The first quarter decline was the worst slowdown in economic growth since the first quarter of 1982 when it experienced a similar decline of -6.4%. Economists expect the economy to contract by -2.0% in 2009, which would be the weakest showing since a -1.9% drop in 1982 as well as the first time the economy registered a contraction for a full year since 1991.
- **Economists anticipate real economic growth to turn positive in 2010, yet remain tepid with full year growth coming in at approximately +2%.**



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U.S. GDP GROWTH

- A drop off in exports and nonresidential investment were the two primary detractors from GDP growth during the first quarter while inventory investment was the largest detractor during the second quarter.
- **Economists expect third quarter GDP growth to turn positive due in large part to a rebound in inventory investment, federal spending and net exports.** Economists expect third quarter growth to come in at approximately +3%.
- **There is concern that we could experience a double dip recession in the short-term if this develops into a jobless recovery and the stimulus begins to fade.** The concern longer term for GDP growth is the health of the consumer, which comprises approximately 70% of GDP growth. **With unemployment still on the rise and credit less available, it is likely consumer spending will remain subdued and limit economic expansion.**

Contributions to Percent Change in Real Gross Domestic Product

	Annual			Quarterly			
	2006	**2007**	**2008**	**3Q-08**	**4Q-08**	**1Q-09**	**2Q-09**
Government Expenditures	0.26%	0.32%	0.59%	0.95%	0.24%	-0.52%	1.27%
Imports	-0.98%	-0.33%	0.56%	0.38%	3.12%	6.58%	2.14%
Exports	0.93%	0.96%	0.64%	-0.48%	-2.67%	-3.95%	-0.54%
Inventory Investment	0.07%	-0.30%	-0.37%	0.26%	-0.64%	-2.36%	-1.39%
Residential Investment	-0.45%	-1.05%	-1.00%	-0.57%	-0.81%	-1.33%	-0.66%
Nonresidential Investment	0.84%	0.70%	0.19%	-0.73%	-2.47%	-5.29%	-1.15%
Personal Consumption	2.01%	1.84%	-0.17%	-2.49%	-2.15%	0.44%	-0.69%
Total GDP	**2.70%**	**2.10%**	**0.40%**	**-2.70%**	**-5.40%**	**-6.40%**	**-1.00%**

Note: The above data presented does not represent all components of GDP.
Source: Bureau of Economic Analysis

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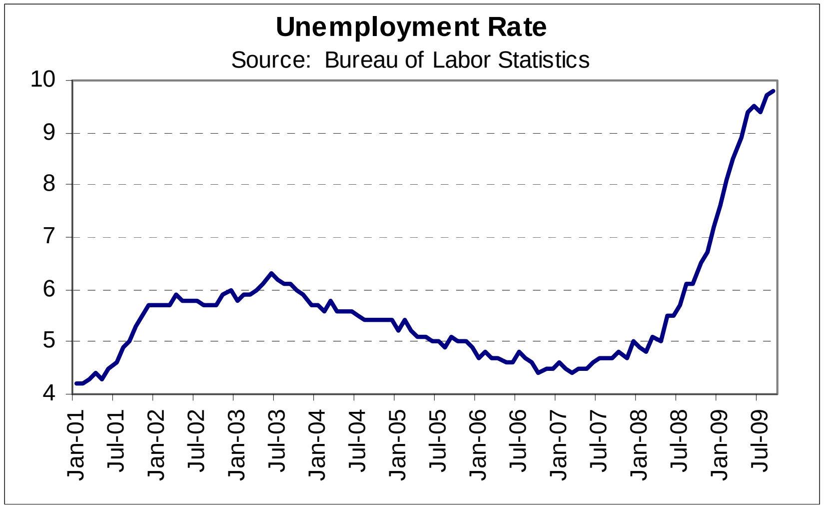
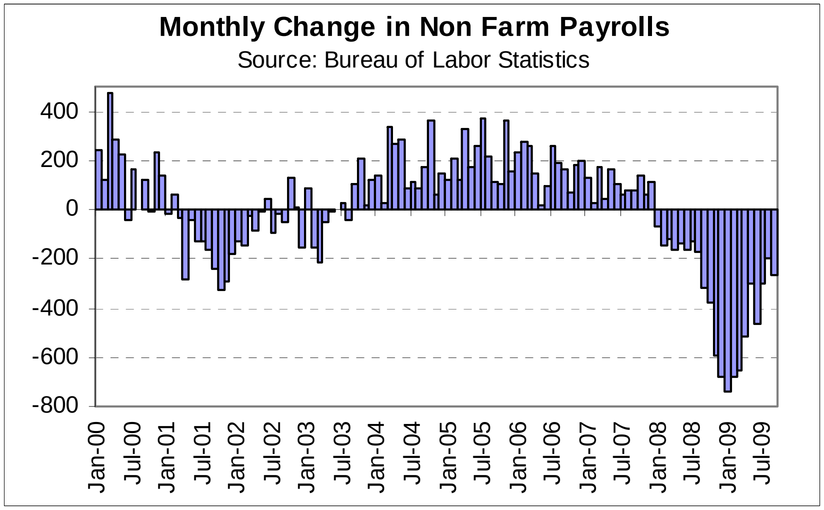
EMPLOYMENT

- **The unemployment rate rose to 9.8% in September, the highest rate since 1983.** Economists believe the unemployment rate will likely breach +10% by year-end or early 2010.
- U.S. non-farm payrolls have fallen 21 consecutive months, declining by 263,000 in September. The economy has now lost over 7 million jobs since the recession began in December of 2007. The number of unemployed has risen to just over 15 million.
- **Despite the prospect of renewed economic growth, the employment situation remains weak and is likely to lag the broader economic recovery.**





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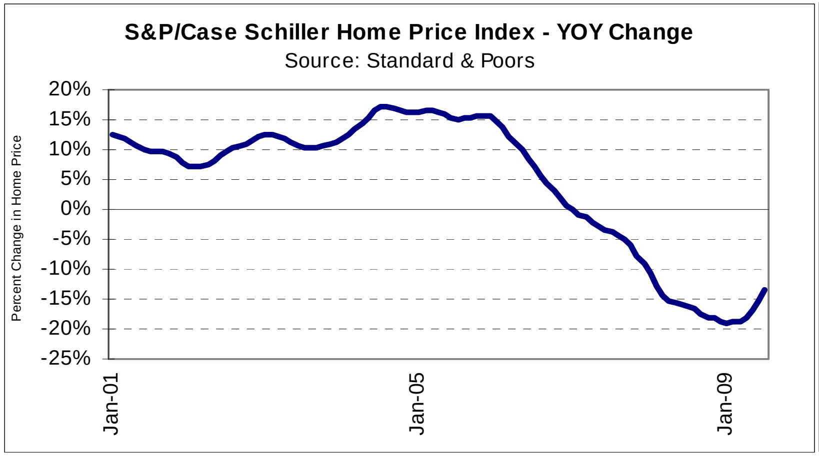
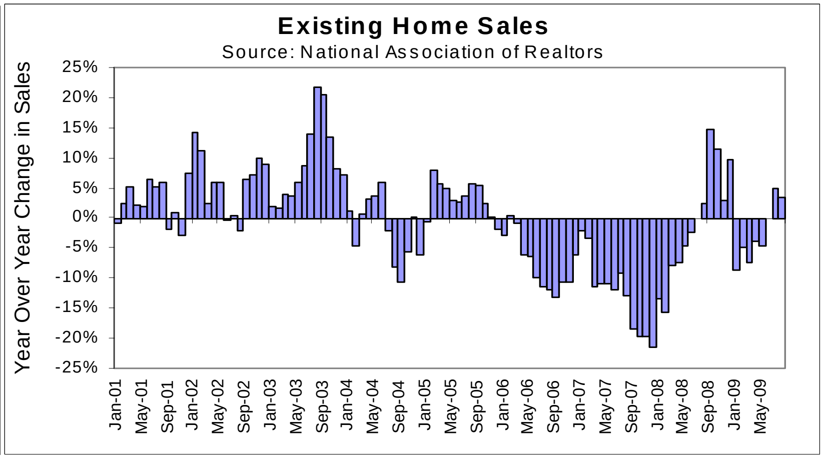
HOUSING

- **The housing market is beginning to show consistent signs of stabilization**. The Standard & Poor's/Case-Shiller 20-City Housing Index experienced its first gain in nearly three years in May and has now recorded three consecutive monthly gains, most recently gaining +1.2% in July. Year-over-year, the index has experienced six consecutive months of gains, however remains off -13.3%.
- Existing home sales experienced a slight decline in August, however are up +3.4% on a year-over-year basis. Existing home sale inventory now stands at 8.5 months, a 2.5 year low. New home sales inched up +0.7% in August however remain -3.4% levels a year ago. Supply of new homes declined to 7.3 months, also a 2.5 year low.
- Affordable home prices, historically low interest rates, seasonal buying and the newly designed first-time homebuyer tax credit have been the primary catalysts behind the bottoming out of the housing market in recent months. **However, economists remain wary about the sustainability of the housing recovery as many of these benefits begin to fade.**





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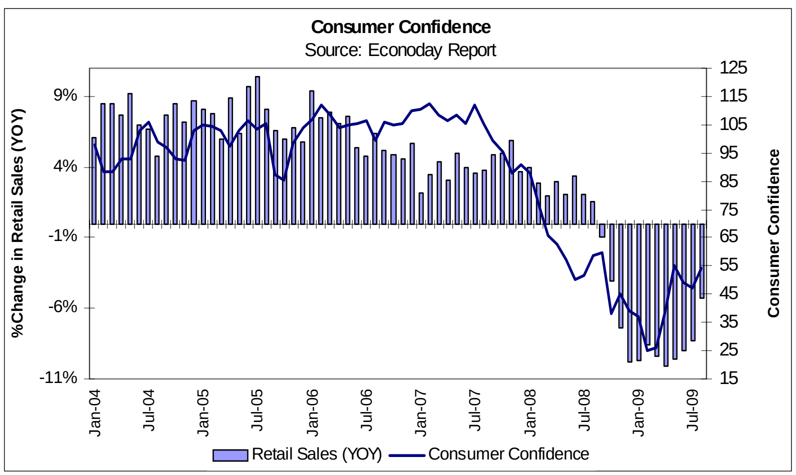
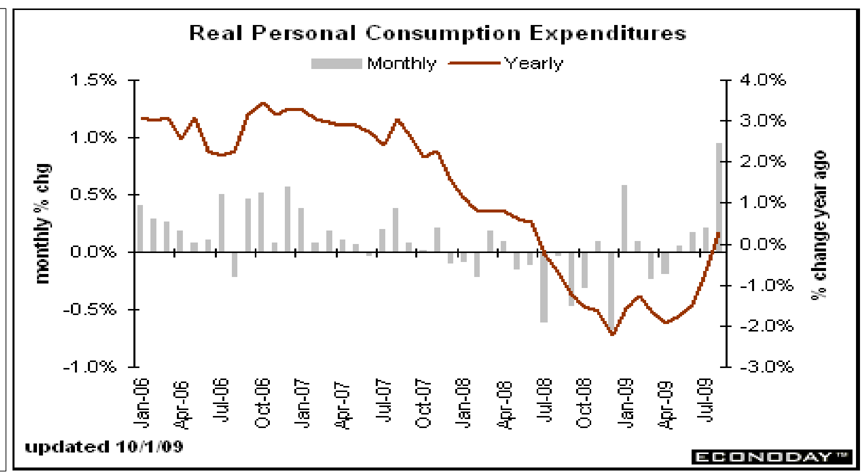
THE CONSUMER

- While consumer sentiment has rebounded off its lows registered earlier this year, it still remains well below its highs experienced in 2006 due in large part to lingering concerns about the employment situation and housing market. **The Consumer Confidence Index came in at 53.1 in September, an improvement from its low of 25 earlier this year, yet well below its reading of 112 in July of 2007.**
- Consumer spending jumped in September (+1.3%), however is skewed to the upside due to the cash for clunkers program. **Year-over-year, consumer spending is virtually flat. Economists expect year-over-year spending to return to negative territory, particularly given recent employment numbers and the end to the cash for clunkers program.** The personal savings rate remains elevated at approximately +4% in September, the highest level since the late 90's.





