

canadian hedgewatch

MONTHLY REVIEW OF HEDGE FUNDS & ALTERNATIVE INVESTING

MARCH 2012 VOLUME 12 ISSUE 3

EARNING TAX CREDITS FOR INNOVATION – IT'S NOT ROCKET SCIENCE

TAX REBATES

← THIS WAY

- * HELPING HEDGE FUND INVESTORS UNDERSTAND & REMEMBER YOUR FUND
- * THE EVOLUTION OF FUND ADMINISTRATION * STRATEGIC HEDGE FUND PLANNING
- * THE OPPORTUNITY FOR EVENT DRIVEN INVESTING



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Report from EurekaHedge expects at least US\$100 billion in total capital allocations over 2012

Globally mandated funds provided low volatility and uncorrelated returns in 2011, while attracting net positive asset flows of US\$50 billion. The industry has seen a strong start to 2012 and a report from EurekaHedge expects at least US\$100 billion in total capital allocations over 2012 and total assets under management to cross US\$2 trillion by the end of the year.

- Assets in macro and CTA/managed futures hedge funds reached historical highs of US\$133 billion and US\$220 billion respectively
- Long/short equity funds have gained 6.2% as at end-February
- Total assets under management increased by more than US\$40 billion during the first two months
- Eastern Europe and Russia investing hedge funds saw a boost of nearly 12%
- UCITS hedge funds continued to witness strong launch activity and asset flows, with newly launched funds attracting over US\$1 billion in January and February

Investors ploughed more money into hedge funds over the past month, data from hedge fund administrator GlobeOp shows, as hopes of a resolution to the euro zone debt crisis and a rebound in markets boosted confidence after last year's losses.

Net inflows into hedge funds, as measured by the GlobeOp Capital Movement Index, which tracks monthly net subscriptions to and redemptions from hedge funds managing around \$174 billion, were 2.1 percent of total assets over the month to March 1.

While this was slightly down on last month's 2.22 percent, it is nevertheless the second-highest inflow over the past six months and above the 1.12 percent recorded last March.

Investors also expect a rise in the number of hedge funds that will merge or liquidate in 2012, although this will largely affect smaller managers that have failed to increase their assets to any significant size.

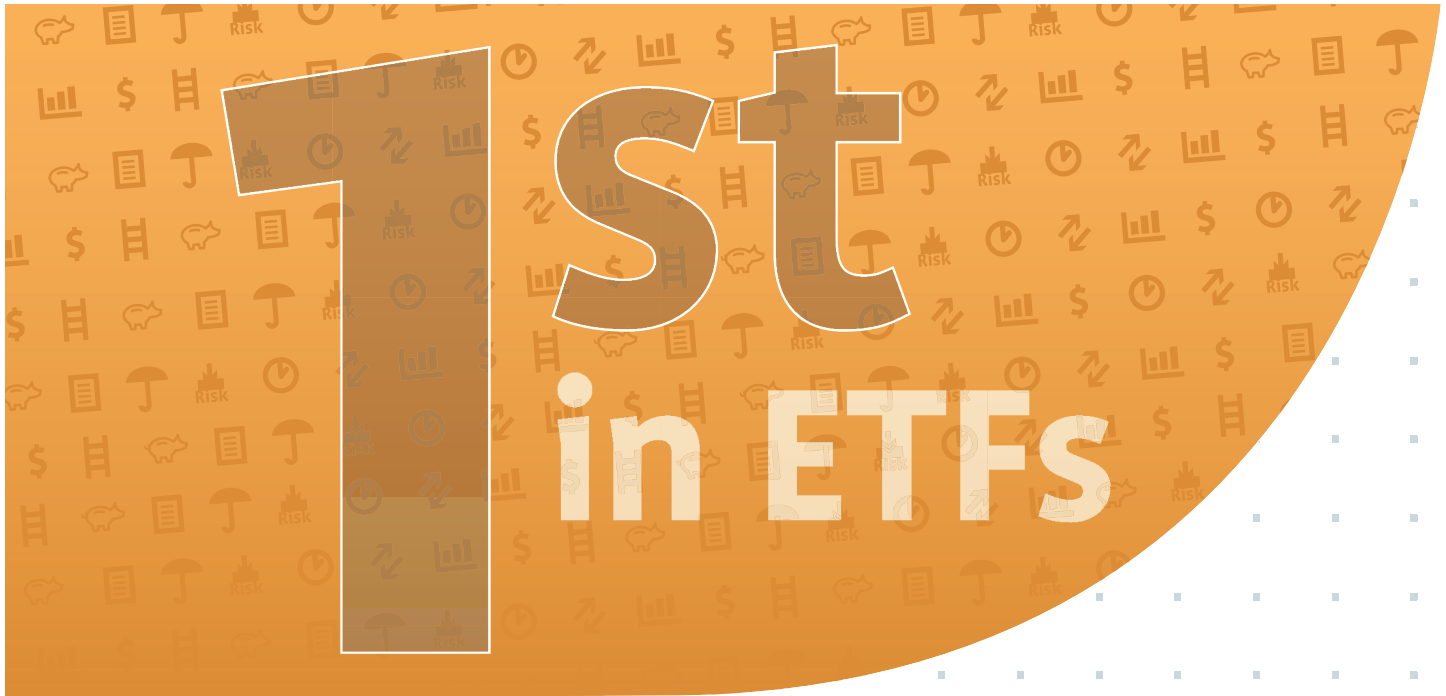
Despite many hedge funds performing poorly last year – when the average fund lost close to 5 percent, according to industry tracker Hedge Fund Research – only 5 percent of those surveyed by Credit Suisse expect funds will end the year in the red.



Tony Sanfelice, *President*
Canadian Hedge Watch Inc.



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Performance Summary

	Feb 2012	YTD
CHW HEDGE FUND INDICES (CHW-HF)		
	%	%
CHW-HF Composite Index	2.07	4.59
CHW-HF Equity Hedged Index	2.16	4.95
CHW-HF Notes Index	-0.24	-0.45
CHW-FOHF Index	0.29	0.31
Scotia Capital Canadian Hedge Fund Performance Index		
SC CDN HF Index Asset Weighted	-0.35	0.30
SC CDN HF Index Equal Weighted	0.59	1.84
Dow Jones Credit Suisse Hedge Fund Indices		
Dow Jones Credit Suisse Core Hedge Fund Index	1.31	3.24
Convertible Arbitrage	2.34	5.88
Emerging Markets	1.83	3.20
Event Driven	1.47	4.77
Fixed Income Arbitrage	0.43	1.37
Global Macro	0.93	3.25
Long/Short Equity	2.05	3.49
Managed Futures	0.69	0.52
HEDGE FUND INDICES		
Hennessee Hedge Fund Index	1.72	4.07
HFRI Fund Weighted Composite Index	2.19	5.03
HFRI Equity Market Neutral Index	0.76	2.20
HFRI Fund of Funds Composite Index	1.58	3.42
MARKET INDICES		
Dow Jones Global Index (C\$)	3.44	8.16
Dow Jones Global Index (U\$)	4.84	11.18
Dow Jones 30 Industrial Average (US\$)	2.53	6.01
NASDAQ Composite Index (C\$)	4.04	10.81
NASDAQ Composite Index (US\$)	5.44	13.89
S&P 500 Total Return Index (C\$)	2.94	6.05
S&P 500 Total Return Index (US\$)	4.32	9.00
S&P/TSX Composite Index Total Return	1.54	5.76

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Earning Tax Credits For Innovation – It's Not Rocket Science



Is your team
claiming all the
tax credits
that it earns?



David Regan, CA, CPA
Partner-in-Charge
R&D Tax Incentives Practice



When it comes to innovation, most of us think of people in white lab coats working in traditional sciences like bioengineering, pharmaceuticals, and aerospace. But you don't need a lab to earn tax incentives for doing research and development (R&D) in Canada or interactive digital media work in Ontario. Many kinds of innovative activities may qualify for these incentives – including some of the information technology (IT) development undertaken by investment and hedge fund managers. Is your team claiming all the tax credits that it earns?

Substantial tax savings – often untapped

Many companies outside of typical high tech industries are not aware of the substantial amount of their activities that could be eligible for Canada's Scientific Research and Experimental Development (SR&ED) program. Much of their potential tax savings remain untapped as a result.

These tax savings could substantially improve your bottom line. For example, for every \$100 of Ontario salary related to eligible R&D activities, your company could be entitled to up to \$39 in SR&ED tax credits or refunds. For small- and medium-sized Canadian controlled private companies, your company could be entitled to up to \$73 in SR&ED tax credits or refunds.

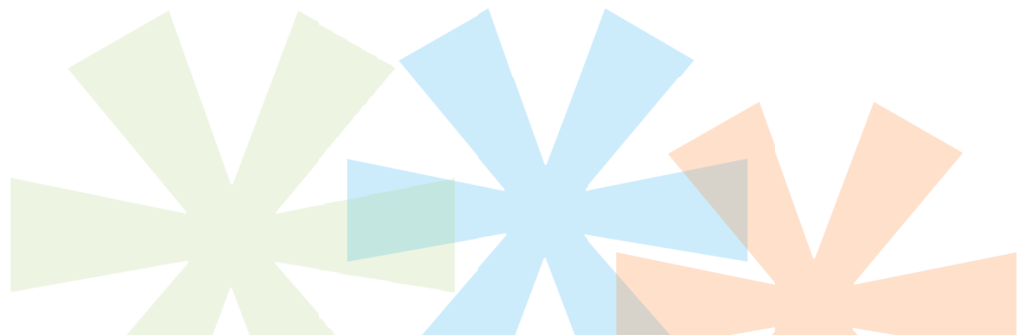
In some cases, Quebec, British Columbia, Alberta, New Brunswick, Nova Scotia, Newfoundland, Saskatchewan and Manitoba offer additional benefits for R&D work.

Where you undertake activities that are eligible for the Ontario Interactive Digital Media Tax Credit, regardless of whether you are a small or large company, you would be entitled to \$40 of tax credit for every \$100 of eligible spending in Ontario.

What activities qualify?

The SR&ED incentives are designed to offset some of the cost and risks associated with developing new technology, systems or processes. For innovative work to qualify, it must meet several criteria. While the rules are more complex than described below, the criteria for the type of work that typically qualifies in the financial services and investment fund sector are, in short, as follows:

1. The work must be a systematic investigation or search carried out by means of experiment or analysis. This includes identifying an obstacle, formulating an objective, developing a plan of experimentation or analysis, and testing the hypothesis.
2. The work must attempt to achieve a technological advance. In other words, the work must attempt to build on current technology by making something better, such as stronger, smarter, faster, more efficient, or less costly.



And remember that a project does not have to succeed to qualify for the SR&ED tax credit – uncertainty over potential results is what innovation is all about.

Work you do in Ontario in the area of digital media, such as web sites, online training, or online publishing could be eligible for the province's digital media credit. To qualify for benefits under this program, the work must be designed to educate, inform or entertain, use a combination of images, text or sound, and be interactive. In some cases, up to \$100,000 of your marketing costs could be included in your costs for purposes of this credit.

Innovative activities in the hedge fund industry

Based on the nature of qualifying activities, some of the information technology work undertaken by the hedge fund industry may qualify under these criteria. Consider these examples.

Case Study 1 – Scientific research and experimental development (SR&ED)

A fund manager hired a consultant to work with his staff to develop an advanced modeling tool to automate a large, complex model. All of the project work would be done in Canada. The tool would be designed to:

- Integrate data from many different sources and databases
- Connect a number of diverse systems that presently do not communicate
- Address speed and performance issues associated with very large amounts of data that need to be analyzed and transmitted
- Apply advanced mathematical algorithms to provide leading-edge predictive modeling

This type of work would normally be eligible under the SR&ED program, and the fund manager would be eligible for tax incentives on the development.



“You can claim your costs for the current taxation year. Even better, you can go back and claim eligible costs that you might have overlooked in any of the previous two taxation years.”

Case Study 2 – Digital media development in Ontario

The same manager developed a website for the fund in Ontario. The website covers the ABCs of investing, educating users about risks and rewards and how to select a manager. It explains how to compare skill sets, provides links to articles and videos on the topics, and allows users to move around the website by selecting different paths to review material. The website also links to real-time stock quotes, economic data, and news releases from other companies.

This website would likely be eligible for the Ontario digital media credit as it was interactive, designed to educate or inform, and developed in the province. As well as the site's development costs, a portion of marketing costs could be eligible in some cases.

What costs are eligible?

Once you've identified your qualifying SR&ED activities, the following costs to these activities could qualify for benefits:

- Salaries
- Contractor payments
- Materials
- Payments to universities and research organizations
- Capital assets purchased or leased
- Certain overheads

You can claim your costs for the current taxation year. Even better, you can go back and claim eligible costs that you might have overlooked in any of the previous two taxation years.

For the Ontario digital media credit, eligible costs would include labour, contractors and marketing.

Looking ahead, there may be opportunities for you to structure entities and transactions to increase benefits. You could also factor the availability of future SR&ED and digital media development benefits into your business case for the financing of future IT development or other qualifying work.

Program cuts in the works?

The Organization for Economic Co-operation and Development (OECD) has found that Canada's strong federal and provincial tax incentives for R&D activities make the after-tax cost of R&D in Canada lower than almost anywhere else in the world. But as this article goes to press, the federal government and some provinces are preparing their provincial budgets. As these governments try to improve their finances, it's possible that innovation tax credits might be curtailed.

Are you leaving tax dollars on the table?

Whatever happens, your company's potential eligibility for tax credits is well worth exploring. Any cuts to these incentives would probably affect future activity only – and your fund may have unclaimed current and previous-year tax credit dollars on the table right now. *

David Regan, is a Tax Partner with KPMG LLP and leader of KPMG's R&D Tax Incentives practice in Toronto. The practice consists of over 20 full-time professionals that include computer scientists, software programmers, electronics and telecom engineers, accountants and tax professionals. KPMG's R&D Tax professionals have extensive contacts within all government agencies and an excellent track record in R&D incentives obtained.

Helping Hedge Fund Investors Understand & Remember Your Fund



Hedge funds are revealing too little about themselves.

This complaint comes from the very institutional investors to whom hedge funds are marketing.



Bruce Frumerman
CEO

Frumerman & Nemeth Inc.

SEI recently released the results from its fifth annual survey of institutional hedge fund investors, conducted in collaboration with Greenwich Associates, The Shifting Hedge Fund Landscape. Three recommendations in this 2012 report clearly indicate that the surveyed investors are asking hedge funds to “provide more windows into investment processes and decision-making,” as SEI puts it.

All hedge fund firms know that they have to deliver marketing collateral into the hands of institutional investor prospects who may take months before getting around to looking at those documents again when discussing the hedge fund and its strategy in an investment committee meeting. But hedge funds’ communications have not been doing a good enough job.

SEI tells hedge funds that they need to make their strategies more understandable, specifically by thoroughly explaining the investment process used to generate returns. SEI notes that this communications is not a one-time thing. They tell hedge fund firm owners to keep articulating and reinforcing their value propositions throughout the selling cycle, demonstrating exactly how a fund’s strategy and methods are enhancing a client’s risk-adjusted portfolio returns. Also, SEI comments that performance expectations need to be better clarified. Hedge fund managers need to better educate clients about risk/reward tradeoffs and how their strategies can be expected to perform under various market conditions.

Too few hedge funds are communicating enough detail about how they think and how they invest. Today it is no longer acceptable for a hedge fund manager to keep these specifics in his head; nor for a sales person to believe she only has to be able to recite all this required information in a verbal presentation at a pitch meeting with a prospect. Institutional investors need to have this information in writing. They refer to a hedge fund’s marketing collateral months after a hedge fund has made its in-person presentation, when the institution’s investment committee finally gets around to discussing the hedge fund firm and its strategy. Is your hedge fund making it easy for prospects to sufficiently remember your fund and be able to discuss how you invest months after you last sat down with them?



As SEI's survey makes clear, hedge funds have not built out their storyline content enough to fully explain how they invest, differentiate themselves from competitors and communicate appropriate performance expectations. Frummerman & Nemeth knows why this is too often so. Many hedge fund firm owners create their investment storylines by trying to think in bullet points; because that is what goes into a flip chart pitchbook. That is the wrong starting point and the wrong point of reference. Think this way and you end up leaving out too much detail about what you do – detail that prospective investors want to hear from you. Market this way and you may leave some prospects thinking your firm lacks transparency and others that your firm lacks the competence to pull off what you claim to achieve with your strategy. Here is a communications marketing secret: a flip chart pitchbook is a marketing tool, not the only marketing tool.

A flip chart pitchbook is not a leave-behind piece whose copy retells on paper the detail of what a fund manager presents verbally at a pitch meeting regarding the full story of his fund and its investment process. Institutional investors have learned from experience that bullet points in the typical flip chart pitch book rarely tell the full story. In a meeting, the portfolio manager or salesperson usually “fills in the blanks”, adding more information as they elaborate about their firm and its investment process. Do you really believe that all of your prospects are attentive enough to absorb and recall this non-documented content months later, when making investment allocation decisions? If so, you are mistaken. Would you like to do a more effective job of thoroughly explaining your fund's strategy and process in writing?

Here is how to start: Write yourself a clean, rethought, long version storyline, using complete sentences, that explains your investment beliefs and details the process you follow to implement your strategy. Keep in mind that people will not be able to follow you if your explanation about how you invest jumps around. You need to build and tell a linear story. Moreover, this long version storyline you have just written needs to be worded so that it is buyer focused and not seller focused.

Once you have created this new marketing copy draft set it aside for a day. Then, turn back to it and reread what you wrote. Try to do so with the critical eye of skeptical prospects. Is what you wrote cogent and compelling? Do not try to kid yourself here. If what you wrote was about another hedge fund would you be impressed or not? If not, rewrite your long version storyline and self-test it again.

Once you are happy with your new, long version storyline copy about how you invest you will have the core content that can be applied to a range of marketing tools. The long version storyline copy will become the meat of your in-person verbal presentation. Highlights of the long version storyline can be added to the data presented in your flip chart pitchbook and also used in a fact sheet/backgrounder piece. Your firm's long version storyline content also belongs in a document of its own: an “evergreen” brochure that just addresses investment process. This marketing tool should retell in print what you communicate verbally at a pitch meeting for educating and persuading people to understand and buy into how you invest.

