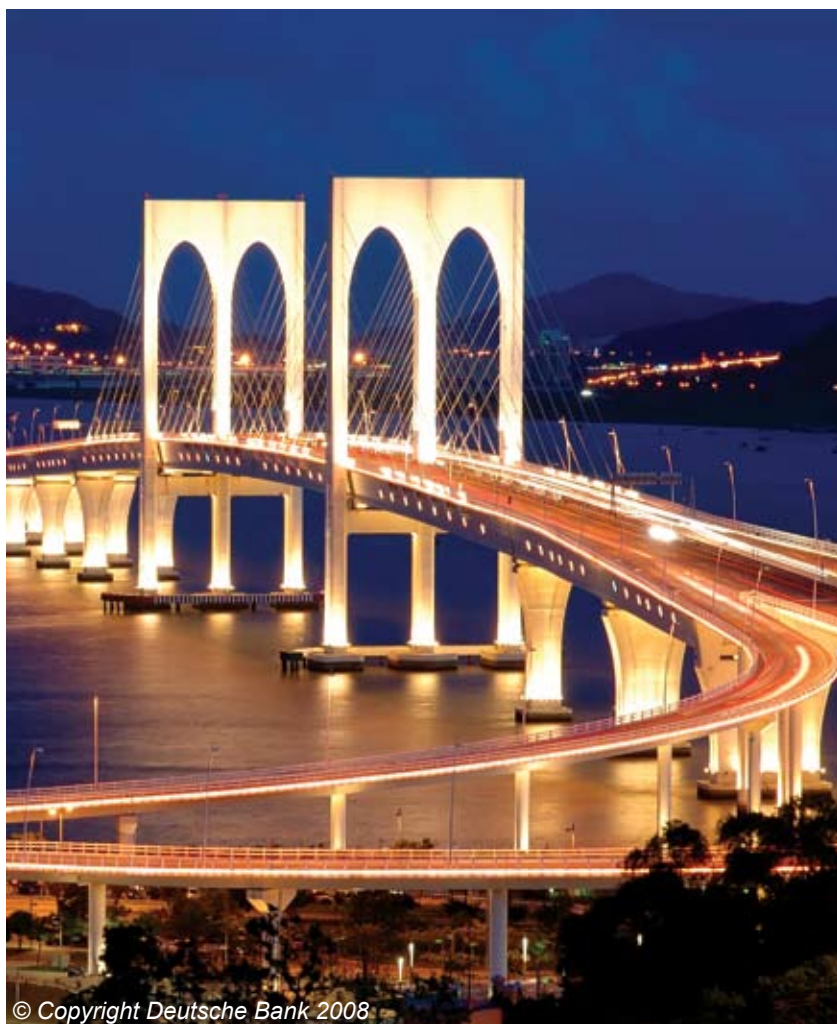




May 2008

Global Markets

2008 Alternative Investment Survey



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Deutsche Bank's 2008 Alternative Investment Survey incorporates the responses of more than a thousand investors representing nearly \$1 trillion in hedge fund industry assets and is the most extensive survey of hedge fund investor sentiment in the industry.

This report was prepared by Deutsche Bank's Hedge Fund Capital Group. For additional copies of this survey, please send a request to: capital.introduction@db.com

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Contents

Executive Summary	1
Survey Methodology	2
Major Themes	3
Investor Attributes	9
Portfolio Changes	17



EXECUTIVE SUMMARY

Investors bearish for 2008; uncertainty remains for 2009 4

Investors have a bearish global economic forecast for the rest of 2008. 2009 looks slightly brighter, but a great deal of uncertainty remains.

Cash levels are high 5

Over 30% of investors responded that they are holding cash – confirming our sense that investor cash levels are at an unprecedented high. However, over half of those holding cash plan to invest that money over the next 12 months, suggesting a renewed willingness to make allocations to hedge funds.

Increased focus on risk management 5

Historically, investors have indicated the “3Ps” – Performance, Philosophy and Pedigree – to be the most important characteristics when selecting a manager. Now, risk management has risen in importance to displace pedigree as the third most important criteria.

Performance predictions 5

Macro, Distressed and Equity Volatility are predicted to be the top performers in the next 12 months. Asset Backed Securities and Merger Arbitrage are expected to perform the worst.

Middle East/North Africa, Latin America and Russia are predicted to be the top performing regions. The United States/Canada and Western Europe are expected to be the worst performers, with China a close third.

Investors, like hedge funds, move to de-lever 10

58% of investors would not consider applying leverage to their portfolios in the current market environment.

Lock-ups continue to be acceptable 11

The number of investors that can accept multi-year lock-ups continues to rise. This is particularly true of investors in the US.

Investors increasingly unwilling to allocate to new launches 13

The number of early allocators has fallen by 25% since last year’s survey (from 77% to 52%).

Asset flow forecast 19, 29

Distressed, Credit Long/Short and Commodities are the most likely strategies to get additional allocations. Merger Arbitrage was the only strategy to elicit a negative net response.

In terms of regional allocations, Asia ex-Japan, Middle East/North Africa and Latin America were the areas of most interest. The United States/Canada and Western Europe were the least popular.

\$200 billion of inflows expected in 2008 5

Despite a bearish global economic outlook, investors expect 2008 inflows to reach over \$200 billion.

Survey Methodology

The sixth Alternative Investment Survey has been conducted, compiled and edited by Deutsche Bank’s Hedge Fund Capital Group. Our first survey was published in 2002 and our last was released in 2007.

In March of this year we asked investors worldwide to participate in this year’s survey. We received responses from more than 1000 respondents from over 500 firms, representing nearly \$1 trillion in hedge funds assets and more than \$4.5 trillion in total portfolio assets. Investors have expressed their outlook for the global economy, the alternatives industry, and most specifically hedge fund trends for 2008 and 2009. We also conducted in-depth interviews with dozens of investors to get more color on survey answers and to determine what issues are important to investors right now.

Survey Respondents

While Funds of Funds remain the single largest group of respondents, the percentage of consultants responding to our survey more than doubled since last year, and family offices this year made up 17% of total respondents (compared to 12% in 2007).

Throughout the report, we group investors who typically behave similarly into investor categories.

Investor Categories:

- 10% - Banks, Corporations and Insurance Companies
- 13% - Consultants
- 22% - Family Offices, High Net Worth Individuals and Wealth Management Companies
- 40% - Funds of Funds
- 15% - Pensions, Endowments and Foundations

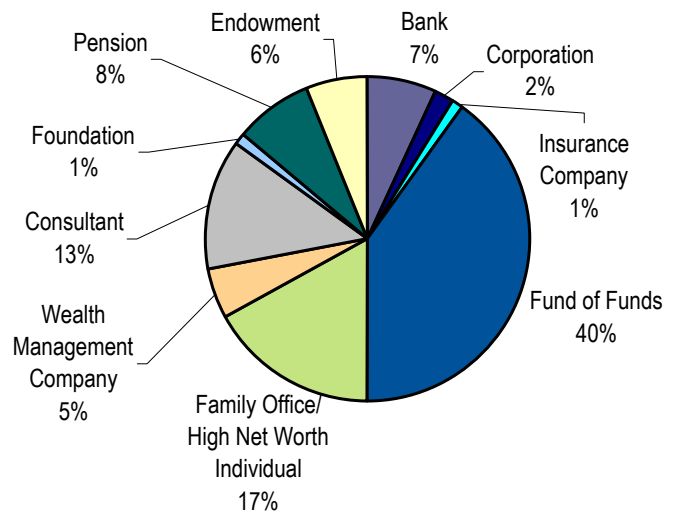
Investor Locations

- 57% - Americas (North and South America)
- 37% - Europe (Europe and the Middle East)
- 6% - Asia (Asia and Australia)

Responding investors are located in 29 countries, showing the global scope of the hedge fund industry.

Unless otherwise noted, all tables in this report are based on median answers and all bars in charts should add up to 100% for all respondents of that type. In addition, all trends relate to the hedge fund industry unless otherwise indicated.

Chart 1. Types of Investors



Source: 2008 Deutsche Bank Alternative Investment Survey

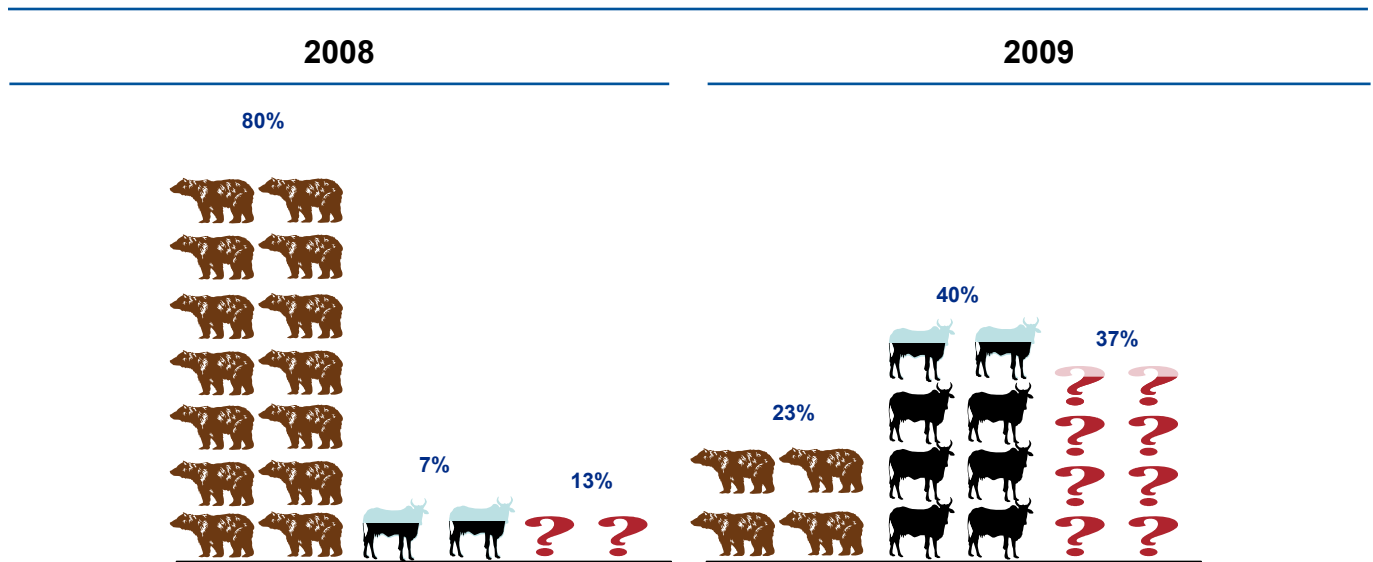
Major Themes

Major Themes for 2008

Global Economic Outlook

This year has gone to the bears, with only 7% of investors feeling bullish for 2008. Investors are more optimistic for next year. 40% expect the global economy to pick up in 2009 and only 23% remain bearish. However 37% are still unsure of how 2009 will unfold.