Note: Personal savings is defined as personal income less the sum of personal outlays and personal current taxes.

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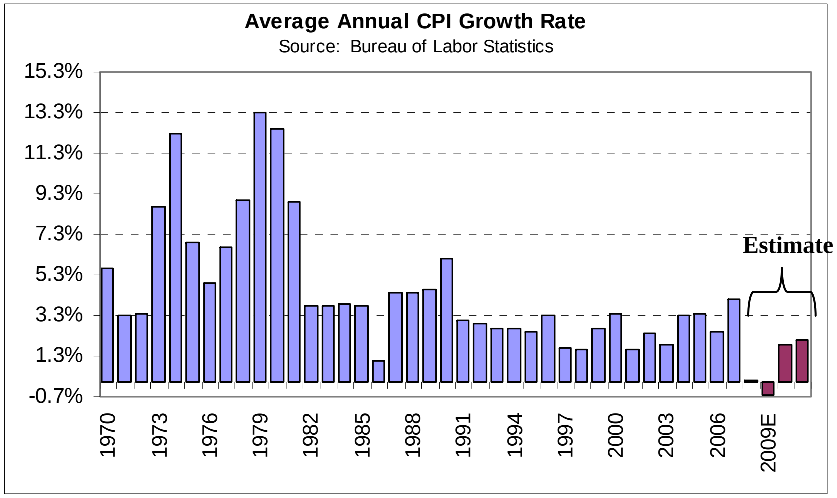
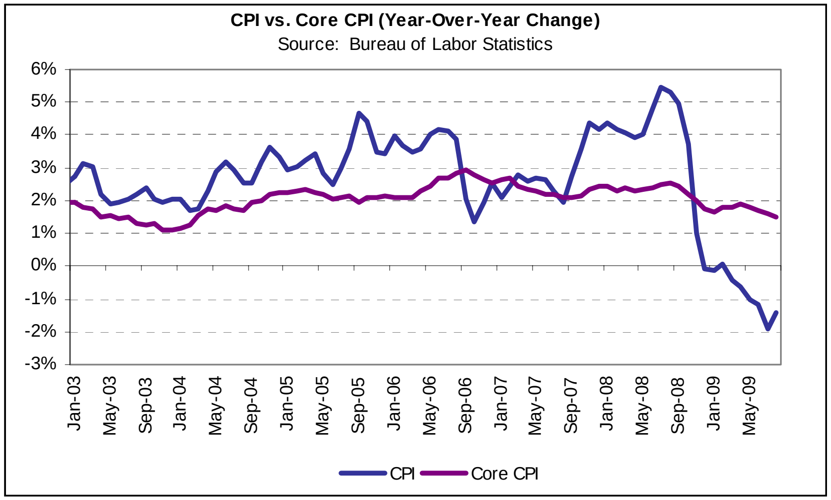
INFLATION

- On a year-over-year basis, headline inflation declined -1.4% through August. Conversely, core inflation increased +1.5% through August (year-over-year).
- **The Fed reiterated their concern remains the struggling economy, weak employment situation and short-term deflationary pressures.** At their most recent FOMC meeting, they stated "With substantial resource slack likely to continue…inflation will remain subdued for some time".
- That said, there is concern that with the Fed funds rate at historical lows and the balance sheet greatly expanded, inflationary pressures could rise over the longer term, particularly as the economy recovers. **Longer term, the Fed will likely find themselves having to balance inflationary pressures and economic growth.**





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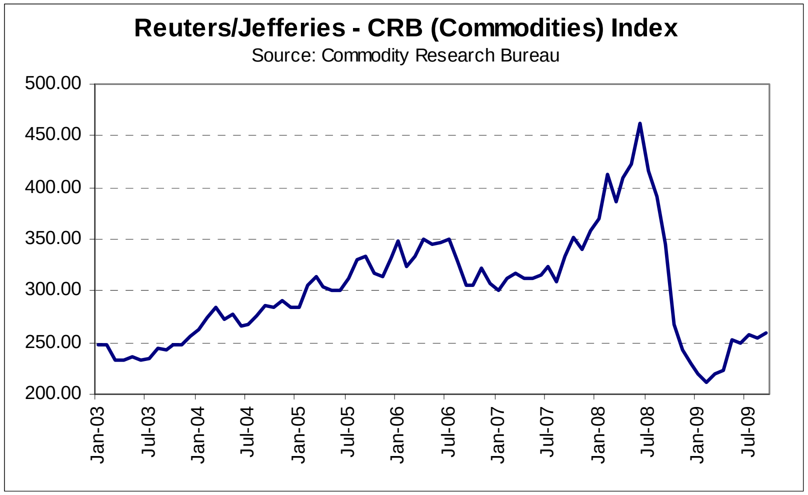
COMMODITIES

- **The slowing global economy led to a significant sell off in commodities beginning in the second half of 2008**. From peak to trough (July of 2008 to March of 2009), the CRB Index fell nearly -60%.
- In 2009, the prospects of an improving global economy have led to a strong rebound across many commodities. **Since the lows reached in March of 2009, the CRB Index has jumped over +25%.** Year-to-date, the index is up approximately +10%.
- **The primary driver for the commodity rebound in 2009, particularly hard commodities such as copper, nickel and silver, has been the improvement seen in industrial production for the developing countries, namely China.**



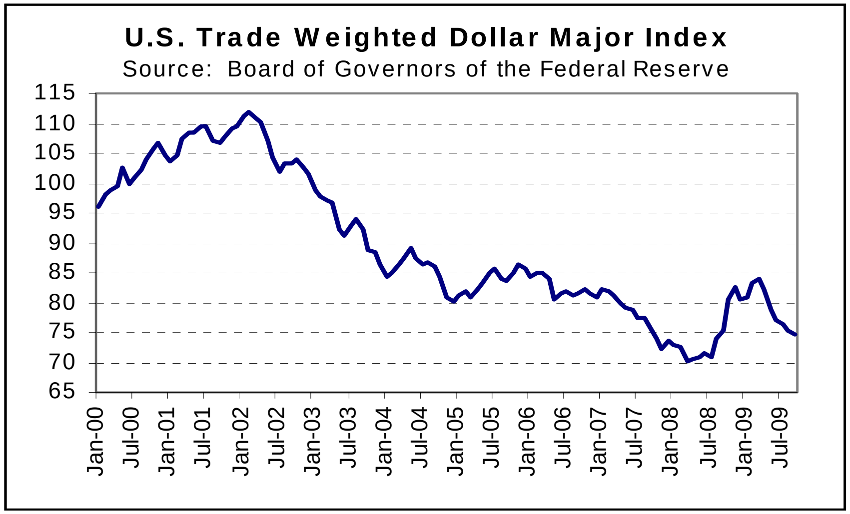
* Performance through 9/30/09

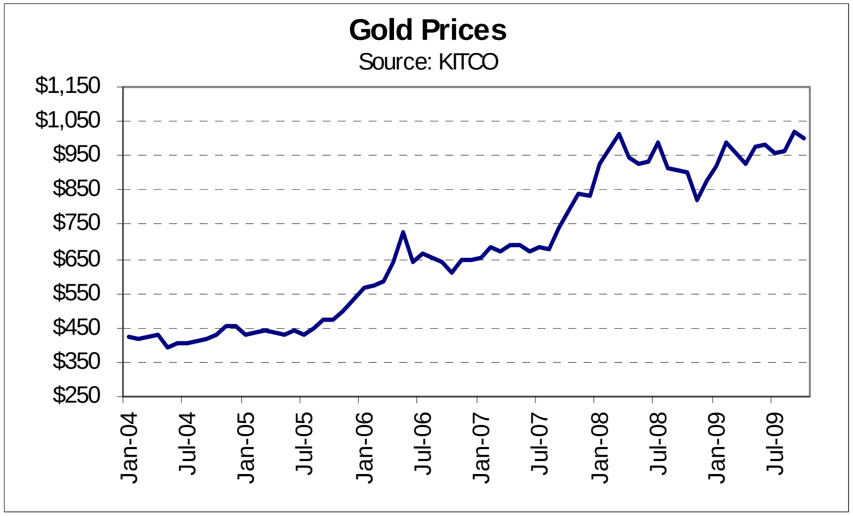
TOP PERFOMING COMMODITIES YTD	
Source: S&P and Morningstar	
Sugar	+115%
Copper	+101%
Zinc	+64%
Crude Oil	+58%
Nickel	+53%
Silver	+48%
Cotton	+28%
Gold	+14%

* Performance through 9/30/09

CURRENCY

- **The U.S. dollar continues to suffer in 2009 as investors become increasingly less risk averse as signs continue to point to an improving global economy and easing financial crisis.**
- The dollar is also being negatively impacted due to concerns about the longer term effects of recent actions taken by the U.S. government. **Investors are particularly concerned about the growing federal deficit as well as the rising prospects for hyper-inflation longer term.**
- Gold continues to benefit from growing concerns regarding currency and inflation.





