



Fund of hedge funds Do they really add value?

Presentation to PortfolioConstruction
Conference 2008

RMF, a core investment manager of Man Investments

A member of the Man Group

Investment Excellence



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Introduction – Man Group



- Man Group plc established 1783
- Listed on London Stock Exchange (FTSE 100)
- Approximately US\$80 billion under management[^]
- 16 offices in 13 countries



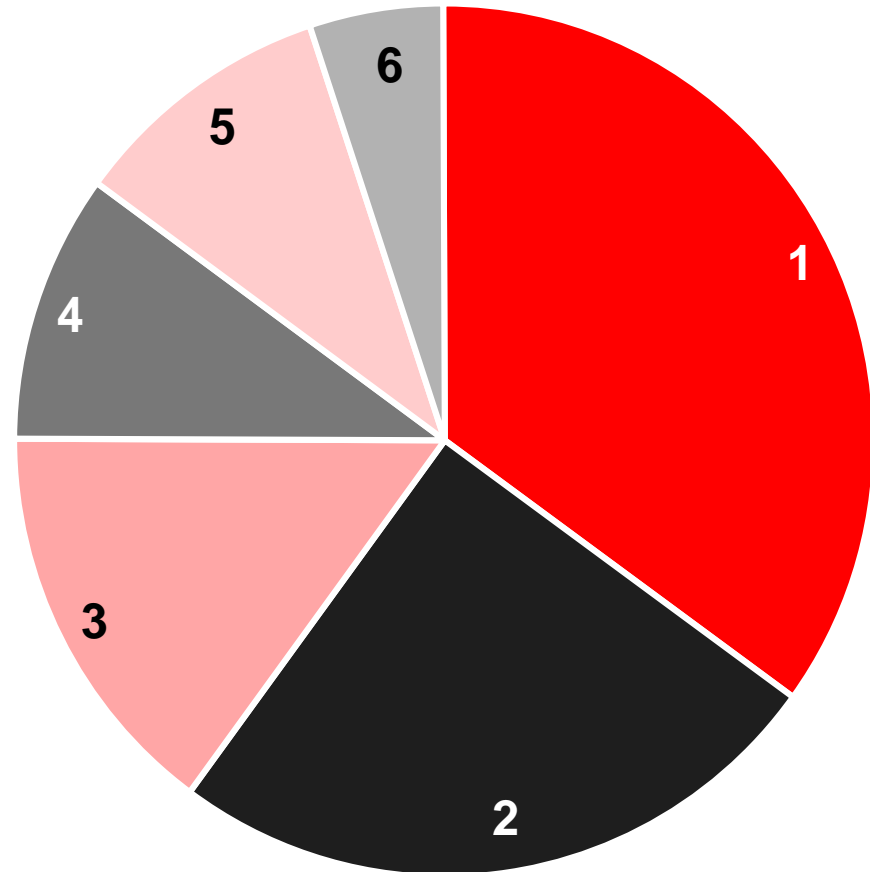
[^] Man Group funds under management as at 30 June 2008.

Reference portfolio

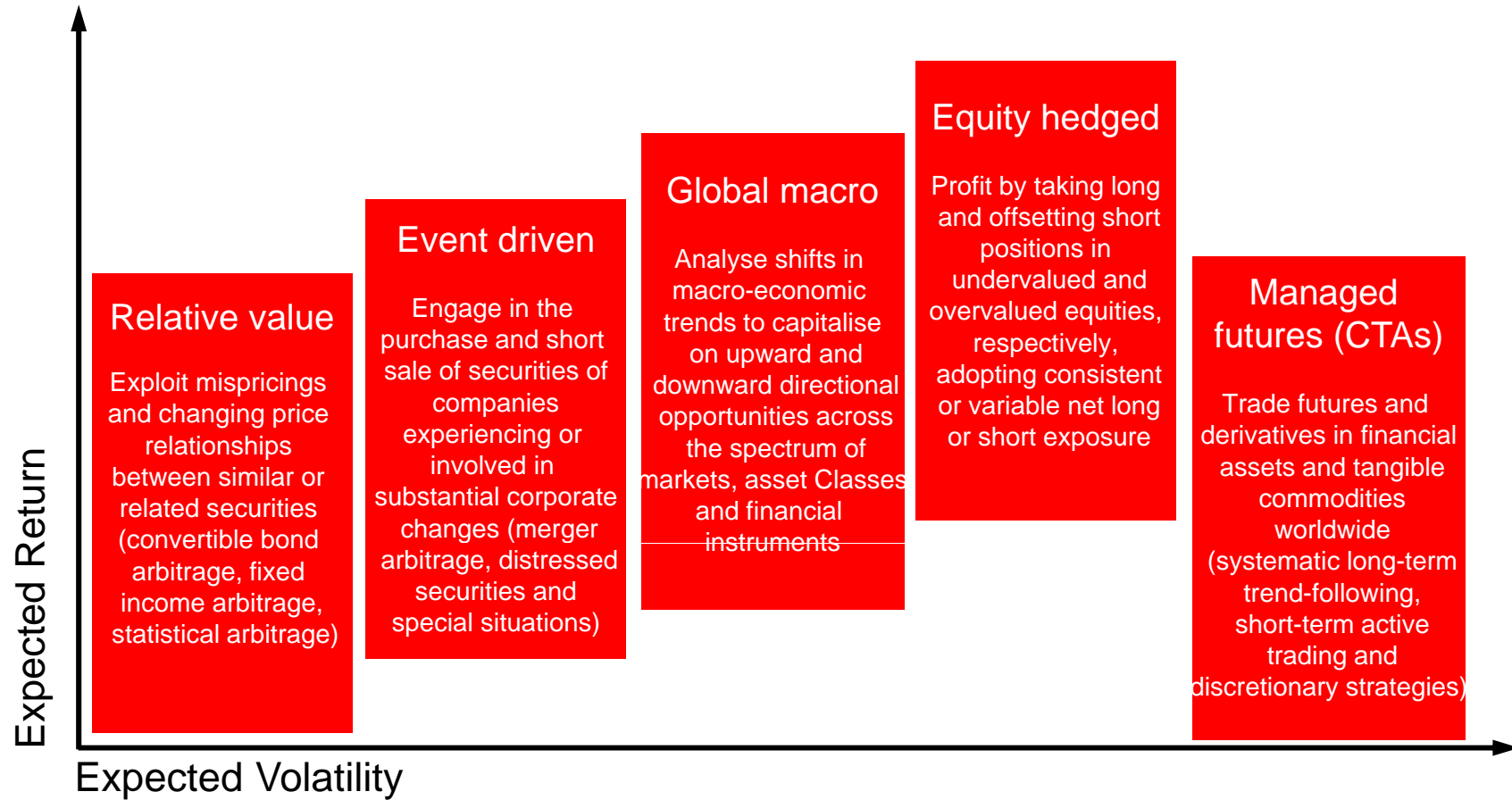
A traditional growth portfolio - ex alternatives or hedge funds