Writing a long version storyline to tell and sell a firm's investment process story to institutional investors is a skill. You need to have a buyer-focused understanding of the questions and concerns of your prospects, and you have to answer these fully. Even though you know your investment process inside and out, writing it down in a way that a prospect can understand and appreciate it is time-consuming, hard and lonely work.

You might think to enlist someone at your firm to help, a salesperson perhaps. But they only know what you've told them and not what's still in your head that you've never communicated. If you cannot do a good job in-house of building a more competitive story yourself about how you invest find yourself an expert to team with who can provide your hedge fund with the insight, perspective and skills your firm lacks internally.

How useful is adding a brochure format marketing piece as a selling tool to provide, as SEI puts it, “more windows into investment processes and decision-making”?



“If you want to put your firm in a more competitive position for attracting new investors you need to do a better job of articulating and reinforcing your value proposition.”

Here is a recent case example from a hedge fund client of my communications and sales marketing consulting firm. Having presented his pitch to a university endowment officer, the fund manager was complimented on his evergreen brochure leave-behind because, as the prospect noted, it fully retold the fund's investment process that was given in the verbal pitch. That endowment officer added that nine out of ten times he is only given a flip chart pitchbook from those who pitch him, so he often lacks the investment process detail he needs, in an easily accessible marketing piece, for his due diligence. Another endowment team the hedge fund manager met with echoed that feedback. After telling the hedge fund manager they liked how his investment process was clearly spelled out in his 12-page, brochure-format leave-behind, they complained to him about getting too many 50-page pitchbooks from other money management firms.

If you want to put your firm in a more competitive position for attracting new investors you need to do a better job of articulating and reinforcing your value proposition; both with the story you tell and the range of marketing collateral in which you deliver it. Once you have made it easier for institutional investors to remember and recount to fellow investment committee members how your firm invests you will have created a competitive edge in your marketing. *

***Bruce Frummerman**, is CEO of Frummerman & Nemeth Inc., a communications and sales marketing consultancy that helps financial services firms create brand identities for their organizations and develop and implement effective new marketing strategies and programs. His firm's work has helped money management clients attract over \$7 billion in new assets, yet Frummerman & Nemeth is not a Third Party Marketing firm. Bruce has over 30 years of experience in helping money managers to develop buyer-focused positioning strategies to differentiate them from their competitors; create more cogent and compelling sales presentations and marketing materials to better tell their story; and use media relations marketing and industry conference speaking opportunities to help establish a branded identity for their organization by generating third-party endorsement for the expertise of their people, the value of their services and the quality of their products. He has authored many articles on the topic of marketing money management services and is a frequent speaker on the subject at industry conferences. He can be reached at info@frummerman.com, or by visiting www.frummerman.com.*



The Evolution of Fund Administration

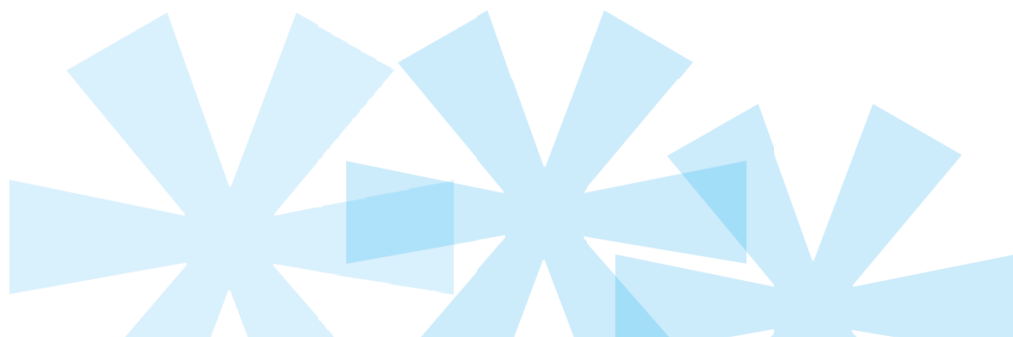
In the past, fund administrators typically lagged well behind prime brokers, lawyers, and auditors in terms of perceived importance. However, this perspective has changed a great deal over the course of the last few years.

Philip Niles
Butterfield Fulcrum

It was not too long ago that fund administration was considered a dusty, underwhelming industry ranking relatively low on the list of priorities to stakeholders in the alternative investment world. Much of the focus was allocated to the front office, especially by investors during the due diligence phase, and little deliberation was reserved for the middle and back office work performed either in-house by an investment manager or by their fund administrator (assuming that the fund even had a fund administrator). In addition, on a list of service providers, fund administrators typically lagged well behind prime brokers, lawyers, and auditors in terms of perceived importance.

However, this perspective has changed a great deal, especially so over the course of the last few years. As investor demands intensify and the regulatory environment becomes increasingly complex, fund administrators have been called upon to extend their offerings to clients. While some of this change has been of a reactive nature to a developing landscape, much of what is now handled by fund administrators has been of their own design using a proactive approach, constantly adopting new processes and technology to serve the needs of their clients.

Though the changes in the fund administration world built over time, the credit crisis of 2008 certainly accelerated this evolution. It was during and following this period that investor demands for increased reporting, more frequent deliverables, and heightened transparency became the new norm. In response to these requests, alternative investment managers were able to leverage their fund administrators to provide new or enhanced reporting. Moreover, a number of previously self-administered funds quickly discovered they were only able to maintain their investor base by utilizing a fund administrator, leading to a further expansion of the industry.



This extension of the fund administration world continued as investment managers sought to outsource a number of their middle and back office tasks. As costs continued to rise, investors became more fee sensitive, and the requirements of all interested parties became more intricate, fund administrators became the natural choice to absorb a great deal of the operational tasks that were previously performed in-house by an investment manager. While this started with the traditional back office functions, it has recently extended into the middle office as more fund administrators handle trade date reporting and reconciliation on a daily basis. Taking this a step further, some progressive fund administration firms are offering front office solutions in the form of order and portfolio management software to their clients; the ability to offer a true, seamless front-middle-back solution has become a defining characteristic in the fund administration world, separating the best from the rest.

“As investor demands intensify and the regulatory environment becomes increasingly complex, fund administrators have been called upon to extend their offerings to clients.”

Technology has been another area in which fund administrators have rapidly transformed themselves in recent memory. Spreadsheet-based solutions are now horribly insufficient in the face of increasingly complex fee calculations, fund structures, and allocation requirements. Second-rate technology introduces a host of new risks and issues, such as manual errors, an inefficient operational workflow, and longer turnaround times for reporting and information distribution. Fund administrators who wish to remain competitive have invested a great deal of time, energy, and money in best-in-class technology solutions, whether they are proprietary or sourced through industry-leading third parties.

Perhaps more than anything, there has been an ideological shift in the approach of fund administrators in recent years. A fund administration business model based on a one-size-fits-all solution for every client is not only dormant, it has likely gone the way of the typewriter. An ability to craft customized, bespoke solutions for clients is now mandatory, as every alternative investment manager has unique needs and wants, both for themselves and for the investors they serve. Fund administrators who cannot adapt to this paradigm shift will find themselves falling far behind their peers, especially when it comes to larger, more demanding engagements.

The current environment bears witness to further evolution, specifically in how fund administrators are assisting their clients in navigating the ever-changing regulatory and compliance landscape. Numerous fund administrators have introduced solutions for items such as the Foreign Account Tax Compliance Act (FATCA) and Form PF, the SEC’s major step into data gathering at alternative investment firms. To be sure, regulation and compliance will continue to be a hot-button issue in the industry and forward-looking fund administrators are putting the necessary infrastructure in place to handle these new demands.

Evolution, of course, is an ongoing process and there are certainly additional areas over the coming months and years where fund administration firms will step up to meet new challenges or stay on top of changes in the industry. Some fund administrators are introducing online portals for client and investor reporting, further bridging the transparency gap and streamlining workflow. In addition, another area getting increased traction is with respect to subscriptions and redemptions as fund administrators look to enhance this process, including the use of online subscriptions, redemptions, and transfers.

Needless to say, fund administration has altered significantly over the last few years. As the alternative investment space changes, sometimes with breathtaking speed, fund administrators have become acutely aware of the need to change along with it. It is no longer sufficient for a fund administrator to use sub-standard technology or static operational processes; to do so will quickly render a firm uncompetitive and unable to satisfy the wishes of new or existing clients. The relatively swift changes in the alternative investment field have created an opportunity for differentiation within the fund administration industry; there are now firms that have evolved along with the world of finance in general and those who are simply struggling to keep up. To be sure, Darwinian principles hold for fund administration as it does for any other industry: it is truly survival of the fittest and the ability to adapt makes the difference between survival and extinction. *

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Creating a hedge fund to protect and manage your assets or the assets of others for a fee is a practical way to earn a living. Successful hedge funds continue to attract the wealthy, the working not-so-wealthy, businesses, and pension funds looking for better investment options. Despite recent law changes, the United States still offers a favorable environment for smaller hedge fund startups. The purpose of this article is to highlight key U.S. hedge fund development and planning issues of interest to hedge fund sponsors worldwide.

Why the United States?

Even if you are based in another country, consider forming a U.S. hedge fund. The United States offers easy low cost access to the legal, tax, accounting, retail and institutional brokerage, and the regulatory services needed by a hedge fund sponsor to organize a hedge fund. Despite what some investors think about the purported negativity surrounding the United States, many more investors continue to establish U.S. based hedge funds because of the minimal expenses associated with starting a U.S. hedge fund. Hedge fund sponsors (i.e., the organizer(s) of the hedge fund) based outside the United States are usually surprised and delighted to learn about the “light touch” of U.S. regulation and low costs associated with forming a U.S. hedge fund.

How long does it take to start a hedge fund?

It really depends on the particular circumstances because no two funds (including the people who want to start them) are completely alike. In the United States, companies can be formed in a matter of just a few minutes. For example, in the State of Florida, a company can be formed over the Internet in less than ten minutes for about \$120 USD. In the United States, no minimal capital is needed to form a company. Even a U.S. tax identification number (i.e., EIN or “employer identification number”) can be obtained quickly from the U.S. Internal Revenue Service over the Internet.

In general, and assuming no registration is required, the average U.S. hedge fund takes about four (4) weeks to organize and launch, including the time needed to prepare offering documents and arrange for the hedge fund's bank and brokerage accounts.

Minimal Legal Infrastructure Needed

To start a U.S. hedge fund, you generally need to form two business entities: the hedge fund, and its investment manager. The hedge fund is typically set up as either a Delaware Limited Partnership (LP) or Limited Liability Company (LLC). For tax reasons, hedge fund sponsors based in New York or Texas should consider setting up three companies: the hedge fund, the investment manager and a management company. The investment adviser can be set up as an LLC, or as some other type of business entity in your home state or country.

Hedge fund sponsors based offshore can set up both a hedge fund and its management company in the United States.



Why a Delaware Hedge Fund?

In the United States, hedge funds are found chiefly in Delaware. U.S. hedge funds are established primarily in Delaware because Delaware offers the most advanced business friendly law in the United States. In fact, Delaware's business friendly environment is attractive to companies across the globe, not just hedge funds. Governing law matters. Delaware corporate law affords directors and officers a great deal of discretion in managing the business free from the undue interference of shareholders and regulators.

Delaware's highly regarded reputation stems from the Court of Chancery that focuses solely on company law. The Court of Chancery has earned a reputation for fairness and decisiveness when hearing disputes between investors and hedge fund managers. Indeed, the Delaware "brand" of company law has been "exported" to several other countries. Moreover, Delaware is one of the most protective jurisdictions in the world of proprietary information.

The issue of privacy extends beyond Delaware's borders to other U.S. states. A 2006 Government Accountability Office report, found that most other states do not require ownership information when businesses are formed or don't have to submit periodic reports. Read the GAO 2006 Report of U.S. Company Formations. (www.capitalmanagementservices.com/images/GAO_Report_April_2006_Company_Formations.pdf) In addition to Delaware, Nevada and Wyoming are considered advantageous places to set up a company. In any event, given the depth, privacy, predictability and pro-business cast of Delaware's company law, it makes good business sense to set up a hedge fund in Delaware.

How many investors can invest in a U.S. hedge fund?

If you set up a U.S. hedge fund you have two choices. If all of your investors, without exception, are "qualified purchasers," your U.S. hedge fund can accept up to 500 investors. This type of hedge fund is referred to as a "3(c)(7) fund." Qualified purchasers" are generally those that have \$5 million in net investment assets. Once a 3(c)(7) fund reaches 500 investors, it may be required to register under the Securities Exchange Act of 1934.

If you are not able to satisfy the qualified purchasers only requirement, your U.S. hedge fund will have to operate on a smaller scale; one that can accept up to 100 investors. This type of hedge fund is referred to as a "3(c)(1) fund." Of the 100 investors it can accept, only 35 can be non-accredited investors.

The Investment Company Act of 1940 provides for certain exemptions from registration under the Investment Company Act (i.e., 3(c)(1). However, operating under one of these exemptions does not negate the need to file a Form D with the SEC on behalf of the hedge fund, and to file related state "blue sky" filings. Additionally, operating under one of the Investment Company Act exemptions does not negate the need of the hedge fund's manager to register as an investment adviser.

Equity Funds

If the hedge fund trades securities, ETFs, etc., and has U.S. investors, the hedge fund manager must register either with the SEC or its "home" state (or country) as an investment adviser, unless an exemption from investment adviser registration is available to it.

Spot Forex, Commodities and Managed Futures Funds

If the hedge fund trades in one or more of the following: spot forex, futures contracts, commodity options (including options on futures contracts), leverage contracts involving certain precious metals, futures contracts, commodity options traded on a board of trade, foreign futures or foreign options, and has U.S. investors; then the hedge fund manager must register with the U.S. National Futures Association (NFA), unless an exemption from registration is available.

Recently, the NFA eliminated the exemption contained in Rule 4.13(a)(4) – a rule relied upon by a substantial portion of the hedge fund industry. Hedge fund managers operating commodity pools under Rule 4.13(a)(4) have until December 31, 2012 to register as commodity pool operators, unless they can avail themselves of some other exemption.

Use of Offshore Hedge Fund Manager to Avoid Home Country Hurdles

A U.S. hedge fund's investment manager can be set up in your home country, offshore, or in the United States. Unfortunately, many potential managers live in countries where the capital formation, tax and regulatory hurdles to become a hedge fund manager are insurmountable. Many countries require a working background in finance, substantial education, and other credentials to be licensed as a hedge fund manager. Even if you have the necessary background and experience, you may not be able to obtain licensing in your home country simply because the regulators do not favor smaller one-man operations. If you are based in a country like that, consider setting yourself up as an investment manager either in the United States or elsewhere.

Set Up a U.S. Hedge Fund Manager

As stated previously, in the United States, companies can be formed in minutes and a U.S. visit is not required. When setting up a hedge fund manager outside of your home country (or state), arrange for a "virtual office" so that you have both a working and physical address outside of your home country (or state). These arrangements allow you have to a hedge fund manager based in another part of the world with few, if any, regulatory barriers to hedge fund management. Note that you can use the hedge fund management company not only to serve as the fund's investment manager, but also to operate a managed account business (i.e., unlike a hedge fund, managed account customer money is not pooled).

Use of Investment Adviser Sub-Contracts

Many hedge fund sponsors opt to set up a hedge fund management company outside of their home country, whether for tax, commercial, or regulatory reasons. If you (as the hedge fund sponsor) set up the hedge fund management company outside of your home country, you should have a sub-agreement for "advisory" services between yourself and the offshore hedge fund management company.

In the United States, an investment adviser is an investment manager. However, there is legal distinction between "investment manager" and "investment adviser" in most other countries. If you live in a country where such a distinction exists, and you set up the hedge fund's manager in such a country, you should position yourself through contracts as an investment adviser to the offshore investment manager. Such "advisory" services (i.e., an independent research analyst) are not usually a regulated business activity. To do this, you need an agreement between the offshore investment manager and the hedge fund, and a sub-agreement between the investment manager and the investment adviser. The goal of the agreements, considered together, is to allow you to offer research services to the offshore investment manager for a fee.

When the agreements are drafted properly and timely executed, you will be able to control the timing, tax character and amount of taxable income reportable in your home country (i.e., income tax deferral). A hedge fund manager seeking to defer substantial amounts of management and performance fees should use third-party (i.e., "outside") directors to ensure that the deferral mechanisms are respected for home country tax purposes.



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U.S. Investment Adviser Registration

Many hedge fund sponsors choose to set up a U.S. investment manager to avoid home country licensing issues, and to make the hedge fund more attractive to U.S. investors. Another reason for considering U.S. investment adviser registration is to satisfy a brokerage and/or bank's requirement that a hedge fund's manager be licensed somewhere before it is willing to supply bank and/or brokerages services. If your home country's licensing requirements put investment manager registration out of reach, consider getting licensed in the United States.

Fortunately, a foreign based investment manager is eligible to register with the U.S. Securities and Exchange Commission (SEC) without regard to the amount of assets under management. The SEC registration process is very simple and relatively streamlined. On balance, the SEC is a very light regulator of foreign-based hedge fund managers.

Exemptions for U.S. Based Investment Managers

If you opt to set up a U.S. based investment manager, you may not be eligible for SEC registration. U.S. based investment advisers must register with the SEC or their "home" state. Any U.S. based investment adviser with less than \$150 million assets under management generally must register with its "home" state; you are not eligible to register with the SEC.

The good news is that most U.S. states have generous exemptions from registration as an investment manager. A hedge fund manager with less than \$150 million assets under management based in state that exempts it from state-level investment adviser registration, does not have to register at all with any regulatory authority; provided, that the hedge fund does not trade spot forex, futures and or commodities. The net effect of this is that a U.S. investment manager can be formed and ready for operation relatively soon after initiating the process.

U.S. Regulatory Filings – Blue Sky

The sale of any hedge fund interest to any U.S. investor triggers U.S. Securities and Exchange Commission (SEC) and state-level reporting requirements for the hedge fund. A timely Form D must be filed with the SEC. This is the case even if the hedge fund is formed outside the United States. Both the SEC and state-level filings for the hedge fund are referred to as "blue sky" filings. The blue sky filing requirements can be confusing. Blue sky filings have nothing to do with whether the hedge fund's manager is required to be registered as an investment adviser.

The most important thing to understand is that the requirement to file blue sky filings is triggered by the hedge fund's sale of an interest to a U.S. investor. Many hedge fund managers wrongly believe (or are wrongly advised by brokers) that simply because they are exempt from registration as an investment manager, the hedge fund they operate is not required to file blue sky. That simply is not the case. Again, blue sky filings have to do with an investor's subscription to a hedge fund interest. Blue sky filings have nothing to do with whether the hedge fund's manager is required to be registered as an investment adviser.