Chart 2. Economic Sentiment: The Bears and the Bulls



Source: 2008 Deutsche Bank Alternative Investment Survey

Cash Levels are High

Over 30% of investors are holding cash, and most commonly at levels somewhere between 5% and 10% of their own hedge fund portfolios.

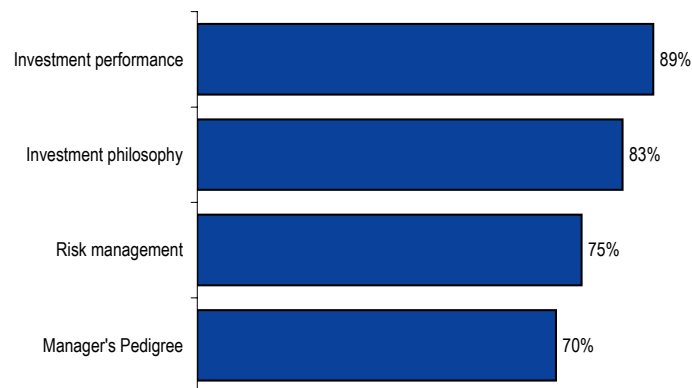
While we have seen investors take a “wait and see” approach to the hedge fund market over the last two quarters, 53% of investors holding cash now plan to eliminate their cash holdings by March 2009. This would suggest a renewed willingness to make allocations to hedge funds.

Risk Management

For the first time since 2002, investors have indicated four major manager selection criteria, rather than three. Risk management has been gaining on the “Three Ps” since 2005, and this year has displaced Manager pedigree to be the third most important factor in manager selection criteria.

We asked investors to indicate the top factors they use to select managers and compiled the results shown in the chart.

Chart 3. Top Manager Selection Criteria



Source: 2008 Deutsche Bank Alternative Investment Survey

More than \$200 Billion Expected to Flow into Industry

While flows have been the lowest of any first quarter in four years (\$16.5 billion)¹, investors nonetheless indicated that the industry will continue to grow. Respondents suggested a median industry inflow of \$200 billion in 2008, demonstrating an optimism about the hedge fund market that is at odds with their generally bearish economic outlook.

Hedge Fund Performance Overview

Investors expect the hedge fund industry overall to earn 7.5%* in 2008. However, they expect their own hedge fund portfolios to return approximately 10%*.

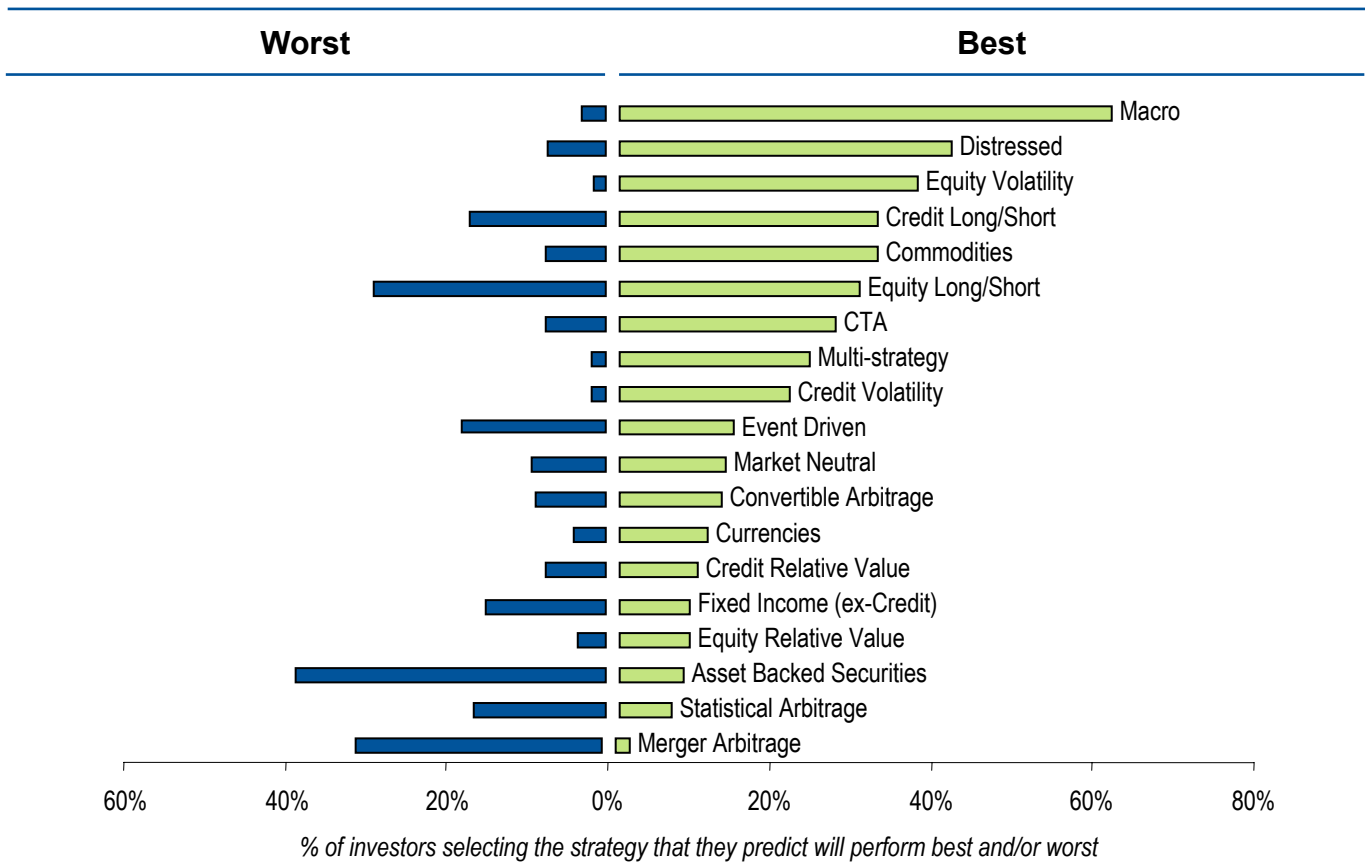
¹ Source: HFR Global Industry Report, Q1 2008

* Median of responses

Top Predicted Performers by Strategy

Strategies less sensitive to equity markets have been predicted as top performers in 2008. Macro funds top the list, with 61% of investors predicting this strategy will perform best in 2008 (as indicated by the green bar below labeled “Macro”). Distressed and Equity Volatility come in second and third, with 41% and 37% of investors respectively predicting these strategies to perform well. Asset Backed Securities focused funds are overwhelmingly expected to perform the worst, with 38% of investors predicting this outcome (as indicated by the Asset Backed Securities strategy’s corresponding blue bar).

Chart 4. Best/Worst Predicted Performing Strategies in 2008*

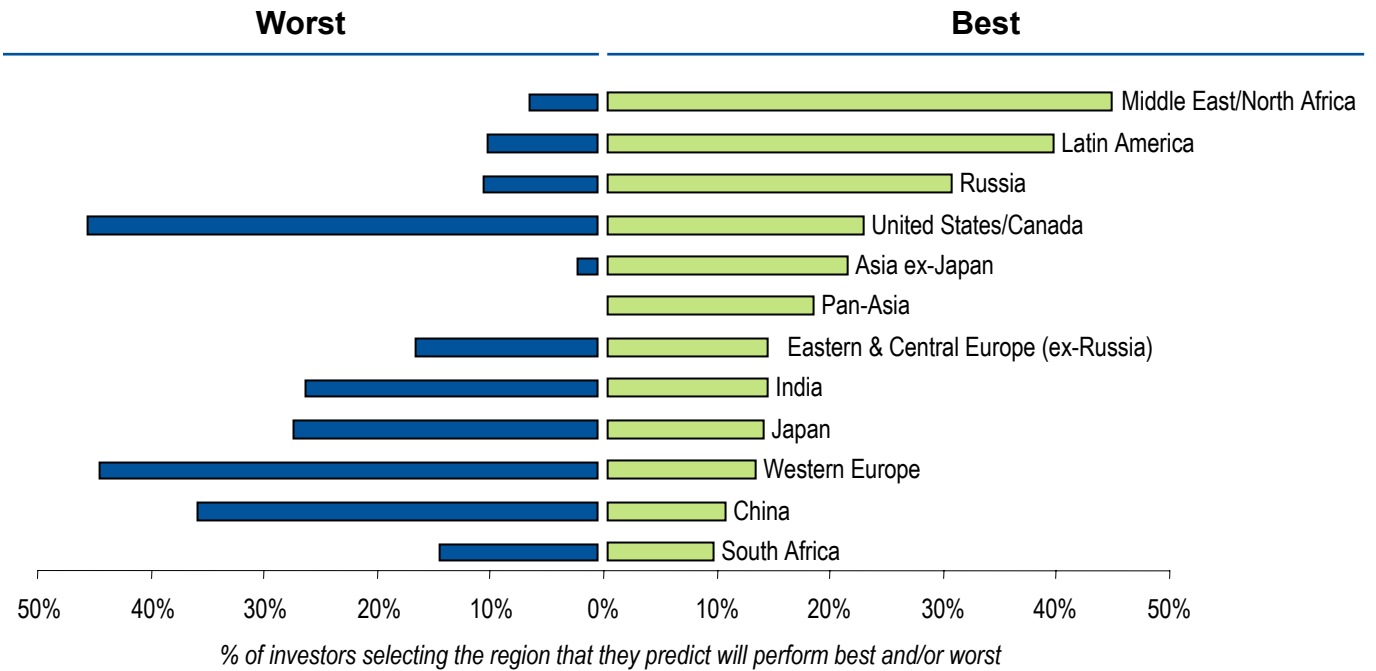


* Columns will not add up to 100% as multiple selections were allowed
 Source: 2008 Deutsche Bank Alternative Investment Survey

Top Predicted Performers by Region

The Middle East/North Africa and Russia both appear as choices on the survey for the first time and investors expect them to perform well. Notably absent from the top are Asian regions, which were favored in our last two surveys.

Chart 5. Best/Worst Predicted Performing Strategies in 2008*



* Columns will not add up to 100% as multiple selections were allowed
 Source: 2008 Deutsche Bank Alternative Investment Survey

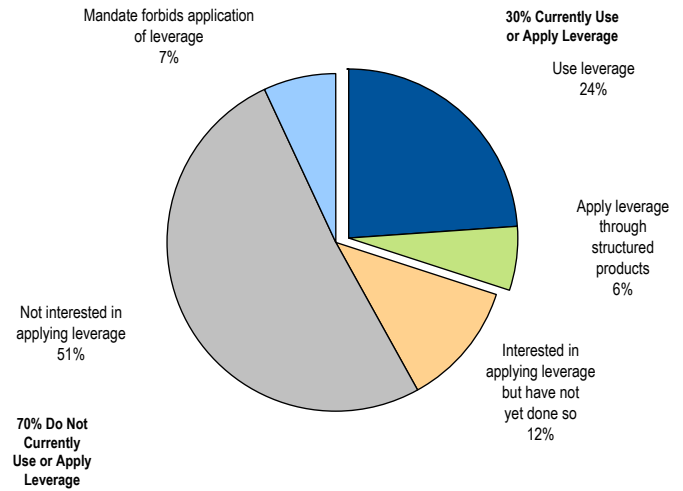
Investor Attributes

Investor Attributes

Leverage

58% of investors would not consider applying leverage to their portfolios. 12% are interested but have not yet done so. The remaining 30% of investors are actively leveraging their portfolios, including 6% through structured products.