1	Australian equities	35 %
2	International equities	25 %
3	Australian bonds	15 %
4	Global bonds	10 %
5	Property	10 %
6	Cash	5 %



Definition of hedge fund styles



Schematic illustration.
Source: RMF Investment Management.

Long term correlation across hedge fund styles

January 1994 to June 2008



	HFRI Equity Hedged	HFRI Relative Value	HFRI Event Driven	HFRI Macro	Stark Managed Futures
Reference portfolio	0.70	0.52	0.68	0.43	-0.03
HFRI Equity Hedged		0.64	0.83	0.60	0.00
HFRI Relative Value			0.75	0.41	-0.07
HFRI Event Driven				0.58	-0.02
HFRI Macro					0.49

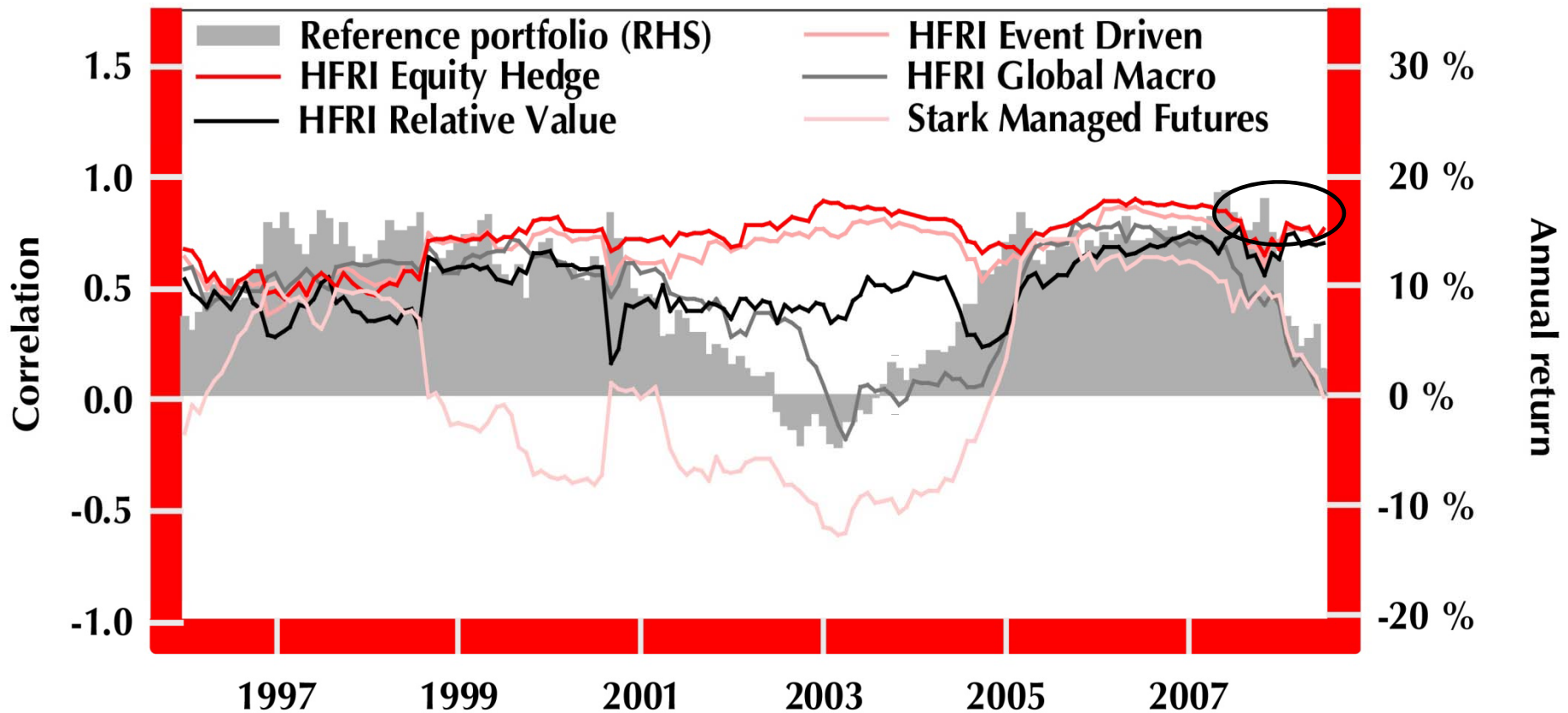
Source: Bloomberg, RMF Investment Management. Estimation period: January 1994 to June 2008. Performance in USD. Proxies for the hedge fund styles: HFRI Equity Hedge (Total) Index (HFRI EH), HFRI Relative Value (Total) Index (HFRI RV), HFRI Event-Driven (Total) Index (HFRI ED), HFRI Macro (Total) Index (HFRI Macro), Stark 300 Trader Index (Stark MF). There is no guarantee of trading performance and past performance is no indication of current or future performance/results. The performance data does not take account of the commissions and/or costs incurred on the issue and/or redemption of units. Please note that the HFRI index data over the past 4 months may be subject to change.