Many U.S. states require that a copy of the SEC-filed Form D be provided to the state along with the state's filing fee. The blue sky filing requirement and filing fees vary from state to state. Moreover, some states require that the hedge fund file blue sky documents on an annual basis (e.g., Alaska).

Many U.S. states require that a copy of the SEC filed Form D be provided to the state along with the states' filing fee. The blue sky filing requirements and filing fees vary from state to state. In some states, the hedge fund blue sky filing must be renewed annually (i.e., Alaska). The SEC and state blue sky filings apply to any hedge fund that accepts U.S. investors even if the hedge fund trades spot forex, managed futures or commodities and without respect to whether the hedge fund manager is required to be registered with the U.S. National Futures Association (NFA).

U.S. "Qualified Client" and "Accredited Investor," and Charging Hedge Fund Fees

In the United States, much is made about the terms "qualified client" and "accredited investor" for good reason. The reason is that when a hedge fund has a SEC-registered fund manager, the hedge fund performance fee can be charged only to qualified clients. This is also the case in many U.S. states when a hedge fund's manager is a state-registered investment adviser (i.e., California follows the SEC rules).

Recently, the SEC changed the definition of a qualified client and accredited investor. SEC rules permit certain private offerings to be made without registration and without requiring specified disclosures, if sales are made only to "accredited investors." Generally, accredited investors include individuals with a minimum annual income or \$1 million in net worth, excluding the value of the primary residence, and most entities and institutions with \$5 million in assets. A non-accredited investor is simply one that does not meet the definition of an accredited investor. A U.S. hedge fund can accept up to 35 non-accredited investors.

As stated above, SEC-registered (and many state registered hedge fund managers) U.S. hedge fund managers can charge a performance fee (also referred to as an incentive allocation or performance allocation) only to qualified clients. The performance fee cannot be charged to either accredited or non-accredited investors. Generally, qualified clients include individuals with a net worth of \$2 million, excluding the value of the primary residence, or investors with \$1 million of assets under management with the hedge fund manager.

Be certain that your expectations about charging performance fees are correct. On the other hand, management fees can be charged to all investors. If the investors in your hedge fund are not qualified clients, avoid U.S. SEC registration or base the investment manager in a U.S. state or foreign country that does not require investment adviser registration.

Hedge Fund Offering Documents

Offering documents are the key to hedge fund sales. While there is no requirement that prospective investors in a U.S. hedge fund be provided with offering documents, it is good (and common industry practice) to do so. Most hedge funds provide written information to their investors in the form of a private offering memorandum (Memorandum). Offering documents – referring to both the prospectus and subscription agreement – go by several names and/or acronyms including: Private Placement Memorandum, PPM, Offering Memorandum, OMM, or Prospectus. Whatever it is called, offering documents are extensive documents individually created for each hedge fund.

In the United States, offering documents include a private placement memorandum (PPM, OM or prospectus), a limited partner (or limited liability company) agreement, and a subscription agreement. If the hedge fund's manager is registered with a U.S. federal or state regulator, the offering document "package" will include a Form ADV Part 2, which describes the investment manager in detail.

Offering documents for an offshore hedge fund include the private placement memorandum and the subscription agreement.

Incubator Hedge Funds

If you delay drafting your hedge fund's offering documents and are willing to defer collection of management and performance fees, you can operate an incubator hedge fund. In the United States, the incubator hedge fund is established with two companies the hedge fund and its investment manager. In many other countries, a hedge fund incubator can be established with one company and the investment manager can be established at a later date.

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WAISC 2012

11th Annual World Alternative Investment Summit Canada

Tuesday, September 18th to Thursday, September 20th

Fallsview Casino Resort ~ Niagara Falls



WAISC WEST 2012

Monday, May 28th

Hotel Arts ~ Calgary



Kevin O'Leary

Best recognized from the CBC TV's **Dragon's Den**, Kevin's impressive reputation has been built upon his entrepreneurial vision, investment smarts and drive to succeed.

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Until the time you have the offering documents ready for use with customers, you can deposit your own money as “seed capital,” and/or money from friends and family into the hedge fund, and begin developing a track record. While you can accept money from friends and family, you cannot charge them performance and management fees.

One of the biggest advantages of the incubator hedge fund approach is that it allows you to start and fine-tune your investment strategy while generating a record of trading performance that can be used to transition to a full-fledged hedge fund when you are ready. The key difference between a full-fledged hedge fund and an incubator hedge fund is the ability to charge performance and management fees and the availability of offering documents.

Hedge Fund Banking and Brokerage Services

You cannot use your personal account as the hedge fund’s account. The hedge fund needs its own bank and brokerage account. The hedge fund does not need to have a prime broker or an introducing broker. In fact, you should consider using the broker with which you are already familiar and presumably have a good trading record. Nearly all small hedge funds start out with retail online brokers.

Many hedge fund sponsors of offshore hedge funds want to use a U.S. broker. While it may take longer than expected to open a U.S. brokerage account, the process is sped up considerably when the offshore hedge fund has a bank account.

In the United States, bank accounts can be opened over the Internet with minimal documentation and very modest initial deposits. In addition,

operating costs such as monthly bank maintenance fees – are relatively low in the United States when compared to most other countries. Banking in the United States presents a lesser burden to a hedge fund sponsor than banking in most other parts of the world. U.S. banks and brokers generally do not require a hedge fund’s investment manager to be licensed by a regulator in order to open accounts. For these reasons, the United States presents an extremely attractive option for banking and brokerage services for sponsors of smaller hedge funds.

Conclusion

The purpose of this article was to highlight recent U.S. hedge fund development and planning issues of interest to hedge fund sponsors worldwide. If you are considering starting a hedge fund, consider all of the advantages offered by forming your fund in the United States. The U.S. remains one of the best countries on earth in which to start a hedge fund and, within the United States; Delaware is considered one of the top states for establishing a hedge fund due to its business friendly environment. The U.S. hedge fund industry promises to offer great potential in the years ahead to those based in the United States and in other countries. *

Hannah Terhune, is a veteran hedge fund attorney in private practice for two decades. Ms. Terhune and her staff of professionals through Capital Management Services Group provide advice and services to a wide range of investment management clients, including active investors, active traders, day traders, investment advisers and hedge funds on six continents. She has served with KPMG Peat Marwick LLP (Palo Alto), Deloitte & Touche LLP, (San Jose) and the United States Tax Court, Washington, D.C. Ms. Terhune has written over 100 articles and white papers on hedge funds and tax matters. Hannah holds two law degrees.

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The Opportunity for Event Driven Investing

CHW recently met with David Lorber of FrontFour Capital Group to discuss the opportunity for event driven investing.



David A. Lorber
Director and President Member
of Investment Committee



CHW What is the background to how FrontFour started?

David Lorber FrontFour Capital Group LLC was started in December 2006. In February 2009, the founding partners David Lorber and Zach George were joined by Stephen Loukas and formed the current partnership. All three partners had worked together previously at another – \$2 billion Event Driven hedge fund in the US. In January 2011, the partners formed FrontFour Capital Corp. which today is a BCSC registered Investment Fund Manager and Portfolio Manager, and has managed the FrontFour Opportunity Fund since its launch in July 2011. FrontFour has over a 5 year track record and offices in Vancouver, BC and Stamford, CT.

CHW Why have you made the commitment to register in Canada and offer your strategy to investors here?

DL We find Canada an attractive place to invest and do business, it is well regulated and investor understanding and demand for properly hedged alternative funds is growing. Since inception, FrontFour has consistently found investment opportunities in Canada and we have typically had anywhere from 15 to 35% of the portfolio invested in Canadian securities. Given the depth of relationships we have developed in both the financial and management communities, across Canada, it made sense to make a full commitment to be here. In addition, we have had many investors and advisors interested in investing with FrontFour but they desired a Canadian registered fund, denominated in CAD dollars, as an alternative to our Master Fund which is SEC registered and US dollar denominated.

CHW How much do you manage in the strategy today?

DL As of March FrontFour collectively manages approximately \$120 million. These assets are split between the FrontFour Master Fund (Onshore and Offshore), the Canadian FrontFour Opportunity Fund, and a managed account. The FrontFour Opportunity Fund (FFOF) is offered on FundSERV under the code FCC. The assets are managed as one strategy, FrontFour's Value Event Driven strategy, so that all positions are pari-passu across the funds with the majority of the currency risk hedged to each respective fund's local currency.



CHW Can you give a brief explanation of your definition of an Event Driven strategy?

DL Certainly. We run what is best described as a Value Event Driven strategy. This means we look for cheap or undervalued public companies in the US and Canada where we have identified a number of potential catalysts or events that we believe will unlock the value we perceive in that company or security. We employ intensive, fundamental research to identify these situations, and then look for the best place in the capital structure (equity or credit) to invest on a risk adjusted basis. Our ability to invest throughout the capital structure enables us to be more opportunistic and take advantage of different periods in the economic cycle. In addition, we may take an “activist” approach in certain situations; however, these investments are a small subset of the portfolio.

CHW Please explain more about the activist side of Event Driven investing?

DL We believe that when properly employed, activism can be a useful tool in unlocking value for shareholders. Throughout our careers, we have had considerable success running activist campaigns. Today, one of our better known activist positions in Canada is Huntington Capital Corp. (TSX: HNT), a company FrontFour has been involved with for more than 2 years and has realized considerable value for shareholders, bondholders, and FrontFour investors.

CHW What is the typical composition of the FrontFour portfolio?

DL We are focused on mid cap public companies with market caps typically in the \$1.0 to \$5.0 billion range. That is generally our sweet spot, but we also have investments in companies with market capitalizations less than \$500 million and greater than \$10 billion. Our portfolio typically contains 30 to 45 long positions, with our top 10 positions representing between 40 to 55% of the portfolio. We believe that concentrated exposure to our best, high conviction ideas will result in significant alpha creation. On the short side we typically have anywhere from 10 to 15 positions and these represent both a hedge to our long portfolio risk as well as alpha driving opportunities. Geographically we are typically about 75% US and 25% Canada. This differentiates us from most managers in Canada and results in a lower correlation to the TSX.

CHW Tell us more about the how you go about hedging the portfolio?

DL Let me answer that first by explaining that our objective at FrontFour is to identify, isolate and capture alpha from the specific “events” that we are playing in each company we are invested in. The goal of our hedge book is to enable us to mitigate or dampen the portfolio’s overall exposure to broader market beta, exogenous shocks or other tail risk events. Our hedge or short book is made up of three components: 1) put options on major indices, 2) index or cash shorts using the major market indices or sector/industry ETFs that best mirror our portfolio’s exposures, and 3) alpha driving shorts where for fundamental company specific reasons we see an opportunity to be short single names with potential for substantial downside. Together, these three components enable us to run an efficiently hedged portfolio.

CHW How do funds like yours differentiate themselves in the Event space?

DL Each manager has a unique approach to identifying and capturing ideas. For FrontFour it is all about where we can find our “edge” in any given situation, and in that respect we make a careful distinction between companies that are “good value” and those that are “good opportunities”. We believe that successful event driven investing requires the ability differentiate between the two and to size positions appropriately based on the timing of events to maximize the benefit to our investors. There must be a clear path to value creation based on a “playbook” of understood changes, catalysts or events. The partners at FrontFour have sat on numerous public company boards and through this experience we have effected every type of corporate action. While the vast majority of our investments are from the public side in which we back good management teams and boards, the collective corporate experience we have provide us a unique prospective in understanding opportunities and making investment decisions.

CHW Looking ahead what makes the current environment attractive for this strategy ?

DL Over the past 3 years, companies in North America have been very inwardly focused, deleveraging and repairing balance sheets, cutting costs and reorganizing around their core businesses. CEO’s today understand their businesses better, are running them more efficiently and as a result are generating considerable amounts of free cash flow. This is all taking place against the backdrop of an anemic economic recovery offering little potential for companies to grow organically. For the foreseeable future this dynamic will continue to force many companies to look towards strategic initiatives in the form of mergers and acquisitions to buy growth. Excess cash on corporate balance sheets also gives CEO’s and Boards more optionality to take shareholder friendly actions in the form of special dividends and stock buybacks. Ultimately, the types of undervalued, cash generating companies that we tend to like are themselves vulnerable to being acquired in this environment. The many situations that make up the event driven universe represent a healthy and attractive opportunity set for Event Driven investors such as FrontFour. *

David A. Lorber, is aa co-founder and principal of FrontFour Capital Corp. Mr. Lorber is also a co-founder, principal and a portfolio manager of FrontFour Capital Group LLC, an event-driven hedge fund formed in December 2006. Prior to founding FrontFour Capital Group, Mr. Lorber was a Senior Investment Analyst at Pirate Capital LLC a \$1.8 billion hedge fund from October 2003 till September 2006, where he invested across the capital structure and was responsible for coverage of positions of approximately \$500 million. Prior to that, Mr. Lorber was an Analyst at Vantis Capital Management LLC, a money management firm and hedge fund from September 2001 till June 2003. Mr. Lorber began his career as an Associate with Cushman & Wakefield, Inc., a global real estate firm. Throughout his career Mr. Lorber has worked with and served on multiple public company boards with a focus on the development and implementation of strategies to enhance stakeholder value. Mr. Lorber, who is originally from Woodbridge, CT, earned his B.S. in 2000 from Skidmore College in Saratoga Springs, NY, with honors in Business Management and a minor in Economics. He previously served on the board of International Aviation Terminals (IAT) and as a trustee for the IAT Air Cargo Facilities Income Fund. He currently serves on the Board of Directors of Fisher Communications Inc., GenCorp Inc., and Huntingdon Capital Corp.

*For more information on FrontFour Capital - please contact:
Andrew Elliott aellott@frontfourcapital.com*

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Niagara Institutional Dialogue Interim Meeting



Tuesday, January 24
Toronto ~ Rosewater

We have had an overwhelming request from our **NID** members to host a meeting to discuss *"How do we get out of this mess?"*. January 2012 will be our first meeting, designed to increase the "dialogue" for our members.



Exchange Traded Forum ~ Toronto



Wednesday, April 25 to Thursday, April 26
Westin Harbour Castle

ETPs, ETFs, ETNs, Indexing

In its third year, the **Exchange Traded Forum** conference will address the latest trends and developments in this rapidly changing and growing sector. The agenda features industry experts sharing their experiences and forecasts in a format designed for retail and institutional investment professionals.



World Alternative Investment Summit Canada ~ Calgary



Monday, May 28
Hotel Arts

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Niagara Institutional Dialogue



Monday, June 11 to Wednesday, June 13
Niagara-on-the-Lake ~ Queen's Landing

Niagara Institutional Dialogue is an exchange of ideas, knowledge and practices for Canadian Institutional Investors. A selected group of senior representatives from Canadian pensions and family offices, will participate in three days of informative discussions, education and networking. This confidential closed-door event is reserved for select industry participants.



2012 CALENDAR OF EVENTS

Exchange Traded Forum ~ Western Canada



Monday, June 18 ~ Calgary ~ Hotel Arts
Wednesday, June 20 ~ Vancouver ~ Pan Pacific Vancouver

ETPs, ETFs, ETNs, Indexing

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World Alternative Investment Summit Canada ~ Niagara Falls



Tuesday, September 18 to Thursday, September 20
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Exchange Traded Forum ~ Montreal



Thursday, October 4
Hotel Omni Mont-Royal

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Retirement Coaching Conference (RCC) ~ Toronto



Monday, October 22 to Tuesday, October 23
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2011 marked the year that the first Baby Boomers turned 65 and every single day more than 10,000 boomers will retire. This demographic will redefine retirement and clients will need "coaching" in many crucial decisions. This is a huge opportunity for the advisor who gets it right. RCC will focus on all aspects of "retirement planning", enabling a successful experience for clients.