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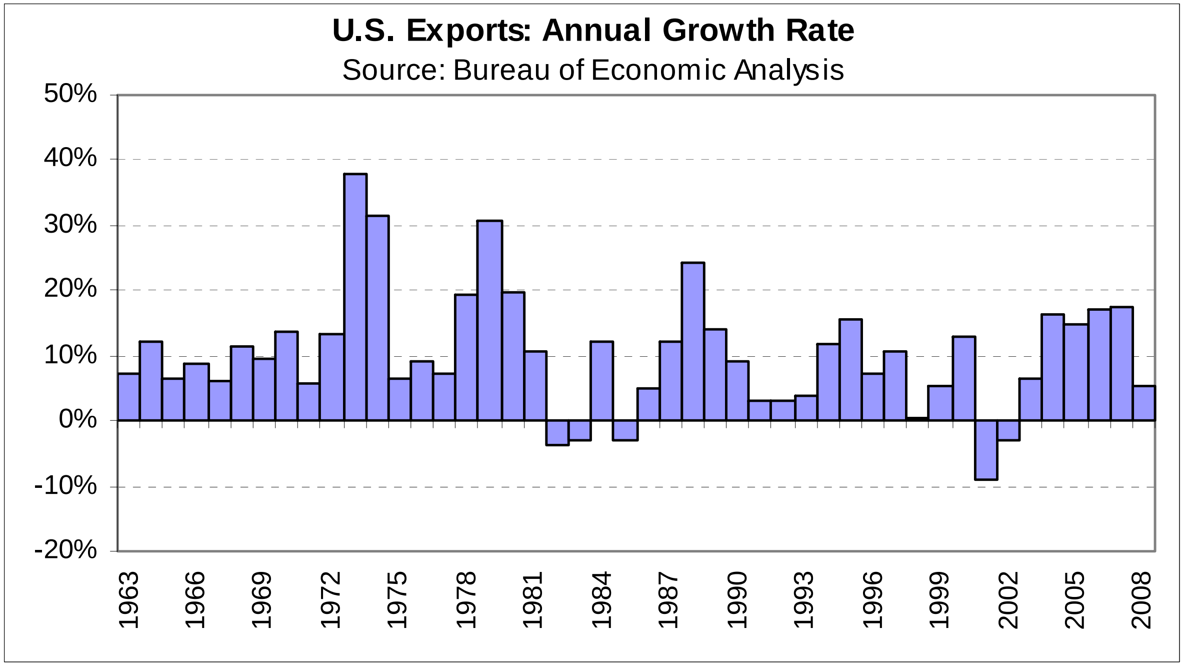
U.S. EXPORTS

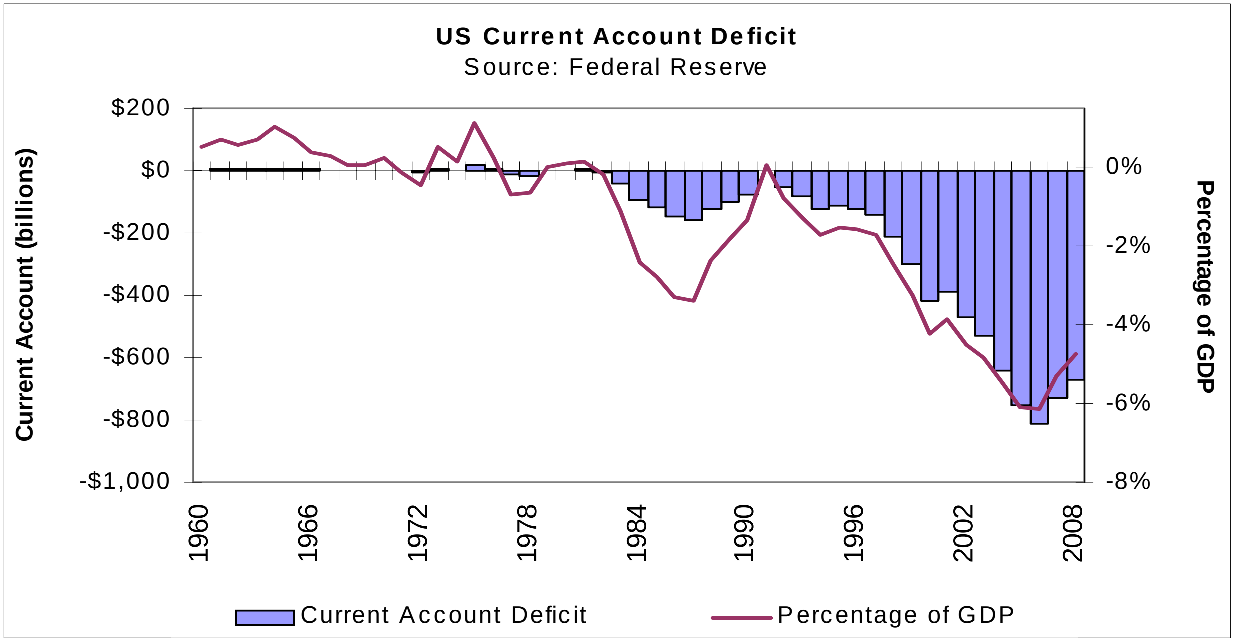
- U.S. exports benefited from a weak dollar during the first half of 2008; however as the dollar strengthened late in the year and into 2009, exports dropped off significantly which detracted from U.S. economic growth.
- Going forward, economists anticipate the dollar to weaken which should provide a boost to U.S GDP growth.



Quarterly Export Growth	
Q1 2008	-0.1%
Q2 2008	12.1%
Q3 2008	-3.6%
Q4 2008	-19.5%
Q1 2009	-29.9%
Q2 2009	-5.0%

CURRENT ACCOUNT DEFICIT

- **The current account deficit decreased for the second straight year in 2008 after experiencing five consecutive years of increases.** In 2008, the deficit equaled +4.7% of GDP, down from +5.3% in 2007.
- The trade deficit decreased for the second consecutive year as a result of the global recession and a greater drop in imports relative to exports.
- Economists expect the U.S. current account to continue to decline as the recession weighs on consumer spending and leads to further drops in imports.



Note: The current account deficit is caused by excess spending on goods, services, income and unilateral transfers creating a domestic budget defect.

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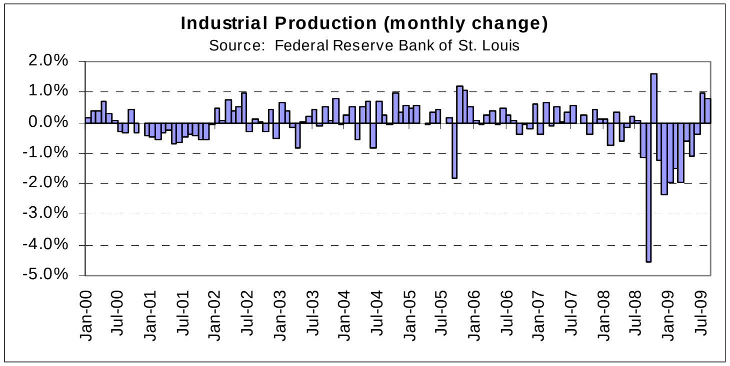
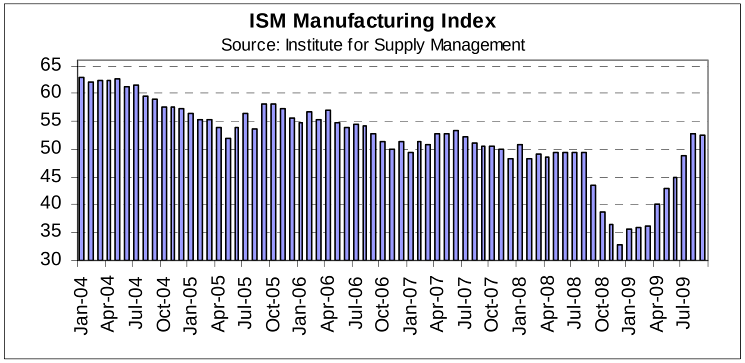
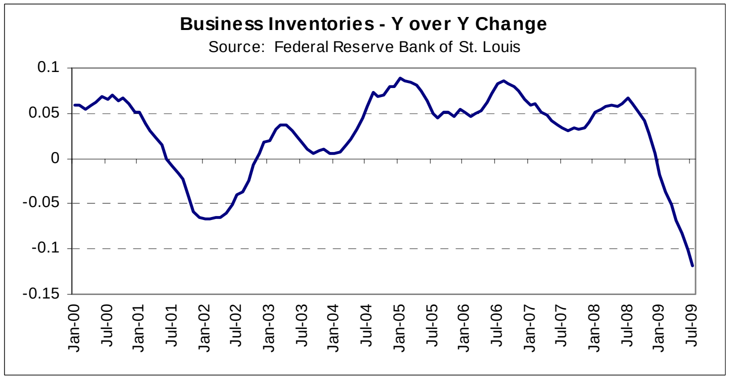
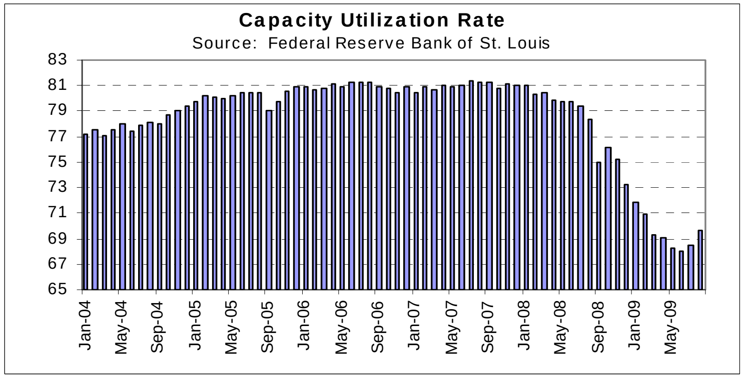
BUSINESS SECTOR

- **After showing signs of stabilization earlier in the year, the overall manufacturing sector appears to be on the path to growth once again.** The ISM Manufacturing Index crossed above the key figure of 50 in August indicating the sector is again expanding. Capacity utilization and industrial production have also showed improvements in recent months.
- However, **economists believe this short term improvement could be stimulus driven as well as the result of businesses having to rebuild inventories that may have initially been reduced too far.**