Dynamic correlations of hedge fund styles to reference portfolio



January 1994 to June 2008

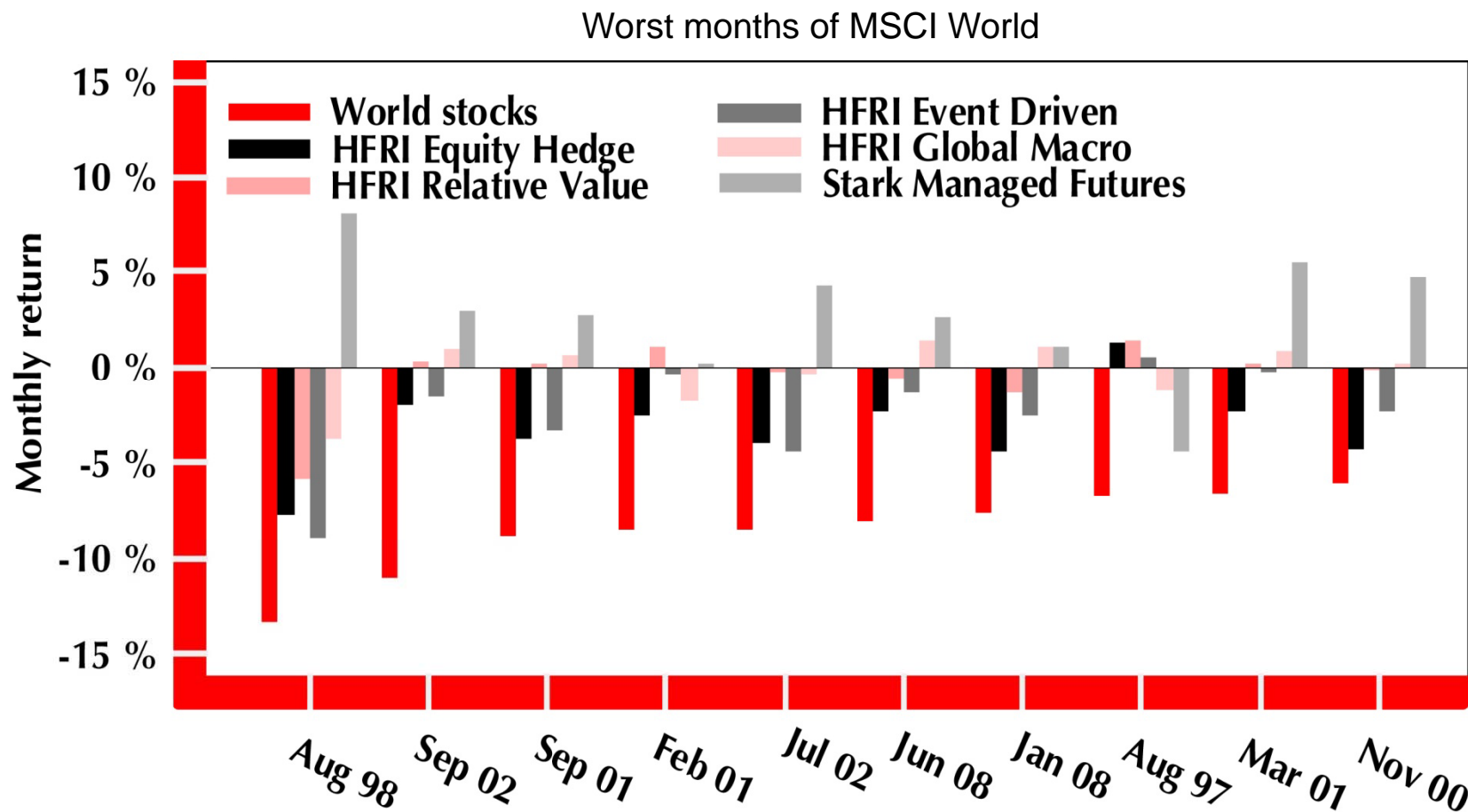
24 month rolling correlation



Source: Bloomberg, RMF Investment Management. Estimation period: January 1994 to June 2008. Performance in USD. Proxies for the hedge fund styles: HFRI Equity Hedge (Total) Index (HFRI EH), HFRI Relative Value (Total) Index (HFRI RV), HFRI Event-Driven (Total) Index (HFRI ED), HFRI Macro (Total) Index (HFRI Macro), Stark 300 Trader Index (Stark MF). There is no guarantee of trading performance and past performance is no indication of current or future performance/results. The performance data does not take account of the commissions and/or costs incurred on the issue and/or redemption of units. Please note that the HFRI index data over the past 4 months may be subject to change.