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HEDGE FUND PERFORMANCE (as of February 29, 2012)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
Acorn Diversified Program	25.000	-4.19	-7.92	-13.20	-6.51	-12.32	-	-1.74	15.81	-13.20	-15.90	13.80	-	-0.27	-15.17	-0.28	-0.36	84.10	46.88
Act II New Media Fund A	8.270	5.27	4.51	-3.84	6.53	-5.51	3.75	4.98	18.32	-16.38	-16.38	10.60	11.61	0.30	-2.34	0.39	0.52	89.08	52.00
Act II New Media Fund Class U	-	5.20	4.39	-3.83	6.40	-	-	-	-	-	-16.31	-	-	-	-	-	-	89.05	33.33
Act II New Media Fund F	-	5.36	4.80	-3.26	6.73	-4.32	4.92	6.17	18.99	-15.87	-15.87	10.62	11.70	0.30	-1.15	0.39	0.52	89.79	56.00
Agilith North American Diversified Fund	-	7.50	17.50	12.87	17.73	-5.34	42.08	12.43	95.21	-19.60	-46.04	17.35	22.53	0.92	4.37	0.74	0.70	94.66	54.72
AlphaNorth Partners Fund	-	2.00	4.59	-10.33	7.71	-15.13	80.18	30.33	151.77	-25.16	-63.33	24.80	33.82	1.29	-1.51	0.73	0.78	75.30	64.71
Amethyst Arbitrage Fund	90.300	0.91	4.27	5.60	2.92	6.30	22.36	9.45	33.96	-1.09	-34.47	3.25	7.20	0.15	7.88	0.63	0.67	100.00	82.28
Anson Investments Master Fund LP	-	-0.91	0.25	-2.46	0.02	19.56	19.61	16.77	23.54	-2.46	-7.05	9.89	8.98	0.20	21.67	0.29	0.15	97.54	76.79
Arrow Diversified Fund Class A	47.600	0.10	-0.52	-5.10	-0.10	-12.07	1.43	2.09	8.46	-8.84	-18.13	3.49	4.56	0.12	-10.80	0.49	0.58	86.24	61.34
Arrow Diversified Fund Class F C\$	75.750	0.22	-0.16	-4.43	0.14	-11.18	2.34	3.44	8.96	-8.54	-17.21	3.65	4.59	0.13	-9.81	0.49	0.59	88.82	62.04
Arrow Diversified Fund Class F US	75.750	0.06	-0.52	-5.04	-0.12	-12.34	1.67	2.25	8.49	-9.11	-17.48	3.61	4.66	0.12	-11.07	0.48	0.59	87.49	59.57
Arrow Enhanced Income Fund A C\$	6.850	-0.11	-0.97	-5.31	-0.96	-8.52	1.92	-0.66	8.76	-6.54	-19.99	3.02	4.01	-0.01	-8.63	-0.05	0.00	86.14	50.00
Arrow Enhanced Income Fund F C\$	-	0.06	-0.50	-4.50	-0.64	-6.38	3.43	0.24	10.01	-6.11	-19.28	2.64	3.99	0.01	-6.27	0.04	0.12	89.92	58.33
Arrow Enhanced Income Fund F US	10.500	0.01	-0.65	-4.67	-0.74	-9.39	1.70	0.20	10.18	-5.96	-15.82	2.53	7.90	-0.01	-9.50	-0.03	0.02	89.99	54.65
Arrow Maple Leaf Canadian Fund A2 C\$	11.280	0.53	0.29	-3.63	0.71	-7.00	4.01	1.45	11.21	-6.33	-27.14	4.49	4.85	0.02	-6.79	0.08	-0.03	81.97	57.81
Arrow Maple Leaf Canadian Fund F2 C\$	23.480	0.62	0.58	-3.07	0.90	-5.59	5.10	2.49	11.68	-5.42	-26.17	4.79	4.91	0.02	-5.38	0.06	-0.04	85.71	62.77
Arrow Maple Leaf Canadian Fund G2	23.480	0.55	0.35	-3.51	0.75	-6.81	4.49	4.27	11.28	-6.25	-26.71	4.49	4.87	0.03	-6.49	0.08	-0.02	83.61	62.77
Arrow Maple Leaf Canadian Fund U2	12.840	0.45	0.05	-4.09	0.55	-8.04	3.40	2.97	10.70	-6.91	-27.63	4.49	4.90	0.03	-7.72	0.08	-0.02	80.01	58.47
Aurion Global Opportunities Fund	1.480	-0.05	1.58	-2.33	1.79	-6.13	-	0.15	3.50	-9.29	-9.29	9.05	-	0.53	-0.54	0.82	0.87	93.85	60.71
Aurion II Equity Fund Series D	14.290	1.86	5.71	0.44	8.80	-16.98	22.31	5.15	48.28	-27.54	-42.05	20.33	18.11	1.38	-2.41	0.95	0.94	83.02	61.67
Aurion II Equity Fund	46.730	1.92	5.96	0.98	8.96	-16.05	23.29	8.84	48.63	-27.12	-41.81	20.38	18.05	1.39	-1.38	0.95	0.94	83.95	64.38
Aurion Income Opportunities Fund Class D	6.770	0.09	2.98	4.46	1.00	9.04	-	1.66	5.94	-11.66	-13.74	2.94	-	-0.06	8.41	-0.27	-0.16	100.00	70.00
Aurion Income Opportunities Fund	31.430	0.13	3.07	4.67	1.07	9.54	-	4.57	6.18	-11.50	-13.79	2.92	-	-0.06	8.91	-0.27	-0.16	100.00	75.00
Auspice Diversified Trust Class A	1.940	-1.15	-2.35	-7.66	1.15	-7.03	-	2.02	16.01	-8.28	-10.55	8.41	-	0.06	-6.40	0.11	0.00	90.48	55.17
Auspice Diversified Trust Class S	-	-1.15	-2.36	-7.70	1.15	-7.11	-	-2.74	4.66	-8.30	-10.59	8.37	-	0.07	-6.37	0.11	0.00	90.44	42.86
Auspice Managed Futures LP.	-	-1.10	-2.20	-7.40	1.28	-6.54	0.23	4.65	18.27	-8.24	-19.32	8.50	9.63	0.06	-5.91	0.10	0.00	90.85	50.70
Barometer Long Short Equity Pool Class A	6.660	-0.50	-9.85	-5.97	-8.90	-22.23	10.67	4.19	39.85	-17.30	-32.59	19.47	20.11	-0.03	-22.55	-0.02	0.28	77.77	57.38
Barometer Tactical Exchange Traded Fund Pool	-	0.63	-4.47	-6.30	-0.10	-7.73	-	5.42	17.32	-6.30	-11.21	11.63	-	0.29	-4.67	0.34	0.46	89.35	66.67
Blackheath Volatility Arbitrage Fund	-	3.80	11.32	16.01	8.45	5.30	-	9.37	16.01	-9.46	-11.69	10.60	-	0.37	9.21	0.49	0.55	100.00	58.82
BSP Absolute Return Fund L/S Eq. USS	-	1.18	3.24	1.16	3.06	0.51	-	0.51	1.16	-5.35	-5.35	5.36	-	0.23	2.94	0.60	0.75	97.72	66.67
BSP Absolute Return Fund Multi Strat.USS	-	0.91	2.00	0.24	2.00	-0.96	6.09	5.60	9.34	-4.61	-15.21	3.88	4.31	0.14	0.52	0.51	0.68	97.12	73.08
Burlington Partners1 LP	-	4.22	8.43	8.15	7.51	3.32	3.81	4.45	8.15	-7.28	-13.27	8.33	5.64	0.51	8.70	0.85	0.86	97.72	60.00
Calrossie Partners Fund	-	2.11	5.52	3.96	4.44	-0.79	23.71	5.77	36.19	-10.26	-35.06	9.30	11.95	0.58	5.33	0.87	0.81	96.74	61.70
ChapelGate Credit Opportunity Fund Ltd.	-	1.98	4.17	5.15	3.42	8.68	17.51	13.72	15.21	1.12	-4.23	3.48	4.07	0.18	10.58	0.74	0.77	100.00	88.00
CI Global Opportunities Fund C\$	16.160	-1.70	-3.74	-5.55	-1.70	1.41	-3.84	17.40	9.29	-5.86	-39.28	8.52	7.08	-0.22	-0.91	-0.36	-0.65	86.88	58.42
CI Global Opportunities Fund US\$	21.160	-0.38	-0.80	-6.55	1.17	-0.46	4.56	7.04	11.83	-6.92	-46.22	10.37	14.68	0.35	3.23	0.47	0.33	93.45	51.37
Curvature Market Neutral Fund A	34.910	1.08	-1.75	-1.45	0.17	2.57	-	7.16	11.65	-1.45	-3.22	4.08	-	-0.13	1.20	-0.45	-0.63	97.83	70.00
DFS DGAM Alternative Investments Fund	7.030	0.80	1.85	0.69	2.75	-4.36	2.50	-0.04	9.00	-8.33	-9.20	6.83	5.95	0.43	0.18	0.88	0.96	95.27	50.88
DKAM Capital Ideas Fund LP Class A	100.000	2.34	10.62	9.92	8.71	9.52	39.34	30.54	52.11	-8.15	-11.98	13.20	15.12	0.68	16.70	0.72	0.78	100.00	75.61
Dynamic Alpha Performance Fund Series A	-	1.49	-1.32	-3.96	1.35	-5.89	6.40	6.97	11.97	-8.29	-15.50	4.58	7.48	0.09	-4.94	0.27	0.35	92.95	61.54
Dynamic Alpha Performance Fund Series F	228.200	1.53	-1.04	-3.48	1.38	-4.86	7.44	6.83	12.39	-7.60	-15.12	4.43	7.23	0.07	-4.12	0.23	0.33	93.67	60.27
Dynamic Alpha Performance Fund Series T	7.760	1.46	-1.36	-4.01	1.25	-5.95	-	2.69	8.11	-8.28	-8.47	4.54	-	0.09	-5.00	0.27	0.36	92.86	52.17
Dynamic Contrarian Fund	36.530	-0.33	2.39	-11.22	4.52	-37.26	18.09	3.27	52.05	-39.54	-63.12	23.83	25.84	1.27	-23.85	0.74	0.88	61.07	55.70
Dynamic Income Opportunities Fund	28.640	1.87	8.26	10.05	4.16	5.47	18.51	8.54	18.73	-4.17	-29.50	7.46	9.86	0.19	7.48	0.36	0.67	100.00	67.16
Dynamic Power Emerging Markets Fund Series A	3.770	11.91	15.93	2.03	18.37	-16.49	10.75	-1.25	43.37	-29.98	-74.27	24.83	19.99	1.29	-2.87	0.72	0.80	38.94	64.10
Dynamic Power Emerging Markets Fund Series C	13.850	11.83	15.70	2.04	18.44	-16.50	14.70	0.36	47.89	-29.82	-74.27	24.67	21.09	1.29	-2.88	0.73	0.80	43.26	64.10
Dynamic Power Hedge Fund Series C	101.460	7.06	10.66	2.40	10.48	-29.26	52.92	21.08	170.87	-38.65	-79.61	34.55	38.17	1.85	-9.73	0.75	0.92	70.74	56.82
Enso Global Fund A	15.840	7.20	14.76	-27.89	18.88	-57.50	9.78	4.42	93.82	-56.08	-64.25	44.52	36.33	2.66	-29.42	0.83	0.84	42.50	60.55
Enso Global Fund Class U	-	7.13	14.46	-28.21	18.65	-	-	-	-	-	-54.47	-	-	-	-	-	-	54.02	44.44
Enso Global Fund F	26.720	7.27	14.92	-27.63	18.96	-57.23	10.62	5.60	94.63	-55.97	-64.05	44.50	36.37	2.66	-29.15	0.83	0.84	42.77	60.75

HEDGE FUND PERFORMANCE (as of February 29, 2012)

Fund Name	Asset Size (MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
Exemplar Diversified Portfolio Series A	42.880	-2.88	-4.46	-11.83	-5.66	-11.82	-	3.52	17.83	-11.83	-13.48	9.42	-	-0.10	-12.88	-0.15	-0.20	86.52	52.94
Exemplar Leaders Fund Series A	23.540	8.57	12.18	11.66	13.59	7.33	18.06	2.46	21.07	-13.65	-39.26	17.81	13.77	1.05	18.41	0.82	0.85	99.95	60.38
Fiera Global Macro Fund Class A	0.950	-1.77	-5.24	-4.52	-4.80	-9.84	-	-5.31	2.37	-5.88	-13.14	5.07	-	-0.14	-11.32	-0.38	-0.19	86.86	35.48
Fiera Global Macro Fund Class F	1.730	-1.68	-4.97	-3.98	-4.61	-8.81	-4.12	-3.11	3.24	-5.34	-12.65	5.09	5.12	-0.14	-10.29	-0.38	-0.19	87.35	58.33
Fiera Market Neutral Equity Fund Class A	34.240	0.93	1.50	-1.92	1.60	-12.88	2.68	0.30	18.63	-14.93	-16.10	7.55	8.90	0.27	-10.03	0.51	0.32	85.24	52.27
Fiera Market Neutral Equity Fund Class F	47.900	1.02	1.80	-1.36	1.79	-11.90	3.39	1.96	18.04	-14.45	-15.39	7.55	8.74	0.28	-8.94	0.51	0.32	86.13	55.81
Fiera North American Market Neutral Fund II	241.616	1.01	1.98	-0.95	1.87	-9.72	4.26	9.37	18.25	-12.73	-13.48	6.65	7.96	0.26	-6.98	0.55	0.37	88.24	60.38
First Asset Can-60 Income Corp	223.830	1.15	2.99	0.17	4.90	-8.01	-	0.44	8.94	-14.55	-14.70	11.06	-	0.78	0.22	0.99	0.89	91.99	43.75
First Asset Canadian Advantaged Convertibles Fund	92.380	1.81	1.81	-	1.81	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Formula Growth Hedge Fund Class F C\$	-	4.60	14.81	15.87	13.70	0.47	11.07	19.01	16.95	-19.19	-20.73	23.90	15.66	1.36	14.83	0.79	0.96	100.00	64.29
Formula Growth Hedge Fund Class F US	-	5.20	15.14	14.27	13.72	-1.29	20.65	24.83	35.51	-24.33	-25.96	30.92	21.27	1.80	17.71	0.81	0.96	98.26	70.27
Front Street Canadian Energy Resource Fund Ser B	31.650	0.40	1.87	-11.58	8.12	-35.63	31.26	12.33	88.11	-43.97	-72.55	38.68	33.71	2.13	-13.15	0.77	0.78	62.81	67.06
Front Street Canadian Energy Resource Fund Ser F	1.030	0.32	1.03	-12.06	8.10	-35.33	-	4.44	61.91	-43.64	-43.80	38.83	-	2.13	-12.85	0.77	0.77	62.72	65.00
Front Street Canadian Hedge Fund B1	126.100	4.36	-	-	4.36	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00
Front Street Canadian Hedge Fund Series B	126.080	4.36	8.49	-1.17	9.36	-20.11	12.57	12.33	34.93	-26.95	-43.40	20.67	17.13	1.21	-7.34	0.82	0.91	79.89	64.67
Front Street Growth and Income Fund Series A (LL)	5.260	1.12	2.10	-8.62	3.30	-	-	-	-	-	-14.43	-	-	-	-	-	-	90.99	57.14
FrontFour Opportunity Fund	-	3.88	7.74	10.86	7.45	-	-	-	-	-	-5.84	-	-	-	-	-	-	100.00	62.50
frontierAlt Global Dividend Fund	5.200	2.58	5.66	5.27	7.30	-3.09	7.50	-13.20	21.17	-13.47	-61.69	13.30	12.86	0.82	5.57	0.86	0.96	47.60	49.18
Garrison Hill Fund Series A (Class G) US\$	-	-0.90	-	-	-0.90	-	-	-	-	-	-0.90	-	-	-	-	-	-	99.10	50.00
Garrison Hill Fund Series A	-	-0.85	-	-	-0.85	-	-	-	-	-	-0.85	-	-	-	-	-	-	99.15	50.00
Garrison Hill Fund Series F	-	-0.78	-	-	-0.78	-	-	-	-	-	-0.78	-	-	-	-	-	-	99.22	50.00
GFM 130/30 Fund	-	1.87	2.13	-0.81	4.55	-7.24	23.42	14.72	39.48	-16.18	-16.18	14.34	14.03	0.97	3.00	0.95	0.85	92.34	63.41
GFM Market Neutral Fund	-	0.32	0.84	0.40	1.04	0.17	8.74	7.98	16.95	-4.69	-5.15	5.22	6.12	0.18	2.07	0.49	0.53	96.97	58.54
Goodwood Fund Class A	18.380	5.93	8.14	1.99	8.29	-15.22	11.95	10.66	39.94	-21.03	-55.80	13.85	17.22	0.69	-7.94	0.69	0.80	62.01	61.41
Goodwood Fund Class B	36.630	5.92	8.12	1.98	8.27	-15.23	11.94	0.47	39.93	-21.03	-55.41	13.85	17.22	0.69	-7.95	0.69	0.80	62.56	56.56
Goodwood Value Fund A	21.270	5.76	7.82	1.51	8.02	-15.09	11.24	1.67	38.42	-20.99	-56.29	13.68	16.66	0.69	-7.81	0.70	0.81	60.17	57.03
Goodwood Value Fund F	81.780	5.82	8.02	1.89	8.17	-14.13	12.02	3.64	38.82	-20.71	-62.58	13.65	16.68	0.69	-6.85	0.71	0.81	52.61	59.29
High Yield Fund A C\$	395.880	-0.63	0.65	-3.06	0.13	-4.22	10.51	6.07	13.62	-5.60	-9.27	5.44	5.73	0.24	-1.69	0.60	0.70	94.61	65.55
High Yield Fund A US	304.240	-0.71	0.70	-3.13	-0.03	-4.68	10.69	6.94	14.57	-5.89	-8.65	5.82	5.92	0.26	-1.94	0.63	0.73	94.30	69.49
High Yield Fund F	95.570	-0.57	0.80	-3.34	0.26	-4.11	10.97	6.61	13.36	-5.83	-9.82	5.80	5.87	0.27	-1.26	0.64	0.71	94.41	66.67
Highwater Diversified Opportunities Fund LP A	-	1.50	1.07	-4.06	4.41	-13.77	14.36	2.26	36.56	-13.28	-29.50	7.24	10.72	0.27	-10.92	0.52	0.45	85.64	58.00
Highwater Diversified Opportunities Fund LP F	-	1.60	1.37	-3.50	4.62	-12.76	15.52	3.28	37.05	-12.78	-29.10	7.25	10.71	0.27	-9.91	0.52	0.45	86.72	58.00
Highwater Diversified Trust Fund Series A	-	1.45	0.88	-4.15	4.32	-14.14	-	-0.78	11.07	-13.38	-18.31	7.18	-	0.26	-11.40	0.50	0.43	85.22	46.15
Highwater Diversified Trust Fund Series F	-	1.55	1.26	-3.51	4.53	-13.08	-	0.37	11.70	-12.82	-17.39	7.17	-	0.26	-10.34	0.50	0.44	86.35	50.00
Hillsdale Canadian Long/Short Equity Fund Class A	7.470	6.34	7.93	2.91	8.03	-2.62	1.57	7.99	16.46	-8.39	-24.49	8.80	9.15	0.28	0.34	0.44	0.28	85.23	58.90
Hillsdale Canadian Long/Short Equity Fund Class I	1.020	6.43	8.23	3.49	8.22	-1.52	2.64	7.34	16.95	-7.84	-22.75	8.81	9.12	0.28	1.44	0.44	0.28	88.62	58.73
Hillsdale Enhanced Income Fund Class A	6.090	1.97	8.25	0.45	3.87	2.33	-	2.52	5.49	-7.65	-7.65	7.98	-	0.29	5.39	0.50	0.39	99.97	62.50
Hillsdale Global Long/Short Equity Fund Class A US	1.500	3.27	8.31	6.86	3.65	12.35	-3.75	1.34	9.78	-23.52	-37.56	7.86	12.54	0.00	12.35	0.00	0.04	82.32	51.91
IA Multi-Strategy	0.060	0.78	0.82	-1.34	1.32	-6.42	-1.67	-3.10	4.92	-6.92	-34.40	3.83	4.96	0.10	-5.36	0.37	0.59	66.46	47.71
IMFC Global Concentrated Program	-	-2.38	-8.68	-4.20	-3.08	-4.14	-	5.88	19.84	-9.72	-10.31	11.52	-	-0.09	-5.09	-0.11	-0.33	91.32	54.29
IMFC Global Investment Program	-	-2.75	-3.27	-12.30	-5.41	-11.55	0.90	11.75	18.72	-12.30	-13.50	9.63	12.70	-0.12	-12.82	-0.17	-0.19	86.50	49.18
J.C. Clark Commonwealth Patriot Trust	37.288	1.56	3.81	-3.45	3.71	-12.65	15.97	8.59	30.13	-17.01	-21.28	14.68	13.20	0.86	-3.57	0.82	0.79	87.35	67.01
J.C. Clark Focused Opportunities Fund	19.545	2.04	1.50	1.36	1.68	-10.27	3.12	5.74	9.86	-11.47	-14.02	6.98	6.25	0.16	-8.58	0.33	0.64	89.73	64.20
J.C. Clark Preservation Trust - Class B	64.869	0.81	-0.66	-3.65	-0.02	-13.13	-4.69	10.56	4.90	-9.84	-21.56	4.70	5.83	0.11	-11.97	0.32	0.64	79.08	58.44
KCS Great White North Fund Class A	-	0.19	0.75	0.57	0.86	-1.70	2.25	2.25	5.48	-3.43	-3.61	2.45	2.63	-0.02	-1.91	-0.10	0.11	97.22	61.11
KCS Great White North Fund Class B	-	0.14	0.01	-0.31	0.17	-2.83	-	-0.48	5.23	-3.71	-3.98	2.31	-	-0.04	-3.25	-0.22	0.05	96.18	52.38
KCS Great White North Fund Class F	-	0.24	0.90	0.86	0.95	-1.16	2.67	2.67	5.72	-3.16	-3.25	2.45	2.62	-0.02	-1.37	-0.10	0.11	97.67	63.89
KCS Great White North Fund Class O	-	0.28	1.04	1.14	1.05	-0.61	-	1.11	1.43	-2.89	-2.98	2.45	-	-0.02	-0.82	-0.10	0.11	98.13	53.85
King & Victoria Fund LP	-	2.70	5.18	1.73	4.14	-2.27	46.88	24.78	53.70	-11.98	-32.14	11.08	14.81	0.32	1.11	0.41	0.61	92.14	74.78
King & Victoria RSP Fund Class A Units	-	2.60	5.08	1.55	4.04	-2.43	46.42	14.03	53.40	-11.99	-33.73	10.98	14.74	0.32	0.95	0.41	0.61	92.05	68.18

