

Credit Suisse Liquid Alternatives Monthly Hedge Fund Commentary

March 2009



Hedge Funds and Global Markets Summary

	February 2009	2009 YTD	Avg. Ann Return (Jan 94*)	Ann. Volatility	Current Sector Weights
Credit Suisse/Tremont Hedge Fund Index	-0.88%	0.20%	8.65%	7.93%	-
Convertible Arbitrage	0.75%	6.51%	5.83%	6.94%	1.6%
Dedicated Short Bias	3.22%	7.03%	-0.32%	16.91%	0.6%
Emerging Markets	-2.10%	-2.24%	6.46%	15.78%	7.0%
Equity Market Neutral	-5.61%	-4.53%	5.18%	11.08%	3.8%
Event Driven	-1.13%	-0.35%	9.46%	6.09%	28.0%
Fixed Income Arbitrage	1.01%	1.49%	3.53%	5.97%	3.7%
Global Macro	0.21%	2.55%	12.51%	10.52%	17.0%
Long/Short Equity	-1.34%	-1.51%	9.50%	10.18%	21.7%
Managed Futures	-0.16%	-0.72%	7.08%	11.85%	4.2%
Multi-Strategy	-0.09%	3.26%	7.27%	5.48%	12.4%

* Data since January 1994
Source: Credit Suisse/Tremont Hedge Fund Index.

Credit Suisse/Tremont Hedge Fund Index Performance Statistics

3 Months	0.17%
6 Months	-15.93%
1 Year	-18.99%
3 Year Annualized Return	0.11%
5 Year Annualized Return	3.52%

Credit Suisse/Tremont Correlation Statistics*

	CS/Tremont Hedge Fund Index
CS/Tremont Hedge Fund Index	1.00
S&P 500 (TRI)	0.54
Dow Jones STOXX 50 (TRI) Index (USD)	0.52
TOPIX Index	0.45

* Data since January 1994.

Equities	February	YTD	Fixed Income*	Feb Change (bps)	YTD (bps)
S&P 500 (TRI)	-10.65%	-18.18%	10-year US	17.28	80.08
MSCI World	-10.49%	-18.41%	10-year Germany	-18.40	16.10
DJ STOXX 50 (TRI)	-11.04%	-22.52%	10-year Japan	-1.70	10.60
Nikkei	-5.32%	-14.57%	CS High Yield II STW	58.00	-168.00

*Change in yield

Currencies	February	YTD	Commodities	February	YTD
EUR	-1.12%	-9.34%	DJ AIG Index	-4.43%	-9.57%
GBP	-1.53%	-2.14%	GSCI Index	-0.01%	-3.67%
YEN	8.56%	7.65%	Gold	1.56%	6.84%
CHF	0.77%	9.35%	Crude Oil	7.39%	0.36%

*vs. US Dollar

Source: Bloomberg, Datastream

All data was obtained from publicly available information, internally developed data and other third party sources believed to be reliable. Credit Suisse has not sought to independently verify information obtained from public and third party sources and makes no representations or warranties as to accuracy, completeness or reliability of such information.