Downside protection in extreme equity market conditions

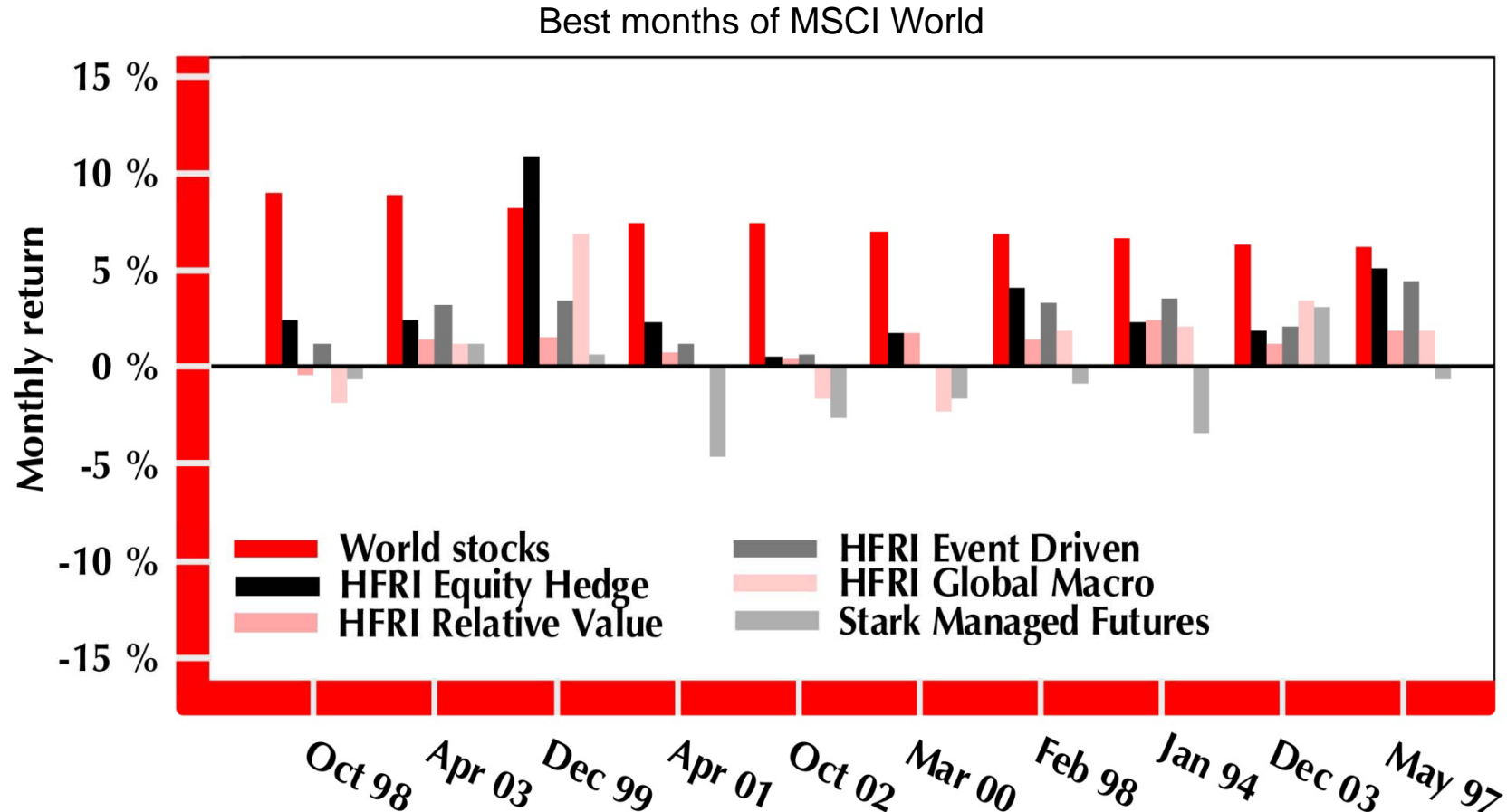
January 1994 to June 2008



Source: Bloomberg, RMF Investment Management. Estimation period: January 1994 to June 2008. Performance in USD. Proxies for the hedge fund styles: HFRI Equity Hedge (Total) Index (HFRI EH), HFRI Relative Value (Total) Index (HFRI RV), HFRI Event-Driven (Total) Index (HFRI ED), HFRI Macro (Total) Index (HFRI Macro), Stark 300 Trader Index (Stark MF). There is no guarantee of trading performance and past performance is no indication of current or future performance/results. The performance data does not take account of the commissions and/or costs incurred on the issue and/or redemption of units. Please note that the HFRI index data over the past 4 months may be subject to change. World stocks: MSCI World Index hedged to USD (price return).