HEDGE FUND PERFORMANCE (as of February 29, 2012)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
Landry Morin Long Short Momentum Fund Series A	-	-1.20	-7.84	-8.89	-6.63	-1.26	-7.05	-2.90	11.00	-21.68	-27.24	10.76	11.94	-0.50	-6.54	-0.65	-0.57	76.19	50.00
Landry Morin Long Short Momentum Fund Series B	-	-1.22	-7.88	-	-6.67	-	-	-	-	-	-7.88	-	-	-	-	-	-	92.12	0.00
Landry Morin Long Short Momentum Fund Series F	29.100	-1.12	-7.60	-8.44	-6.48	-0.23	-6.10	3.51	11.59	-21.23	-26.44	10.76	11.93	-0.50	-5.51	-0.65	-0.57	79.09	56.60
Landry Morin Long Short Momentum Fund Series G	-	-1.16	-7.72	-8.65	-6.56	-1.49	-	-1.69	10.48	-9.35	-10.41	10.55	-	-0.50	-6.77	-0.65	-0.57	89.59	53.85
Landry Morin Long Short Momentum Fund Series I	-	-1.04	-7.35	-7.96	-6.31	0.82	-5.09	-1.54	12.17	-20.75	-25.62	10.76	11.91	-0.50	-4.46	-0.65	-0.57	82.19	55.38
Lightwater Conservative Long/Short - Class A	-	2.04	7.05	-1.87	5.67	-21.17	-3.71	-1.46	18.62	-19.67	-27.56	12.28	10.57	0.40	-16.95	0.46	0.43	77.54	60.00
Lightwater Conservative Long/Short Fund Series A	0.630	2.04	7.05	-1.87	5.67	-21.17	-3.71	-3.71	18.62	-19.68	-27.57	12.28	10.56	0.40	-16.95	0.46	0.43	77.54	61.11
Lycos Value Fund Class O	0.350	0.62	19.56	39.99	14.91	42.59	22.33	16.37	39.99	-14.32	-22.62	33.30	22.05	1.98	63.49	0.83	0.82	100.00	60.53
Lycos Value Fund Class P	0.480	0.46	1.46	2.94	0.97	6.01	6.01	5.99	3.01	2.90	0.00	0.07	0.07	0.00	6.01	0.25	-0.12	100.00	100.00
Mac Sentinel US Managed Yield CI Series A US	4.330	0.00	0.00	0.00	0.00	0.00	0.00	1.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	100.00	100.00
Majestic Global Diversified Fund	-	4.10	2.65	-7.29	3.68	-5.77	0.88	6.00	25.18	-11.05	-18.93	15.61	14.79	0.12	-4.50	0.11	0.03	88.96	52.38
Majestic Global Diversified Fund Series A	-	4.05	2.64	-7.23	3.63	-5.72	3.02	8.24	33.05	-10.92	-18.66	15.56	16.60	0.13	-4.35	0.11	0.03	89.02	53.66
Majestic Global Diversified Fund Series I	-	4.36	3.33	-6.35	4.11	-3.50	-	-5.86	3.04	-10.27	-14.23	17.43	-	0.40	0.72	0.32	0.25	89.51	50.00
Man AHL Diversified (Canada) Fund Class A CS	-	1.79	-1.27	-9.23	0.93	-8.17	-5.00	3.97	12.75	-12.43	-20.64	13.10	14.78	-0.15	-9.75	-0.16	-0.35	84.21	53.13
Man AHL Diversified (Canada) Fund Class C CS	-	1.91	-0.90	-8.56	1.17	-6.87	-	1.49	10.62	-8.56	-11.99	13.10	-	-0.15	-8.45	-0.16	-0.35	89.69	47.62
Man AHL Diversified (Canada) Fund Class F	-	1.88	-1.00	-8.73	1.11	-7.16	-3.98	4.77	13.36	-12.01	-19.70	13.11	14.80	-0.15	-8.74	-0.16	-0.35	87.08	53.97
Man AHL Diversified (Canada) Fund Class I	-	1.86	-1.06	-8.85	1.07	-7.44	-4.26	4.78	13.21	-12.14	-19.96	13.10	14.79	-0.15	-9.02	-0.16	-0.35	86.30	53.85
Man AHL Diversified Futures Ltd.	-	2.64	0.19	-5.28	2.38	-6.48	-3.97	4.53	10.00	-10.79	-17.37	11.45	11.43	-0.25	-9.12	-0.30	-0.35	88.40	57.41
Man Canada AHL Alpha Fund Class A	-	1.32	-1.12	-7.19	0.64	-6.58	-	-1.34	8.23	-7.19	-10.71	9.81	-	-0.10	-7.64	-0.14	-0.34	90.47	53.13
Man Canada AHL Alpha Fund Class F	-	1.39	-0.89	-6.75	0.78	-5.69	-	-0.63	8.52	-6.75	-9.63	9.82	-	-0.10	-6.75	-0.14	-0.34	91.63	53.13
Man Canada AHL DP Investment Fund Class A	-	1.76	-1.37	-9.32	0.88	-8.42	-	1.34	12.49	-9.32	-13.81	13.12	-	-0.14	-9.90	-0.15	-0.35	87.71	46.15
Man Canada AHL DP Investment Fund Class B	-	1.76	-1.37	-9.30	0.90	-8.39	-	1.37	12.52	-9.30	-13.77	13.12	-	-0.14	-9.87	-0.15	-0.35	87.75	46.15
Man Canada AHL DP Investment Fund Class C	-	1.76	-1.37	-9.30	0.90	-8.39	-	1.36	12.51	-9.30	-13.78	13.12	-	-0.14	-9.87	-0.15	-0.35	87.74	46.15
Man Canada AHL DP Investment Fund Class D	-	1.76	-1.37	-9.30	0.90	-8.38	-	-2.79	4.62	-9.30	-13.77	13.12	-	-0.14	-9.86	-0.15	-0.35	87.74	50.00
Man Canada AHL DP Investment Fund Class F	-	1.86	-1.04	-8.70	1.10	-7.16	-	2.71	13.26	-8.70	-12.32	13.14	-	-0.15	-8.74	-0.16	-0.35	89.31	46.15
Man Canada AHL DP Investment Fund Class G	-	1.74	-1.42	-9.40	0.85	-8.58	-	-4.72	4.04	-9.40	-10.95	13.12	-	-0.14	-10.06	-0.15	-0.35	90.60	53.33
Man Canada AHL DP Investment Fund Class I	-	1.84	-1.11	-8.82	1.06	-7.41	-	2.44	13.11	-8.82	-12.62	13.13	-	-0.15	-8.99	-0.16	-0.35	88.99	46.15
Man Canada AHL DP Investment Fund Class O	-	1.75	-3.12	-12.34	0.87	-14.33	-	-3.67	9.27	-12.34	-20.48	13.20	-	-0.02	-14.54	-0.02	-0.29	80.91	42.31
Man Canada AHL DP Investment Fund Class P	-	1.75	-3.12	-12.34	0.87	-14.28	-	-3.63	9.27	-12.34	-20.43	13.18	-	-0.02	-14.49	-0.02	-0.29	80.96	42.31
Man Canada AHL DP Investment Fund Class Q	-	1.76	-3.09	-12.29	0.90	-14.18	-	-3.57	9.28	-12.29	-20.33	13.18	-	-0.02	-14.39	-0.02	-0.29	81.08	42.31
Man Canada AHL DP Investment Fund Class R	-	1.86	-2.76	-11.70	1.10	-13.08	-	-2.52	9.97	-11.70	-19.03	13.20	-	-0.03	-13.40	-0.03	-0.29	82.47	42.31
Man Canada AHL DP Investment Fund Class S	-	1.75	-3.12	-12.35	0.87	-14.36	-	-7.03	4.68	-12.35	-19.39	13.20	-	-0.02	-14.57	-0.02	-0.29	82.02	44.44
Man Canada AHL DP Investment Fund Class T	-	1.74	-3.16	-12.41	0.85	-14.48	-	-9.67	-0.94	-12.41	-15.94	13.21	-	-0.02	-14.69	-0.02	-0.29	85.52	46.67
Man Canada Alternative Strategies Class F	-	-1.16	-2.69	-3.24	-1.88	-9.61	-	-2.95	5.90	-6.58	-9.99	4.49	-	-0.07	-10.35	-0.21	0.18	90.01	57.89
Man Canada Alternative Strategies Class I	-	-1.18	-2.75	-4.61	-1.92	-9.85	-	-3.20	5.76	-6.66	-10.20	3.25	-	-0.01	-9.96	-0.03	0.30	89.80	52.63
Man Canada Alternative Strategies Fund	-	-1.25	-2.97	-4.96	-2.07	-10.64	-	-4.04	5.31	-7.06	-11.04	3.34	-	0.02	-10.43	0.09	0.41	88.96	47.37
Man Investment Strategies Fund Class A Final	0.370	0.42	-1.45	-6.54	0.22	-9.01	-	-2.53	7.39	-6.54	-10.59	7.18	-	-0.04	-9.43	-0.07	-0.11	89.78	50.00
Man MGS Access Canada Note CI II 901	-	-4.32	-4.32	-1.99	-4.32	5.65	1.44	-3.72	10.66	-5.57	-29.11	6.97	6.64	-0.20	3.54	-0.40	-0.56	83.52	59.65
Man MGS Access Canada Notes CI I 900	-	-4.32	-4.32	-1.99	-4.32	5.65	1.44	-3.72	10.66	-5.57	-29.11	6.97	6.64	-0.20	3.54	-0.40	-0.56	83.52	59.65
Marret High Yield Hedge LP Class B	62.130	-0.05	2.33	-0.55	1.74	0.01	11.94	11.02	13.14	-3.72	-7.60	5.01	5.12	0.28	2.97	0.79	0.73	98.37	77.48
Matrix Covered Call Canadian Banks Plus Fd (CC) A	1.170	2.88	6.77	-	4.23	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Maxam Growth Strategies Fund Series B (100)	-	1.68	5.38	0.65	6.87	-9.94	-	-9.94	0.65	-14.27	-15.73	10.33	-	0.58	-3.82	0.78	0.71	90.06	33.33
Maxam Growth Strategies Fund Series B (200)	-	1.68	5.38	0.65	6.87	-9.94	-	-9.94	0.65	-14.27	-15.73	10.33	-	0.58	-3.82	0.78	0.71	90.06	33.33
Milford Capital Growth Fund	-	2.50	3.99	6.20	3.06	17.32	51.16	18.87	55.36	2.61	-49.99	7.49	15.68	0.01	17.43	0.03	0.09	100.00	70.27
Niagara Discovery Fund	15.400	0.00	-7.48	-6.30	-2.22	-1.42	14.15	15.15	27.51	-6.30	-12.76	18.87	16.49	-0.15	-3.00	-0.11	-0.19	92.52	54.69
Niagara Legacy Class B Fund	63.700	-5.21	-15.81	-12.99	-19.45	16.74	15.08	17.14	60.16	-12.99	-26.57	44.33	32.68	-2.48	-9.44	-0.78	-0.81	73.43	60.00
Norrep Market Neutral Income Fund	3.070	1.07	-0.94	1.81	-0.79	-	-	-	-	-	-1.99	-	-	-	-	-	-	99.06	57.14
Northern Rivers Conservative Growth Fund LP	15.870	9.20	12.97	13.61	13.90	10.22	24.57	9.76	31.57	-12.83	-49.62	18.39	14.19	1.05	21.30	0.80	0.83	97.40	64.47
Northern Rivers Global Energy Fund LP	6.500	11.01	19.12	22.09	15.82	0.86	28.49	6.66	44.12	-28.69	-61.25	30.96	21.95	1.78	19.65	0.80	0.89	83.73	64.47
Northern Rivers Innovation RSP Fund	5.712	5.01	2.74	-7.85	11.65	6.81	17.31	1.27	49.11	-25.98	-71.54	34.62	26.23	0.92	16.52	0.37	0.51	45.95	52.08