Chart 6. Use of Leverage

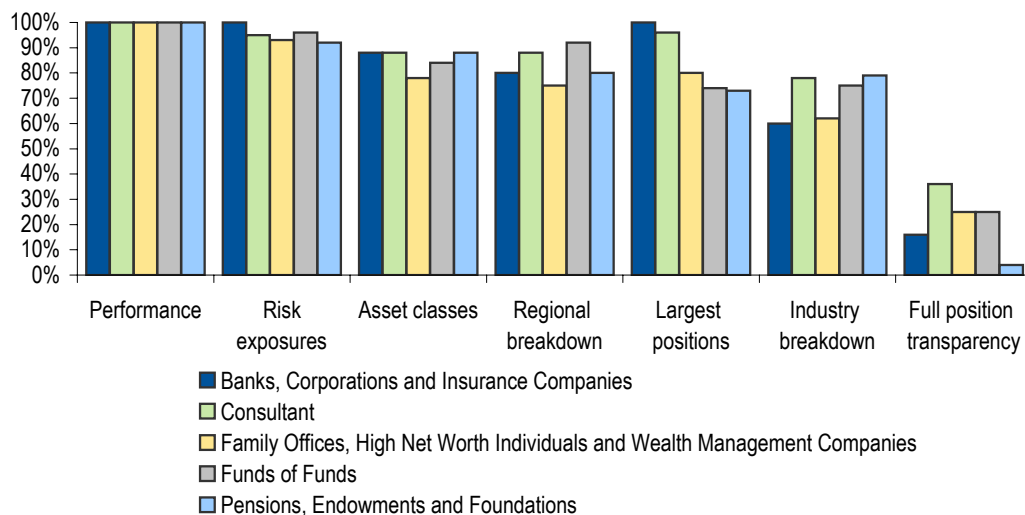


Source: 2008 Deutsche Bank Alternative Investment Survey

Transparency

Investors continue to expect some degree of transparency from the hedge fund managers with whom they are invested. 69% of investors request performance, risk exposures, asset classes, regional breakdown, largest positions, and industry breakdown, suggesting this suite of reports are common best practices.

Chart 7. Transparency Requirements by Investor Category*



* Columns will not add up to 100% as multiple selections were allowed

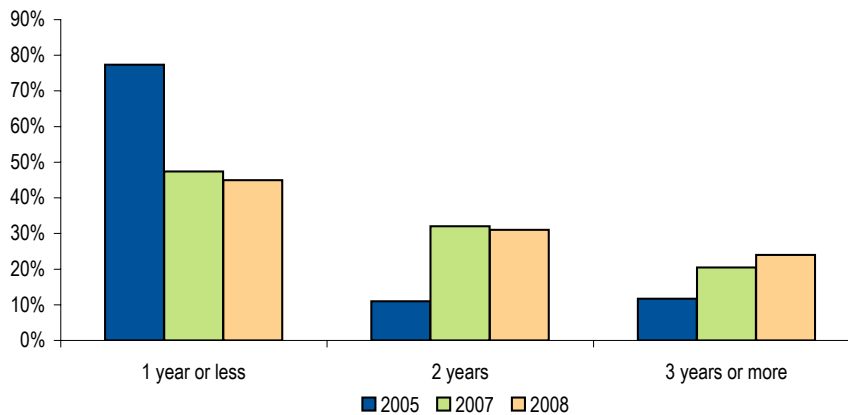
Source: 2008 Deutsche Bank Alternative Investment Survey

Lock-ups

In our 2005 survey, 77% of investors indicated they could not accept a lock-up on their investments of more than one year. However, by the time we published our next survey in 2007, the SEC had started regulating hedge funds with less than a two year lock-up. Investors were forced to re-evaluate their liquidity requirements and we saw a substantial drop to only 48% of investors unwilling to lock up their assets for more than a year.

This year we see the trend leveling off with 45% of investors indicating they will only invest in funds with lock-up terms of one year or less.

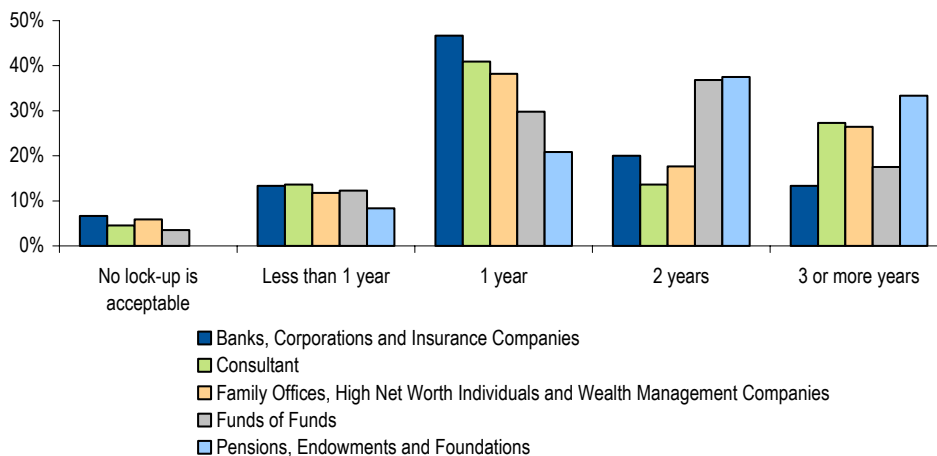
Chart 8. Maximum Lock-up Accepted



Source: 2008 Deutsche Bank Alternative Investment Survey

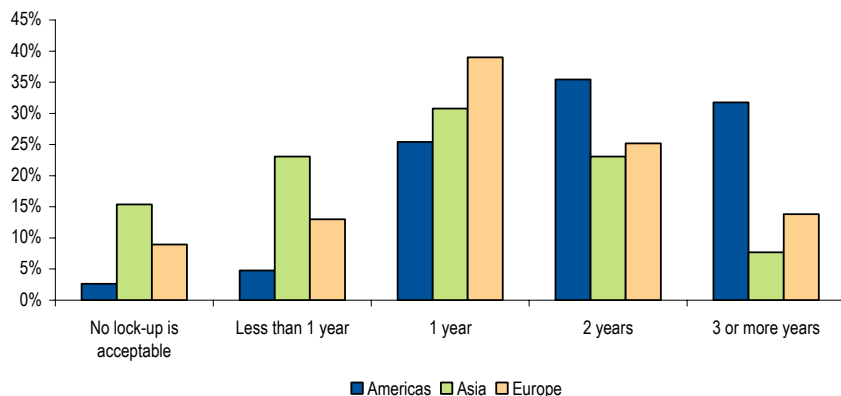
47% of Banks, Corporations and Insurance Companies can accept a one year lock-up. One year is also the most common acceptable lock-up for Consultants and Family Offices, High Net Worth Individuals and Wealth Management Companies.

Chart 9. Maximum Lock-up Accepted by Investor Category



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 10. Maximum Lock-up by Investor Region



Investors in the Americas accept longer lock-ups more readily than investors in other regions. Overall, a one year lock-up appears to be the most commonly accepted term, however this could vary by strategy.

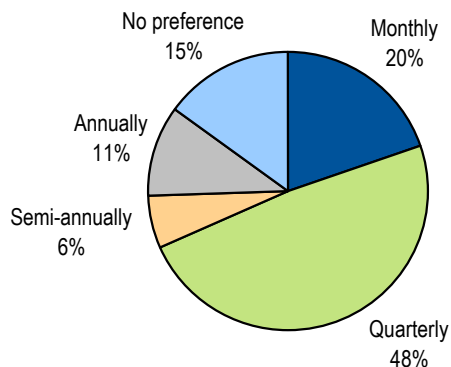
Source: 2008 Deutsche Bank Alternative Investment Survey

Liquidity

After the initial lock-up, 48% of investors require quarterly liquidity or better, with another 20% requiring monthly liquidity. These numbers have not significantly changed since our last survey

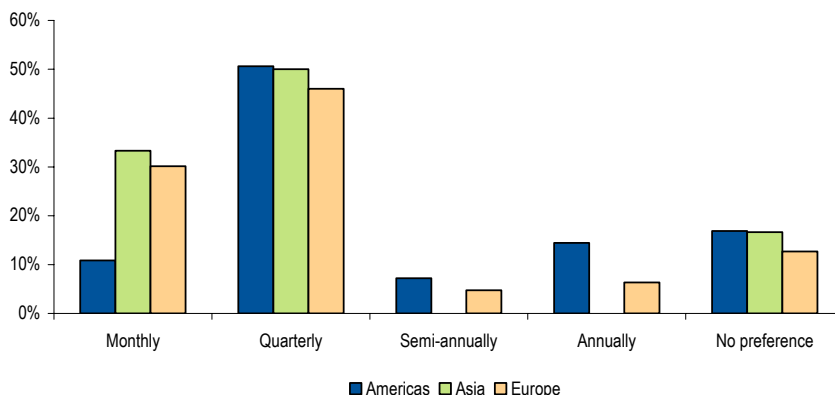
Respondents in Asia and Europe are three times more likely to require monthly liquidity than those in the Americas. Quarterly liquidity remains the most commonly required withdrawal term for investors across all regions.

Chart 11. What is the Liquidity Required After Lock-up?



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 12. Liquidity Requirements by Investor Region

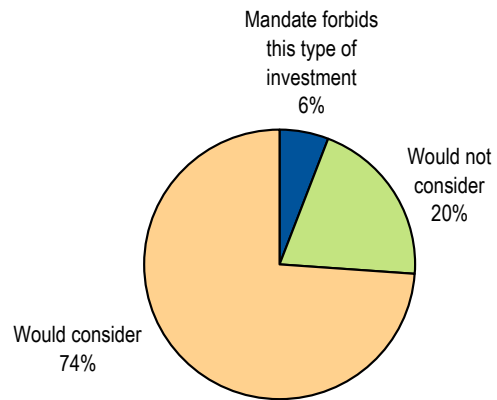


Source: 2008 Deutsche Bank Alternative Investment Survey

Side Pockets

74% of investors, irrespective of category and region, would consider a side pocket for less liquid investments. In 2007, 62% of investors indicated they would accept a side pocket.

Chart 13. Would you consider investing in a fund with a side pocket?