Not at the expense of upside potential

January 1994 to June 2008



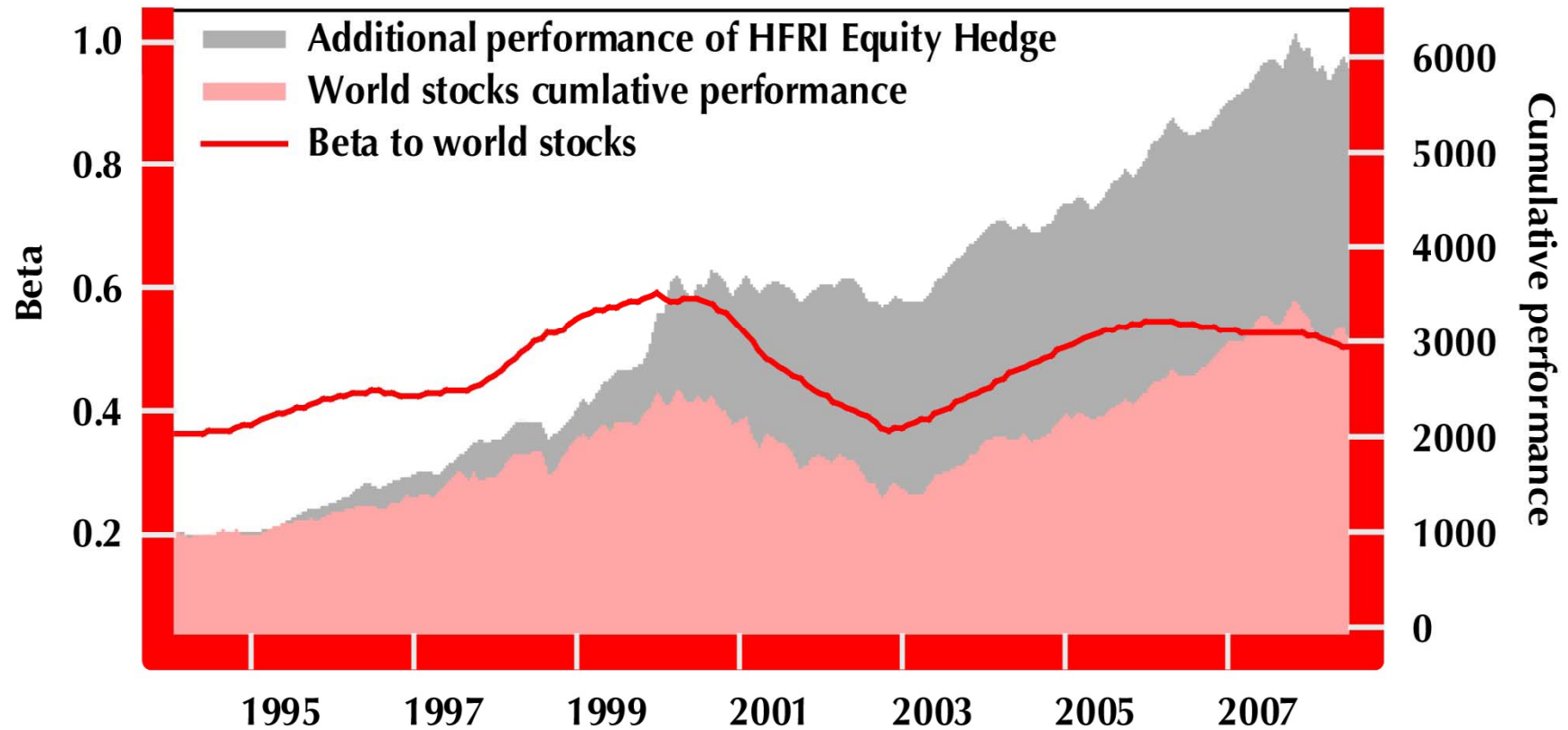
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Dynamic strategies – example of equity hedged

January 1994 to June 2008



Impact of dynamic beta on performance



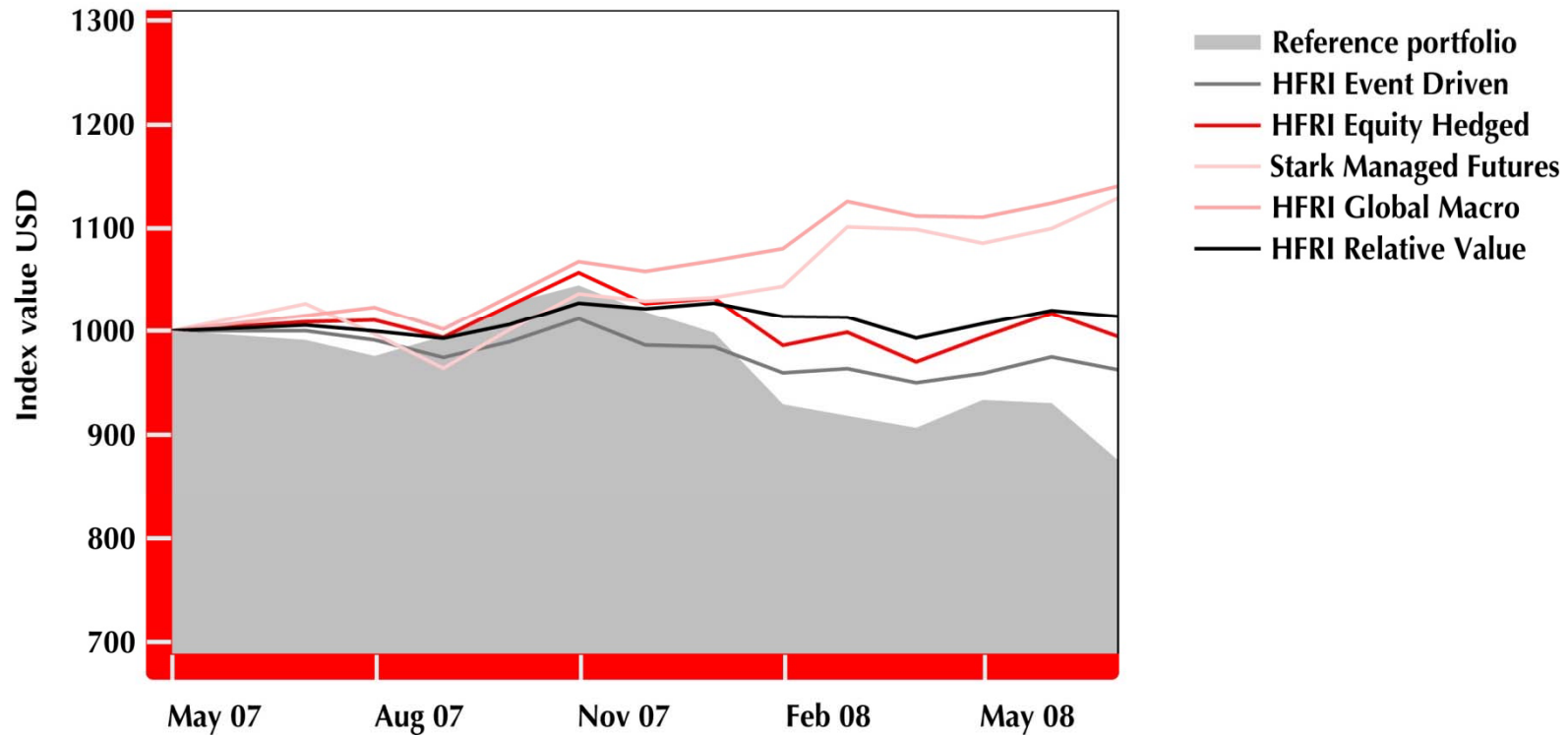
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Hedge funds and the credit crunch