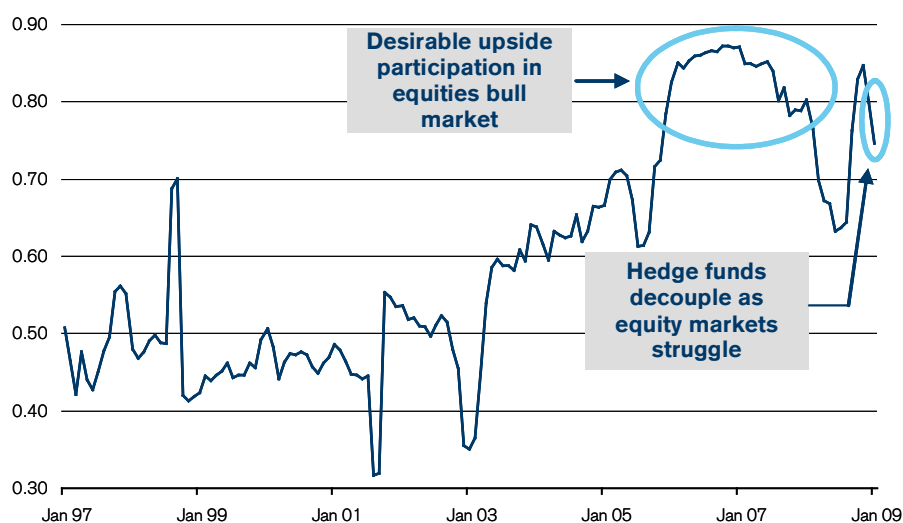
Hedge Fund Overview

The Credit Suisse/Tremont Broad Hedge Fund Index Finished Down 0.88% in February, Continuing January's Decoupling Trend from Equity Markets.

Hedge funds continued January's decoupling trend from equity markets (Chart 1), outperforming the MSCI World Index by 9.6% in February and by 18.2% year-to-date. Hedge funds that performed did so mainly with the short side of the book, defensive positioning to the markets, tactical maneuverability, and "dry powder." Best gains for the month came from Fixed Income Arbitrage (+1.0%), Convertible Arbitrage (+0.8%) which continued to attract crossover buyers and corporate buybacks due to its low valuations, and Dedicated Short Bias (+3.2%) which typically performs best when equity markets struggle and has a -0.73 correlation to the S&P 500 Index.



Chart 1: 36-month Rolling Correlation CS/Tremont Index - MSCI World USD



Source: Datastream, Credit Suisse / IDC. All data was obtained from publicly available information, internally developed data and other third party sources believed to be reliable. Credit Suisse has not sought to independently verify information obtained from public and third party sources and makes no representations or warranties as to accuracy, completeness or reliability of such information.

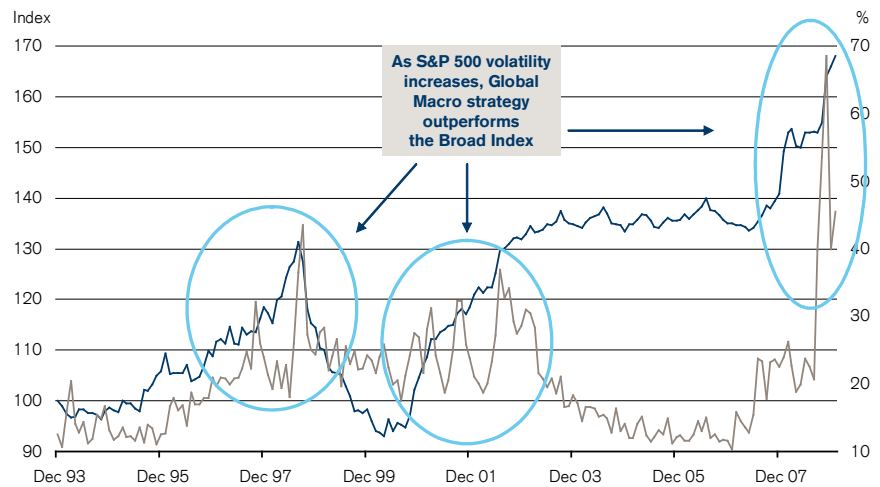
In addition to global equity markets struggling, consumer sentiment, jobless claims and home sales all worsened in the first two months of 2009, with signals that the US economy could contract another 6% in the second quarter of 2009 before the government's \$787 billion stimulus package is felt. Faced with this difficult macro data, Global Macro and Managed Futures managers generally held their own, taking advantage of opportunities in currencies and exploiting divergences between governments' monetary and fiscal policies globally via core fixed income trades.

Credit Suisse research has found that the Global Macro strategy on several occasions outperformed the Broad Index following dislocation events and during periods of market volatility (Chart 2) since the start of the Index in January 1994. The strategy has several endogenous factors that have driven this outperformance, which include Macro managers' ability to tactically allocate across the spectrum of geographies and asset classes, combined with a macroeconomic focus, and finally, the liquidity of the instruments used to harvest the tactical opportunities. The Global Macro strategy has had four months of positive performance from



November 2008 through February 2009, while volatility as measured by the VIX Index hit an all-time high just over 80 on November 21.

