

Key Factors

- October offered no hope to the economy as global markets plummeted, and investor confidence reached new lows. The CPI Urban Consumer All Items (SA) Index dropped 96 basis points, but this did not benefit producers as retail sales fell 3.13%. House starts fell 4.47% and non-farm unemployment rose to 6.5%. Manufacturing sales increased slightly by 64 basis points.
- Major events in October included the IMF offering to lend to countries if needed, tensions between Djibouti and Eritrea, and the former Finnish President, Martti Ahtisaari, winning the Nobel Peace prize.
- Congress passed the \$700 billion bailout package on the 3rd and the Dow had its largest single day gain of 935 (11.1%) points. The U.S. Treasury paid out the first \$125 billion of the plan. However U.S. markets still experienced their greatest one month loss since August, 1998.
- Indices worldwide experienced double-digit losses, and numerous countries suspended short-selling. Crude oil sank, falling to \$64.46/bbl from \$98.36/bbl.
- Shorter term yields fell in October as investors moved assets into debt, and out of the volatile equity markets. Yield rates in 10 year and 30 U.S. treasury bonds increased 13 basis points and 5 basis points, respectively.

Market Commentary

U.S. Equity markets plunged in October with the S&P 500 Index (TR) falling 16.79%. Large cap stocks slid (the Russell 1000 Index TR dropped by 17.46%), and losses increased among small cap stocks as the Russell 2000 Index TR fell 20.8%. Value and growth investors continued selling, driving the Russell Growth 1000 Index TR down 17.61% and the Russell Value 1000 Index TR down 17.31%.

The investment climate worsened as global equity markets lost \$5.8 trillion as reported by Market Watch, and the MSCI World Index (U.S. Dollar TR) fell 18.96%. The MSCI EAFE Index (U.S. Dollar TR) fell 20.18% and the MSCI Emerging Markets Free Index (U.S. Dollar TR) lost 27.37%. The situation was similar in other markets. The Nikkei 225 Price Index (JPY) fell 23.83%, the FTSE 250 Price Index (USD) was down 20.36% and the MSCI Europe 15 Index (U.S. Dollar TR) was down 21.24%.

The October debt market declined, as the entire U.S. yield curve slipped except for 10 and 30 year bills. The 6-month yield rate fell the most, losing 66 basis points. The Lehman U.S. Aggregate Index fell 2.36%, the Lehman U.S. Government/Credit Index lost 2.51% and the Lehman U.S. Corporate High Yield Index fell 15.91%.

The U.S. Dollar gained 9.71% against the British pound and 9.69% against the Euro. The Yen held fast through October, gaining 7.77% against the dollar.

CASAM CISDM Hedge Fund Indices

	MTD	YTD
CASAM CISDM Equal Weighted Hedge Fund Index	-7.90%	-18.06%
CASAM CISDM Convertible Arbitrage Index	-11.49%	-21.55%
CASAM CISDM Distressed Securities Index	-10.59%	-17.80%
CASAM CISDM Emerging Markets Index	-15.29%	-31.96%
CASAM CISDM Equity Long/Short Index	-3.96%	-14.81%
CASAM CISDM Equity Long/Short Asia Index	-3.41%	-20.53%
CASAM CISDM Equity Long/Short Europe Index	-2.38%	-10.10%
CASAM CISDM Equity Market Neutral Index	0.15%	-0.35%
CASAM CISDM Event Driven Multi Strategy Index	-7.33%	-16.08%
CASAM CISDM Fixed Income Arbitrage Index	-9.22%	-13.53%
CASAM CISDM Global Macro Index	0.82%	2.00%
CASAM CISDM Merger Arbitrage Index	-2.30%	-2.70%
CASAM CISDM Mortgage-Backed Securities Index	0.12%	0.28%
CASAM CISDM Sector Index	-9.80%	-17.78%
CASAM CISDM Sector Technology Index	-6.23%	-12.19%

CASAM CISDM Fund of Funds Indices

	MTD	YTD
CASAM CISDM Fund of Funds Index	-5.32%	-15.19%

CASAM CISDM CTA Indices

	MTD	YTD
CASAM CISDM CTA Equal Weighted Index	5.79%	17.33%
CASAM CISDM CTA Equal Weighted Currency Index	2.68%	4.67%
CASAM CISDM CTA Equal Weighted Discretionary Index	-2.18%	5.51%
CASAM CISDM CTA Equal Weighted Diversified Index	7.83%	23.10%
CASAM CISDM CTA Equal Weighted Financials Index	5.44%	10.12%
CASAM CISDM CTA Equal Weighted Equity Index	-5.54%	0.03%
CASAM CISDM CTA Equal Weighted Physicals Index	3.70%	18.47%
CASAM CISDM CTA Equal Weighted Systematic Index	7.05%	18.75%