Source: 2008 Deutsche Bank Alternative Investment Survey

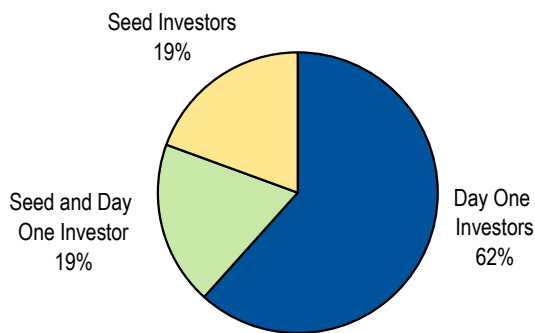
Early Stage Investments

In 2007, 77% of investors indicated that under appropriate circumstances with the right manager, they were early allocators (day one investors or seeders). In 2008, this number has fallen to 52%, confirming our view that investors are becoming increasingly unwilling to allocate to new launches, even to the right manager.

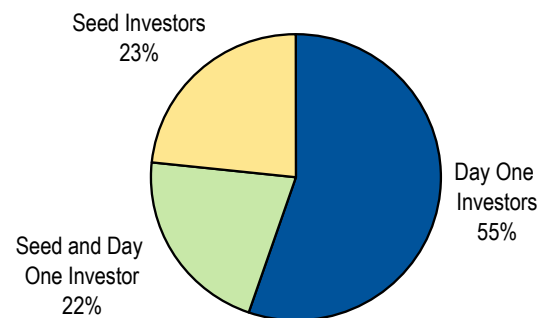
The proportion of seed investors to day one investors has remained relatively stable between 2007 and 2008, with a moderate rise in the percentage of seed investors compared to day one investors, as shown in the charts below. The moderate increase in seeders is possibly indicative of the impact that a tough fundraising environment has on new launches.

Chart 14. Breakdown of Early Stage Investors

2007 (77% of total investors)



2008 (52% of total investors)

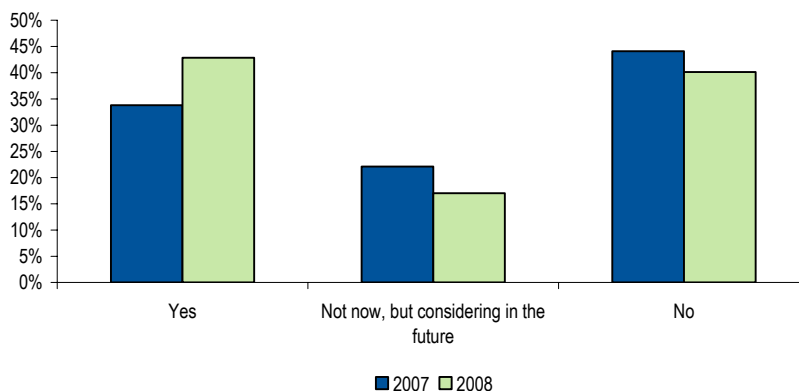


Source: 2008 Deutsche Bank Alternative Investment Survey

Managed and Segregated Accounts

The percentage of investors who would invest through managed/segregated accounts has increased, from 34% in 2007 to 43% in 2008. This is perhaps indicative of investors' increased focus on risk management, liquidity and a desire for full transparency.

Chart 15. Do you invest through managed/segregated accounts?



Source: 2008 Deutsche Bank Alternative Investment Survey

Hedge Fund Allocations

There has been little change in the size of investors' initial allocations to hedge funds since our last survey. It is now an average of \$25 million (compared with \$28 million in 2007). We are, however, no longer seeing as many of the major initial allocations that Pensions, Endowments and Foundations used to make. Their average ticket size has dropped from \$46 million in 2007 to \$34 million.

Table 1. Average Initial Allocation Size by Investor Category

Investor Category	Average Initial Allocation (\$ in millions)
Pensions, Endowments and Foundations	34
Funds of Funds	30
Banks, Corporations and Insurance Companies	23
Consultant	19
Family Offices, High Net Worth Individuals and Wealth Management Companies	15

Source: 2008 Deutsche Bank Alternative Investment Survey



Investors in the Americas and Europe make the largest initial allocations, with Asian allocations only about half the size.

Table 2. Average Initial Allocation Size by Investor Region

Investor Region	Average Initial Allocation (\$ in millions)
Americas	27
Europe	23
Asia	13

Source: 2008 Deutsche Bank Alternative Investment Survey

Hedge Fund Portfolio

We asked investors several questions about the number of funds in their portfolios and about the allocations and redemptions they have made in the last 12 months. The median of their answers is discussed below.

Table 3. Number and Size of Allocations by Investor Category

Investor Category	Median for 12 Months Prior to March 2008				
	Hedge Funds in Portfolio	Initial Allocations	Follow-on Allocations	Partial Redemptions	Full Redemptions
Banks, Corporations and Insurance Companies	40	10	10	5	6
Consultant	35	8	15	5	5
Family Offices, High Net Worth Individuals and Wealth Management Companies	30	5	5	3	5
Funds of Funds	60	10	20	10	6
Pensions, Endowments and Foundations	24	5	4	2	3

Source: 2008 Deutsche Bank Alternative Investment Survey

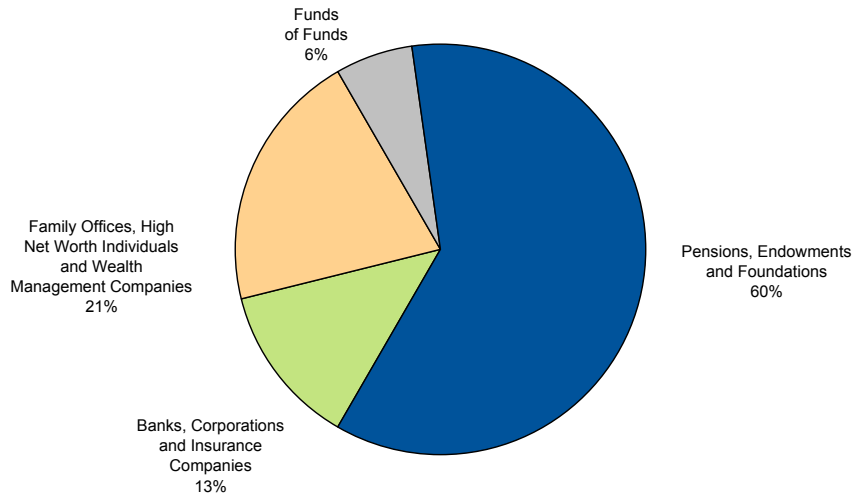
In general, investors hold about the same number of hedge funds in their portfolios as in years past. Funds of Funds holding the most hedge funds (60) and Pensions, Endowments and Foundations the least (24).

According to responses, Funds of Funds typically rebalance their portfolios once a month (in contrast to Pensions, Endowments and Foundations who rebalance only once a year). It is of note that Funds of Funds make twice as many follow-on allocations as initial allocations and more are likely to make a partial redemption than a full redemption than any other investor group.

Consultants

We asked investors about consultants, and 17% indicated they use their services. All categories of investors use consultants, however, the largest subset is Pensions, Endowments and Foundations who comprise 60% of consultants' clients, as illustrated by the chart below.

Chart 16. Breakdown of Consultant Users?

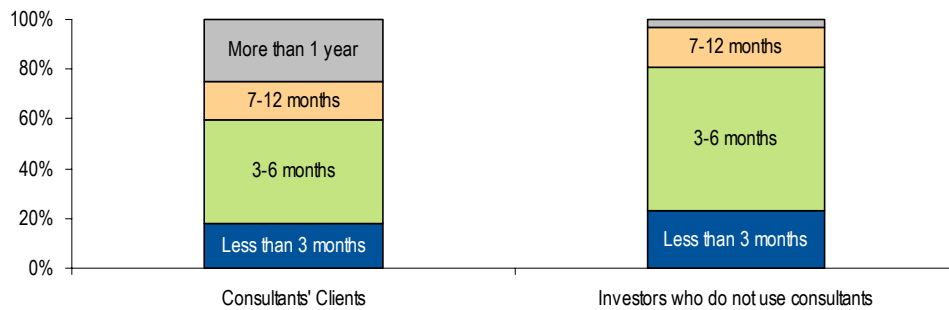


Source: 2008 Deutsche Bank Alternative Investment Survey

Due Diligence Period

Consultants tell us that more than 20% of their clients take over one year to make an investment decision. This is in contrast to the majority of the remaining investor universe (who do not use consultants), who report they take an average three to six months from first meeting with a hedge fund to investment.

Chart 17. Duration of Investment Evaluation Process by Consultant Use



Source: 2008 Deutsche Bank Alternative Investment Survey

Portfolio Changes

Portfolio Changes

Overview

We asked investors about their hedge fund portfolios in 2008. Given the range of hedge fund strategies, we grouped strategies and regions into broad classes.

Strategies

Equity

- Equity long/short
- Equity relative value
- Equity volatility
- Event driven
- Market neutral
- Merger arbitrage
- Statistical arbitrage

Fixed Income

- Credit long/short
- Credit relative value
- Credit volatility
- Convertible arbitrage
- Distressed
- Fixed income (ex-credit)
- Asset backed securities

Macro

- Commodities
- Currencies
- CTAs
- Macro

Multi-strategy

- Multi-strategy

Regions

Pan-Asia

- China
- India
- Japan
- Pan-Asia
- Asia ex-Japan

Europe

- Western Europe
- Eastern and Central Europe (ex-Russia)
- Russia

Middle East/Africa

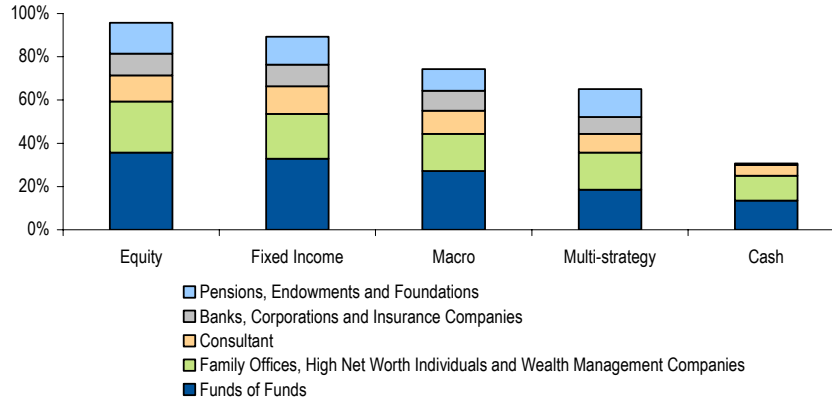
- Middle East/North Africa
- South Africa

Americas

- United States/Canada
- Latin America

Strategies

Chart 18 Current Strategies in Investor Portfolios (as of March 2008)*

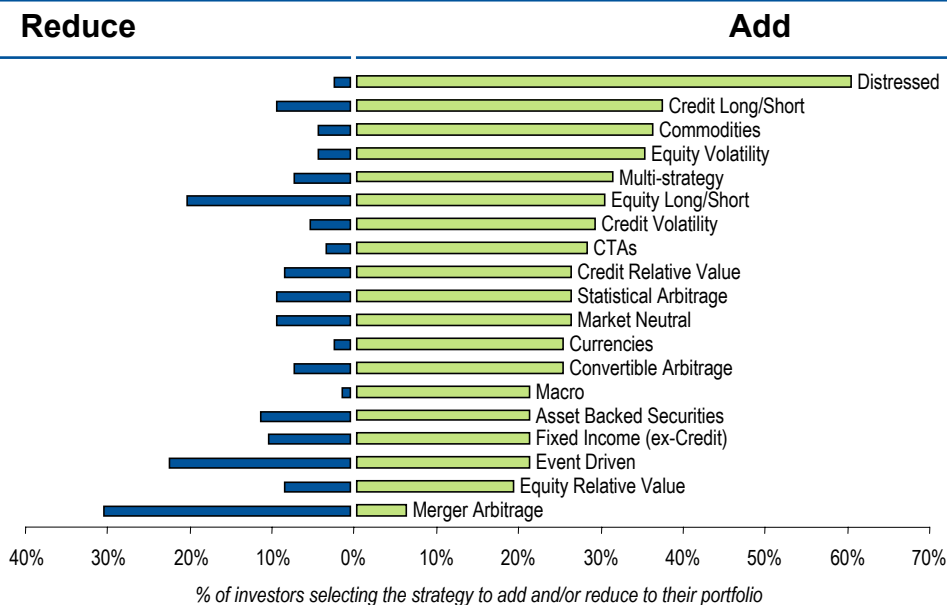


* Columns will not add up to 100% as multiple selections were allowed
 Source: 2008 Deutsche Bank Alternative Investment Survey

Equity strategies remain a popular component in investors' portfolios, with 95% of investors reporting they include some type of equity strategy in their portfolio.