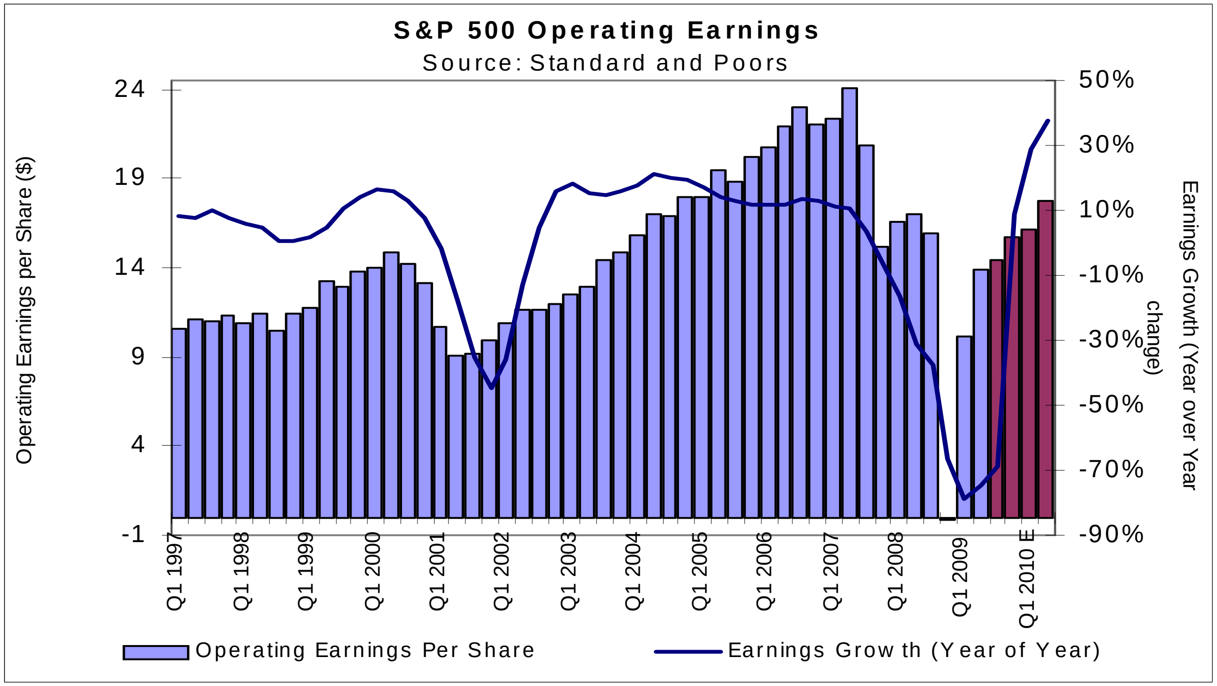






CORPORATE PROFITS

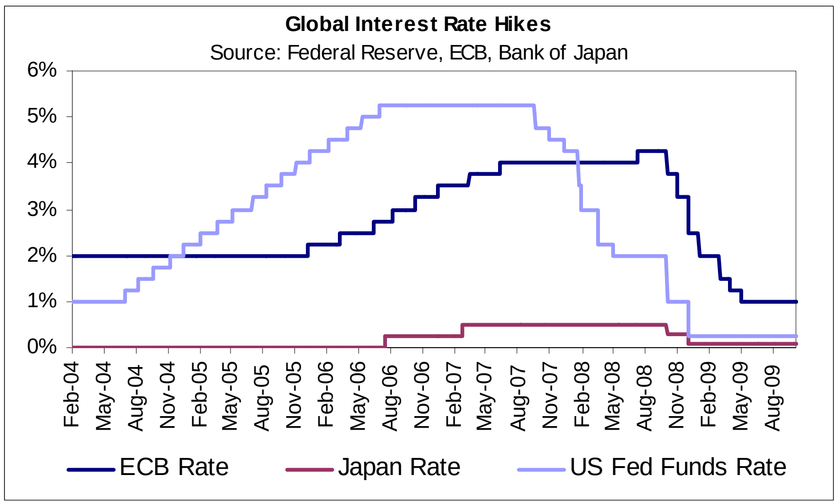
- **The S&P 500 experienced an -18% drop in earnings during the second quarter of 2009.** Earnings came in at $13.94 in Q2 2009 compared to $17.02 per share in Q2 2008.
- Operating earnings for all of 2009 are expected to come in at $54.07 per share, a +9% increase from 2008.
- S&P estimates call for operating earnings to rebound in 2010. **As of the end of September, the S&P was estimating an earnings per share of $72.79 in 2010, a +35% increase from 2009.**

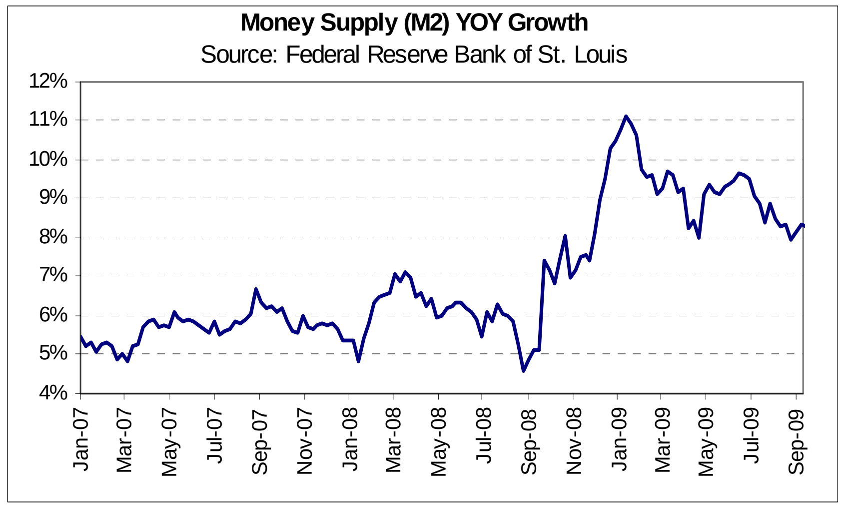


Note: Earnings estimates are provided by Standard and Poor's as of September 22, 2009.

MONETARY AND FISCAL POLICY

- **The Fed remains committed to employing all available tools to promote an economic recovery and restore confidence in the financial markets.**
- The Fed has kept the fed funds rate at 0% to 0.25% and stated during their most recent FOMC meeting that “economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period of time”.
- In addition to conventional fiscal policy, the U.S. continues to support numerous unconventional policies, including **TARP (banks & mortgages), TALF (consumer & business lending) and PPIP (toxic assets)**.





Note: M2 consists of M1 (which includes physical currency, travelers checks, and demand deposits – i.e., checking accounts), and small-time deposits (less than $100,000), savings deposits, and balances in retail money market mutual funds.

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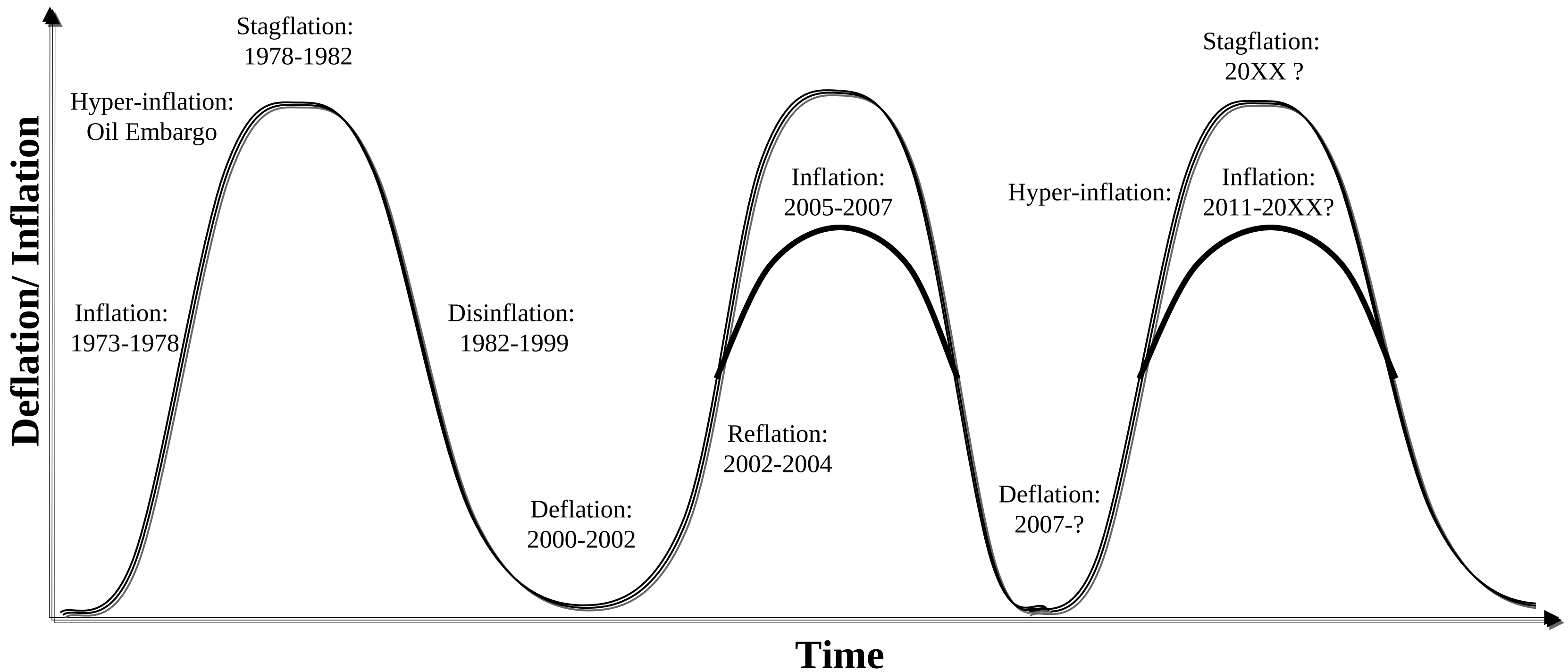
INFLATION RISKS

- While inflation remains subdued due to the slowing global economy, concerns are mounting that the recent rate cut and massive liquidity injections could spur inflation down the road.
- Short term: We expect the recession to technically end in the 3rd quarter (due to positive GDP growth), however we expect the broader economy to remain weak and deflationary pressures to persist.
- Long Term: U.S. could risk having higher inflation coupled with a weakening economy if the monetary stimulus is ineffective in promoting growth, a scenario known as stagflation.