June 2007 to June 2008

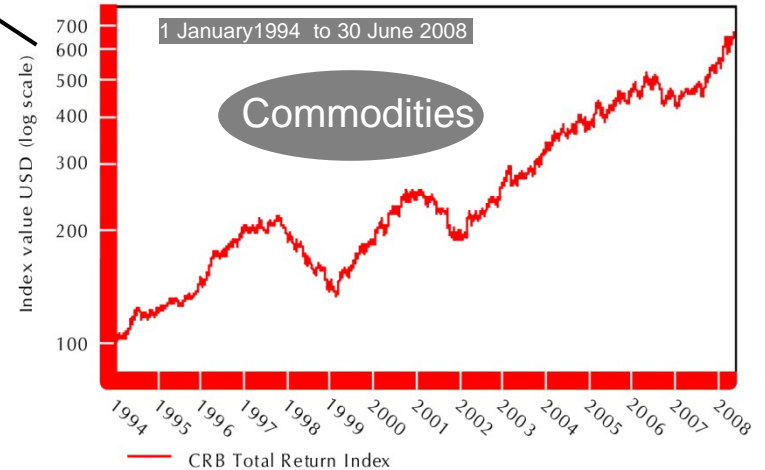
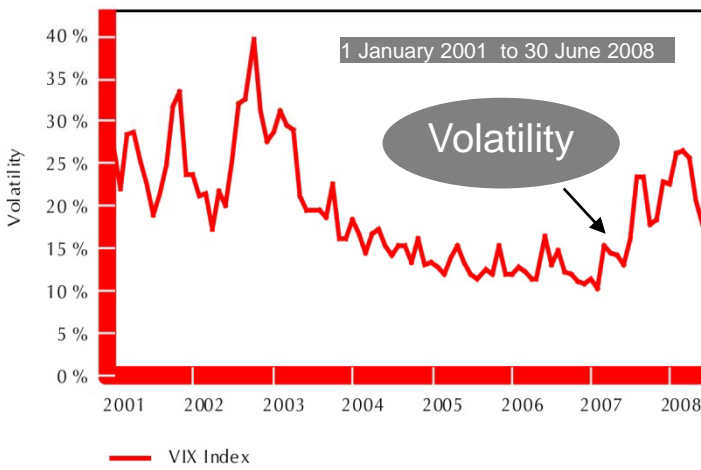
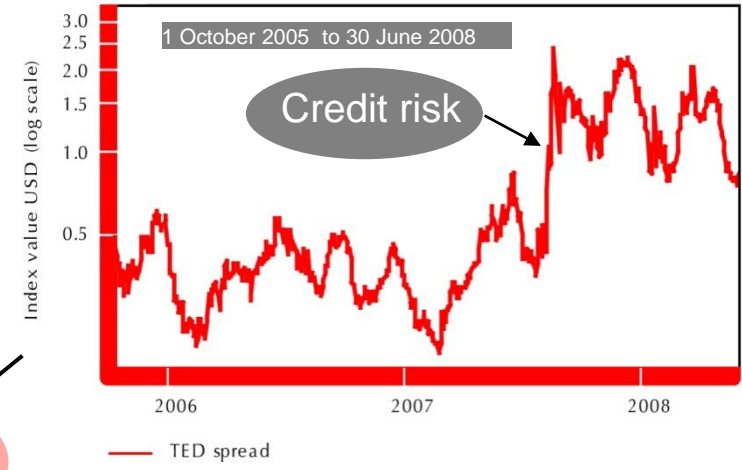
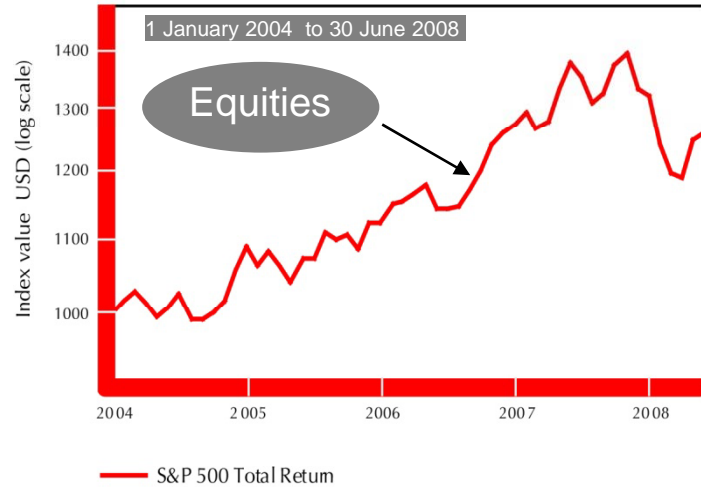


Reference portfolio vs. hedge fund styles



Source: Bloomberg, RMF Investment Management. Estimation period: June 2007 to June 2008. Performance in USD. Proxies for the hedge fund styles: HFRI Equity Hedge (Total) Index (HFRI EH), HFRI Relative Value (Total) Index (HFRI RV), HFRI Event-Driven (Total) Index (HFRI ED), HFRI Macro (Total) Index (HFRI Macro), Stark 300 Trader Index (Stark MF). There is no guarantee of trading performance and past performance is no indication of current or future performance/results. The performance data does not take account of the commissions and/or costs incurred on the issue and/or redemption of units. Please note that the HFRI index data over the past 4 months may be subject to change.

Current environment



Source: Bloomberg.