CASAM CISDM CPO Indices

	MTD	YTD
CASAM CISDM CPO Equal Weighted Index	7.33%	18.64%

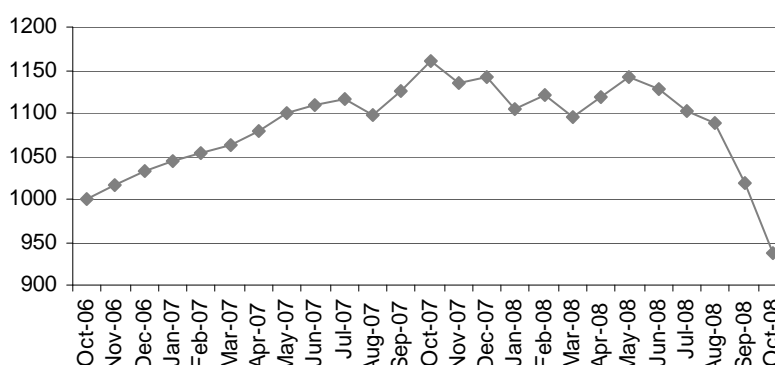
Please visit www.casamhedge.com for the CASAM CISDM Asset Weighted CTA Indices.

Hedge Fund Index Commentary

The **CASAM CISDM Equal Weighted Hedge Fund Index** was down 7.90% for the month of October, the biggest monthly decline since August, 1998. Hedge fund losses were led by the Emerging Markets strategy down 15.29%, the Convertible Arbitrage strategy down 11.49% and the Distressed Securities strategy which lost 10.59%.

The **CASAM CISDM Convertible Arbitrage Index** was down 11.49% for the month of October. The strategy was slammed by a worsening credit squeeze. This was exacerbated by an international wave of short-selling bans. The Merrill Lynch Convertible Bonds Index-All Qualities was down 17.53%.

CASAM CISDM Equal Weighted Hedge Fund Index
(Growth of \$1000)



The **CASAM CISDM Distressed Securities Index** was down 10.59% for the month of October. Exceptionally volatile markets made it difficult for managers to hedge against risks, and near-paralyzed credit markets increased the number of defaults. The Lehman U.S. Corporate High Yield Index was down 15.91%.

The **CASAM CISDM Emerging Markets Index** was down 15.29% for the month of October. Plunging commodity values, the international credit squeeze and a rallying dollar hurt export-reliant nations. Several countries sought \$35 billion in aid from the IMF. The MSCI Emerging Markets Free Index (U.S. Dollar TR) was down 27.37%.

The **CASAM CISDM Equity Long/Short Index** was down 3.96 basis points for the month of October. Equities across all market capitalizations also declined. The Russell 3000 Index (TR) was down 17.74%, the Russell 2000 Index (TR) was down 20.80%, the Russell 3000 Growth Index (TR) was down 17.93%, and the Russell 3000 Value Index (TR) was down 17.54%.

The **CASAM CISDM Equity Long/Short Asia Index** was down 3.41% for the month of October. A stronger dollar, high intra-month volatility and the Nikkei 225 Price Index (JPY) decline of 23.83% all contributed to losses in the strategy.

The **CASAM CISDM Equity Long/Short Europe Index** was down 2.38% for the month of October. The MSCI Europe 15 Index (U.S. Dollar TR) was down 21.24% reflecting the market's realization that Europe was on the cusp of a recession and that concerted efforts by European banks to restore liquidity will take time to make an impact.

The **CASAM CISDM Equity Market Neutral Index** was up 15 basis points for the month of October. Market volatility increased dramatically (the VIX doubled from last month's 30.24% to 61.18% and reached a record high of 89.53), fueled by the credit squeeze and a frenzied unwinding of leveraged fund positions.

The **CASAM CISDM Event-Driven Multi-Strategy Index** was down 7.33% for the month of October. Lack of cheap credit has choked would-be acquirers from financing take-overs and restructurings. The Lehman U.S. Corporate High Yield Index fell 15.91%.

The **CASAM CISDM Fixed Income Arbitrage Index** was down 9.22% for the month of October. The US. Yield curve declined further this month, but plummeting prices for Corporate bonds caused credit spreads to widen even more.

