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HEDGE FUNDS ADVANCE +0.33% IN JULY

Benefit From Increase in Volatility

August 8, 2007 – New York, NY – Hennessee Group LLC, an adviser to hedge fund investors, today announced that **the Hennessee Hedge Fund Index advanced +0.33% in July (+8.96% YTD)**, while the S&P 500 decreased –3.20% (+2.62% YTD), the Dow Jones Industrial Average declined –1.47% (+6.00% YTD), and the NASDAQ Composite Index declined –2.19% (+5.42% YTD). The Lehman Intermediate Government/Corporate Bond Index advanced +0.95% (+2.41% YTD).

“Thus far, it has been a good year for hedge funds as a whole, despite the collapse of several funds focused on fixed income,” said E. Lee Hennessee, Managing Principal of Hennessee Group. **“The increase in equity market volatility has been welcome by short sellers who have had a tough time over the past four years.”**

The Hennessee Long/Short Equity Index declined –0.12% in July (+8.09% YTD). Stocks again sold off in July due to concerns about the mortgage and corporate bond markets. Short portfolios performed well, especially those focused on housing and mortgage deterioration. Lower rated tranches of sub-prime mortgage backed indices declined by as much as -40% during the month. Furthermore, the widening of corporate credit spreads slowed the pace of leveraged buyout transactions (LBOs), creating a better environment for short selling. The majority of stocks rumored to be LBO candidates fell substantially during the month, as most lost the takeover premium embedded in their stock prices as a result of the financing concerns.

“\$300 billion of LBO deals are in the pipeline waiting to be repriced, creating the potential for a major bond and equity market correction,” said Charles Gradante, Managing Principal of Hennessee Group. **“We are monitoring the credit markets closely, especially the commercial paper market. Should problems spread to commercial paper, a number of financial companies could have a liquidity crisis which could cause further problems for mortgage and corporate loan financings.”**

The Hennessee Arbitrage/Event Driven Index declined –0.13% in July (+7.57% YTD). It was again a difficult period for most arbitrage strategies, especially those focused on corporate and mortgage related fixed income. The spread on the Merrill Lynch High Yield Index widened from 2.9% to 4.1% over the 10 Year Treasury in July. The Hennessee Distressed Index declined –0.80% (+8.89% YTD), as weak credit markets caused the collapse of at least one levered fund invested in corporate bonds. The Hennessee Merger Arbitrage Index declined –0.71% (+8.31% YTD). Merger spreads, especially those on LBO transactions, widened as a result of difficulty obtaining financing for the transactions, while merger activity ground to a halt. The Hennessee Convertible Arbitrage Index declined –0.49% (+4.31% YTD), as most funds were unable to avoid credit related losses despite the increase in implied volatility.

The Hennessee Global/Macro Index advanced +1.77% in July (+12.09% YTD), as the investing environment continues to be much more benign outside of the U.S. The Hennessee International Index advanced +1.26% (+12.37% YTD), as international equities again outperformed their U.S. brethren. The Hennessee Macro Index advanced +1.01% in July (+7.79% YTD), as many managers benefited from short positions in sub-prime mortgages, weakness in the U.S. dollar, the increase in energy prices, and outperformance of Asian stocks relative to U.S. stocks.

“The yen hit a three month high versus the dollar in July, which is causing some unwinding of the dollar/yen carry trade,” continued Mr. Gradante. **“There is a lot of uncertainty as to who is invested in this trade, how much is invested, and how much leverage is being used. Like 1994, there is the potential for substantial fall-out should the yen continue to strengthen.”**

About the [Hennessee Group LLC](#)

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 is 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 to the Hennessee Group by a diversified group of over 1,000 hedge funds. 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.