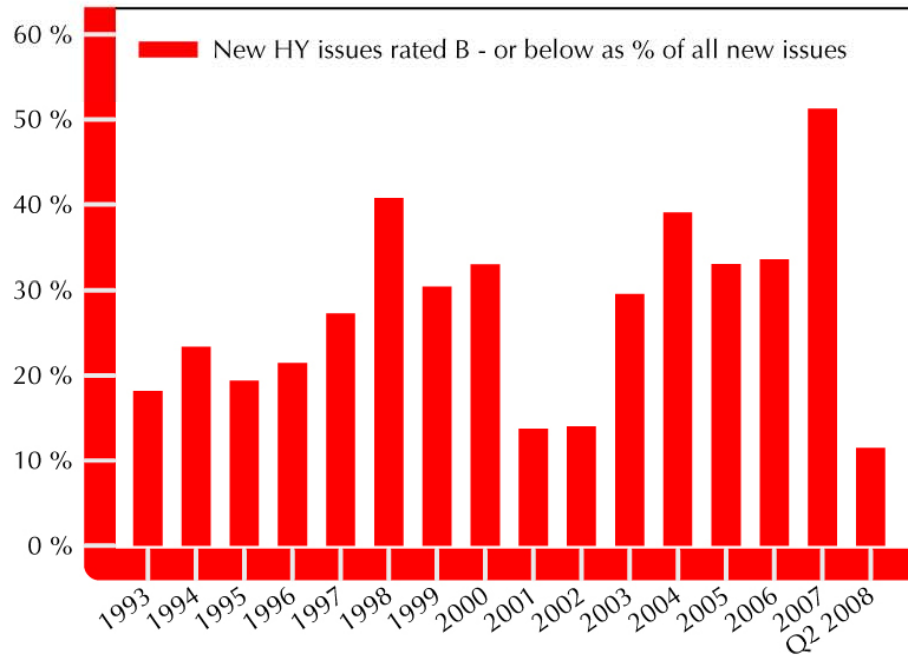
Outlook

Life after the credit crisis



- Increasing opportunities stemming from central bank activities, structural changes, shifts in global capital flows, and shocks and anomalies in financial markets
- Volatility will remain elevated even if the lows in place hold
- Increased P/E dispersion will provide selective opportunities for stock pickers and dispersion traders
- Opportunities in distressed securities have started to re-appear amid forced selling and higher default rates
- Benefits are likely to flow from well defined trends

Distressed credit

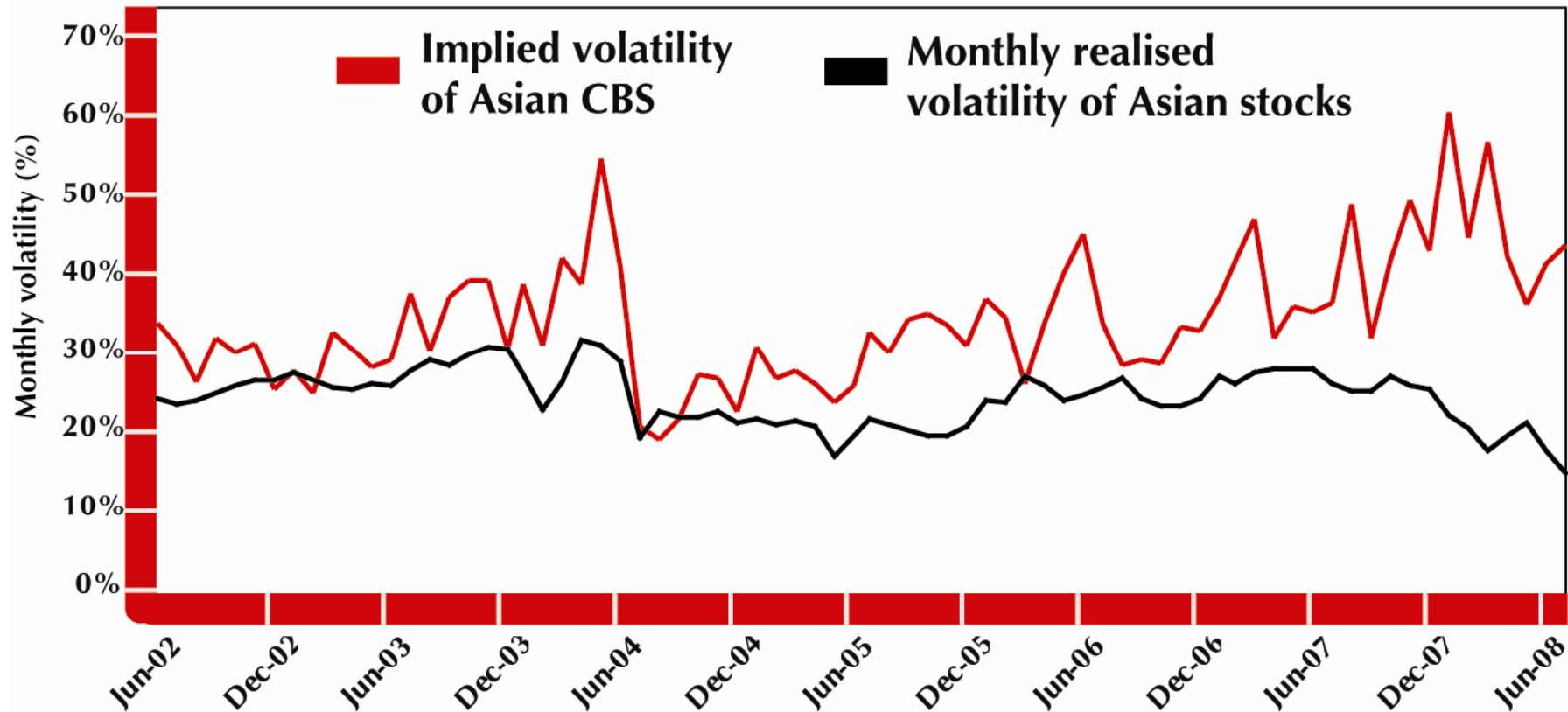


		Years after issuance		
Rating	Default rate type	2	3	4
B	Default per year	6.72 %	7.28 %	8.44 %
	Cumulative default rate	9.22 %	15.83 %	22.93 %
CCC	Default per year	15.31 %	18.68 %	11.67 %
	Cumulative default rate	21.98 %	36.56 %	43.96 %

