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HEDGE FUNDS EXPERIENCE NET INFLOWS OF CAPITAL IN 2006

30% of Billion-Dollar Funds Are Closed to New Capital

February 27, 2007 – New York, NY – **Hennessee Group LLC, an adviser to hedge fund investors, estimates that hedge fund industry assets increased by \$215 billion in 2006 to \$1.442 trillion.** The increase in assets represents +17.5% growth over industry assets since the beginning of 2006. Preliminary results indicate that the hedge fund industry experienced net inflows of \$75 billion (+6.1%) in 2006. The remaining \$140 billion (+11.4%) was the result of positive performance, as evidenced by the **Hennessee Hedge Fund Index, which advanced +11.4% in 2006.**

The hedge fund industry continues to grow as investors diversify their portfolios. The growth rate of net inflows at +6% is a modest increase from +4% in 2005, but is still significantly less than the +19% increase in 2004 and its peak of +34% in 2001.

ASSET FLOWS

The majority of assets flowed to multi-strategy arbitrage funds as total assets for arbitrage and event driven funds were up approximately +31.5% in 2006. The Hennessee Arbitrage/Event Driven Index advanced +12.3% for the year, as most arbitrage strategies posted double-digit returns. Despite the well-publicized demise of Amaranth Advisors, positive fundamentals for arbitrage strategies, including tightening credit spreads and robust merger and acquisition activity, helped attract a significant amount of new capital for multiple arbitrage funds. Asset growth in arbitrage and event driven funds is expected to continue as pension funds and institutions further increase their allocations to hedge funds.

Long/short equity assets increased approximately +10.5% in 2006, with the increase coming entirely from performance, as the Hennessee Long/Short Equity Index advanced +11.1% in 2006. New inflows to long/short equity funds were offset by investor withdrawals, fund liquidations, and the return of capital to investors. Furthermore, many large established long/short equity funds are no longer accepting new capital, and in several cases, even returning capital to investors in order to remain at a manageable asset size. **Hennessee estimates that over 30% of hedge funds managing in excess of \$1 billion are currently closed to new capital.**

INVESTOR SOURCES OF CAPITAL

Direct investments by individuals and family offices remain the largest source of capital for the hedge fund industry. Going into 2007, Hennessee Group estimates they represent approximately 40% of total industry capital followed by fund of funds (23%), corporations (18%), pension plans (11%), and endowments and foundations (8%).