HEDGE FUND PERFORMANCE (as of February 29, 2012)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
Vision Opportunity Fund L.P. II	-	0.13	7.68	12.47	0.44	6.92	-	27.74	40.14	-4.93	-6.71	10.66	-	0.01	7.03	0.01	0.27	100.00	80.00
Palos Equity Income Fund	-	1.29	1.70	-0.41	1.29	-7.79	16.29	1.56	28.48	-12.97	-32.87	8.24	9.92	0.53	-2.20	0.89	0.90	92.04	61.90
Palos Income Fund L.P.	130.000	1.18	2.38	0.28	1.18	-7.33	21.96	10.63	36.52	-13.58	-40.55	10.03	11.78	0.61	-0.89	0.84	0.89	92.63	69.84
Palos Majestic Commodity Fund LP	-	4.11	3.30	-7.08	4.11	-5.90	0.81	5.94	24.95	-10.92	-18.66	15.68	14.78	0.15	-4.32	0.14	0.05	89.06	54.76
Palos Merchant Bank L.P.	9.670	1.04	4.97	1.14	1.04	2.23	16.51	5.83	47.06	-11.64	-37.33	11.98	16.25	0.05	2.76	0.05	0.23	100.00	54.05
Pathway Energy Series A Rollover MIN002	-	3.27	3.44	-30.16	9.98	-53.94	8.40	-29.13	73.32	-49.90	-86.55	32.49	34.69	2.06	-32.20	0.88	0.78	17.13	53.19
Pathway Multi SF Explorer Series A Rollover MIN001	-	-6.12	2.53	-19.05	4.34	-48.18	-6.00	-11.94	120.51	-41.49	-82.14	32.06	45.53	1.73	-29.92	0.75	0.62	21.43	49.40
Performance Diversified Fund Trust CI A	-	1.10	2.53	1.38	2.12	-4.39	6.95	6.63	10.89	-6.79	-7.47	5.00	4.49	0.21	-2.17	0.58	0.67	95.61	71.79
Performance Growth Fund Class A	-	2.50	4.35	-1.54	5.35	-11.35	10.90	8.29	19.48	-14.71	-32.69	10.37	9.45	0.60	-5.02	0.81	0.83	88.65	70.97
Performance Growth Fund Trust Class A	-	2.50	4.43	-1.59	5.43	-12.15	8.17	6.36	18.86	-15.22	-16.67	10.42	8.98	0.60	-5.82	0.80	0.82	87.85	62.50
Picton Mahoney Diversified Strategies Fund Class A	11.440	1.70	5.31	5.39	5.09	0.72	-	7.20	13.39	-7.99	-7.99	6.77	-	0.43	5.26	0.89	0.89	100.00	57.69
Picton Mahoney Global Long Short Equity Fd CI A C\$	4.990	0.92	4.08	2.04	3.81	-1.21	7.57	-1.07	17.41	-7.72	-25.98	8.14	8.53	0.46	3.65	0.78	0.86	94.67	54.90
Picton Mahoney Global Long Short Resource CI A	1.260	2.45	2.45	-	2.45	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Picton Mahoney Global Market Neutral Equ CI A C\$	22.670	-0.69	-0.06	-1.14	-0.25	3.62	2.01	0.20	6.41	-8.34	-17.21	3.33	5.16	0.06	4.25	0.25	0.14	96.49	54.90
Picton Mahoney Income Opportunities Fund Class A	142.070	2.21	1.89	0.55	5.21	-3.95	-	7.14	9.79	-8.16	-9.14	6.99	-	0.28	-0.99	0.57	0.64	95.60	73.08
Picton Mahoney Long Short Equity Fund Class A	133.460	2.18	5.17	4.54	5.71	-2.91	16.81	12.47	22.89	-10.78	-24.86	7.99	9.73	0.52	2.58	0.90	0.82	97.09	70.27
Picton Mahoney Market Neutral Equity Fund Class A	357.130	1.06	2.29	3.02	1.96	1.02	5.30	10.23	9.00	-2.29	-4.63	2.76	4.20	0.02	1.23	0.09	-0.01	100.00	71.62
PIE Alternative Strategies Class F-1 Series A	-	0.53	1.77	-0.13	3.83	-2.47	17.56	12.02	37.74	-11.39	-14.87	10.69	11.59	0.70	4.92	0.92	0.74	94.71	66.67
Primevestfund	2.780	-0.67	1.64	-6.73	3.84	-22.64	15.02	15.74	43.65	-21.65	-39.84	20.22	18.18	1.14	-10.61	0.78	0.88	77.36	63.75
Quadrex Canadian Hedge Watch Index Plus Series A	0.069	2.30	1.08	-4.95	3.75	-12.23	2.52	-3.78	15.43	-14.61	-29.37	11.89	9.81	0.71	-4.74	0.83	0.77	81.24	55.77
Quadrex Canadian Hedge Watch Index Plus Series F	0.861	2.39	1.37	-4.41	3.94	-11.21	3.43	-2.89	15.72	-14.11	-28.89	11.89	9.79	0.71	-3.72	0.83	0.77	84.00	55.77
Quadrex Canadian Hedge Watch Index Plus Series I	0.032	2.44	1.50	-4.17	4.03	-10.78	4.00	-2.44	16.19	-13.90	-28.49	11.89	9.80	0.71	-3.29	0.83	0.77	85.58	55.77
RCM Opportunities Fund Class A	4.080	0.03	1.35	2.10	2.17	-12.33	-	1.07	22.46	-17.75	-19.75	12.69	-	0.48	-7.26	0.53	0.62	85.24	59.09
Redwood Absolute Return Fund Series A	-	1.91	7.48	-	5.00	-	-	-	-	-	-5.37	-	-	-	-	-	-	100.00	80.00
Redwood L/S Conservative Equity Fund	7.870	2.46	4.88	0.31	2.46	-19.39	-2.46	1.49	5.73	-19.64	-23.63	12.11	8.52	0.42	-14.96	0.48	0.64	80.10	64.00
Rosalind Capital Partners L.P.	-	0.19	2.63	-24.48	2.73	-31.36	20.19	14.62	58.57	-38.79	-38.86	23.04	22.10	0.97	-21.12	0.59	0.54	62.82	64.41
Ross Smith Capital Investment Fund	24.807	0.74	2.97	4.86	1.51	9.70	9.93	12.31	11.21	-1.02	-17.17	3.13	5.48	-0.11	8.54	-0.48	-0.36	100.00	67.39
RPH Global Sovereign Bond Pooled Fund	-	1.97	2.26	-	1.74	-	-	-	-	-	-0.23	-	-	-	-	-	-	100.00	80.00
Salida Global Energy Fund (International)	12.453	8.26	7.74	-14.10	8.53	-30.57	43.41	19.55	126.88	-36.70	-56.55	30.23	33.55	1.68	-12.84	0.77	0.72	69.43	64.86
Salida Strategic Growth A (formerly Multi Strategy)	117.630	-6.59	-4.11	-41.57	0.88	-58.55	20.93	14.20	99.32	-54.10	-70.56	43.08	39.18	2.44	-32.80	0.79	0.68	41.45	66.29
Salida Strategic Growth Fund (International)	53.275	-3.62	0.22	-33.69	4.62	-51.86	40.99	40.99	129.65	-52.19	-53.99	44.86	43.41	2.63	-24.10	0.82	0.73	48.14	66.67
Salida Strategic Growth Fund F (Canada)	9.271	-6.51	-3.86	-41.25	1.06	-58.11	22.03	1.50	100.23	-53.85	-70.42	43.12	39.19	2.45	-32.25	0.79	0.68	41.89	63.64
Salida Wealth Preservation Fund (International)	5.927	0.11	-1.54	-11.80	-0.16	-16.13	-	2.74	19.27	-14.48	-16.22	11.47	-	0.59	-9.90	0.72	0.59	83.87	64.00
Salida Wealth Preservation Fund Class A	-	0.09	-1.63	-12.23	-0.15	-17.02	-	1.03	18.87	-14.69	-17.09	11.90	-	0.62	-10.48	0.73	0.59	82.98	56.00
Salida Wealth Preservation Fund F (Canada)	7.421	0.17	-1.45	-11.83	-0.06	-16.18	-	0.59	19.71	-14.28	-16.32	11.91	-	0.62	-9.64	0.73	0.59	83.82	60.00
SciVest Market Neutral Equity Fund Class A	8.620	-2.34	-3.97	-13.62	-1.65	-16.22	-5.38	1.52	10.13	-13.62	-26.47	9.97	9.59	-0.10	-17.28	-0.13	-0.17	73.53	55.04
SciVest Market Neutral Equity Fund Class A2 C\$	-	-2.34	-3.96	-13.59	-1.64	-16.20	-5.60	-2.09	10.13	-13.59	-26.46	9.99	9.53	-0.10	-17.26	-0.13	-0.17	73.54	54.76
SciVest Special Opportunities Fund Class A	-	0.74	1.12	-10.09	5.26	-14.91	-	-3.25	7.50	-12.96	-19.17	9.99	-	0.40	-10.69	0.56	0.26	85.09	51.85
SciVest Special Opportunities Fund Class F	-	0.83	1.40	-9.58	5.46	-13.99	-	-2.36	7.92	-12.51	-18.51	9.99	-	0.41	-9.66	0.57	0.27	85.93	55.56
SEI Futures Index Fund Class D	0.020	-0.98	-1.53	-2.56	-1.36	1.38	-	0.75	4.04	-2.56	-2.56	4.48	-	-0.04	0.96	-0.12	-0.23	97.44	43.75
SEI Futures Index Fund Class E	0.010	-0.94	-1.41	-2.28	-1.27	1.94	-	1.30	4.32	-2.28	-2.28	4.48	-	-0.04	1.52	-0.12	-0.23	97.72	43.75
SEI Futures Index Fund Class F	0.160	-0.84	-1.12	-1.68	-1.06	3.22	0.37	2.75	5.56	-4.76	-8.09	4.48	5.43	-0.04	2.80	-0.12	-0.23	98.32	55.71
SEI Futures Index Fund Class O	28.380	-0.76	-0.87	-1.21	-0.89	4.26	1.44	3.18	6.11	-4.28	-8.66	4.48	5.43	-0.04	3.84	-0.12	-0.23	98.79	57.46
SEI Futures Index Fund Class P	1.020	-0.89	-1.29	-2.03	-1.17	2.52	-0.21	1.81	5.28	-5.04	-9.48	4.48	5.42	-0.04	2.10	-0.12	-0.23	97.97	53.06
Sentry Select Market Neutral LP Class A	-	0.89	2.48	-1.33	3.72	-7.04	-	0.31	4.78	-7.72	-11.97	5.38	-	0.31	-3.77	0.81	0.73	91.30	57.14
Seven Seas Capital Appreciation Fund	48.000	0.38	0.70	1.99	1.05	2.90	-	7.38	12.01	-1.19	-3.54	3.66	-	0.08	3.74	0.29	0.40	100.00	56.25
SevenOaks Opportunities Fund Series A	7.260	-3.36	-1.52	-18.45	2.33	-38.10	-3.84	-10.63	24.12	-35.32	-63.99	22.92	19.82	1.31	-24.27	0.79	0.71	36.85	54.79
SG US Market Neutral Fund Class G	-	-0.49	0.91	-	0.91	-	-	-	-	-	-0.49	-	-	-	-	-	-	99.51	66.67
SG US Market Neutral Fund Class U	-	-0.60	0.29	5.41	-0.22	-	-	-	-	-	-2.27	-	-	-	-	-	-	99.40	55.56
SG US Market Neutral Fund	11.170	-0.54	0.02	5.02	-0.54	3.16	-0.73	-1.13	6.35	-6.16	-12.63	3.82	5.18	0.03	3.48	0.12	0.40	95.63	52.50

HEDGE FUND PERFORMANCE (as of February 29, 2012)

Fund Name	Asset Size (\$MM)	1 Month	3 Month	6 Month	YTD	1 Year	3 Year (Ann.)	Since Inception (Ann.)	Best 6 Mo. (3 Year)	Worst 6 Mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Beta (1 Year, TSX)	Alpha (%) (1 Year, TSX)	Correl. (1 Year, TSX)	Correl. (1 Year, S&P500)	% High Water-mark	% Pos. Month Since Inc.
Silvercove Hard Asset Fund L.P.	-	0.85	3.94	3.34	3.28	-3.17	-	7.99	13.92	-8.85	-10.98	9.47	-	0.50	2.11	0.74	0.78	96.83	72.41
Silvercreek Convertible Limited	-	0.40	1.20	0.64	1.20	8.89	-	22.17	26.91	0.64	-1.40	3.01	-	-0.07	8.15	-0.32	-0.55	100.00	96.15
SMI Defensive LP	110.500	0.20	1.10	1.45	1.00	8.83	32.28	37.17	62.39	1.45	-1.30	2.82	11.27	-0.07	8.09	-0.36	-0.56	100.00	97.50
SMI Opportunities LP	7.700	1.20	10.92	14.88	2.01	17.76	24.41	36.84	52.01	-3.77	-7.37	11.68	13.92	0.03	18.08	0.04	-0.06	100.00	82.26
Sprott Absolute Return Income Fund Class A	44.450	0.94	4.17	0.59	3.82	-1.27	-	3.46	6.59	-7.06	-7.12	5.48	-	0.15	0.31	0.37	0.48	96.75	61.11
Sprott Absolute Return Income Fund Class FT	-	0.00	0.00	0.00	0.00	-	-	-	-	-	0.00	-	-	-	-	-	-	100.00	100.00
Sprott Absolute Return Income Fund Class T	4.750	0.95	4.23	0.65	3.88	-1.23	-	3.66	6.85	-7.16	-7.31	5.56	-	0.15	0.35	0.38	0.48	96.61	61.11
Sprott Bull/Bear RSP Fund Class A	159.670	-3.15	-9.64	-23.11	2.60	-19.53	-1.89	11.35	30.35	-25.02	-26.94	27.14	24.15	0.74	-11.72	0.38	0.13	74.96	57.66
Sprott Hedge Fund L.P. Class A	514.820	-3.42	-10.45	-23.94	1.99	-19.55	-1.20	18.30	32.52	-24.31	-33.94	27.91	25.01	0.69	-12.27	0.35	0.09	74.24	61.03
Sprott Hedge Fund L.P. II Class A	550.060	-3.79	-11.22	-23.84	1.19	-19.46	-2.07	7.80	30.76	-25.23	-31.98	26.66	24.16	0.61	-13.02	0.32	0.05	74.71	55.26
Sprott Opportunities Hedge Fund Class A	95.950	-1.11	-3.91	-8.34	0.39	-7.12	2.74	14.27	10.60	-8.34	-9.58	11.52	8.93	0.36	-3.32	0.44	0.19	91.66	59.57
Sprott Opportunities RSP Fund	35.460	-1.13	-3.98	-8.45	0.35	-7.34	2.53	7.06	10.44	-8.45	-9.60	11.52	8.93	0.36	-3.54	0.44	0.19	91.55	53.25
Sprott Private Credit Fund LP Class A Series 1	63.230	-0.02	2.04	4.68	0.96	10.80	-	12.16	7.15	4.68	-0.02	2.52	-	-0.03	10.48	-0.17	0.11	99.98	90.00
Sprott Small Cap Hedge Fund	48.300	1.53	4.81	-2.95	6.34	-13.64	32.09	8.05	44.12	-18.87	-54.39	16.48	17.19	0.98	-3.30	0.83	0.74	86.36	62.30
SW8 Strategy Fund LP Class A	-	0.15	-1.35	-2.71	-0.50	-3.91	-	3.03	8.42	-4.02	-4.80	3.64	-	-0.16	-5.60	-0.61	-0.52	95.34	42.86
SW8 Strategy Fund LP Class B	-	0.20	-1.21	-2.47	-0.40	-3.46	-	21.02	35.22	-3.80	-4.61	3.64	-	-0.16	-5.15	-0.61	-0.52	95.58	63.64
SW8 Strategy Trust Class A	-	0.13	-1.66	-3.28	-0.56	-4.88	-	1.98	7.88	-4.63	-5.51	3.65	-	-0.15	-6.46	-0.59	-0.50	94.62	42.86
SW8 Strategy Trust Class B	-	0.17	-1.54	-3.01	-0.47	-4.35	-	2.55	8.19	-4.36	-5.15	3.65	-	-0.15	-5.93	-0.59	-0.51	95.01	42.86
Tapestry Balanced Growth Private Port Corp Cl A	20.340	1.65	2.79	0.75	4.20	-2.66	-	2.62	9.44	-6.05	-7.17	5.57	-	0.35	1.03	0.88	0.84	96.73	50.00
Tapestry Balanced Growth Private Port Corp Cl T	3.850	1.67	2.83	0.82	4.26	-2.62	-	2.38	9.38	-5.98	-7.17	5.55	-	0.35	1.07	0.87	0.83	96.79	50.00
Tapestry Balanced Income Private Port Corp Cl A	10.730	1.24	2.41	0.68	3.41	-0.44	-	3.13	7.17	-3.42	-4.52	4.15	-	0.24	2.09	0.80	0.74	98.73	61.54
Tapestry Balanced Income Private Port Corp Cl T	0.670	1.23	2.44	0.70	3.45	-0.45	-	2.85	7.11	-3.45	-4.55	4.24	-	0.24	2.08	0.80	0.74	98.74	53.85
Tapestry Divers Income Private Port Corp Class A	6.080	1.10	2.33	1.40	2.52	1.96	-	4.99	6.00	-1.36	-1.54	2.61	-	0.12	3.23	0.64	0.55	100.00	69.23
Tapestry Divers Income Private Port Corp Class T	0.220	1.10	2.35	1.41	2.54	1.91	-	4.62	5.80	-1.35	-1.53	2.59	-	0.12	3.18	0.62	0.53	100.00	69.23
Tapestry Global Balanced Private Port Corp Cl A	6.480	2.16	3.67	1.76	5.22	-1.59	-	2.10	8.06	-5.86	-7.26	6.11	-	0.36	2.21	0.83	0.83	97.59	46.15
Tapestry Global Balanced Private Port Corp Cl T	0.090	2.14	3.58	1.71	5.22	-1.67	-	2.05	7.96	-5.98	-7.37	6.17	-	0.36	2.13	0.82	0.83	97.47	46.15
Tapestry Global Growth Private Port Corp Cl A	1.430	2.82	4.29	3.77	6.35	-1.97	-	1.84	10.01	-8.43	-10.32	8.51	-	0.50	3.31	0.82	0.88	96.47	52.00
Tapestry Global Growth Private Port Corp Cl T	-	2.83	4.24	3.71	6.31	-2.36	-	0.72	9.89	-8.77	-10.65	8.66	-	0.50	2.92	0.81	0.88	96.12	50.00
Tapestry Growth Private Portfolio Corporate Cl A	7.450	2.19	3.38	1.48	5.26	-3.75	-	1.73	10.76	-8.13	-9.14	7.01	-	0.43	0.79	0.85	0.87	95.63	46.15
Tapestry Growth Private Portfolio Corporate Cl T	-	2.17	3.34	1.44	5.21	-3.98	-	1.56	10.74	-8.29	-9.30	7.00	-	0.42	0.45	0.85	0.87	95.43	46.15
The Alpha Scout Fund	-	-0.06	0.59	-4.21	1.24	-9.21	4.89	3.51	10.13	-9.73	-24.46	5.63	5.34	0.28	-6.25	0.68	0.57	90.71	64.56
The Friedberg Currency Fund	4.200	-6.37	-2.42	23.51	-6.37	4.67	-1.21	1.18	38.03	-37.61	-75.71	66.15	43.48	-3.54	-32.70	-0.75	-0.75	51.27	51.71
Trident Global Opportunities Fund C\$	127.510	-1.51	-3.59	-5.35	-1.52	1.93	-3.99	9.60	9.70	-6.23	-15.91	8.70	7.15	-0.22	-0.39	-0.35	-0.65	86.94	53.03
Trident Global Opportunities Fund US	49.670	-0.22	-0.63	-6.35	1.36	0.04	4.39	14.08	11.38	-6.35	-15.46	10.37	13.88	0.35	3.73	0.47	0.32	93.65	55.30
Trident Performance Corp II	23.600	-1.94	-5.08	-6.22	-1.83	1.16	-	-2.54	10.14	-7.24	-14.49	9.34	-	-0.20	-0.95	-0.30	-0.61	87.85	48.39
U.S. Equity Income Fund A C\$	15.600	2.97	5.38	2.56	7.22	-1.23	14.79	-11.46	32.77	-10.14	-71.45	8.97	14.73	0.39	2.89	0.61	0.73	49.76	50.85
U.S. Equity Income Fund Class U US	33.880	2.98	5.79	3.13	7.38	-0.86	18.31	-8.23	32.39	-6.37	-69.19	8.87	14.84	0.39	3.26	0.61	0.74	59.25	54.24
U.S. Equity Income Fund F	-	3.06	5.80	3.38	7.50	0.12	16.06	-10.52	33.42	-9.69	-71.06	8.97	14.71	0.39	4.24	0.61	0.73	52.26	50.85
Venator Catalyst Fund	-	1.00	3.95	9.93	3.12	14.80	-	15.09	11.00	2.11	-2.53	4.88	-	0.16	16.49	0.46	0.72	100.00	84.62
Venator Founders Fund	-	8.40	15.29	7.11	14.15	-6.35	16.39	11.97	30.73	-20.64	-32.02	19.34	16.26	0.94	3.57	0.68	0.75	93.65	66.67
Venator Income Fund	-	3.40	6.07	5.01	6.07	3.33	-	15.09	15.48	-6.58	-7.85	8.36	-	0.35	7.02	0.58	0.73	99.57	76.67
Venator Investment Trust	-	8.40	14.16	6.11	14.16	-7.01	15.88	4.69	30.36	-20.55	-32.72	19.24	16.22	0.95	3.02	0.69	0.75	92.99	62.26
Vertex Fund Class B	1,007.600	1.90	2.54	-5.72	6.14	-10.80	23.27	10.38	51.83	-14.88	-47.05	12.06	14.49	0.54	-5.10	0.63	0.60	84.12	71.00
Vision Opportunity Fund L.P.	-	0.15	7.91	12.71	0.32	5.77	36.53	25.61	40.26	-6.16	-17.27	11.63	12.46	0.01	5.88	0.01	0.29	100.00	75.00
Vision Opportunity Fund Trust	-	1.12	9.19	12.91	2.68	4.15	29.65	20.55	31.07	-7.75	-15.43	11.04	10.15	0.19	6.16	0.24	0.49	100.00	75.00
WARATAH Income Fund	-	0.80	2.62	0.77	1.10	-2.03	-	5.31	8.76	-5.00	-5.85	3.83	-	0.08	-1.19	0.31	0.28	97.19	65.00
WARATAH One Fund	-	-0.30	1.40	4.46	1.10	5.91	-	8.86	8.12	1.22	-1.30	3.69	-	0.08	6.75	0.31	0.50	99.70	85.00
WARATAH Performance Fund	-	0.50	1.71	1.81	1.00	2.22	-	17.35	24.60	-1.74	-3.39	5.14	-	0.04	2.64	0.11	0.23	98.75	85.00
Equally Weighted Average Performance of All Funds	7,585.317	1.24	1.91	-2.83	2.84	-6.93	10.90	-	-	-	-	-	-	-	-	-	-	-	-
Number of Funds in Sample	136	248	244	237	248	230	145	-	-	-	-	-	-	-	-	-	-	-	-