Chart 2: Relative Performance of CS/Tremont Global Macro to Broad HF Index & VIX



Last data point: 3/1/2009 — Relative performance of Global Macro to CS Tremont — Vix index (rhs)

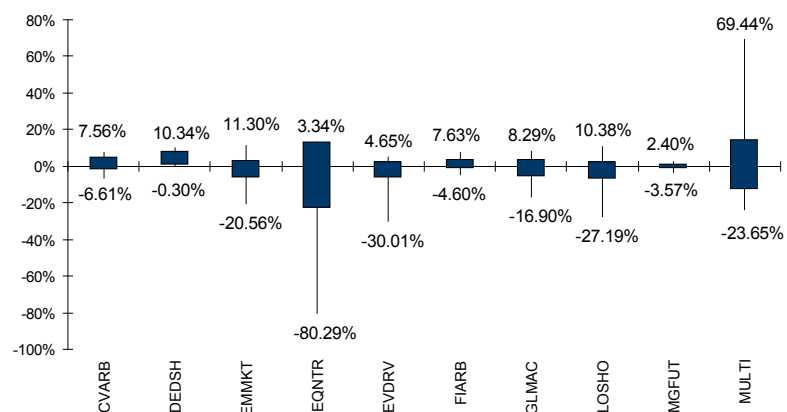
Source: Datastream, Credit Suisse / IDC. All data was obtained from publicly available information, internally developed data and other third party sources believed to be reliable. Credit Suisse has not sought to independently verify information obtained from public and third party sources and makes no representations or warranties as to accuracy, completeness or reliability of such information.

Bond markets saw an issuance of \$300 billion of investment grade paper in January and February, one of the largest issuances in a consecutive two-month period. Capital markets may be picking up the strain of financing from beleaguered banks. Hedge fund managers operating in the fixed income space were generally long two-year Treasuries while adding to their net short positions in ten- and thirty-year Treasuries in anticipation of the bearish steepening of the US yield curve.

Fears about the Euro zone and its exposure to Eastern and Central European economies pushed the Euro down for the majority of February, followed by an end-of-month rally as stocks rallied. Currency volatility worldwide is likely to remain elevated as uncertainty surrounding stimulus packages and policy impacts may lead to a wide spectrum of country-specific outcomes, providing managers with a range of opportunities as events unfold.

There was generally a wide range of dispersion among the individual fund returns within each sector for February. Chart 3 depicts the range of dispersion, as well as the bulk of returns, which are shown as the dark blue boxes (one standard deviation from the mean in either direction).

Chart 3: Credit Suisse/Tremont February Performance Dispersion by Strategy



Source: Credit Suisse/Tremont Hedge Fund Index

Hedge Fund Sector Overview

Convertible Arbitrage

February was a generally solid month for Convertible Arbitrage despite weakness in most equity and credit markets. Convertible bond valuations continued to trend upward across the spectrum as positive pricing momentum carried through during the month. Demand for convertible bonds continued to be driven by equity and fixed income cross-over buyers seeking attractive yields in convertibles. While both investment and speculative grades performed well, buying interest remained strong for higher quality names. Managers saw a continuation of exchange offers and corporate buybacks, which propped bond valuations in February, including some blue chip names in Asia. Many remained cautious, and focused on shorter-dated bonds in the belief that companies may be entering a period of high default rates, which would put pressure on convertible valuations. Managers consider credit analysis crucial to mitigating the negative impacts of expected defaults. In terms of sectors, technology names in the US stayed strong while financials continued to drag as markets showed concern over the health of the US financial system. Large banks and insurers were punished over the possibility of nationalization and its potential impacts on convertible preferred.

Convertible market participants believe that the need for immediate liquidity has subsided to some extent. However, as various funds begin to lift redemption suspensions, another round of valuation softening may occur. Despite faulting certain prime brokers for causing a number of the problems they encountered in 2008, some managers believe these relationships are beginning to improve. Many believe that financing costs and margin requirements are fairly stable, and have indicated that some degree of leverage may be possible again. These factors will likely accelerate the pace of recovery, although timing remains uncertain.