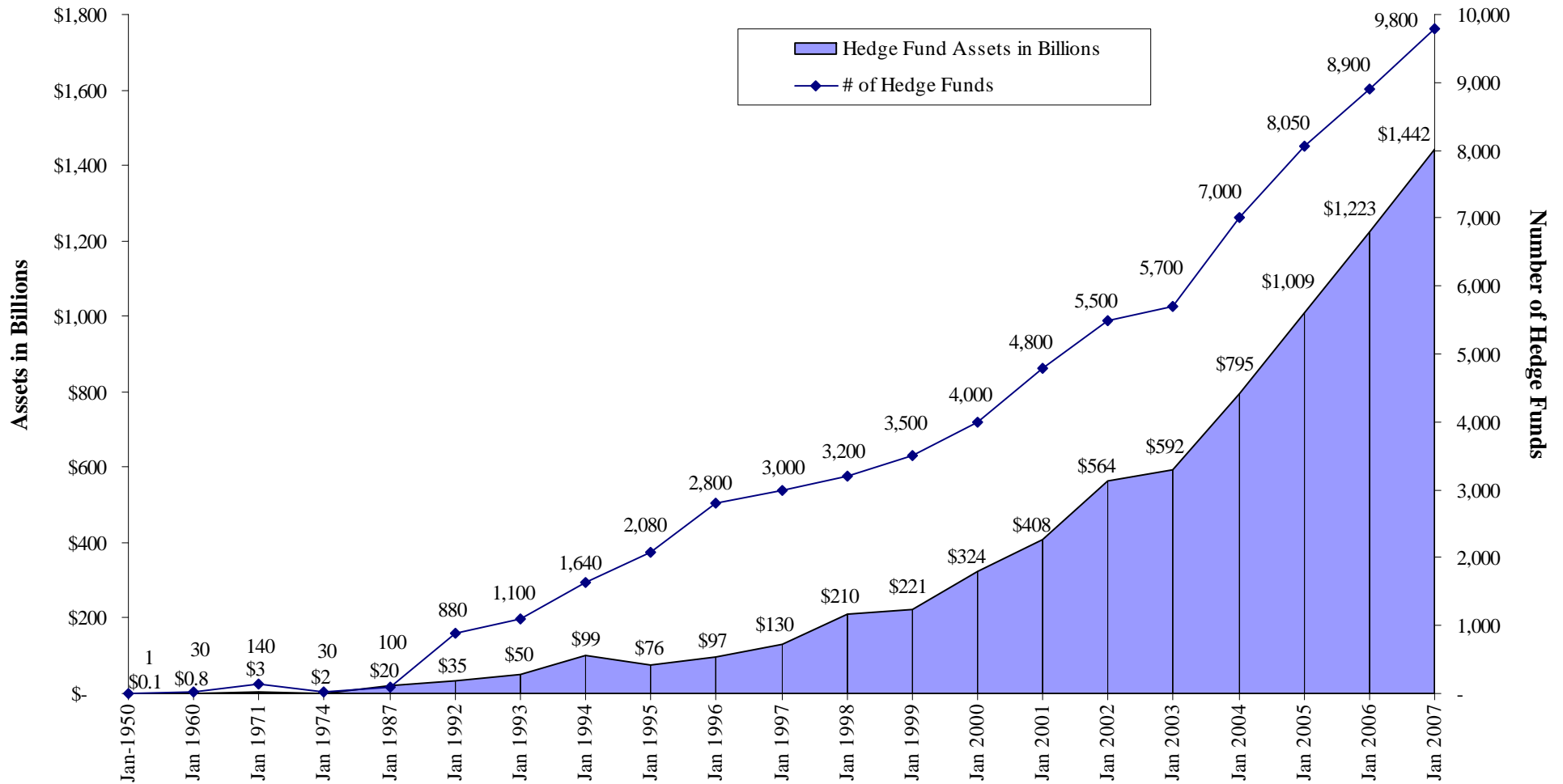
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Hennessee Group LLC is a Registered Investment Adviser that consults direct investors in hedge funds on asset allocation, manager selection, and ongoing monitoring of hedge fund managers. Hennessee Group LLC is not a tracker of hedge funds. The [Hennessee Hedge Fund Indices](#)[®] are for the sole purpose of benchmarking individual hedge fund manager performance. The Hennessee Group does not sell a hedge fund-of-funds product nor does it market individual hedge fund managers. For additional [Hennessee Group Press Releases](#), please visit the Hennessee Group's website. The Hennessee Group also publishes the [Hennessee Hedge Fund Review](#) monthly, which provides a comprehensive hedge fund performance review, statistics, and market analysis; all of which are value added to hedge fund managers and investors alike.

Description of [Hennessee Hedge Fund Indices](#)[®]

The [Hennessee Hedge Fund Indices](#)[®] are calculated from performance data reported by a diversified group of over 1,000 hedge funds to the Hennessee Group LLC. The [Hennessee Hedge Fund Index](#) is an equally weighted average of the funds in the Hennessee Hedge Fund Indices[®]. The funds in the [Hennessee Hedge Fund Index](#) are derived from the Hennessee Group's database of over 3,500 hedge funds and are net of fees and unaudited. Past performance is no guarantee of future returns. ALL RIGHTS RESERVED. This material is for general information only and is not an offer or solicitation to buy or sell any security including any interest in a hedge fund.