MARKET INDICES (as of February 29, 2012)

INDEX NAME	1 Month	3 Month	6 Month	YTD	1 Year	3 Year	Since Inception	Best 6mo. (3 Year)	Worst 6mo. (3 Year)	Max. Draw Down	Std. Dev. (1 Year)	Std. Dev. (3 Year)	Alpha (1 Year, TSX)	Beta (1 Year, TSX)	% High Water-mark	% Pos. Months
183 Day Canada T-Bill	0.08	0.24	0.46	0.16	0.99	0.72	6.75	0.55	0.14	0.00	0.02	0.09	0.99	0.00	100.00	100.00
91 Day Canada T-Bill	0.07	0.21	0.43	0.14	0.90	0.61	6.38	0.48	0.10	0.00	0.02	0.09	0.90	0.00	100.00	100.00
BMO Canadian Small Cap Index	3.17	9.19	2.64	11.49	-9.98	30.63	6.44	49.68	-22.25	-57.31	19.47	18.17	3.95	1.32	90.02	58.61
CHW-HF Composite Index	2.07	2.59	-2.33	4.60	-9.63	6.33	1.80	15.16	-11.60	-32.08	8.54	7.74	-4.77	0.46	82.21	63.95
CHW-HF Equity Hedged Index	2.16	2.75	-2.20	4.95	-9.64	7.95	3.88	15.37	-11.79	-34.75	8.80	8.20	-4.57	0.48	82.08	65.12
CHW-HF FoHF Index	0.29	0.07	-4.90	0.31	-12.27	-11.33	-9.17	11.70	-34.00	-55.23	4.70	17.88	-10.05	0.21	44.91	51.76
CHW-HF Notes Index	-0.24	-0.29	0.14	-0.45	3.66	2.67	-0.19	4.48	-1.78	-11.09	1.78	2.82	3.24	-0.04	97.64	52.38
Nasdaq Composite Index (C\$)	4.04	10.05	16.34	10.80	8.73	18.78	8.35	25.38	-6.54	-74.24	11.05	14.22	14.43	0.54	43.17	57.49
S&P 500 Composite Principal (US)	4.06	9.52	-16.29	8.60	-23.04	-6.07	6.82	12.66	-30.23	-46.28	22.71	15.20	-25.26	-0.21	68.48	62.55
S&P 500 Total Return Index C\$	2.94	7.03	14.61	6.05	7.19	15.52	10.01	20.87	-6.83	-51.16	8.90	10.49	11.94	0.45	75.28	60.16
S&P 500 Total Return Index US\$	4.32	10.11	13.31	9.00	5.12	25.59	10.21	40.57	-13.78	-50.98	16.58	16.70	15.99	1.03	97.09	61.19
S&P/TSX 60 Index TR	1.47	4.06	0.09	5.91	-9.24	16.77	7.21	35.44	-16.44	-47.89	12.01	14.54	-0.27	0.85	90.76	59.35
S&P/TSX Composite Index	1.54	3.61	-0.97	5.77	-10.56	15.89	6.50	33.80	-17.66	-45.05	12.77	14.18	-0.85	0.92	85.93	58.67
S&P/TSX 60 Index TR	4.37	2.34	-1.91	4.37	-6.48	13.75	7.13	35.44	-16.44	-47.89	12.99	15.19	0.58	0.87	89.44	59.09
S&P/TSX Composite Index	4.16	1.64	-3.81	4.16	-8.11	12.72	6.46	33.80	-17.66	-45.05	13.61	14.89	-0.65	0.92	84.63	58.57
S&P/TSX Smallcap Index	8.71	4.25	-6.54	8.71	-10.53	22.19	4.08	46.51	-25.18	-58.11	22.70	19.61	1.32	1.46	82.57	55.92
S&P/TSX Smallcap Index	9.68	-10.36	-17.32	-14.90	-5.40	18.32	3.82	46.51	-25.18	-58.11	22.28	20.34	-0.65	1.42	79.20	56.38

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Highest Return (3 Month)				
Fund Name	3 Month	6 Month	1 Year	Ann. std Dev. (1 Year)
Lycos Value Fund Class O	19.56	39.99	42.59	33.30
Northern Rivers Global Energy Fund LP	19.12	22.09	0.86	30.96
Agilith North American Diversified Fund	17.50	12.87	-5.34	17.35
Dynamic Power Emerging Markets Fund Series A	15.93	2.03	-16.49	24.83
Dynamic Power Emerging Markets Fund Series C	15.70	2.04	-16.50	24.67
Venator Founders Fund	15.29	7.11	-6.35	19.34
Formula Growth Hedge Fund Class F US	15.14	14.27	-1.29	30.92
Enso Global Fund F	14.92	-27.63	-57.23	44.50
Formula Growth Hedge Fund Class F CS	14.81	15.87	0.47	23.90
Enso Global Fund A	14.76	-27.89	-57.50	44.52
Enso Global Fund Class U	14.46	-28.21	-	-
Venator Investment Trust	14.16	6.11	-7.01	19.24
Northern Rivers Conservative Growth Fund LP	12.97	13.61	10.22	18.39
Exemplar Leaders Fund Series A	12.18	11.66	7.33	17.81
Blackheath Volatility Arbitrage Fund	11.32	16.01	5.30	10.60
SMI Opportunities LP	10.92	14.88	17.76	11.68
Dynamic Power Hedge Fund Series C	10.66	2.40	-29.26	34.55
DKAM Capital Ideas Fund LP Class A	10.62	9.92	9.52	13.20
Vision Opportunity Fund Trust	9.19	12.91	4.15	11.04
Front Street Canadian Hedge Fund Series B	8.49	-1.17	-20.11	20.67
Burlington Partners1 LP	8.43	8.15	3.32	8.33

Highest Return (1 Year)			
Fund Name	Ann. Return	Ann. Std. Dev.	# of Negative Months
Lycos Value Fund Class O	42.59	33.30	3
Anson Investments Master Fund LP	19.56	9.89	2
SMI Opportunities LP	17.76	11.68	2
Milford Capital Growth Fund	17.32	7.49	3
Niagara Legacy Class B Fund	16.74	44.33	6
Venator Catalyst Fund	14.80	4.88	1
Hillsdale Global Long/Short Equity Fund Class A US	12.35	7.86	6
Sprott Private Credit Fund LP Class A Series 1	10.80	2.52	2
Northern Rivers Conservative Growth Fund LP	10.22	18.39	4
Ross Smith Capital Investment Fund	9.70	3.13	3
Aurion Income Opportunities Fund	9.54	2.92	2
DKAM Capital Ideas Fund LP Class A	9.52	13.20	3
Aurion Income Opportunities Fund Class D	9.04	2.94	2
Silvercreek Convertible Limited	8.89	3.01	1
SMI Defensive LP	8.83	2.82	1
ChapelGate Credit Opportunity Fund Ltd.	8.68	3.48	3
Exemplar Leaders Fund Series A	7.33	17.81	4
Vision Opportunity Fund L.P. II	6.92	10.66	4
Northern Rivers Innovation RSP Fund	6.81	34.62	6
Amethyst Arbitrage Fund	6.30	3.25	3
Lycos Value Fund Class P	6.01	0.07	0

Lowest Return (3 Month)				
Fund Name	3 Month	6 Month	1 Year	Ann. std Dev. (1 Year)
Niagara Legacy Class B Fund	-15.81	-12.99	16.74	44.33
Sprott Hedge Fund L.P. II Class A	-11.22	-23.84	-19.46	26.66
Sprott Hedge Fund L.P. Class A	-10.45	-23.94	-19.55	27.91
Barometer Long Short Equity Pool Class A	-9.85	-5.97	-22.23	19.47
Sprott Bull/Bear RSP Fund Class A	-9.64	-23.11	-19.53	27.14
IMFC Global Concentrated Program	-8.68	-4.20	-4.14	11.52
Acorn Diversified Program	-7.92	-13.20	-12.32	13.80
Landry Morin Long Short Momentum Fund Series B	-7.88	-	-	-
Landry Morin Long Short Momentum Fund Series A	-7.84	-8.89	-1.26	10.76
Landry Morin Long Short Momentum Fund Series G	-7.72	-8.65	-1.49	10.55
Landry Morin Long Short Momentum Fund Series F	-7.60	-8.44	-0.23	10.76
Niagara Discovery Fund	-7.48	-6.30	-1.42	18.87
Landry Morin Long Short Momentum Fund Series I	-7.35	-7.96	0.82	10.76
Fiera Global Macro Fund Class A	-5.24	-4.52	-9.84	5.07
Trident Performance Corp II	-5.08	-6.22	1.16	9.34
Fiera Global Macro Fund Class F	-4.97	-3.98	-8.81	5.09
Barometer Tactical Exchange Traded Fund Pool	-4.47	-6.30	-7.73	11.63
Exemplar Diversified Portfolio Series A	-4.46	-11.83	-11.82	9.42
Man MGS Access Canada Note CI II 901	-4.32	-1.99	5.65	6.97
Man MGS Access Canada Notes CI I 900	-4.32	-1.99	5.65	6.97
Salida Strategic Growth A (formerly Multi Strategy)	-4.11	-41.57	-58.55	43.08

Highest Return (3 Year)			
Fund Name	Ann. Return	Ann. Std. Dev.	# of Negative Months
AlphaNorth Partners Fund	80.18	33.82	10
Dynamic Power Hedge Fund Series C	52.92	38.17	13
Milford Capital Growth Fund	51.16	15.68	7
King & Victoria Fund LP	46.88	14.81	6
King & Victoria RSP Fund Class A Units	46.42	14.74	6
Salida Global Energy Fund (International)	43.41	33.55	12
Agilith North American Diversified Fund	42.08	22.53	12
Salida Strategic Growth Fund (International)	40.99	43.41	12
DKAM Capital Ideas Fund LP Class A	39.34	15.12	6
Vision Opportunity Fund L.P.	36.53	12.46	6
SMI Defensive LP	32.28	11.27	1
Sprott Small Cap Hedge Fund	32.09	17.19	11
Front Street Canadian Energy Resource Fund Ser B	31.26	33.71	11
Vision Opportunity Fund Trust	29.65	10.15	6
Northern Rivers Global Energy Fund LP	28.49	21.95	10
Northern Rivers Conservative Growth Fund LP	24.57	14.19	9
SMI Opportunities LP	24.41	13.92	7
Calrossie Partners Fund	23.71	11.95	10
GFM 130/30 Fund	23.42	14.03	12
Aurion II Equity Fund	23.29	18.05	13
Vertex Fund Class B	23.27	14.49	8

Fewest Negative Months (1 Year)			
Fund Name	# of Negative Months	Ann. Return	Ann. Std. Dev.
Lycos Value Fund Class P	0	6.01	0.07
Venator Catalyst Fund	1	14.80	4.88
Silvercreek Convertible Limited	1	8.89	3.01
Sprott Private Credit Fund LP Class A Series 1	2	10.80	2.52
Aurion Income Opportunities Fund	2	9.54	2.92
Aurion Income Opportunities Fund Class D	2	9.04	2.94
WARATAH Performance Fund	3	2.22	5.14
WARATAH One Fund	3	5.91	3.69
Ross Smith Capital Investment Fund	3	9.70	3.13
Man MGS Access Canada Notes CI I 900	3	5.65	6.97
Man MGS Access Canada Note CI II 901	3	5.65	6.97
Venator Income Fund	4	3.33	8.36
SG US Market Neutral Fund	4	3.16	3.82
Picton Mahoney Global Market Neutral Equ CI A C\$	4	3.62	3.33
Vision Opportunity Fund L.P. II	4	6.92	10.66
Curvature Market Neutral Fund A	4	2.57	4.08
BSP Absolute Return Fund L/S Eq. US\$	4	0.51	5.36
The Friedberg Currency Fund	5	4.67	66.15
Tapestry Divers Income Private Port Corp Class T	5	1.91	2.59
Tapestry Divers Income Private Port Corp Class A	5	1.96	2.61
Silvercove Hard Asset Fund L.P.	5	-3.17	9.47

Lowest Volatility (1 Year)			
Fund Name	Ann. Std. Dev.	Ann. Return	# of Negative Months
Lycos Value Fund Class P	0.07	6.01	0
KCS Great White North Fund Class B	2.31	-2.83	7
KCS Great White North Fund Class O	2.45	-0.61	6
KCS Great White North Fund Class F	2.45	-1.16	7
KCS Great White North Fund Class A	2.45	-1.70	7
Sprott Private Credit Fund LP Class A Series 1	2.52	10.80	2
Arrow Enhanced Income Fund F US\$	2.53	-9.39	9
Tapestry Divers Income Private Port Corp Class T	2.59	1.91	5
Tapestry Divers Income Private Port Corp Class A	2.61	1.96	5
Arrow Enhanced Income Fund F C\$	2.64	-6.38	8
Picton Mahoney Market Neutral Equity Fund Class A	2.76	1.02	6
SMI Defensive LP	2.82	8.83	1
Aurion Income Opportunities Fund	2.92	9.54	2
Aurion Income Opportunities Fund Class D	2.94	9.04	2
Silvercreek Convertible Limited	3.01	8.89	1
Arrow Enhanced Income Fund A C\$	3.02	-8.52	11
Ross Smith Capital Investment Fund	3.13	9.70	3
Man Canada Alternative Strategies Class I	3.25	-9.85	8
Amethyst Arbitrage Fund	3.25	6.30	3
Picton Mahoney Global Market Neutral Equ CI A C\$	3.33	3.62	4
Man Canada Alternative Strategies Fund	3.34	-10.64	9

Fewest Negative Months (3 Year)			
Fund Name	# of Negative Months	Ann. Return	Ann. Std. Dev.
SMI Defensive LP	1	32.28	11.27
ChapelGate Credit Opportunity Fund Ltd.	5	17.51	4.07
Amethyst Arbitrage Fund	5	22.36	7.20
Vision Opportunity Fund Trust	6	29.65	10.15
Vision Opportunity Fund L.P.	6	36.53	12.46
King & Victoria RSP Fund Class A Units	6	46.42	14.74
King & Victoria Fund LP	6	46.88	14.81
DKAM Capital Ideas Fund LP Class A	6	39.34	15.12
SMI Opportunities LP	7	24.41	13.92
Milford Capital Growth Fund	7	51.16	15.68
Marret High Yield Hedge LP Class B	7	11.94	5.12
High Yield Fund F	7	10.97	5.87
High Yield Fund A US\$	7	10.69	5.92
High Yield Fund A C\$	7	10.51	5.73
Anson Investments Master Fund LP	7	19.61	8.98
Vertex Fund Class B	8	23.27	14.49
Northern Rivers Conservative Growth Fund LP	9	24.57	14.19
Dynamic Income Opportunities Fund	9	18.51	9.86
BSP Absolute Return Fund Multi Strat.US\$	9	6.09	4.31
Venator Founders Fund	10	16.39	16.26
Performance Growth Fund Class A	10	10.90	9.45

Lowest Volatility (3 Year)			
Fund Name	Ann. Std. Dev.	Ann. Return	# of Negative Months
KCS Great White North Fund Class F	2.62	2.67	13
KCS Great White North Fund Class A	2.63	2.25	14
Arrow Enhanced Income Fund F C\$	3.99	3.43	13
Arrow Enhanced Income Fund A C\$	4.01	1.92	16
ChapelGate Credit Opportunity Fund Ltd.	4.07	17.51	5
Picton Mahoney Market Neutral Equity Fund Class A	4.20	5.30	14
BSP Absolute Return Fund Multi Strat.US\$	4.31	6.09	9
Performance Diversified Fund Trust CI A	4.49	6.95	10
Arrow Diversified Fund Class A	4.56	1.43	14
Arrow Diversified Fund Class F C\$	4.59	2.34	14
Arrow Diversified Fund Class F US\$	4.66	1.67	14
Arrow Maple Leaf Canadian Fund A2 C\$	4.85	4.01	15
Arrow Maple Leaf Canadian Fund G2	4.87	4.49	14
Arrow Maple Leaf Canadian Fund U2	4.90	3.40	15
Arrow Maple Leaf Canadian Fund F2 C\$	4.91	5.10	13
IA Multi-Strategy	4.96	-1.67	20
Marret High Yield Hedge LP Class B	5.12	11.94	7
Fiera Global Macro Fund Class F	5.12	-4.12	20
Picton Mahoney Global Market Neutral Equ CI A C\$	5.16	2.01	16
SG US Market Neutral Fund	5.18	-0.73	16
The Alpha Scout Fund	5.34	4.89	12

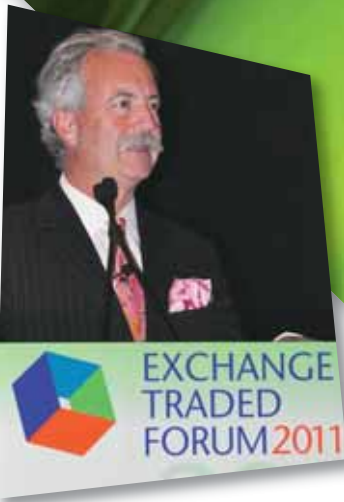


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Mitch Ackles Elected President of Hedge Fund Association, Ron S. Geffner Elected for 2nd Term as Vice President

International Industry Organization Installs David Friedland as Chairman, Also Elects Board of Directors and Appoints Regional Directors and Committee Chairs for 2012/2013

New York – March 19, 2012 – Mitch Ackles, a public relations executive specializing in the hedge fund industry, has been elected president of the Hedge Fund Association, it was announced today. Ron S. Geffner, a law partner at Sadis & Goldberg LLP and an expert in regulations affecting hedge funds, was elected to his second term as vice president.

The Hedge Fund Association is a non-profit organization that promotes the understanding and development of the alternative investments industry. Its members include hedge funds, funds of hedge funds, family offices, public and private pension funds, endowments and foundations, high net worth individuals, allocators, and service providers such as prime brokers, administrators, custodians, auditors, lawyers, risk managers, technologists and third party marketers.

