



FOR IMMEDIATE RELEASE

For further information contact:

Alexander Smith-Ryland

Hennessee Group LLC

Smithryland@hennesseegroup.com

212-857-4400

HEDGE FUNDS PRODUCE POSITIVE RETURN OF +0.69% IN OCTOBER

Hedge Funds See Bush Victory as Positive for Stocks, Negative for Bonds

November 8, 2004 - New York, NY -- Hedge funds produced a positive return of +0.69% in October, bringing the 2004 year to date return to +3.34% for the Hennessee Hedge Fund Index. The broad market indices were mixed for the month, as the S&P 500 DRI Index climbed +1.53% (+3.05% YTD), the Dow Jones Industrial Average fell -0.52% (-4.10% YTD), and the NASDAQ Composite Index gained +4.12% (-1.41% YTD).

“Our research conversations with hedge fund managers indicate they believe there will be trading opportunities in the fourth quarter since a Bush victory was positive for stocks, but negative for bonds,” stated Charles Gradante, Managing Principal of Hennessee Group LLC. **“However, any near term increase in equity market exposure will probably be short lived as equity hedge fund managers believe valuations are reasonable, but 2005 earnings expectations have yet to be adjusted downwards in line with the revised GDP due to the oil issue.”**

The **Hennessee Telecom and Media Index** was the top-performing index in October, with a return of **+2.05% (-3.68% YTD)**. The technology rally in October moved investors to take more risks and invest in higher beta names. The second best performer for the month was the **Hennessee Macro Index** with a return of **+1.80% (+0.11% YTD)**. Macro managers continued to benefit as the US dollar weakens and oil stays in record territory. In third position was the **Hennessee Distressed Index**, posting a return of **+1.64% (+10.73%YTD)**. October marked the fifth consecutive month of positive inflows to high yield mutual funds as the global default rate has fallen to historical lows and companies are able to refinance their balance sheets at a low cost of capital.

The **Hennessee Short Biased Index** was the worst performing strategy for the second month in a row, with a decrease of **-1.07%** (**+11.82% YTD**), but remained the year's top performer to date. Short sellers had difficulty finding opportunities as both the S&P 500 and the NASDAQ rallied in October. The **Hennessee Healthcare and Biotech Index** was the second worst performing strategy, posting a loss of **-1.04%** (**+1.47% YTD**) as the industry was affected by Merck and its recall of Vioxx. The third worst performer was the **Hennessee Convertible Arbitrage Index**, posting a return of **-0.41%** (**-0.04% YTD**) as the strategy experienced a general sell off due to rumors of redemptions putting downward pressure on the market. In the latter half of the month, increased volatility, interest rates, and tightening of credit spreads helped the strategy, but not enough to push it into positive territory.

“Despite China’s attempt to slow growth by increasing interest rates and the high probability of further rate hikes, hedge fund managers are still reluctant to conclude that this is positive for global markets. Many believe China cannot afford to slow growth significantly and therefore commodity inflation and labor deflation will continue to plague the global markets,” stated Mr. Gradante. **“Growth in China is not an objective, but a necessity, as 2 million people flee extreme poverty in the countryside each month to seek employment in the urban areas. Jobs must be created at a phenomenal rate or China may face social disorder,”** concluded Mr. Gradante.

About the Hennessee Group LLC

Hennessee Group LLC is a Registered Investment Adviser that consults hedge fund investors 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.

Description of Hennessee Hedge Fund Index

The Hennessee Hedge Fund Indices[®] are calculated from performance data supplied by a diversified group of over 730 hedge funds monitored by the Hennessee Group LLC. The Hennessee Hedge Fund Index is believed to represent at least half of the capital in the industry and 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.