Emerging Markets

Dispersion among regions and managers was significant as global Emerging Market managers ended the month in negative territory, while outperforming emerging equity markets. Macro or trading-oriented managers, who mainly used currency liquidity to express their bearish positioning, generally posted positive returns, while fundamentally-focused, long-biased equity and credit-focused managers struggled.

Certain Asian markets showed resilience against the February global stock market declines — the MSCI EM Asia Index dropped 6.6% versus -11.0% for the S&P, and 10.5% for the MSCI World. Asian currencies, however, continued to weaken against the US dollar in February, with the South Korean Won (-9.4%) and the Indian Rupee (-4.4%) being the worst performers. Asian Long/Short Equity managers generally posted losses in February, though some China-focused equity managers managed to generate positive returns, particularly macro and multi-strategy funds with a long-volatility orientation. Credit-focused managers on average suffered losses as credit markets remained illiquid due to the lack of risk appetite.

Facing strong macro headwinds, Eastern-Europe focused managers struggled in February. The MSCI EM Eastern Europe Index fell 6.3%, and the majority of regional currencies continued to weaken against the US dollar and the Euro, due to rising tensions on their external debt, current account deficits and foreign currency denominated loans.

Latin America-focused managers produced mixed returns but ended the month modestly negative on an aggregated basis. Equity-oriented managers delivered negative results with the MSCI EM Latin America Index falling 5.2% in February. Mexico was the worst performing regional equity market (-13.3%), while Chile was the regional leader with a decline of only 0.6%. Surprisingly, high-beta Brazil, perceived to be more dependent on exports and vulnerable to falling commodity

Credit Suisse/Tremont	
Convertible Arbitrage Index (USD)	
Data from Jan. 1994 to Feb. 2009	
Current Month	0.75%
Avg Month	0.49%
Best Month	5.72%
Worst Month	-12.59%
Monthly Standard Deviation	2.00%
Annualized Standard Deviation	6.94%
Sharpe Ratio	0.30

Credit Suisse/Tremont	
Emerging Markets Index (USD)	
Data from Jan. 1994 to Feb. 2009	
Current Month	-2.10%
Avg Month	0.63%
Best Month	16.42%
Worst Month	-23.03%
Monthly Standard Deviation	4.56%
Annualized Standard Deviation	15.78%
Sharpe Ratio	0.17

prices, declined only 2.8% and was the second-best performing equity market in the region. With the exception of the Chilean peso, regional currencies continued to decline as a result of the global slump in demand for commodities and the flight to safety to the US dollar. Multi-strategy managers ended February flattish, profiting mostly from short rates positions, as selective countries such as Brazil bucked the trend and posted a modest rally in the rates markets. In some cases, where the bearish view was expressed through significant net short exposure to equities, managers were able to deliver positive returns for the month. Credit managers with a long bias were negatively impacted by the spread widening, while Event Driven equity strategies with a non-directional approach were able to benefit from the dispersion of returns in specific sectors and delivered gains.

Credit Suisse/Tremont	
Equity Market Neutral Index (USD)	
Data from Jan. 1994 to Feb. 2009	
Current Month	-5.61%
Avg Month	0.49%
Best Month	3.26%
Worst Month	-40.45%
Monthly Standard Deviation	3.20%
Annualized Standard Deviation	11.08%
Sharpe Ratio	0.13

Equity Market Neutral

Equity Market Neutral managers produced negative results in February, impacted by the events surrounding WGTC Limited, a member fund in the Index. Given all available information, the assets of WGTC Limited have been marked down approximately 80% for February to reflect the news. Some statistical arbitrage managers posted positive returns, though these were generally muted when compared to performance from recent months. In addition, most fundamentally-driven Equity Market Neutral managers experienced negative performance. Statistical arbitrage managers saw mixed results from forecasting models, and some negative results from relative value models. In terms of traditional forecasting models, momentum and expected growth factors worked well, but gains in those areas were more than offset by losses in traditional value factors.