When asked what strategies they would most likely allocate to in 2008, investors overwhelmingly responded Distressed. 60% of investors indicated they would add investments (as indicated by the green bar below labeled "Distressed"). Merger Arbitrage on the other hand, appears to be the least favored strategy as 30% of investors said they would reduce allocations to this strategy (as indicated by the Merger Arbitrage strategy's corresponding blue bar).

Chart 19. Addition/Reduction of Strategies in 2008*



* Columns will not add up to 100% as multiple selections were allowed
 Source: 2008 Deutsche Bank Alternative Investment Survey

Strategy Summaries

Table 4. Equity Strategies

	Add	Reduce	Maintain	N/A*
Equity Volatility	35%	4%	23%	38%
Equity Long/short	30%	20%	34%	16%
Market Neutral	26%	9%	30%	35%
Statistical Arbitrage	26%	9%	30%	35%
Event Driven	21%	22%	32%	25%
Equity Relative Value	19%	8%	33%	40%
Merger Arbitrage	6%	30%	26%	38%

Source: 2008 Deutsche Bank Alternative Investment Survey

Table 5. Fixed Income Strategies

	Add	Reduce	Maintain	N/A*
Distressed	60%	2%	16%	22%
Credit Long/short	37%	9%	24%	30%
Credit Volatility	29%	5%	22%	44%
Credit Relative Value	26%	8%	28%	38%
Convertible Arbitrage	25%	7%	29%	39%
Fixed Income (ex-credit)	21%	10%	25%	44%
Asset Backed Securities	21%	11%	14%	54%

Source: 2008 Deutsche Bank Alternative Investment Survey

Table 6. Macro Strategies

	Add	Reduce	Maintain	N/A*
Commodities	36%	4%	26%	34%
CTAs	28%	3%	21%	48%
Currencies	25%	2%	25%	47%
Macro	21%	1%	9%	69%

Source: 2008 Deutsche Bank Alternative Investment Survey

Table 7. Multi-strategy

	Add	Reduce	Maintain	N/A*
Multi-strategy	31%	7%	33%	29%

Source: 2008 Deutsche Bank Alternative Investment Survey

* N/A indicates investors chose not to answer the question.

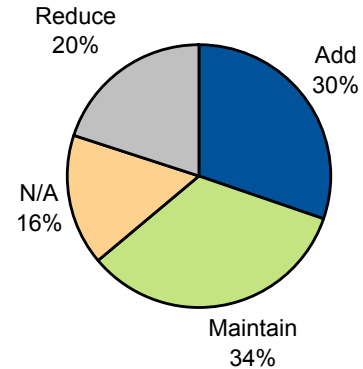
Strategy Details

Equity Long/Short

30% of investors believe Equity Long/Short will perform well in 2008. However, another 29% feel it will be the worst performing strategy, making it one of the topics that most divides investors.

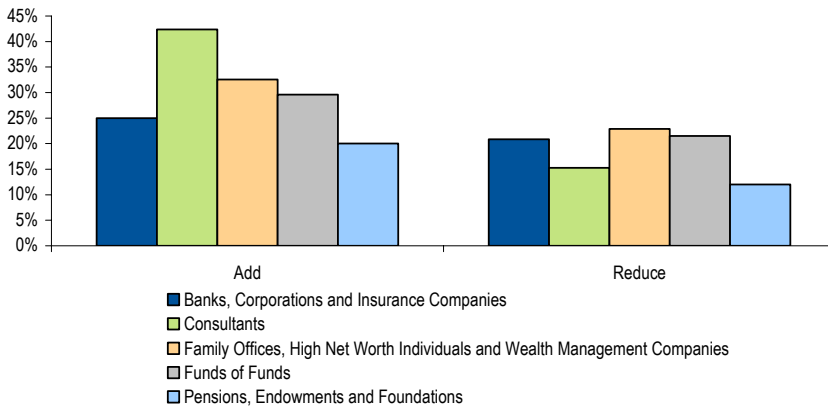
A mature strategy, Equity Long/Short tends to see significant additions and reductions each year, with particular attention this year from Consultants and investors in the Americas.

Chart 20. Equity Long/Short



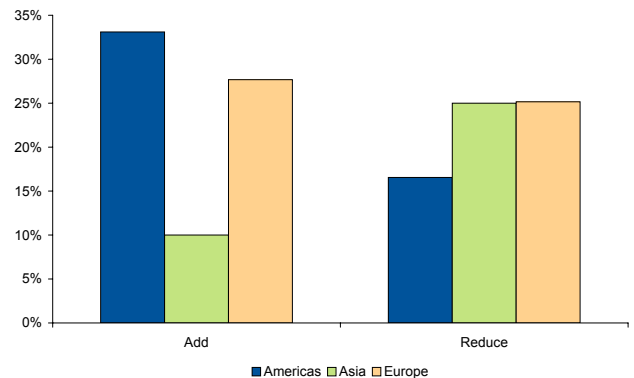
Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 21. Equity Long/Short by Investor Category



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 22. Equity Long/Short by Investor Region

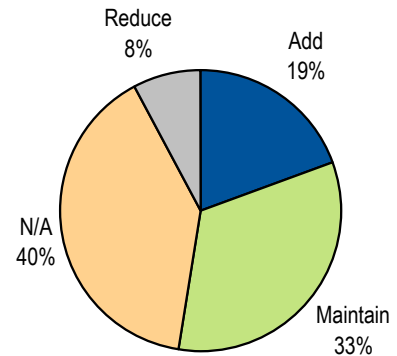


Source: 2008 Deutsche Bank Alternative Investment Survey

Equity Relative Value

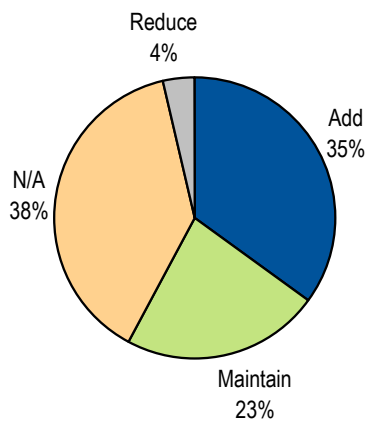
Equity Relative Value is close to the bottom for both predicted performance and inflows amongst all strategies. Only 19% of investors intend to increase allocations to Equity Relative Value, while 8% expect to decrease investments.

Chart 23. Equity Relative Value



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 24. Equity Volatility



Source: 2008 Deutsche Bank Alternative Investment Survey

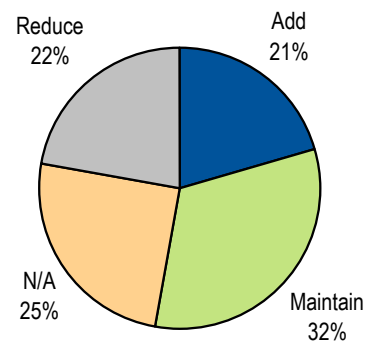
Equity Volatility

Investors expect Equity Volatility will be a strong performing strategy in 2008. As such, 35% of investors plan to increase investments to this strategy.

Event Driven

Investors are split between allocations and redemptions for Event Driven strategies. 21% of investors responded they would increase investments, while 22% indicated they would decrease allocations

Chart 25. Event Driven

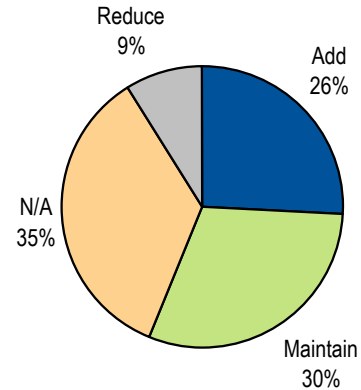


Source: 2008 Deutsche Bank Alternative Investment Survey

Market Neutral

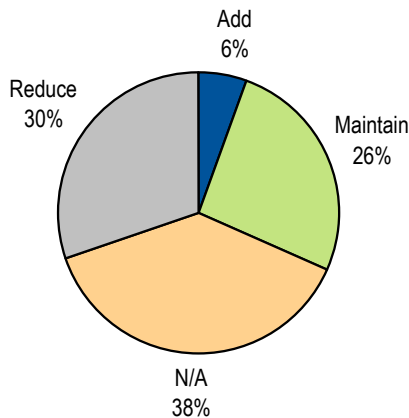
26% of investors plan to add allocations to Market Neutral funds, down slightly from the 30% we saw in last year's survey.

Chart 26. Market Neutral



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 27. Merger Arbitrage



Source: 2008 Deutsche Bank Alternative Investment Survey

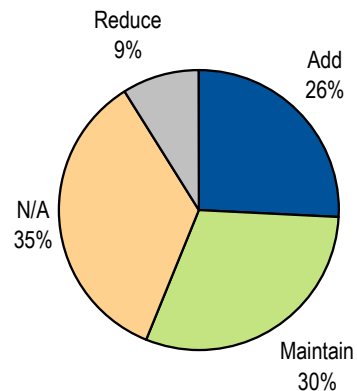
Merger Arbitrage

Investors feel Merger Arbitrage is expected to be one of the worst performers in 2008. It is also expected to have the highest number of redemptions, with 30% of investors advising they will reduce allocations in 2008.

Statistical Arbitrage

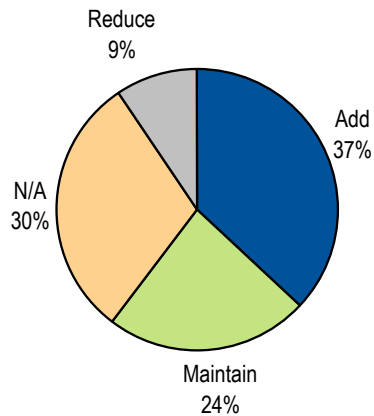
Investors expect Statistical Arbitrage to perform poorly in 2008. 9% of investors expect to reduce investments, while 26% plan to increase allocations to the strategy.