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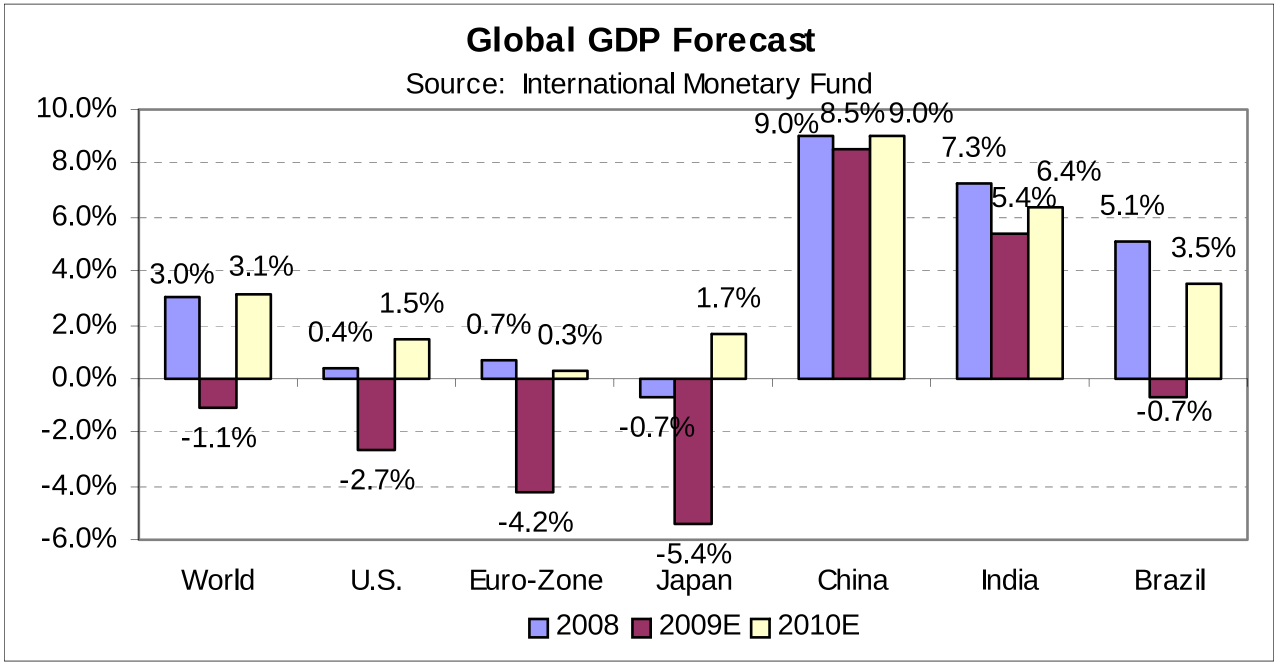
INTERNATIONAL ECONOMY

- Global growth is projected to contract in 2009. **Global growth is predicted to slow from +3.0% in 2008 to -1.1% in 2009, the slowest growth rate since World War II.**
- Due to the aggressive expansionary fiscal and monetary policies recently implemented throughout the world, the global economy is projected to experience a gradual recovery in 2010, registering a full year growth rate of +3.1%.
- Economists expect the emerging markets, particularly China, to drive global growth going forward.



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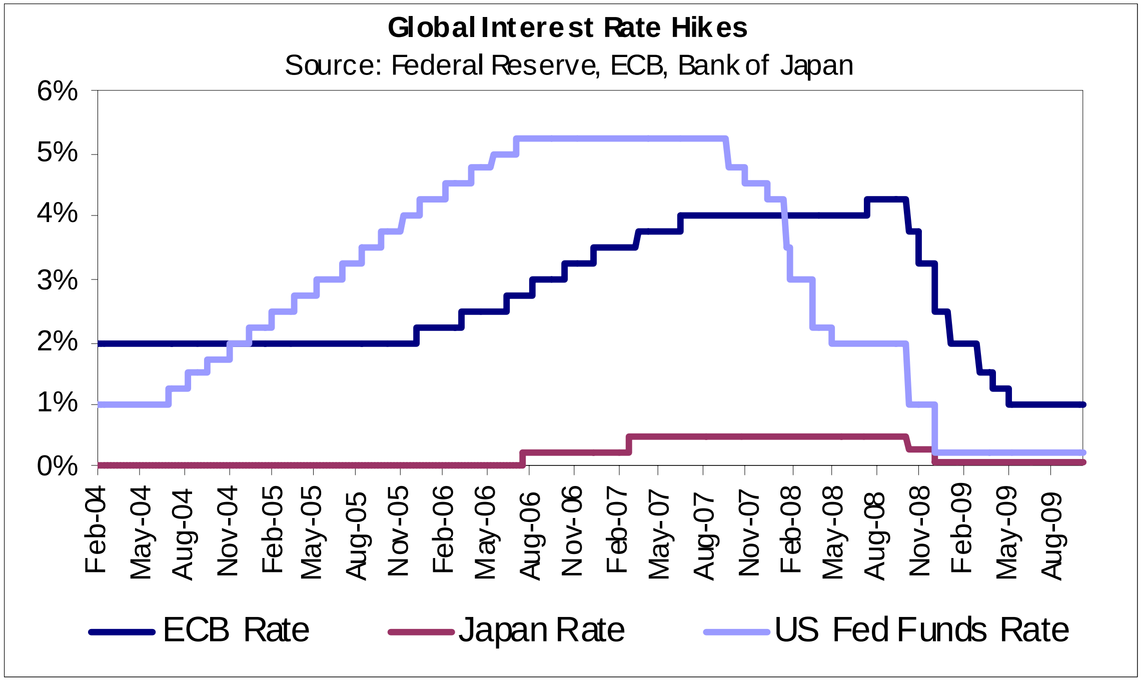
GLOBAL INTEREST RATES

- Central banks throughout the world have aggressively cut interest rates and have indicated they remain committed to accommodative policies until they see signs the global economy is once again on firm footing and confidence in the financial markets is restored.



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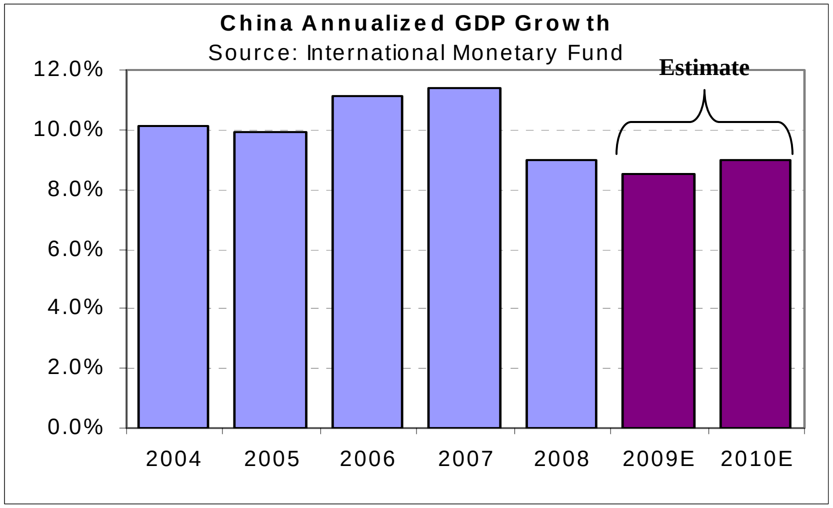
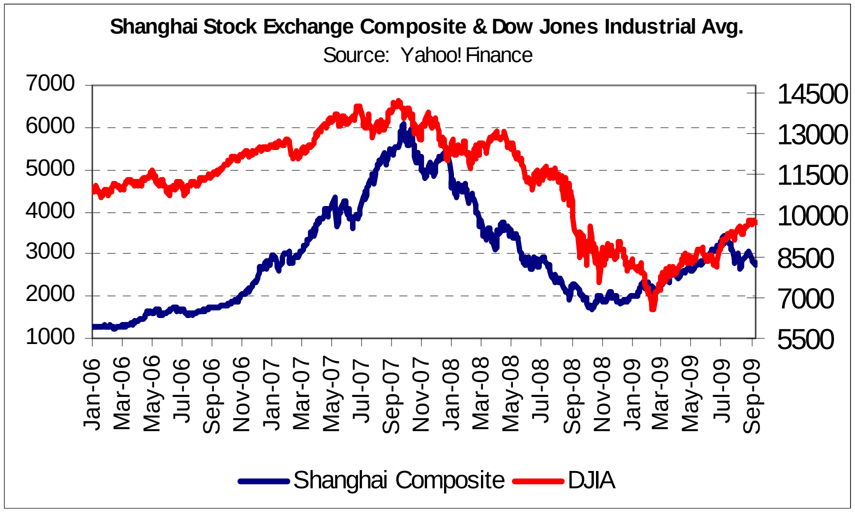
CHINA

- **While China has experienced a slowdown in growth along with the rest of the world, the country is expected to remain a driving force in the global economy.** The IMF projects GDP growth rates for China of +8.5% in 2009 and +9% in 2010, both of which are improvements from forecasts earlier in the year.
- China has acted aggressively to ward off an economic slowdown similar to that of the western world. They introduced a stimulus package of $585 billion in the latter parts of 2008 and have indicated a willingness to provide further stimulus if necessary. However, there is concern that recent growth has been buoyed by continued government spending. **Long term Chinese economic growth has largely been determined by exports. If the demand for imported goods in the United States and Europe does not resume, the question becomes will Chinese domestic consumption be sufficient to buoy the economy?**
- The Shanghai Stock Exchange Composite Index fell -63% in 2008, however has rebounded in 2009 with a +53% gain through the end of September.





II. FINANCIAL MARKETS REVIEW

FINANCIAL MARKETS PERFORMANCE

- **The financial markets have rebounded strongly off their March lows as investors have become increasingly encouraged by economic data getting "less bad" and a belief the worst of the financial crisis may have passed.**
- In a complete reversal from last year, treasuries have suffered in 2009 (-6.4% for 10 yr. and -19.0% for 30 yr.) as investors have become less risk averse and have sought out higher returning assets. **While the gains have been fairly widespread, technology and emerging market stocks have been the biggest gainers year-to-date.**

Equity Market Performance	2009 (YTD through Sep-09)	2008
S&P 500 Index	+17.0%	-38.5%
NASDAQ Index	+34.6%	-40.5%
Dow Jones Industrial Average	+10.7%	-33.8%
Russell 2000 Index	+21.0%	-34.8%
MSCI Pacific Index (USD)	+21.4%	-37.9%
MSCI Europe Index (USD)	+27.7%	-48.2%
MSCI Emerging Markets Index (USD)	+61.2%	-54.5%
MSCI EM Latin America (USD)	+77.6%	-52.8%
S&P GSCI Gold Spot	+14.4%	+5.5%
S&P GSCI Crude Oil Spot	+58.3%	-53.5%
10 Year Treasury	-6.4%	+20.1%
30 Year Treasury	-19.0%	+41.2%