Credit Suisse/Tremont	
Event Driven Index (USD)	
Data from Jan. 1994 to Feb. 2009	
Current Month	-1.13%
Avg Month	0.77%
Best Month	3.68%
Worst Month	-11.77%
Monthly Standard Deviation	1.76%
Annualized Standard Deviation	6.09%
Sharpe Ratio	0.93

Event Driven

Event Driven managers posted mixed returns in February, remaining cautious in their exposures; however, with longs generally detracting from returns and gains coming from short positions, the sector ended the month in negative territory. Many managers kept modestly long idiosyncratic credit securities and special situations equities in their portfolios, seeking upside potential while implementing a mixture of hedges to limit downside volatility risks.

A modest number of deals are expected to be completed in the near term in the revived merger arbitrage market. Managers have continued to monitor and trade on noteworthy transactions that include Dow Chemical/Rohm and Haas and Roche/Genentech. For European M&A situations, managers concentrated their efforts on deals with tightening spreads, such as Gas Natural/Union Fenosa, Generali/Alleanza, and the near completion of Sanofi/Zentiva.

Trends that are expected to gain momentum as a result of recent activity include minority buyouts from companies taking advantage of low valuations. Higher levels of activity in Asia were evidenced by an increase in announced deals in Japan and Australia, as well as focus from the Chinese on natural resource companies abroad.

February's loan market rally prompted credit managers to capitalize on select credit positions as yields compressed. While loan returns declined from the previous month, they still outperformed other asset classes. For example, the Credit Suisse Leveraged Loan Index returned 0.35% during the month, while the Credit Suisse High Yield Index II lost 2.05% and S&P 500 lost 10.64%. However, loan defaults increased to 5.25% by principal amount as a result of scarce liquidity and poor earnings. Managers have suggested that this rising trend will likely continue, for companies not yet in default have signaled troubles, as issuers like Chrysler and General Motors have already engaged bankruptcy counsel to evaluate their business options. Volatility in the credit markets will likely continue and present profitable investment opportunities for managers ready to further react to stressed and distressed credits in these challenged markets.

Fixed Income Arbitrage

Fixed Income Arbitrage hedge funds posted generally positive returns in February. Despite weak economic macro data, which is usually supportive for government bonds, the rising supply of government debt caused bonds to cheapen in the longer end. Managers who actively traded around bond auctions benefited from the supply-induced distortions. The elevated curve volatility, especially in the longer end, could continue to present opportunities that could be exploited with reduced leverage.

Directional strategies within fixed income also had a solid month, with front-end duration continuing to be a main performance driver. Other bearish positions such as CDS on European Sovereigns also contributed positively. Fixed income volatility trading was another source of income for some managers, as volatility of volatility remained high during the month.

Mortgage strategies posted mixed results. Managers focusing on prepayment speed analysis in MBS securities benefited from the carry in interest-only securities (IOs) and higher coupon MBS (vs. lower coupons). In structured credit (RMBS and CMBS), spreads deteriorated during the month.

Outright corporate credit exposure detracted on the back of wider credit spreads. Credit relative value strategies such as the CDS - cash bond basis generated positive returns from carry as well as sector-specific spread tightenings.

Global Macro

Global Macro hedge funds continued their run of positive performance during the month of February, as a range of trends gained traction across global markets. Government action and related speculation remained the key drivers of market moves in February, creating opportunities for funds focused on these policies.

Central banks were active during the month in both monetary policy decisions and the detailing of alternative policies. These issues drove shifts in yield curve structures, leading to a bear steepening in the US and flattening in the UK. As many Global Macro managers participated in these core fixed income trades, others focused on economic dispersion between countries within Europe, expressed through credit default swaps and, where applicable, foreign exchange. Overall, currency volatility remained elevated as uncertainty surrounding stimulus packages and policy impacts led to a wide spectrum of country-specific outcomes.

In equities, the S&P 500 broke through previous lows and developed markets sold off across the globe. While some key tactical shorts were profitable for Global Macro managers, equity risk remained low. The prospect of nationalization and its implications pushed banking stocks lower during the month, which increased counterparty risk, but ultimately led to few trading opportunities from a macro perspective.

Commodities were mixed on the month, though stabilization was seen in select contracts based on tightening supply-side dynamics. Global Macro managers established few strategic themes in the sector, maintaining low exposure to energy, though some did participate in upside bounces within base metals. Certain funds did trade in and out of gold on the month, though increased speculation created issues of participation risk which prevented many from establishing core precious metals positions. Overall, public policy and related macroeconomic issues remain central to the approach of many Global Macro hedge funds, which has been profitable given the current environment.