The **CASAM CISDM Global Macro Index** was up 82 basis points for the month of October. The strategy posted a positive return taking advantage of the month's volatility, in the face of world equity markets unraveling (the MSCI World Index (U.S. Dollar TR) declined 18.96%).

The **CASAM CISDM Merger Arbitrage Index** was down 2.30% for the month of October. Some managers succeeded in earning positive returns with short sales and profitable capital structure trades created by the government's recent market interventions. Monthly deal volume increased slightly to \$280 billion.

The **CASAM CISDM Mortgage-Backed Securities Index** was up 12 basis points for the month of October. The passage of the \$700 billion bailout plan and recent concentration on assisting distressed home owners has restored some confidence to MBS investors, enabling managers to beat the benchmarks. The Lehman Brothers Fixed Rate Mortgage Backed Securities Index was down 1.26%.

The **CASAM CISDM Sector Index** was down 9.80% for the month of October. Nine out of the ten major S&P 500 industry sectors lost double digits, lead by financials which fell 22.74%. Telecom fared best, losing only 9.52%. More conservative consumer spending occurred, evidenced by the 8.19 point spread between the consumer discretionary and staple indices.

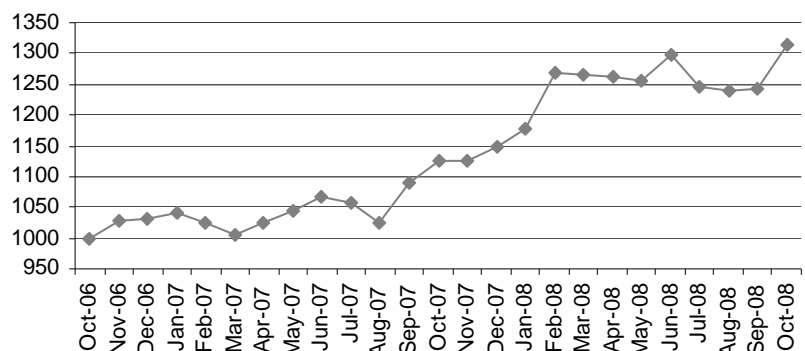
The **CASAM CISDM Sector Technology Index** was down 6.23% for the month of October. This was reflective of tech-focused benchmarks such as the NASDAQ Composite Index which fell 17.73% and the CBOE Technology Index which was down 17.21%.

The **CASAM CISDM Fund of Funds Index** was down 5.32% for the month of October. The negative performance of the index reflected the negative results across most hedge fund strategies in October.

CTA Index Commentary

The **CASAM CISDM CTA Equal Weighted Index** rose 5.79% for the month of October. The CASAM CISDM CTA Equal Weighted Systematic Index was up 7.05%, while the CASAM CISDM CTA Equal Weighted Discretionary Index was down 2.18%. Physical and financial CTA managers posted positive performance with the CASAM CISDM CTA Equal Weighted Physicals Index up 3.70%, and the CASAM CISDM CTA Equal Weighted Financials Index up 5.44%. The CASAM CISDM CTA Equal Weighted Currency Index was up 2.68% and the CASAM CISDM CTA Equal Weighted Diversified Index was up 7.83%. Finally, the CASAM CISDM CTA Equal Weighted Equity Index posted a loss of 5.54%. Many commodity sectors continued to post heavy losses in October. The GSCI TR Index was down 28.20%, the GSCI Energy Index was down 31.20% and the GSCI Agriculture Index was down 17.33%. Additionally, metals posted negative performance with the GSCI Metals Index down 26.66% and precious metals posted a loss of 18.61% as proxied by the GSCI Precious Metals Index.

CASAM CISDM CTA Equal Weighted Index
(Growth of \$1000)



Historical data for the CASAM CISDM Indices is available on our website at www.CASAMHedge.com, as well as on Bloomberg. Index descriptions and information on the CASAM CISDM Database from which the indices are derived can also be found on our website.

For more information on CASAM CISDM Indices or on this month's general market commentary, please contact Rajiv Mallick at 212-603-5037.

For inclusion in the CASAM CISDM Database, please contact AIRT LLC at 212-603-5028 or data@casamhedge.com.

For all other questions or inquiries with respect to attaining a trial license for the database or for more information on the CASAM CISDM Indices, please contact Jessica Bither at 212-603-5028, Dylan Ellis at 212-603-5025, or e-mail info@casamhedge.com.

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