Source: Morningstar

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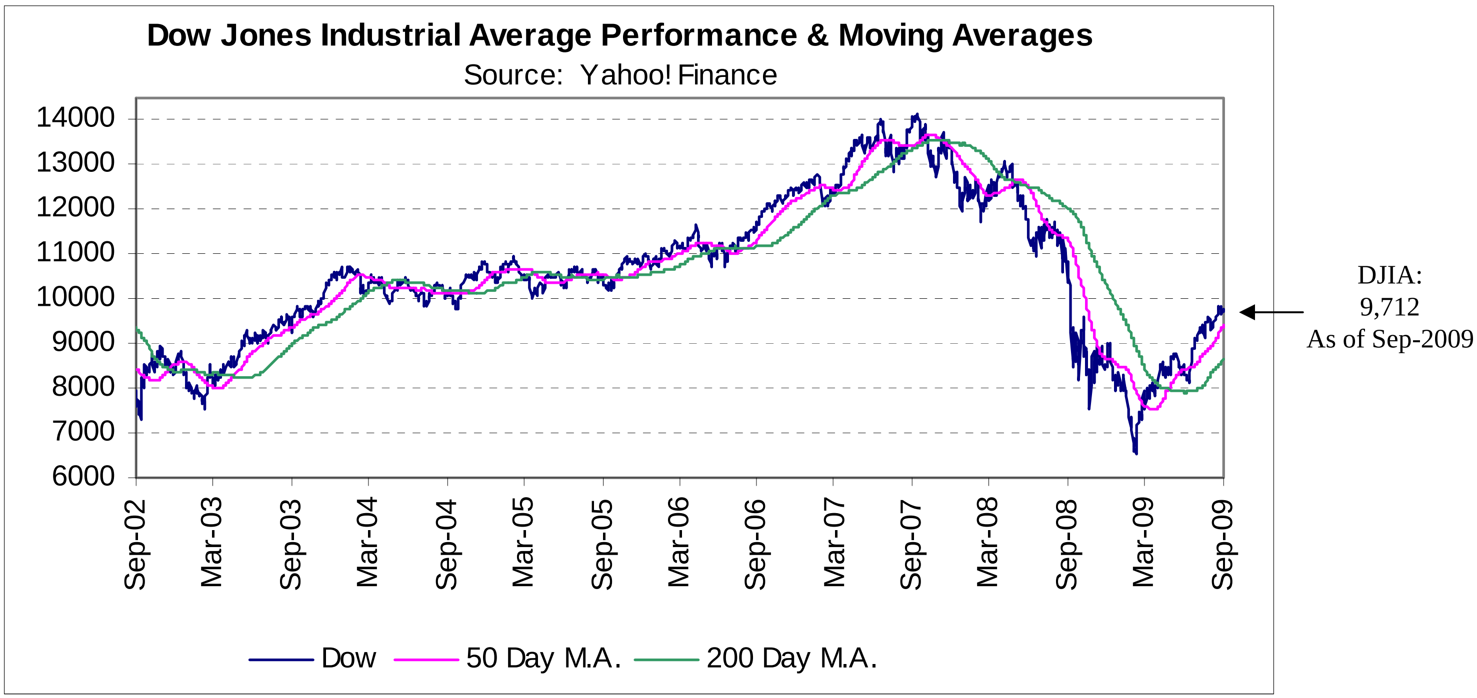
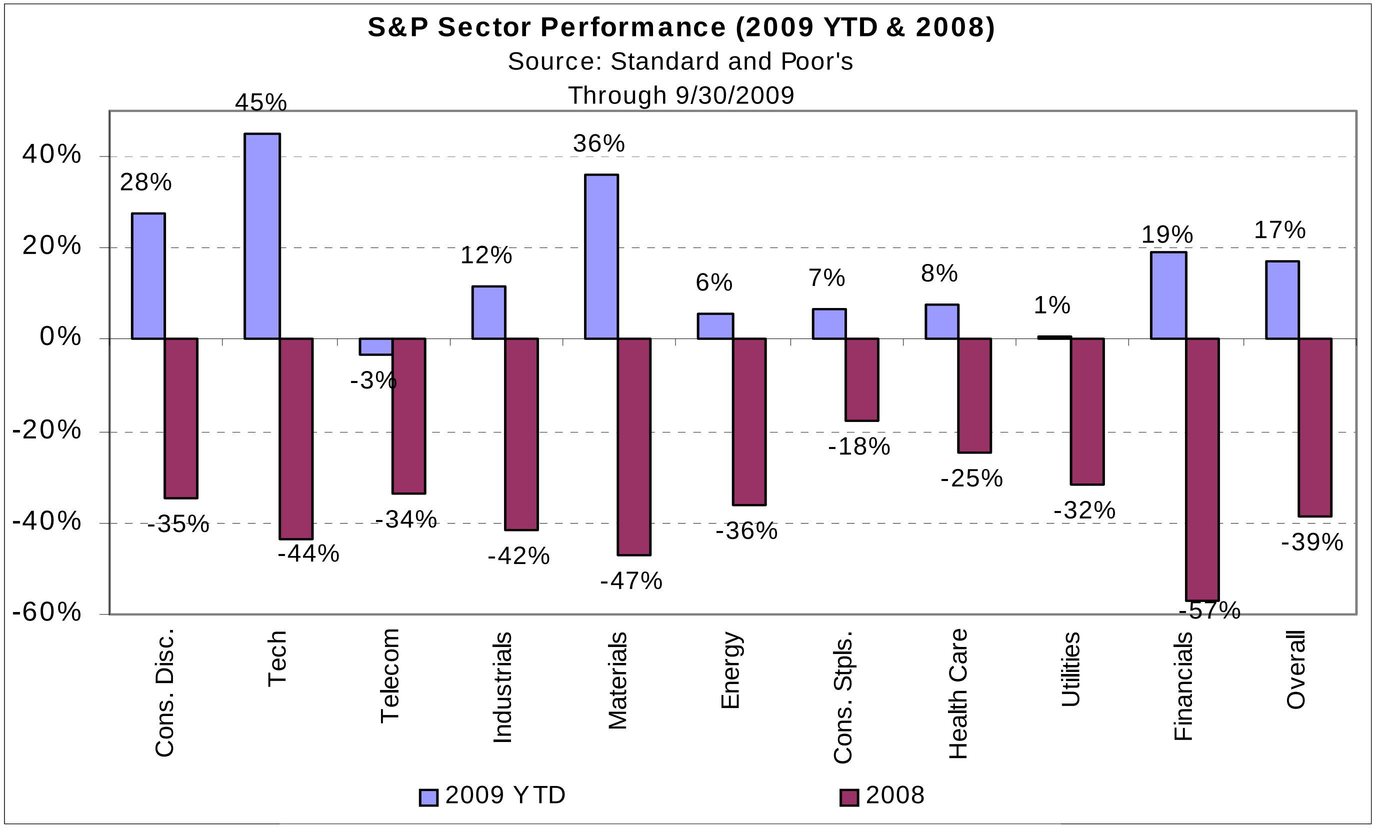
U.S. EQUITY MARKET PERFORMANCE

- Since reaching its low of 6,547 on March 9th, the Dow has rallied +48% through the end of September.



U.S. EQUITY SECTOR PERFORMANCE

- With the exception of telecom, all sectors have experienced gains in 2009, led by technology (+45%) and materials (+36%).



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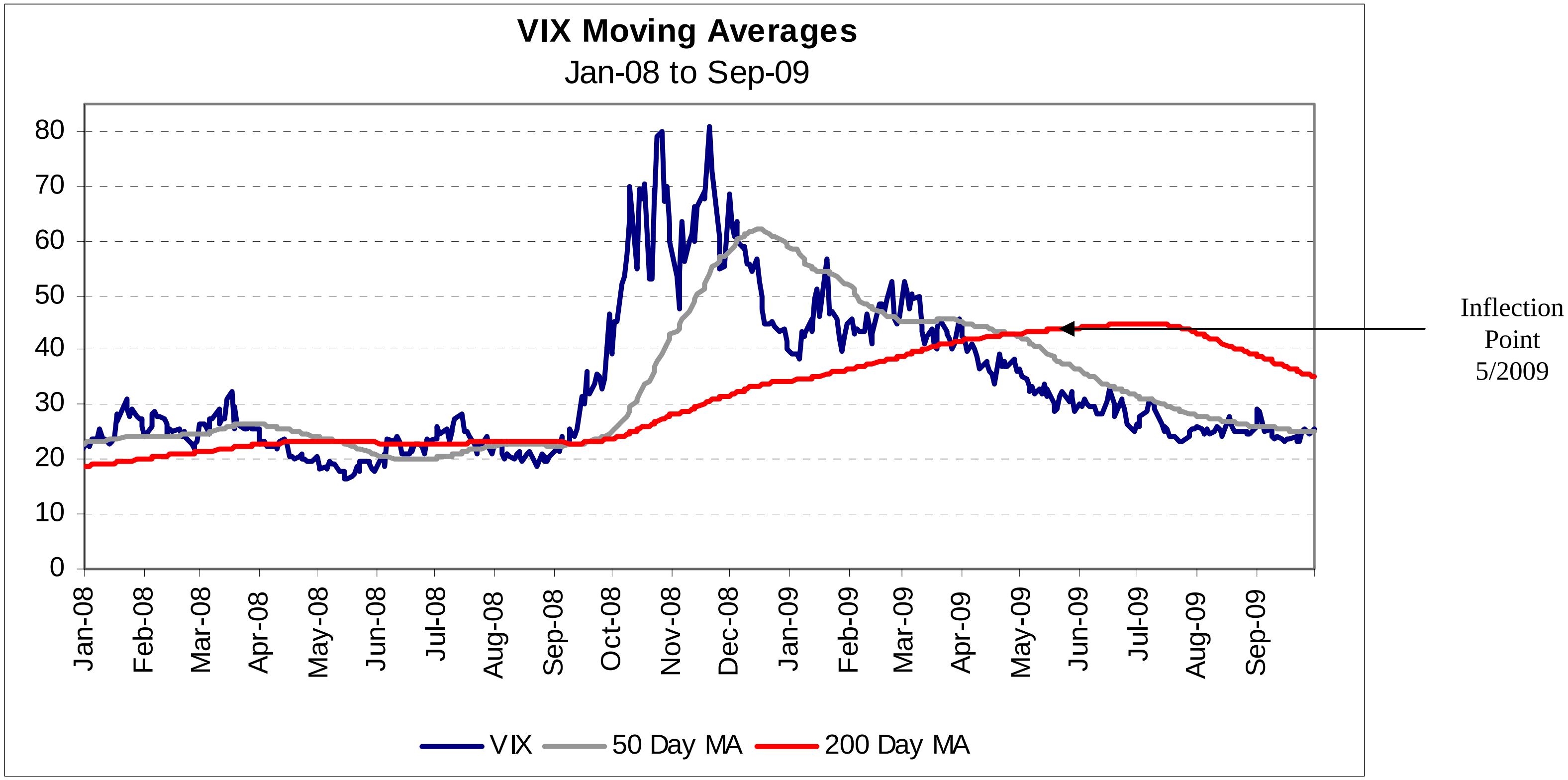
U.S. EQUITY MARKET VOLATILITY

- The volatility in the equity markets continues to decline after experiencing a sharp spike in late 2008 after the failure of Lehman Brothers. The VIX has reached its pre-Lehman levels, between 20 and 30.