- Statistically, a large part of the HY issuance in B-and below is expected to default within the first 4 years

Source: Altman High-Yield Bond Default and Return Report (July 2008).
 Chart: Standard and Poor's Global Fixed-Income Research (1993 to 2008).
 Table: NYU Salomon Center and Standard & Poor's (1971 to 2007).

Volatility trading



Source: Pine River Capital Management LP.

Q & A

Man RMF Dynamic

Fund characteristics



- An actively managed portfolio using five hedge fund styles
 - 5% - 50% in any one style

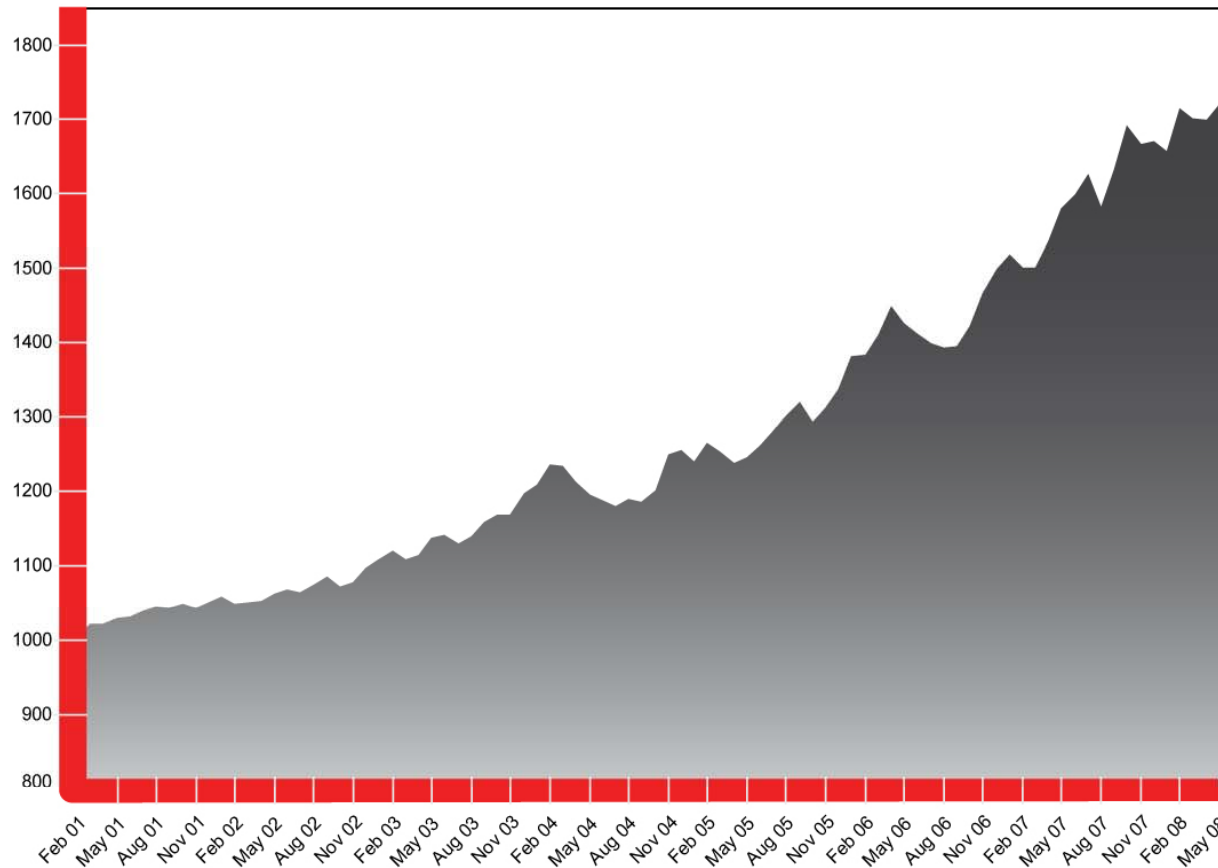
 - A maximum of 40 managers
 - Maximum of 8% in any one manager

 - Target return of 6% over cash with target annualised volatility of 5-8%

 - Research
 - **Highly Recommended** by Zenith Investment Partners
 - Additional reports still to come
-

Man RMF Dynamic - (underlying USD fund)

March 2001 to June 2008[^]



Period	CARR [^]
Last 3 months	1.1%
Last 1 year	7.6%
Last 3 years	10.9%
Last 5 years	8.6%
Since inception	7.7%
Annualised volatility	4.9%

Past performance is not a reliable indicator of future performance.

[^] Performance figures are calculated net of all fees as at June 2008. This chart shows an index of the performance (net of all institutional fees) of share class V of RMF Investment Strategies SPC which invests using the RMF Dynamic Selection Portfolio. The fees that will apply to Man RMF Dynamic will be in accordance with those set out in section 6 of the PDS and are different from the fees payable by share class V of RMF Investment Strategies SPC.

Let's start thinking about...

This session was:

- 1. awful**
- 2. mediocre**
- 3. good**
- 4. excellent**

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Time's Up!

Let's start thinking about...

This session was:

- 1. awful**
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