Ackles, 42, is the founder and CEO of Hedge Fund PR. His firm represents hedge funds, service providers, investors, conference organizers, and local, national and global hedge fund groups. He also serves as spokesman for Hedge Funds Care, a global charitable organization which raises funds for programs that work to prevent and treat child abuse. Prior to his election as president, Ackles also served on the HFA's board of directors and served as its spokesman for three years.

Geffner, 45, oversees Sadis & Goldberg's Financial Services Group, where he advises private investment vehicles, investment advisory organizations, broker-dealers, commodity pool operators and other investment fiduciaries. He also counsels clients on regulatory issues and is a frequent commentator on the hedge fund industry.

"As hedge funds become more mainstream, the hedge fund industry has a greater responsibility to help everyone understand its contributions to the financial markets," said Ackles. "I am looking forward to continuing the groundbreaking work that David Friedland has done as HFA president," he added.

Geffner said the HFA would strive to add a strong voice to issues affecting hedge funds and their investors. "The hedge fund industry faces such challenges as providing more transparency, meeting new operational standards and complying with new regulations. The HFA will help the industry navigate these issues," Geffner said.

David Friedland, former president and newly-appointed chairman, said the growth of the hedge fund industry validates the HFA's mission. "The hedge fund industry has evolved over the past 25 years from a little-understood niche into an important component of the financial system, and I am gratified the Hedge Fund Association has played a part in that transition," Friedland said.

Cayman Islands Hedge Fund Reforms On-track

Date: Tuesday, March 27, 2012

Author: Alex Dunnin

Cayman Islands is extending the deadline for hedge fund operators to register their master funds, showing how delicate the balance is between improving financial regulation in the country, while not driving away hedge fund operators.

The reforms follow pressure from the OECD that the Cayman Islands clamp down on its hedge fund sector, with European governments arguing it promotes tax and compliance avoidance in the jurisdictions where the funds source their inflows.

Privileges enjoyed by the hedge fund sector in the Caribbean Island nation of 60,000 have seen it grow to be the world's number one centre for offshore hedge fund operations and the fifth largest banking centre with almost 300 banks operating there.

Making the reforms highly sensitive, however, is that the financial services sector drives an estimated 55% of the GDP and accounts for 40% of its employment.

"Cayman is now strengthening regulatory requirements by insisting that Cayman domiciled master funds register with the Cayman Islands Monetary Authority," said Alric Lindsay, principal with Buckingham Fund Services Ltd which operates in the island nation.

Lindsay say the new rules are not a surprise as regulators in other jurisdictions have made their own adjustments in light of recent hedge fund scandals, market crises and purported concerns over systemic and other risks.

"In Cayman, the pursuit of master fund registration can be understood because, in the typical master-feeder structure, investments are made at the master fund level. It therefore seems important that the Cayman master fund be regulated, along with any Cayman regulated feeder fund which invests in the Cayman master fund," he said.

Lindsay said the outstanding issues are whether the definition of a master fund needs to be modified and how much time fund operators will have to register their funds.

"Hopefully, with this approach, it will continue to be a leading jurisdiction and clients will increase their physical presence there," he said.

Hedge Fund of Funds Industry is all About Niches, says Agecroft Partners

Date: Tuesday, March 27, 2012

Author: Opalesque

Opalesque Industry Update – The hedge fund of funds marketplace has experienced net redemptions four years in a row. This trend is expected to continue in 2012; however, Agecroft Partners has observed that some hedge fund of funds have thrived during this time period by focusing on a specific niche in the marketplace. There will always be a place for hedge fund of funds within certain sectors of the hedge fund investor community, and those hedge fund of funds that can change with the evolving landscape will be the most successful going forward. We will examine some of the major trends in the industry along with three niche areas that some hedge funds of funds have leveraged to successfully raise assets. These three areas are: Strategy Focus, Fund Structure, and Investor Segment.

Over the past decade most of the flows into the fund of funds industry have come from large institutional investors. In the past, this group of investors has been more focused on the perceived security provided by the size, brand and infrastructure of a firm as opposed to pure performance. Many of these larger institutions invested in multiple fund of funds in an attempt to diversify their exposure, however they did not realize that many of the largest fund of funds may have had a significant overlap in underlying managers. In addition, investment performance from some of these large organizations has not always met expectations.

As large institutional investors continue to increase their knowledge of alternative investments, two major trends are developing within the fund of fund industry. The first trend is for multi-billion dollar pension funds to save on fees by moving away from multi-strategy fund of funds and invest directly with funds utilizing the help of a hedge fund consultant. This trend is the primary reason why industry fund of fund assets have been declining, but it typically only effects the largest fund of funds organizations that were able to raise significant capital from the large pension funds. These large fund of fund organizations will continue to bring in significant business, but not necessarily enough to replace the assets that are being redeemed.

The second trend we are seeing within the pension fund industry is the growing utilization of a hub and spoke approach to fund of funds investing. This approach involves a hub investment in one of the largest fund of funds as the core hedge fund allocation, with the spokes being made up of niche fund of fund strategies. These niche fund of funds will also be tapped as best-in-breed managers in other parts of institutional investors' portfolios in addition to the hedge fund allocation. The growth of niche fund of funds investing should have the effect of increasing the number of fund of funds, with a larger percentage of assets flowing to mid-sized firms.

Although the largest pension funds will more frequently bypass fund of funds, a majority of pension funds will continue to get their hedge fund exposure through fund of funds. In addition, we expect strong flows from retail investors into fund of funds.

Strategy Focus Niche – It is very difficult for investors to differentiate between fund of funds unless there is a clearly defined advantage to adding them to the portfolio. Some managers have been very successful in raising assets by focusing on niche strategies with limited competition. Billions of dollars have been flowing to firms that focus on:

Global Macro/CTA – After the significant drawdown in performance for investors during the 4th quarter of 2008 and early 2009, investors took notice of the lack of correlation of these two strategies relative to other hedge fund strategies as well as long-only benchmarks. In order to increase downside performance protection and protect against “tail risk”, investors have significantly added to these strategies. While industry-wide hedge fund assets today are slightly above 2007 levels, assets dedicated to the Global Macro/CTA space have increased from \$288 billion to \$433 billion at the end of the 3rd quarter 2011, based on HFR data.

Commodities – There is growing concern among many investors that the purchasing power of their investments will be eroded by rising inflation. This concern is driven by two primary factors, including the weakening of the dollar and increased competition for commodities. The weakening of the dollar stems from growing trade and federal deficits. At some point these pressures could be greatly enhanced if other countries lose faith in the dollar. Large selling by China and Japan would be devastating to the currency. Global competition for commodities is steadily increasing as developing nations like China and India modernize their economies, which will put upward pressure on commodity prices. A strong trend by institutional investors is to allocate a portion of their portfolio to real assets, including commodities. A few fund of funds dedicated to commodities have greatly benefited from this trend.

Seeder/Accelerator Funds – Many hedge fund investors require a hedge fund to have a minimum of \$100 million in AUM before they will consider investing in that hedge fund. This has caused significant demand by smaller hedge fund managers for seeder or accelerator capital. Seeders/Accelerators agree to invest a large amount of assets into the hedge fund and, in return, they receive both the performance generated by the fund on their investment and a quasi-equity position in the firm, usually by sharing in the revenues on all assets of the fund. Seeders can generate significant returns if they pick a fund that performs well and significantly grows its asset base. Many fund of funds that allocate a percentage of their assets to feeder funds have generated good returns and seen positive asset flows.

Emerging and Mid-Sized Manager Focus – This is an area that is beginning to see increased investor focus because some studies have shown that smaller managers consistently out-perform larger managers. These managers are much more difficult to identify and perform due diligence on than the largest, most well-known managers. Those fund of fund managers with a particular skill in this space should see increased demand. These type of funds also add diversification to pension fund portfolios since most pension funds are investing either directly or indirectly into the largest hedge fund managers.

Other niche strategies There are many other niche strategies in the marketplace today that we expect to see large flows going forward. Some of these include focuses on long short equity, credit, and emerging markets.

continued on page 32 >>>

>>> Around The Hedge (continued from page 31)

Fund structure Niche – Being a first mover in adopting a new fund structure can lead to significant asset flows with little competition. Over time these structures are adopted by more and more funds, increasing market competition, but still providing the first movers a sustained advantage due to their market share. While the fund of fund marketplace as a whole has seen assets decline, funds with the following structures have seen their assets surge. Each of these structures has strengths and weakness for investors. These structures include:

Managed Account Platforms – After the Madoff fraud and the proliferation in 2008 of hedge funds putting up gates and suspending redemptions, the demand for managed account platforms has exploded. Many of these platforms offer daily liquidity, full transparency of underlying investments and sophisticated risk analytics. Several of the hedge fund platform providers offer not only their own fund of funds, but allow investors to customize their portfolios.

Undertakings For The Collective Investment Of Transferable Securities (UCITS) – These funds can be sold within all the European Union countries, provided that the fund is registered within one of those countries. Like managed account platforms, these fund structures saw a significant increase in popularity after the market meltdown of 2008. These funds typically offer daily liquidity with low minimum investment requirements, opening up the hedge fund marketplace to many retail investors.

'40 ACT' Funds – These are mutual funds that comply with the US Investment Company Act of 1940 and are often sold by leveraging the retail client base of large broker dealers. A few firms have raised billions of dollars in assets over the past few years, however the number of new players into the marketplace is increasing exponentially.

Tax Advantaged Structures – These are hedge funds with insurance wrappers that allow US taxable investors to defer paying taxes on gains well into the future.

Fund of One – This business model creates a feeder fund into a large hedge fund. This feeder fund typically has a low investment minimum that provides some high net worth investors an opportunity to invest in a hedge fund for which they would not ordinarily meet the minimum. Investors are given a choice of which hedge funds they would like to participate in.

Investor Segment Niche – Some hedge fund of funds have developed very focused marketing strategies that target specific market segments. This approach allows them to develop strong brands within targeted investor segments. Certain investor segments find it reassuring that other investors of their type are also investing with the manager.

Insurance Companies – The assets in this market place are huge, and many of the companies are increasing their allocations to hedge funds in order to increase the return on their investment portfolios, which have declined over time due to the reduction in interest rates. Knowing the regulatory issues faced by insurance companies and having a fund that is structured to address this industry specific need gives a manager a strong advantage over its competition. A successful marketing campaign also requires the fund of funds to identify which companies to call on and who the correct contact is at each company. While this includes a significant investment in time and research, the payoff can be large. This is a market where many people know each other and share ideas between companies, which can magnify a focused marketing campaign.

Regional Focus – Some firms have developed strong brands by focusing on a specific country or region. In a specific country these firms have the advantage of similar language and culture that provide a feeling of trust. Other firms in the US focus on the cities they are located in and build strong networks with local accounting firms, trust attorneys and local advisory firms. Many less investment knowledgeable high net worth individuals like to keep their money locally. This business model is beginning to see increased competition from the proliferation of endowment model managers and hedge fund of fund wholesalers.

Retail Financial Advisors – The largest brokerage firms dominate the wealth management space, but independent regional firms are catching up. Most of these firms have an approved list of fund of funds that their advisors can recommend to clients. In order to effectively gain assets from this distribution source, fund of funds must get on the approved list of the individual firm and then provide a very focused “wholesale” sales approach whereby they are continually traveling to the brokerage firm’s larger offices and meeting with top producers. This is a relationship and trust business where a long-term approach of repeat visits to offices can lead to sales success. With over 2000 fund of funds, this marketplace is one of the most competitive industries. Unless a fund of fund firm is one of the largest in the industry or has generated one of the top historical track records, it is imperative to identify a market niche within which they can excel. Although the industry is facing some headwinds, those that have been able to create a differential advantage should be able to effectively raise assets. Corporate website: www.agecroftpartners.com/

Hedge Fund Man Group Launches Transparency Portal

Date: Thursday, March 29, 2012

Author: Alex Akesson, HedgeCo.Net

Man Group plc. ('Man'), the \$8 billion hedge fund investment manager, has launched Clarus, an online portal for investors in managed accounts to obtain greater transparency in their underlying investments. The financial crisis and subsequent shocks in markets have emphasised the need for visibility of the risks and liquidity in portfolios.

“Over recent years investors’ demands have shifted dramatically and people now want to see how assets are controlled, that there is good liquidity, and that their cash will be returned when they want it. Clarus provides the heightened transparency our investors seek.” Eric Burl, Man’s Head of Managed Accounts, said,

Man has developed Clarus to share investment insights with clients and provide more data and analysis than historical performance-based reporting. It allows clients to visualise their exposure to underlying risk factors in both their managed accounts and aggregated as part of their wider portfolio.

Key managed account and portfolio information that can be visualised by clients using Clarus includes performance and performance decomposition, style attribution and performance, and value-at-risk, broken down into foreign exchange sensitivities, commodity sensitivities, equity sensitivities and interest rate sensitivities.

Toronto CFA Society and Hillsdale's \$10,000 Award for Canadian Investment Research Goes to Rotman for Pension Research

Toronto, 1 March 2012

Toronto CFA Society and Hillsdale Investment Management announce that Alexander Dyck and Lukasz Pomorski, professors at The Rotman International Centre for Pension Management have won the 2011 Canadian Investment Research Award.

Toronto CFA Society and Hillsdale Canadian Investment Research Award is open to global researchers conducting research related to Canadian capital markets, including both academics (professors and students) and practitioners. Submissions on topics, such as portfolio and risk management, asset valuation and performance measurement, are judged on the potential contribution of their applied research to Canadian capital markets. Toronto CFA Society and Hillsdale Investment Management offer this prestigious award annually to encourage high-quality research on investment management.

The winning research paper, "Is Bigger Better? Size and Performance in Pension Plan Management," was selected by a panel of judges from among 12 submissions. Toronto CFA Society and Hillsdale Investment Management will award a \$10,000 CAD prize to the winners today at the Toronto CFA Society 2nd Annual Award Reception.

To download a pdf of the Award Winning Research paper, please visit: www.hillsdaleinv.com/portal/uploads/Is_Bigger_Better_-_Size_and_Performance_in_Pension_Plan_Management.pdf

"This paper by Professor Dyck and Professor Pomorski makes very valuable contributions to pension plan management discussions," said Chris Guthrie, CFA, President & CEO, Senior Portfolio Manager and Founding Partner, Hillsdale Investment Management. "The authors do an exceptional job of exploring how larger defined benefit pension plans succeed at overcoming the diseconomies of scale typically seen at the fund level to achieve superior returns. Both Hillsdale and Toronto CFA Society are proud to recognize their excellent research."

Rotman researchers used CEM Benchmarking data covering more than 800 global defined benefit pension plans to assess the impact of size on a pension plan's performance. "Larger DB plans earn better returns across the board, but the advantage of size appears to be more pronounced in plans with strong governance practices," said Professor Pomorski. "Most of the outperformance is driven by cost savings arising from in-house investment capabilities and superior returns achieved by investing in alternatives to stocks and bonds," he said. The researchers concluded that "bigger is better when it comes to pension plans."

Key findings:

- Larger DB plans outperform smaller plans by about 0.5% (43-50 basis points) per year.
- This difference in performance means that a participant's retirement savings in a larger DB plan (the top 20% by size) could be 13% greater at retirement than savings in a smaller plan (the bottom 20% by size).
- Up to half of the performance gains arise from lower investment costs due to internal management, which costs at least three times less than external management fees.
- The majority of the superior returns comes from expansion into alternative asset classes, such as private equity, real estate and infrastructure, where size and direct investment capabilities are an advantage. Large plans have both lower costs and higher gross returns for alternative investments, yielding up to a 6% improvement in returns per year.
- There is suggestive evidence that strong governance practices contribute to higher returns and a greater ability to take advantage of scale economies.

About the winners

Alexander Dyck is a Professor of Pension Management at The Rotman International Centre for Pension Management and teaches finance and business economics at the University of Toronto's Rotman School of Management. Previously, he was an assistant professor at Harvard Business School and holds a PhD from Stanford University. Lukasz Pomorski is an Assistant Professor of Finance at the University of Toronto's Rotman School of Management. He received a PhD in Finance and an MBA from the University of Chicago, and his award-winning research has been covered in The Financial Times, The Wall Street Journal and The Washington Post.

About Hillsdale Investment Management

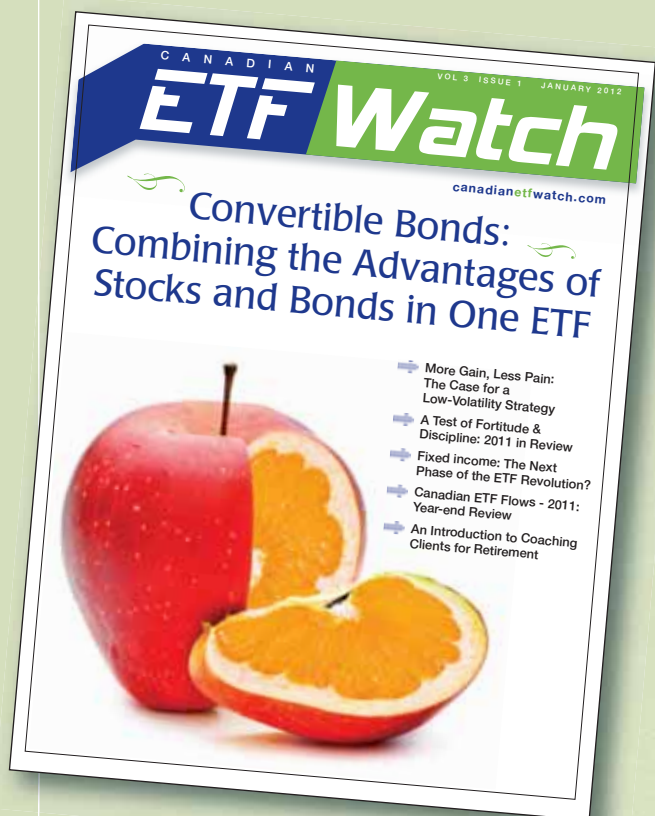
Founded in 1996, Hillsdale is an independent Canadian investment boutique, providing a full range of traditional equity and alternative investment strategies to both institutional and individual investors. Hillsdale manages a spectrum of long only, long/short and custom designed strategies employing a core investment style carefully implemented using an adaptive multi-strategy, risk controlled process.

About Toronto CFA Society

Toronto CFA Society is a not-for-profit organization supporting the professional and business development of CFA charterholders. The society provides members with a local perspective on a global designation including: educational programs, sponsored events, job postings, quarterly newsletters, a comprehensive affinity program and networking opportunities.

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