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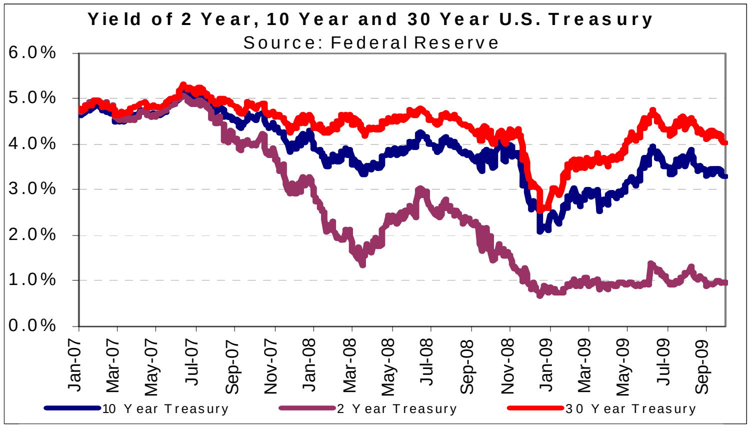
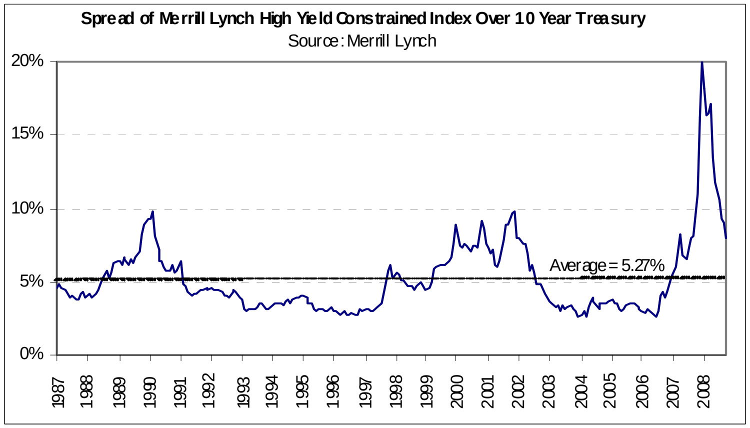
CREDIT MARKETS

- Since the peak of the credit crisis in October 2008, numerous government-sponsored programs have brought considerable reassurance to the US financial markets. One notable indicator, the 3 Month LIBOR rate, has fallen sharply from its elevated levels in October of 2008.
- The most dramatic impact of these programs has been felt in the US credit markets. With spreads at exceptionally attractive levels and government programs providing support, as well as initial signs that the global economy might be bottoming, investors, both institutional and retail, flowed into US "spread products" including investment grade and high yield corporate bonds, emerging markets debt, municipal bonds, and structured products.
- **Gains in 2009 have largely been driven by high yield bonds as investors have sought out higher risk, higher returning assets. The Merrill Lynch High Yield Master Index is up a strong +49%, year-to-date**. The Barclays Aggregate Bond Index has gained +5.7%.
- Conversely, treasuries, the top performing bond sector in 2008 (+20%), have been one of the few weaknesses in the credit markets, experiencing a -6% loss through September.





III. OUTLOOK

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ECONOMIC OUTLOOK

- The aggressive fiscal and monetary policies employed by the Fed and other central banks throughout the world have avoided the risk of a global depression and have set the foundation for **stabilization in the global economy in the latter parts of 2009 and early parts of 2010**.
- **However, the U.S. economy is likely to experience a slow, gradual recovery** as opposed to the traditional v-shaped recovery due in large part to the dependency of U.S. GDP growth on the consumer. The U.S. economy continues to face to certain headwinds, namely:
  - **Rising unemployment rate**: Reached a 25 year high in September, predicted to cross +10% in 2010 and unlikely to improve in the near future.
  - **Income and wealth losses:** It is estimated U.S. households lost $13 trillion in wealth in 2008 due to the correction in the financial and housing markets.
  - **Tight lending conditions:** Banks continue to work on improving balance sheets and remain hesitant to extend credit, particularly to consumers.
- **Corporate profitability, while buoyed during the most recent quarter by drastic cost cutting programs, will likely struggle to resume growth, particularly top line growth.** Domestic and international demand remains soft. Default rates could hit +8% to +12% in 2010 with recovery rates likely to decline as corporations with leveraged balance sheets struggle to weather the economic slowdown.
- **Inflation will remain in check in the near future**. However, we feel inflation could become problematic over the longer term. In addition, the dollar could weaken due in large part to the amount of money that has been printed.
- **The emerging markets will drive global growth in 2009 and beyond**, particularly in China. Overall the advanced economies are projected to contract by -1% in 2009 while the emerging economies are projected to grow by approximately +2%.

EQUITY MARKET OUTLOOK

- **2009 Earnings Forecast:**
  - **S&P:** Reduced their earnings forecast for 2009 from $62.9 per share to $54.0 per share since our last economic presentation in April.
  - **Hennessee Group:** The Hennessee Group believes this -15% reduction in their 2009 earnings estimate is a more realistic hurdle given the concerns we cited in our last presentation, most notably the ongoing difficulties in the financial sector and economy. The Hennessee Group believes 2009 earnings will likely fall within our initial estimate of $49.5 per share we provided in our April presentation and the S&P's revised estimate of $54.0 per share.

- **2010 Earnings Forecast:**
  - **S&P:** Predicting earnings per share to come in at **$72.3 per share in 2010**, a +35% increase from 2009.
  - **Hennessee Group:** The Hennessee Group believes S&P will make downward revisions to their 2010 earnings forecast going forward and anticipates earnings per share of approximately **$65.0** for the full year.

EQUITY MARKET OUTLOOK

- **Multiple Expansion:**
  - As noted in our April presentation, the Hennessee Group believed the market had potential to experience significant moves to the upside despite fundamentals indicating the market was within fair value range.
  - The Hennessee Group noted the prospects of money returning from the sidelines if investors became less risk averse and bid up prices in anticipation of an economic recovery.
  - **Since early March, nearly $500B has flowed out of money market funds and the P/E ratio of the S&P 500 Index has surged from a low of approximately 10x to nearly 20x as of September 30 (based on 2009 S&P earnings estimates).**

- **Real Earnings Growth:**
  - **The Hennessee Group has some reservations about the sustainability of the current market rally.**
  - Companies were able to exceed earnings expectations during the second quarter due in large part to drastic cuts in costs, particularly wages. In addition, companies benefited from reduced interest expenses and lower oil prices.
  - The Hennessee Group believes the ability to manufacture earnings through cost cutting and other short term catalysts has likely run its course. Rather investors will need to see companies expanding top line revenue and generating real earnings growth in the coming quarters in order to further support current market valuations.
  - **We need to see fundamentals catch up with technical indicators otherwise we could see a retreat from current levels.**

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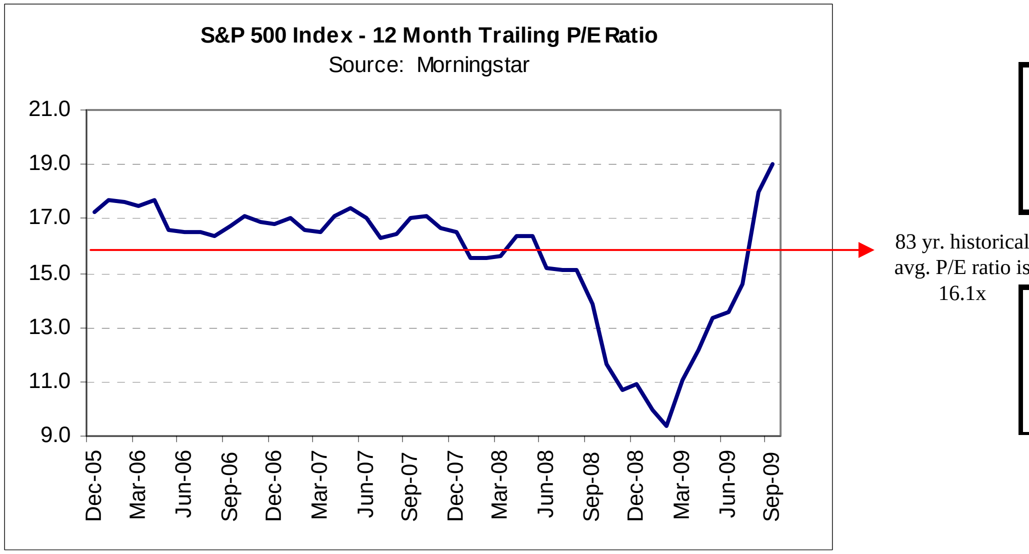
EQUITY MARKET OUTLOOK

- **Valuation / Fundamentals:** Using the Hennessee EPS estimate of $65.0 for 2010, we believe the S&P 500 from a fundamental perspective, is fairly valued at 1,040 (assuming a historical 16x multiple) and is likely to trade in a range of 910 (P/E of 14x) to 1,170 (P/E of 18x) in 2010. **The S&P 500 closed the third quarter on 9/30/09 at 1,057**



	Hennessee 2010 EPS	P/E	Value
Expected Range	$65.0	14X	910
	$65.0	16X	1040
	$65.0	18x	1170
	$65.0	20X	1300

	S&P 2010 EPS	P/E	Value
Expected Range	$72.0	14X	1008
	$72.0	16x	1152
	$72.0	18X	1296
	$72.0	20X	1440

- **Technical Indicators:** Technical indicators for the equity markets continue to strengthen and show positive momentum. With over $3.4 trillion still sitting in money market accounts, the Hennessee Group believes there is potential for the equity markets to experience additional moves to the upside, further expanding multiples.

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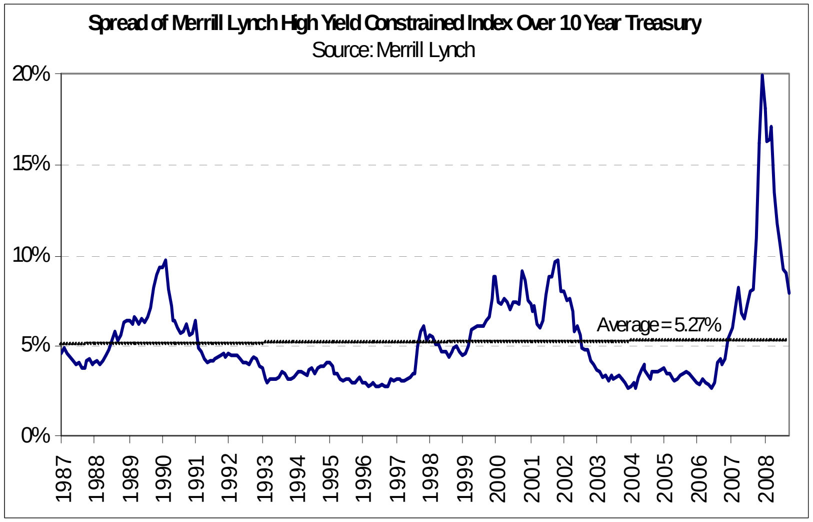
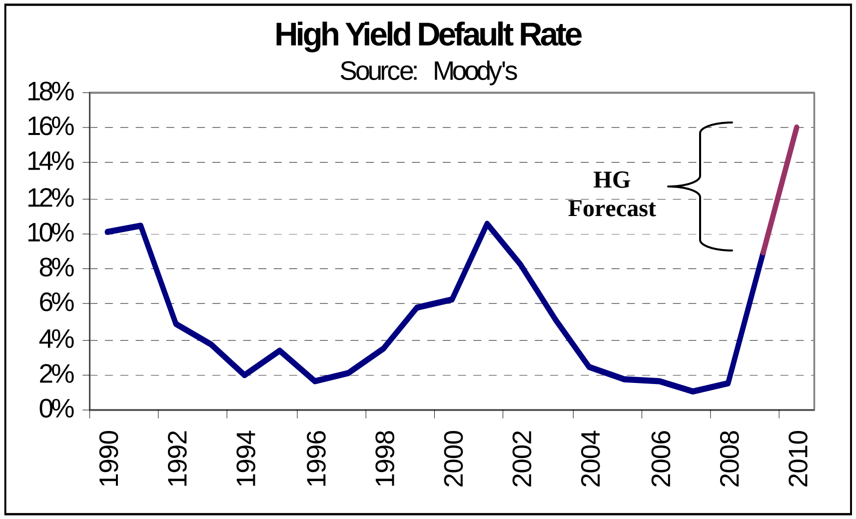
CREDIT MARKET OUTLOOK

- **Credit Markets: While credit spreads have narrowed in recent months, they remain at elevated levels relative to their historical range.** That said, spreads have tightened in a short amount of time which could lead to a near term correction.
- **Defaults:** Tight credit conditions will make it very difficult for companies to refinance debt, leading to a significant increase in corporate defaults. We expect the default rate to reach 8% to 12% by 2010. This will lead to a number of distressed and restructuring opportunities in coming years. That said, recoveries are likely to be significantly lower during this credit cycle and will require managers to be very cautious and selective with individual names.
- **Treasuries:** We believe treasury yields are likely to increase longer term as investors seek assets with higher risk premiums, particularly higher yielding corporate bonds.