HENNESSEE HEDGE FUND INDICES®

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2007 (Net)	YTD	YTD RANK	% of mgrs. >S&P, ytd	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
ASIA - PACIFIC INDEX	14.81%	2	77%	1.00%	1.67%	0.41%	1.99%	3.11%	2.60%	3.19%					
CONVERTIBLE ARBITRAGE INDEX	4.31%	21	72%	1.31%	1.26%	0.84%	0.27%	1.05%	0.02%	-0.49%					
DISTRESSED INDEX	8.89%	8	92%	1.63%	1.57%	1.43%	2.17%	2.20%	0.40%	-0.80%					
EMERGING MARKETS INDEX	11.31%	5	93%	0.23%	0.38%	1.20%	2.19%	2.39%	1.41%	3.03%					
EUROPE INDEX	8.47%	12	83%	1.62%	0.05%	2.79%	2.83%	1.78%	0.23%	-1.06%					
EVENT DRIVEN INDEX	10.49%	6	88%	2.35%	1.34%	1.93%	1.85%	2.19%	-0.11%	0.51%					
FINANCIAL EQUITIES INDEX	3.46%	22	50%	1.29%	0.98%	0.27%	0.74%	1.32%	-0.54%	-0.64%					
FIXED INCOME INDEX	5.15%	20	50%	0.87%	0.39%	0.09%	0.72%	0.40%	1.30%	1.27%					
GROWTH INDEX	9.09%	7	75%	1.08%	0.86%	1.28%	1.40%	2.73%	1.13%	0.29%					
HEALTHCARE AND BIOTECH INDEX	6.27%	19	67%	1.32%	-0.09%	0.04%	4.10%	3.40%	0.32%	-2.82%					
HIGH YIELD INDEX	7.26%	16	94%	1.37%	1.34%	0.79%	1.12%	1.35%	0.74%	0.33%					
INTERNATIONAL INDEX	12.37%	3	96%	0.94%	0.49%	1.81%	3.03%	3.08%	1.18%	1.26%					
LATIN AMERICA INDEX	20.66%	1	100%	2.66%	0.58%	3.31%	3.18%	4.63%	1.71%	3.01%					
MACRO INDEX	7.79%	15	59%	0.27%	0.17%	0.84%	1.38%	2.12%	1.76%	1.01%					
MARKET NEUTRAL INDEX	6.55%	18	66%	0.78%	0.77%	0.99%	1.12%	1.46%	0.69%	0.57%					
MERGER ARBITRAGE INDEX	8.31%	13	88%	2.59%	1.80%	0.54%	2.04%	2.64%	-0.82%	-0.71%					
MULTIPLE ARBITRAGE INDEX	8.52%	11	94%	2.02%	1.39%	0.92%	1.53%	2.35%	0.27%	-0.22%					
OPPORTUNISTIC INDEX	8.78%	10	83%	1.66%	1.19%	1.25%	1.87%	2.16%	0.14%	0.21%					
PIPES/PRIVATE FINANCING INDEX	7.09%	17	82%	1.85%	1.41%	0.68%	1.17%	1.61%	0.54%	-0.36%					
SHORT BIASED INDEX	0.87%	23	27%	-2.02%	0.79%	0.53%	-2.22%	-2.52%	2.98%	3.51%					
TECHNOLOGY INDEX	11.66%	4	92%	1.88%	0.10%	0.62%	1.51%	3.78%	2.27%	1.00%					
TELECOM AND MEDIA INDEX	7.91%	14	71%	4.23%	-0.32%	-0.29%	1.03%	1.62%	2.21%	-0.73%					
VALUE INDEX	8.88%	9	78%	1.61%	1.06%	1.17%	2.12%	2.83%	0.16%	-0.36%					
HENNESSEE HEDGE FUND INDEX	8.96%		78%	1.36%	0.95%	1.09%	1.76%	2.38%	0.78%	0.33%					
LONG/SHORT EQUITY INDEX	8.09%		73%	1.34%	0.78%	0.93%	1.73%	2.51%	0.67%	-0.12%					
ARBITRAGE/EVENT DRIVEN INDEX	7.57%		83%	1.73%	1.30%	1.01%	1.38%	1.76%	0.30%	-0.13%					
GLOBAL/MACRO INDEX	12.09%		82%	0.96%	0.68%	1.39%	2.26%	2.79%	1.66%	1.77%					
DJIA	6.00%			1.27%	-2.80%	0.70%	5.74%	4.32%	-1.61%	-1.47%					
LEHMAN BROS. INT. GOVT. CORP. BONDS INDEX	2.41%			0.04%	1.38%	0.17%	0.48%	-0.64%	0.02%	0.95%					
MSCI EAFE (USD) PRICE INDEX	7.37%			0.64%	0.70%	2.15%	4.09%	1.24%	-0.04%	-1.54%					
NASDAQ	5.42%			2.01%	-1.94%	0.23%	4.27%	3.15%	-0.05%	-2.19%					
RUSSELL 2000	-0.82%			1.67%	-0.79%	1.07%	1.80%	4.10%	-1.46%	-6.84%					
S&P 500	2.62%			1.41%	-2.18%	1.00%	4.33%	3.26%	-1.78%	-3.20%					

The Hennessee Hedge Fund Indices® are calculated from performance data reported by a diversified group of hedge funds to the Hennessee Hedge Fund Advisory Group®. The Hennessee Hedge Fund Index® is an equally-weighted average of the funds in the Hennessee Hedge Fund Indices®. The funds in the Hennessee Hedge Fund Index® are believed to be statistically representative of the larger Hennessee Universe of over 3,500 hedge funds and are net of fees and unaudited. Past performance is no guarantee of future returns. ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written consent of the publisher.