Chart 28. Statistical Arbitrage



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 29. Credit Long/Short



Source: 2008 Deutsche Bank Alternative Investment Survey

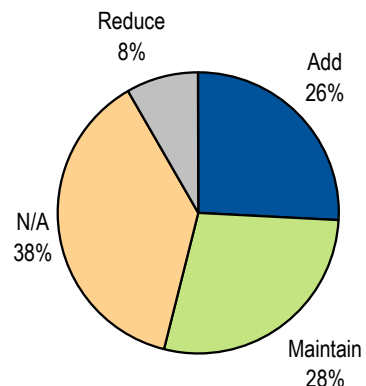
Credit Long/Short

The outlook for Credit Long/Short has improved since last year's survey. 37% of investors indicated they will increase allocations, compared to only 27% last year.

Credit Relative Value

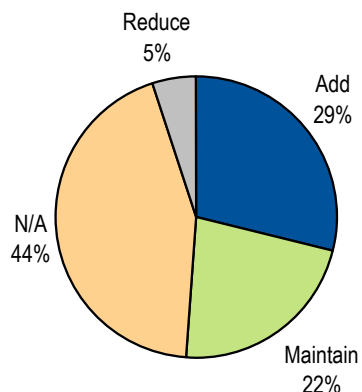
Credit Relative Value funds are expected to see inflows in 2008. 26% of investors plan to increase their allocations, while 28% expect to maintain their current holdings.

Chart 30. Credit Relative Value



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 31. Credit Volatility



Source: 2008 Deutsche Bank Alternative Investment Survey

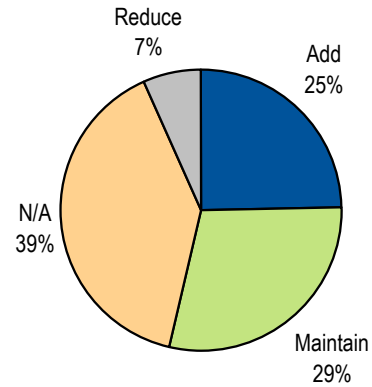
Credit Volatility

Based on investor sentiment, Credit Volatility funds are expected to perform well in 2008. Allocations should follow, as 29% of investors say they will increase investments to the strategy and only 5% expect to reduce allocations.

Convertible Arbitrage

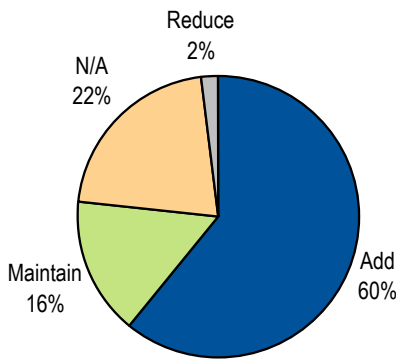
Interest in Convertible Arbitrage remains relatively unchanged since our last survey. At the time we felt that interest may be on the upswing from a low in 2005 (when 44% of investors were reducing their allocation), but investors remain cautious and only 25% are interested in adding Convertible Arbitrage exposure.

Chart 32. Convertible Arbitrage



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 33. Distressed



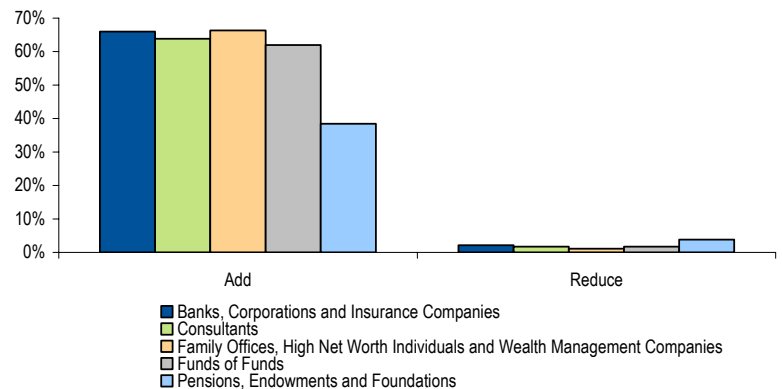
Source: 2008 Deutsche Bank Alternative Investment Survey

Distressed

A significant 60% of investors are looking to actively increase their allocations to distressed funds, a consistent opinion across all regions.

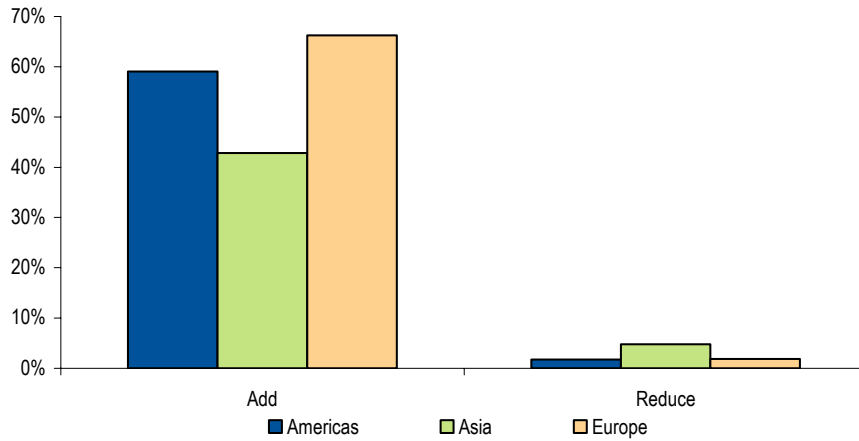
38% of Pensions, Endowments and Foundations want to increase investments into Distressed funds. While this is lower than all the other categories of investors, this number is significant given the stickiness of the capital of these institutions.

Chart 34. Distressed by Investor Category



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 35. Distressed by Investor Region

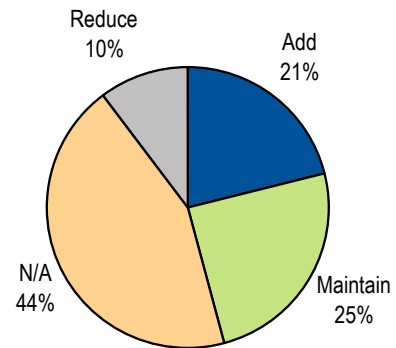


Source: 2008 Deutsche Bank Alternative Investment Survey

Fixed Income (ex-Credit)

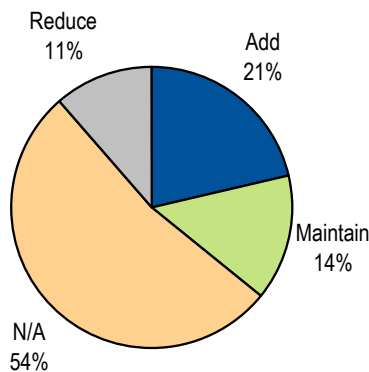
While 21% of investors plan to add allocations to Fixed Income (ex-Credit), another 10% plan on reducing investments to the strategy.

Chart 36. Fixed Income (ex-Credit)



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 37. Asset Backed Securities



Source: 2008 Deutsche Bank Alternative Investment Survey

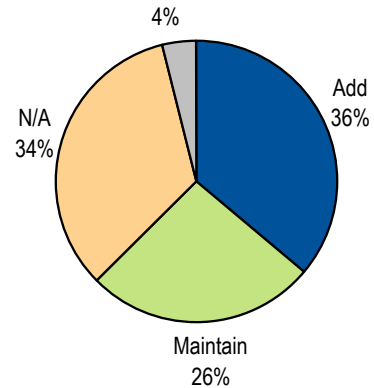
Asset Backed Securities

Funds focused on Asset Backed Securities are predicted by 38% of investors to be the worst performing strategy in 2008. Investors plan on reducing allocations, while 21% will add the strategy.

Commodities

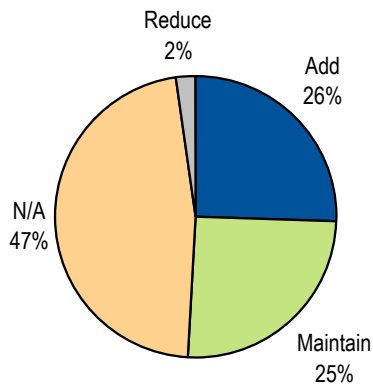
32% of investors expect funds focused on Commodities to perform very well in 2008 and 36% of investors plan to increase allocations to the strategy.

Chart 38. Commodities



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 39. Currencies



Source: 2008 Deutsche Bank Alternative Investment Survey

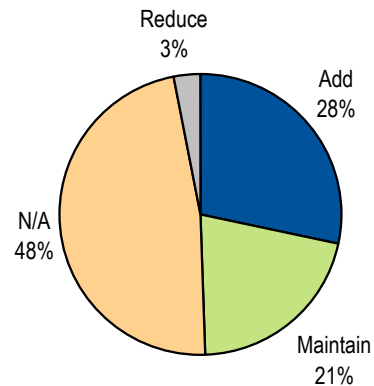
Currencies

Over 50% of investors plan to increase or maintain their allocations to Currency focused funds. Only 2% of investors plan to reduce their investments to this strategy.

CTAs

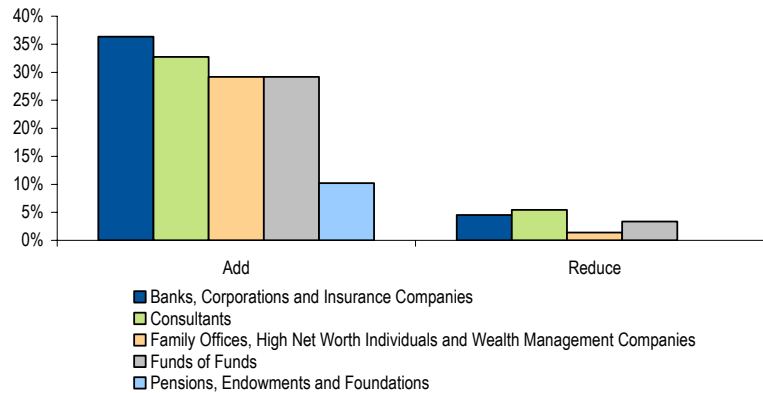
CTAs are expected to perform well in 2008 and investors are looking to allocate to the strategy. 28% of investors plan to increase investments to the strategy, with investors outside the Americas particularly interested in allocating. When comparing expectations by investor classification, all categories of investors plan to add allocations to CTAs.