Credit Suisse/Tremont	
Fixed Income Arbitrage Index (USD)	
Data from Jan. 1994 to Feb. 2009	
Current Month	1.01%
Avg Month	0.31%
Best Month	2.07%
Worst Month	-14.04%
Monthly Standard Deviation	1.72%
Annualized Standard Deviation	5.97%
Sharpe Ratio	-0.04

Credit Suisse/Tremont	
Global Macro Index (USD)	
Data from Jan. 1994 to Feb. 2009	
Current Month	0.21%
Avg Month	1.03%
Best Month	10.60%
Worst Month	-11.55%
Monthly Standard Deviation	3.04%
Annualized Standard Deviation	10.52%
Sharpe Ratio	0.83

Credit Suisse/Tremont**Long/Short Equity Index (USD)**

Data from Jan. 1994 to Feb. 2009

Current Month	-1.34%
Avg Month	0.80%
Best Month	13.01%
Worst Month	-11.43%
Monthly Standard Deviation	2.94%
Annualized Standard Deviation	10.18%
Sharpe Ratio	0.56

Long/Short Equity

Long/Short Equity managers finished the month in negative territory. The better-performing equity funds have been more defensively positioned with low gross and net exposures, allowing them to better navigate market turmoil by tactically trading around positions, as well as driving performance with the short side of the book. Stock performance continued to be dominated by broader macro / political agendas rather than individual company fundamentals, although inter-stock correlation abated marginally. Geographically, Japan and European-focused managers fared the worst, with US and Global diversified managers performing relatively better.

US managers experienced mixed results as equity markets closed the month at multi-year lows. The short book drove gains for managers, especially in the Industrial, Financials, and Consumer Discretionary Sectors. One of the few bright spots over the past few months on the long side, Healthcare, performed poorly in February (S&P 500 Healthcare: -12.8%) as many companies were adversely affected by the release of the proposed US budget and its negative implications for certain areas of the Healthcare sector. Regardless, managers continue to maintain higher levels of exposure to both Healthcare and Information Technology relative to other sectors where some signs of fundamental trading remain.

European-focused managers experienced a difficult month, as poor macroeconomic data as well as fears of certain Eastern European countries defaulting sent equity indices across the region plunging. Long books suffered as a result, especially positions in the Healthcare sector. This was partially offset by gains on the short side in the Industrials, Consumer Discretionary, & Technology sectors.

Japanese managers in general registered a small loss. Japanese stocks declined with company earnings showing further deteriorations and economic data such as Q4 GDP data showing double-digit declines. Managers struggled from further weakness and volatilities of the market. They also suffered from continued outperformance of many exporter stocks over defensive and low beta stocks mainly due to the reversal of the Yen's strengthening trend. Some managers benefited from short-biased positions and selective long positions in oversold stocks.

Credit Suisse/Tremont**Managed Futures Index (USD)**

Data from Jan. 1994 to Feb. 2009

Current Month	-0.16%
Avg Month	0.63%
Best Month	9.95%
Worst Month	-9.35%
Monthly Standard Deviation	3.42%
Annualized Standard Deviation	11.85%
Sharpe Ratio	0.28

Managed Futures

Managed Futures managers posted mixed returns in February, ending the month down slightly overall. Most medium and long-term trend followers posted positive returns. Most of the gains were from short positions on equities and grains, as markets sold off by 10% or more during the month due to the weakening global economy. Managers also profited from long US Dollar positions versus other currencies. The gains in equities, agriculture, and currencies were partially offset by losses in shorts in energy as major energy prices rallied during the last week of February. Managers seem to be reducing their long bond positions and adding to currencies and commodities.

February was a quiet month for multi-strategy funds as they ended the month flat on average. Fundamentals are still absent from the market and managers are relying on technical and pattern-recognition models to generate profits.

The high volatility environment was generally favorable for high frequency managers. Managers posted mixed returns that were skewed quite differently depending on the positioning and their models.

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