IV. RISKS TO OUTLOOK

RISKS TO OUTLOOK

- **The unemployment rate continues to rise and the housing market experiences another downturn.** This could result in further cuts in consumer spending and another drop in economic growth.

- **The economy experiences a double dip recession as government stimulus (i.e., first time home buyer tax credits, cash for clunkers program) fades and the true weakness of the overall economy is realized.**

- **While efforts by the government to unclog the credit markets have proven to be successful, banks remain reluctant to extend credit, particularly to the consumer,** which could result in additional headwinds for the economy longer term.

- **World economy weakens further**, extending declines in exports and delaying a true U.S. economic recovery.

- **Recent action by the Fed results in problematic inflation over the longer term, particularly in energy costs**. Worst case scenario would be rising inflation with slowing economic growth, known as **stagflation**.

- Conversely, in an effort to combat or keep in check the longer term risk of inflation, the Fed acts too soon or too aggressively to remove the accommodative fiscal and monetary policies, and ultimately thwarts economic growth.

- **Financial institutions experience additional difficulties, particularly due to the expected weakness in the commercial real estate market.** Fear could return and lead to additional selling pressure in the financial markets. Credit markets freeze up once again and lending is further cut.

RISKS TO OUTLOOK

- **Protectionist policies are introduced** to focus more on internal problems resulting in a **decline in "global free markets / free trade" objectives.**

- Anti-American sentiment increases globally as blame is placed on the U.S. for the financial crisis resulting in greater **difficulty for President Obama to implement a concept of global economic coordination.**

- **Agendas pursued by the new administration in the U.S. could hurt the financial markets,** particularly changes in the regulatory environment due to recent difficulties on Wall Street.

- **Investor psychology and risk tolerance remain at all-time lows due to the severe and rapid decline in the financial markets**. Investors continue to deleverage and remain on the sidelines.

- **Geopolitical tensions rise**, particularly in Iran, Iraq, North Korea, Middle East or Russia.

- **Off-balance sheet** transactions [especially structured derivatives] remain a major risk to the economy and threaten the stability of the financial markets.

V. LONG-TERM OUTLOOK

2009 AND BEYOND

- **Debt Financing:** The U.S. will have to shift their financing of debt from short term bonds (1, 3 and 5 yr.), to longer term bonds (10, 20, and 30 yr.).
- **Financial Markets:** Longer term, the financial markets offer attractive upside, particularly as fundamentals improve and the world economy resumes growth.
- **Return of Differentiation:** Stock specific alpha should drive returns as we see the return of differentiation among stocks and sectors.
- **Change in Leadership:** Small cap stocks with little to no debt are likely to outperform as central banks continue aggressive monetary policies and we recover from the global recession. Growth will outperform value.
- **Commodities:** Longer term inflationary pressures will lead to a rebound in commodity prices and benefit investors positioned for a "reflation trade".
- **Currency Changes:** The dollar is likely to decline from current levels (according to purchasing power parity) relative to the Euro.
- **Global Focus:** Many of the most attractive opportunities for outsized gains will be found in select international countries, particularly in many emerging markets where markets are less efficient and are trading at extremely low levels.
- **Credit Opportunities:** Corporate default rates and spreads will continue to increase as the U.S. economy slows. Bonds, particularly bank loans and high yield debt, will offer returns in the mid to upper-teens. **Distressed investing will likely be a leading strategy in 2009/2010.**

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2009 AND BEYOND

- **Agendas pursued by the new administration in the U.S. are likely to have a material impact on the financial markets,** particularly with regards to changes in the regulatory environment.
- **Rising Debt to GDP Levels:** As the economy recovers, the U.S. will have to shift their focus to how they will finance rising debt levels (i.e., raise taxes), particularly if China and other countries lose interest in U.S. treasuries.
- **Baby Boomer Retirement Spurs Change** – As the Baby Boomer generation enters into retirement, a change in lifestyle has the potential to affect the financial markets as they are likely to sell equity investments, increase ownership of municipal bonds and have a stronger desire for increased socialization.
- **Corporate Tax Rates** – At 35% the U.S. has the highest tax rates among developed countries. Further increases in corporate taxes will result in more jobs moving offshore or eliminated in order to be globally competitive.
- Capital gains taxes at 15% should be lowered, not raised, to encourage new capital formation.
- **Middle Class America** should be given tax incentives to purchase: cars, "new" homes, education, health care, etc.
- **Foreclosures** must be prevented except in the most severe cases [foreclosures typically result in bank write-downs of 25% and the expense of managing a resale].

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For additional economic information and insights from Hennessee Group, please visit our website: www.hennesseegroup.com

- (*) **TV Interviews: http://hennesseegroup.com/company/interviews.html**
- **Press Releases: http://hennesseegroup.com/releases/2009releases.html**
- **White Papers: http://hennesseegroup.com/information/index.html**
- **Hennessee Hedge Fund Index: http://hennesseegroup.com/indices/index.html**

(*) View 11/2/2006 interview with Charles Gradante…..”We will have, sometime in the future, a major banking problem being caused by credit default swaps”.

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Hedge Fund Disclosure

- **Hedge funds can be speculative and may involve a high degree of risk.**
- **Hedge funds may use leverage.**
- **Hedge funds may have performance that is volatile.**
- **An investor could lose all or a substantial amount of their investment.**
- **The fund manager has total trading authority over the fund. The use of a single advisor applying generally similar trading programs could result in a lack of diversification and, consequentially, higher risk.**
- **There is no secondary market for the investor’s interest in the fund and none is expected to develop.**
- **There may be restrictions on redeeming interests in the fund.**
- **The fund’s fees and expenses may offset the fund’s trading profits.**
- **Some hedge funds can execute a substantial portion of the trades executed for the fund on a foreign exchange.**
- **The amount of disclosure received by Hennessee Group for manager evaluation may vary by manager and is only performed once. Transparency varies by manager. The manager evaluation process Hennessee Group employs may vary by manager. No notice of variations among managers will be given to client and the process described herein may be changed without notice. Not all of manager's representations are corroborated. Business judgment is applied when necessary. Manager evaluation and monitoring is a process consisting of quantitative and qualitative elements. The process is a combination of "science and art“ (i.e., quantitative analysis and business experience). Manager evaluation process may vary from time to time without giving notice or seeking consent. The evaluation process is not directed at providing assurances with respect to internal controls, nor to the detection of fraud, errors, or illegal acts. The evaluation process consists of gathering quantitative and qualitative information through an interview with personnel of the hedge fund.**
- **Monitoring (i.e., *Manager Performance Monitor* and *Portfolio Performance Monitor*) is performed on an ongoing basis.**

Descriptions of Indices

Hennessee Hedge Fund Index

The Hennessee Hedge Fund Indices® are calculated from performance data supplied by a diversified group of hedge funds monitored by the Hennessee Hedge Fund Advisory Group. The Hennessee Hedge Fund Index is an equally-weighted average of the funds in the Hennessee Hedge Fund Indices®. The funds in the Hennessee Hedge Fund Index are believed to be statistically representative of the larger Hennessee Universe of over 3,500 hedge funds and are net of fees and unaudited. Past performance is no guarantee of future returns.

Hennessee Long/Short Equity Index

Long/short equity funds that invest in US domestic stocks that the portfolio manager believes will appreciate in value and short stocks that the portfolio manager believes will depreciate in value. Volatility and return expectations are generally higher than non-correlated funds because of the manager's utilization of market risk, and hence the fund's long-term correlation to the US equity markets.

Hennessee Event Driven/Arbitrage Index

Funds that invest in arbitrage opportunities or event driven situations. Volatility and return expectations are generally lower than correlated funds because of the manager's desire to minimize market risk and focus on individual opportunities within the equity and fixed income markets.

Hennessee Global/Macro Index

Funds that invest in securities (equity, fixed income, currencies, or commodities) with an international scope. Strategies range from long/short equity managers to macro hedge funds. Volatility and return expectations are generally equivalent to correlated funds because of the manager's utilization of market risk.

Standard & Poor's 500 Index (S&P 500)

The S&P 500 Index is an unmanaged market capitalization-weighted measurement of changes in stock market conditions based on the average weighted performance of 500 widely held common stocks. The Index does not reflect sales charges, commissions, expenses or taxes. It is calculated on a monthly basis.

Russell 2000 Index

The Russell 2000 Index is an unmanaged market capitalization-weighted index of 2,000 small company stocks. The Index does not reflect sales charges, commissions, expenses or taxes.

Lehman Brothers Intermediate Government Corporate Bond Index

The Lehman Brothers Intermediate Government Corporate Bond Index is an unmanaged market value-weighted index of government and investment-grade corporate fixed-rate debt issues with maturities between 1 and 10 years. The Index does not reflect sales charges, commissions, expenses or taxes.

Dow Jones Industrial Average

The Dow Jones Industrial Average is an unmanaged price-weighted index based on the stock prices of 30 major industrial companies.

MSCI EAFE (USD) Price Index

The MSCI EAFE Index is an unmanaged arithmetic, capitalization-weighted average of the performance of approximately 1,000 securities listed on the stock exchange of the countries determined by MSCI to be "developed". The Index does not reflect sales charges, commissions, expenses or taxes.

NASDAQ Composite Index

The NASDAQ Composite Index is an unmanaged index of over 5,000 over-the-counter stock prices that does not assume the reinvestment of dividends. The Index does not reflect sales charges, commissions, expenses or taxes.

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