Chart 40. CTAs



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 41. CTAs by Investor Category

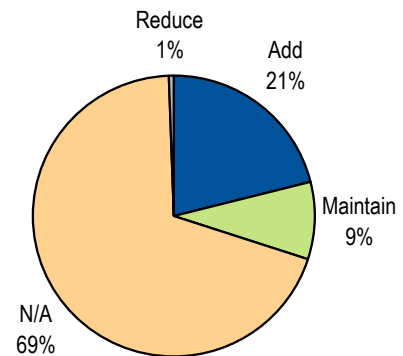


Source: 2008 Deutsche Bank Alternative Investment Survey

Macro

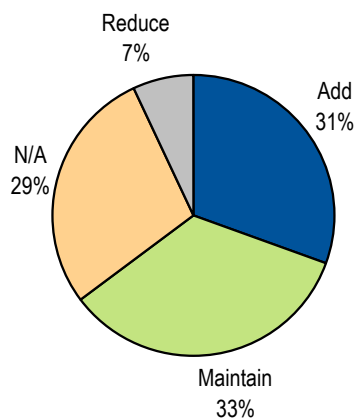
Investors feel Macro strategies are predicted top performers in 2008 and investors are not planning to reduce their allocations in 2008. 21% of investors responded that they would increase their allocations.

Chart 42. Macro



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 43. Multi-strategy



Source: 2008 Deutsche Bank Alternative Investment Survey

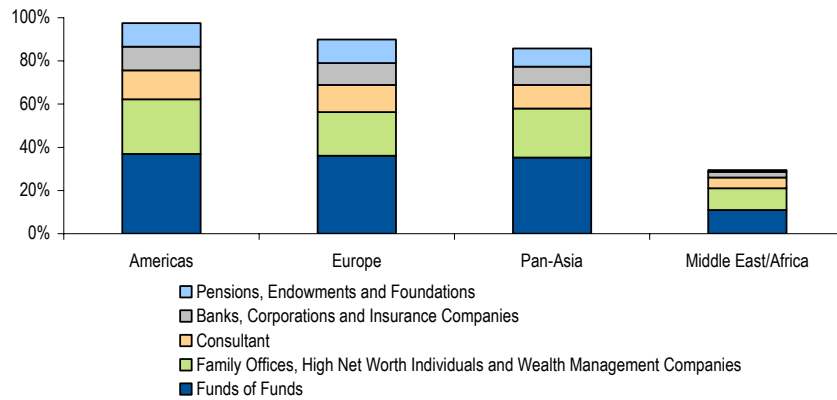
Multi-strategy

According to investor sentiment, Multi-strategy funds had started to fall out of favor in our last survey. Now the tide has turned, as these funds have proved their flexibility in changeable markets.

This strategy is expected to perform well in 2008 and 31% of investors intend to increase exposure.

Regions

Chart 44. Current Regions in Investor Portfolios (as of March 2008)*



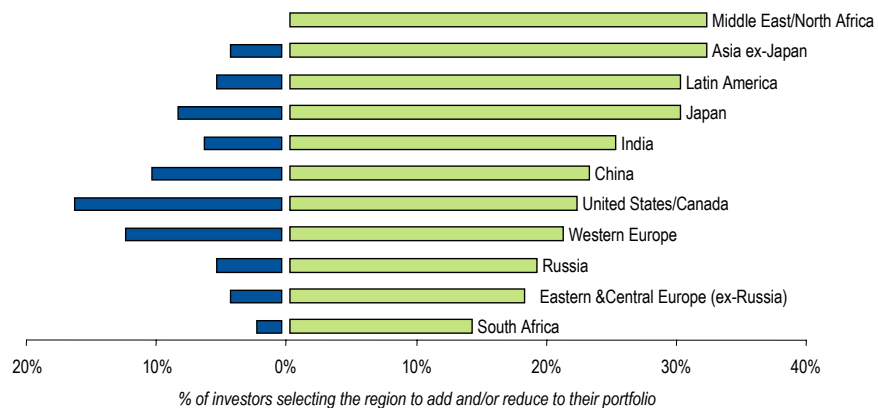
* Columns will not add up to 100% as multiple selections were allowed
 Source: 2008 Deutsche Bank Alternative Investment Survey

Nearly all investors have allocations with hedge funds that invest in the Americas. Europe and Pan-Asia are close behind. The newest class, the Middle East/Africa has assets from 29% of investors, mostly Funds of Funds and Family Offices.

Chart 45. Addition/Reduction of Regions in 2008*

Reduce

Add



* Columns will not add up to 100% as multiple selections were allowed
 Source: 2008 Deutsche Bank Alternative Investment Survey

When asked what regions they would most likely allocate to in 2008, more investors indicated they would allocate to the Middle East/North Africa and Asia ex-Japan than any others. 32% of investors indicated they would add investments to each of these regions (as indicated by the green bars above labeled “Middle East/North Africa” and “Asia ex-Japan,” respectively). United States/Canada appears to be the least favored region as 16% of investors said they would reduce allocations to this region (as indicated by the “United States/Canada” region’s corresponding blue bar)

Table 8. Pan-Asia

	Add	Reduce	Maintain	N/A*
Asia ex-Japan	32%	4%	26%	38%
Japan	30%	8%	23%	39%
India	25%	6%	25%	44%
China	23%	10%	23%	44%

Source: 2008 Deutsche Bank Alternative Investment Survey

Table 9. Americas

	Add	Reduce	Maintain	N/A*
Latin America	30%	5%	22%	43%
United States/Canada	22%	16%	35%	27%

Source: 2008 Deutsche Bank Alternative Investment Survey

Table 10. Europe

	Add	Reduce	Maintain	N/A*
Western Europe	21%	12%	36%	31%
Russia	19%	5%	23%	53%
Eastern and Central Europe (ex-Russia)	18%	4%	30%	48%

Source: 2008 Deutsche Bank Alternative Investment Survey

Table 11. Middle East/Africa

	Add	Reduce	Maintain	N/A*
Middle East/North Africa	32%	0%	12%	56%
South Africa	14%	2%	16%	68%

Source: 2008 Deutsche Bank Alternative Investment Survey

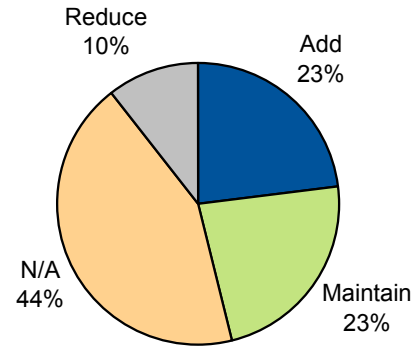
* N/A indicates investors chose not to answer the question.

Region Details

China

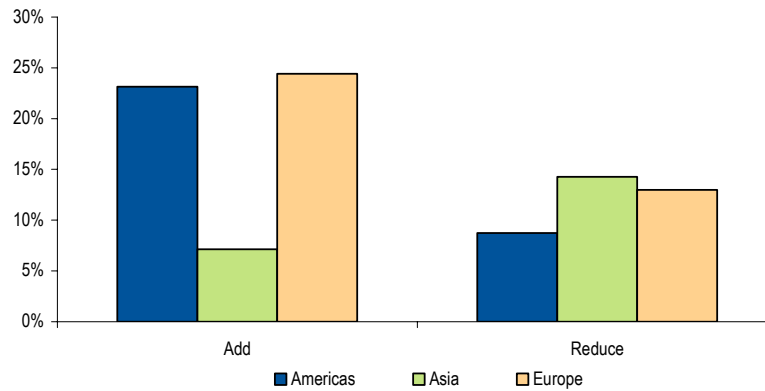
As one of the strongest performers in 2007², interest in China-focused hedge funds seems to be waning. In our last survey, 35% of investors were looking for funds specializing in the region. That number has fallen to just 23%. Another 10% of investors plan to reduce exposure to these funds, compared to just 3% of investors in last year's survey.

Chart 46. China



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 47. China by Investor Region

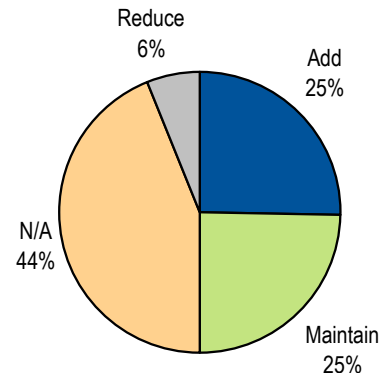


Source: 2008 Deutsche Bank Alternative Investment Survey

India

For the first time on our survey we asked investors about their opinions on India-focused hedge funds. 25% of investors plan on increasing allocations to this space.

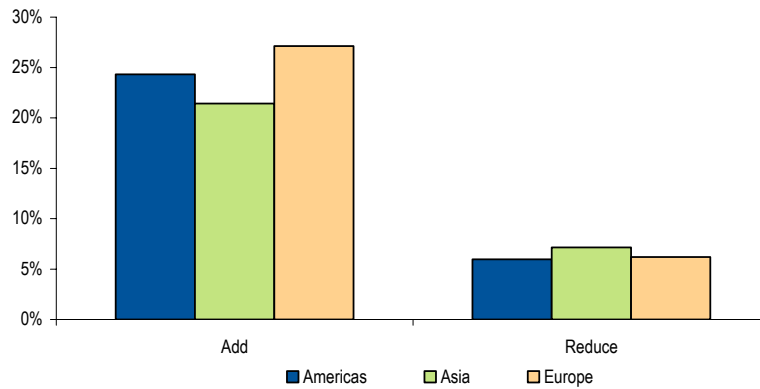
Chart 48. India



Source: 2008 Deutsche Bank Alternative Investment Survey

²Source: EurekaHedge, April 2008

Chart 49. India by Investor Region

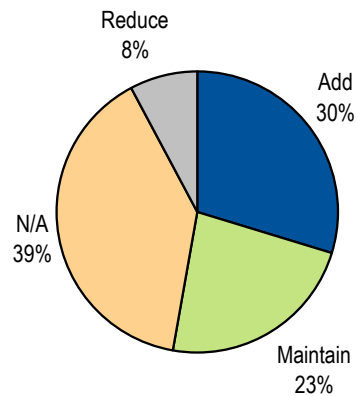


Source: 2008 Deutsche Bank Alternative Investment Survey

Japan

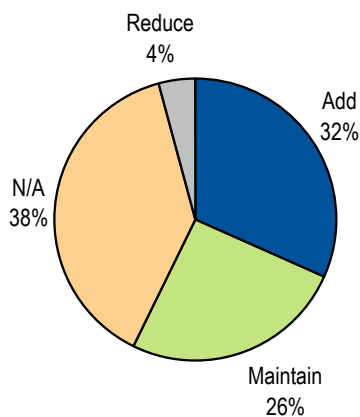
30% of investors want to increase their exposure to Japan-focused hedge funds, down from 40% in last year’s survey. However, investors are not looking to take much money out of the region, as only 8% want to reduce allocations, similar to the 6% we saw in the last survey.

Chart 50. Japan



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 51. Asia (Ex-Japan)



Source: 2008 Deutsche Bank Alternative Investment Survey

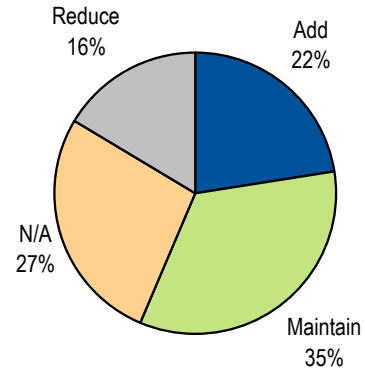
Asia (ex-Japan)

Investors feel hedge funds with an Asia ex-Japan strategy will be strong performers and as such, 32% have indicated they will increase allocations.