Hedge Fund Assets vs. Number of Hedge Funds

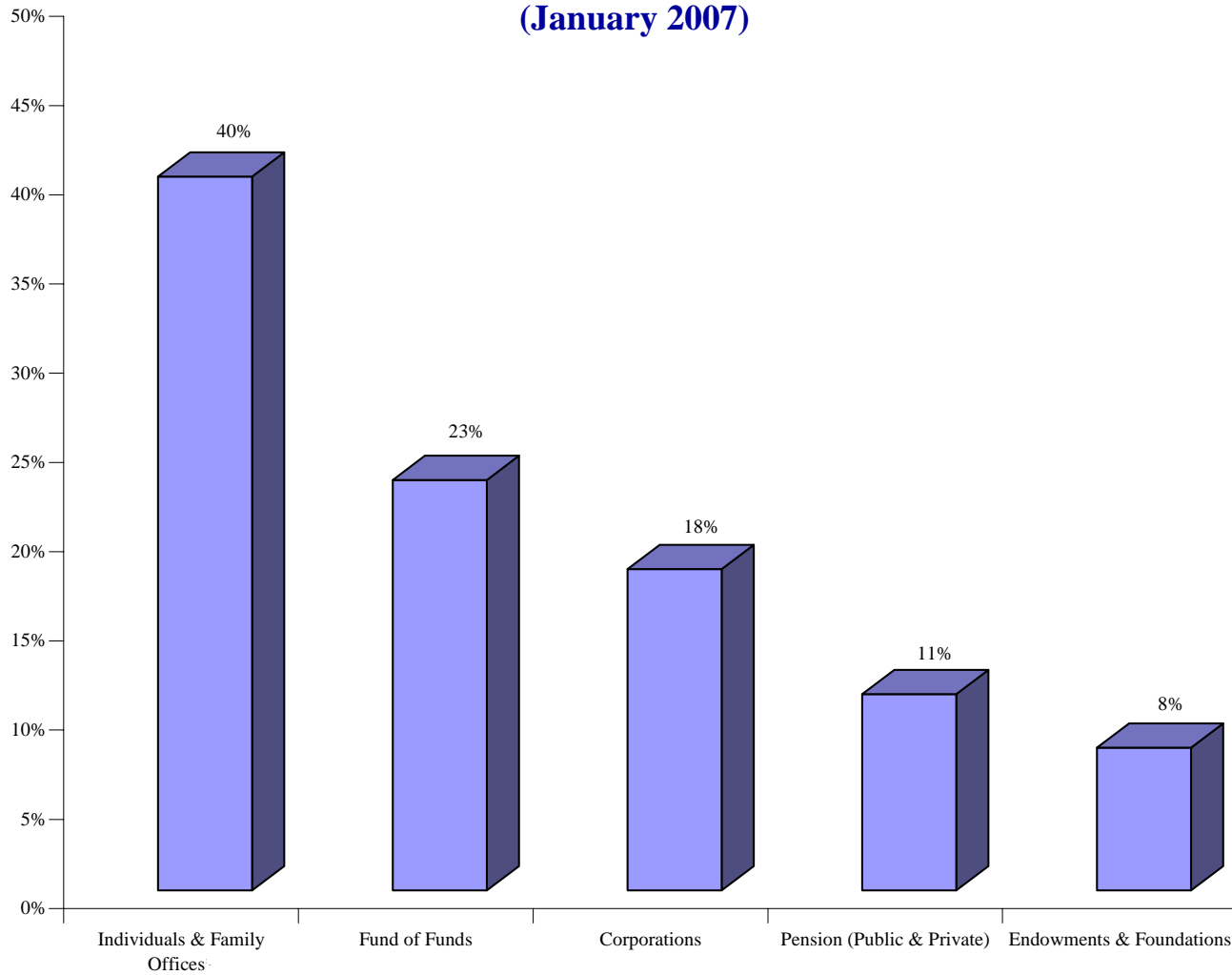


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Hedge Fund Sources of Capital (January 2007)



Source: Hennessee Group LLC

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