United States/Canada

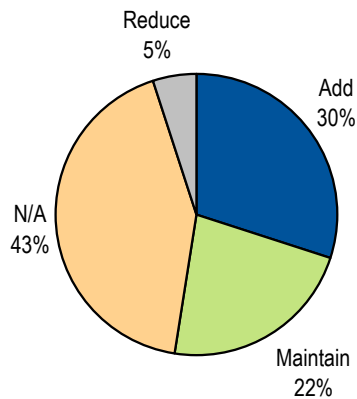
22% of investors expect to add allocations to funds focused on the United States/Canada. Another 16% indicated they plan to reduce their exposure to this region.

Chart 52. United States/Canada



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 53. Latin America

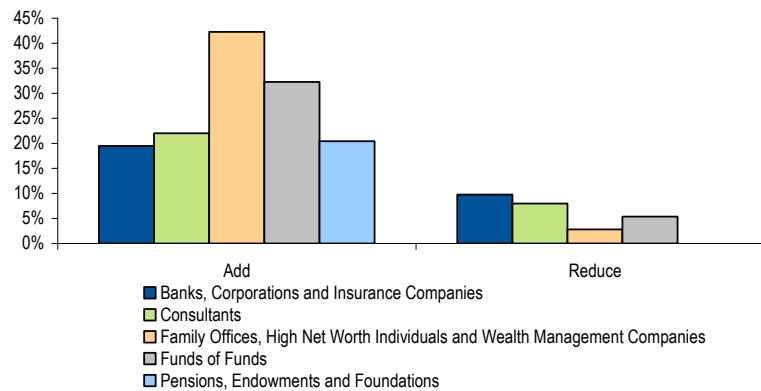


Source: 2008 Deutsche Bank Alternative Investment Survey

Latin America

Interest in hedge funds with a Latin American focus has increased from 23% in our last survey to 30% this year. Investors also feel Latin American-focused funds will perform well in 2008. Family Offices, High Net Worth Individuals and Wealth Management Companies are particularly interested in the strategy, with 42% planning to add investments to hedge funds looking at the region.

Chart 54. Latin America by Investor Category

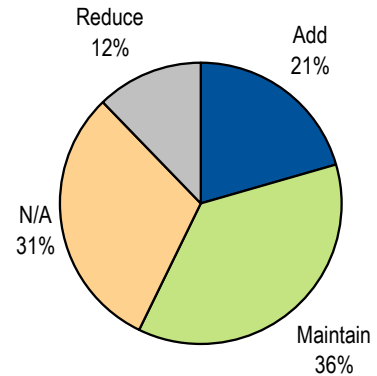


Source: 2008 Deutsche Bank Alternative Investment Survey

Western Europe

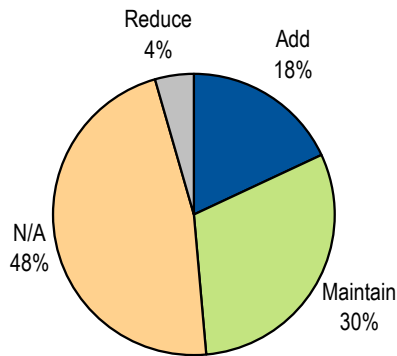
Western European hedge fund strategies are predicted to receive allocations from 21% of investors. Only 12% of investors expect to reduce their exposure to this region.

Chart 55. Western Europe



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 56. Eastern and Central Europe (ex-Russia)

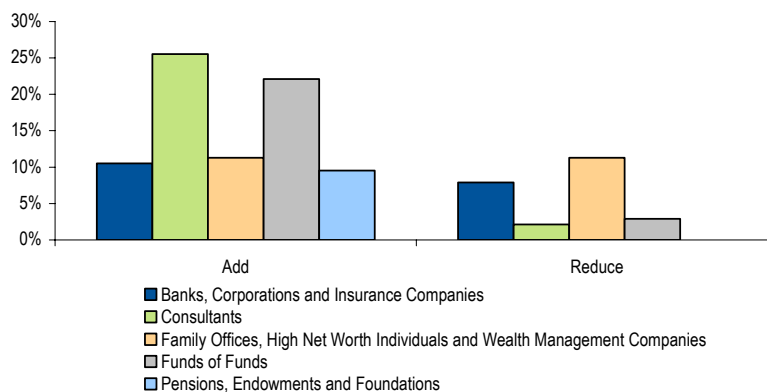


Source: 2008 Deutsche Bank Alternative Investment Survey

Eastern and Central Europe (ex-Russia)

Investors do not expect Eastern and Central European-focused funds to be top performers in 2008. As such, only 18% of investors plan to add allocations to these funds, with particularly large interest from Consultants and Funds of Funds. Still, few investors allocate to this strategy.

Chart 57. Eastern and Central Europe (ex-Russia) by Investor Category

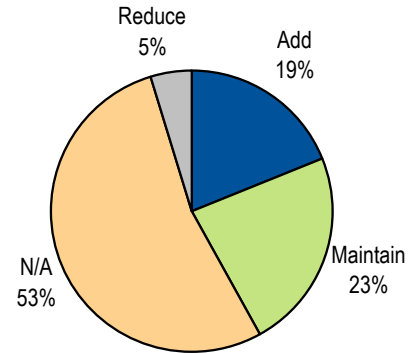


Source: 2008 Deutsche Bank Alternative Investment Survey

Russia

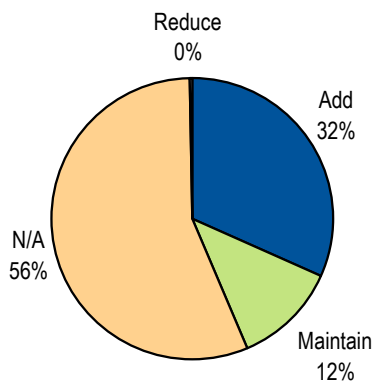
Investors predict hedge funds focused on Russia will be top performers in 2008. Despite this, only 19% of investors expect to add allocations and over 50% have no current investments and are not planning to make any this year.

Chart 58. Russia



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 59. Middle East/North Africa

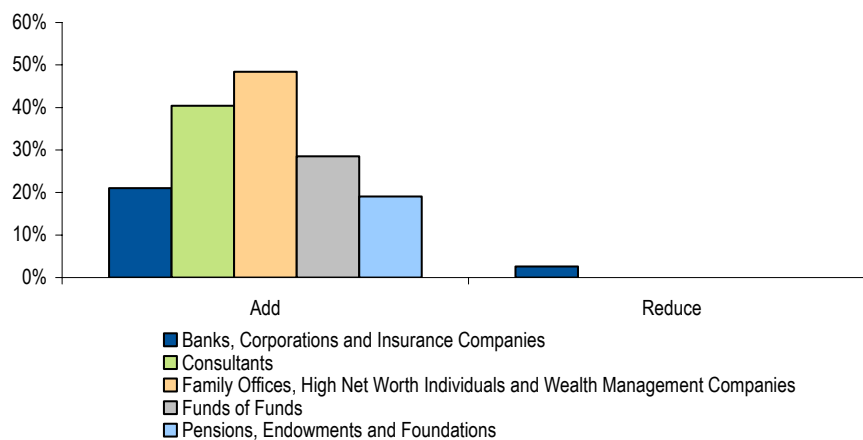


Source: 2008 Deutsche Bank Alternative Investment Survey

Middle East/North Africa

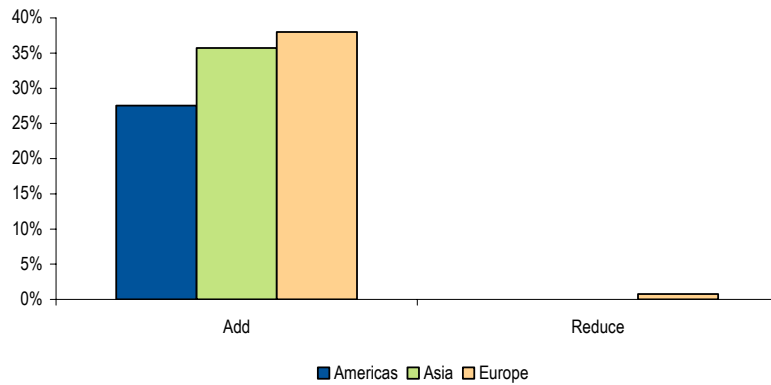
The Middle East/North Africa is a new listing on the survey for 2008 and the predicted top performer amongst all regions. If a firm has exposure, it is not planning to reduce it, and nearly a third of investors plan to increase their exposure. Consultants and Family Offices, High Net Worth Individuals and Wealth Management Companies are the most interested in the region.

Chart 60. Middle East/North Africa by Investor Category



Source: 2008 Deutsche Bank Alternative Investment Survey

Chart 61. Middle East/North Africa by Investor Region

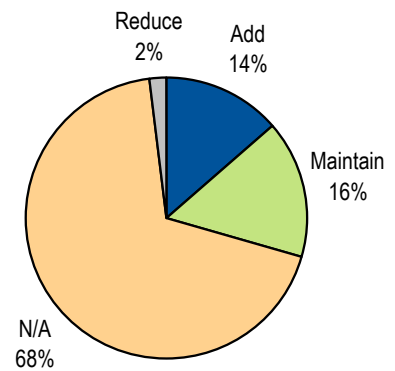


Source: 2008 Deutsche Bank Alternative Investment Survey

South Africa

For the first time, we asked survey respondents for their predictions on hedge funds that invest in South Africa. It appears many investors are still cautious when it comes to this region: 68% do not have allocations or a strong interest in the region yet. Overall, 14% expect to add allocations, while only 2% expect to decrease exposure to this region.

Chart 62. South Africa



Source: 2008 Deutsche Bank Alternative Investment Survey

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Deutsche Bank's Hedge Fund Capital Group

Deutsche Bank's Hedge Fund Capital Group is a global team of specialists with offices in New York, London, Hong Kong, Tokyo and Sydney. The primary role of the group is to provide capital introduction services to hedge funds and expertise on hedge fund investor sentiment gained through our global investor network. The group also acts as a strategic advisor, helping hedge funds and investors learn more about the hedge fund industry and investor concerns.

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Other risks associated with hedge funds investments include, but are not limited to, the fact that hedge funds: can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; may involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; often charge higher fees and the high fees may offset the fund's trading profits; may have a limited operating history; can have performance that is volatile; may have a fund manager who has total trading authority over the fund and the use of a single adviser applying generally similar trading programs could mean a lack of diversification, and consequentially, higher risk; may not have a secondary market for an investor's interest in the fund and none may be expected to develop; may have restrictions on transferring interests in the fund; and may trade a substantial portion of their trades on foreign exchanges.

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