



INVESTMENT ADVISORY SERVICES

Los Angeles • New York

Hedge Fund Operations Due Diligence Report
Viking Global Equities LP
Viking Global Equities III Ltd.

November 2010

Investment Due Diligence Report provided under separate cover.

Hedge Fund Operations Due Diligence Report

Firm Name:	Viking Global Investors LP		
Fund Name:	Viking Global Equities LP Viking Global Equities III Ltd.		
Style:	Equity long/short	Location:	Greenwich, CT
Review Date:	November 22, 2010	Reviewer:	[REDACTED]

Operations Score: [REDACTED]			
1. Business Management	[REDACTED]	4. Valuation	[REDACTED]
2. Trading and Investment Operations	[REDACTED]	5. Risk Management	[REDACTED]
3. Financing and Counterparty Risk	[REDACTED]	6. Investor Related Practices	[REDACTED]

Summary

Viking's team of 79 non-investment professionals effectively manages all trading and business operations best practices and meets [REDACTED] as one of the largest and oldest equity long/short hedge funds, Viking has [REDACTED] and back office infrastructure. The back office team is [REDACTED] Ms. Rose Shabert is Chief Operating Officer [REDACTED]. The vast majority of positions in the portfolio are [REDACTED]

Section 1: Business Management

Score: [REDACTED]

Viking meets [REDACTED]

The legal and compliance team [REDACTED] is led by Mr. Eric Komitee who is the General Counsel [REDACTED]. Viking has a [REDACTED] personal trading policy [REDACTED]. Generally, employees are allowed only to [REDACTED] Viking runs [REDACTED] anti-money laundering checks [REDACTED]. All soft dollar usage falls within 28(e). The manager is [REDACTED] currently registered with the Securities and Futures Commission in Japan and the Financial Services Authority in London.

All data is backed up [REDACTED]

Best Practices Comparison

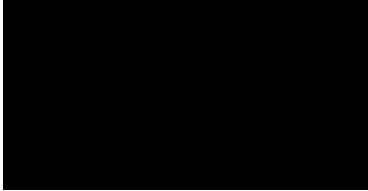
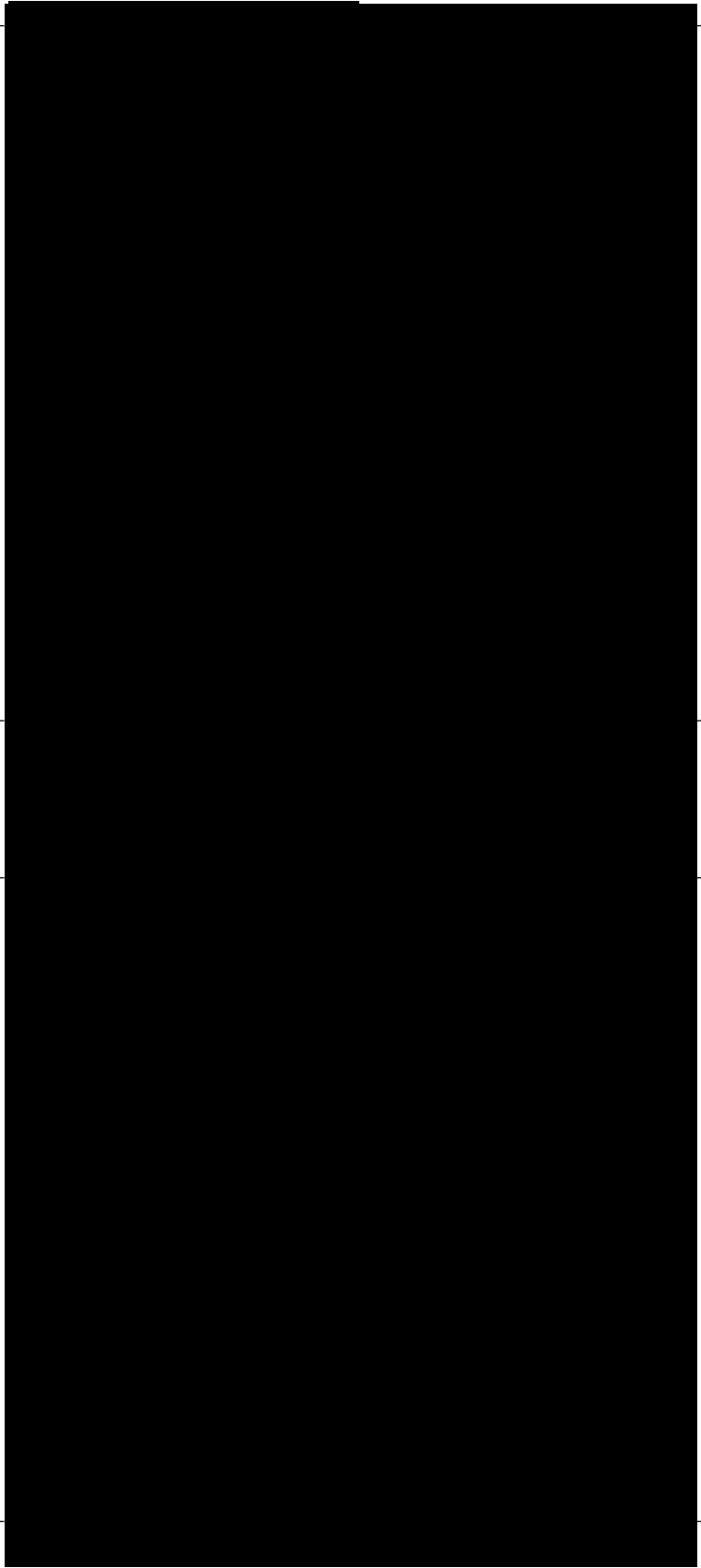
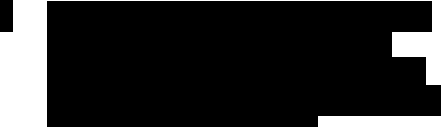
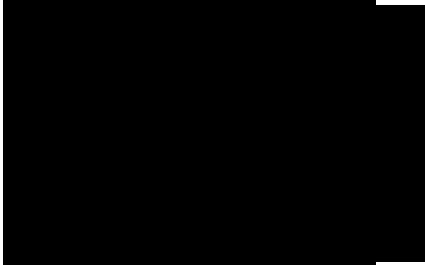
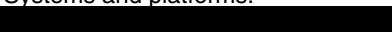
Organization and Governance		Yes	No
1	[REDACTED]		
2	[REDACTED]		

This report reflects information only through the date hereof. Our reporting relies upon the accuracy and completeness of financial and other information publicly available or provided to us by the fund manager, its professional staff, and through other references we have contacted. We have not conducted an independent verification of the information provided other than as described in this report. Our conclusions do not reflect an audit of the investment nor should they be construed as providing legal advice. Past performance does not guarantee future performance. The information contained herein is confidential commercial or financial information, the disclosure of which would cause substantial competitive harm to you, Cliffwater LLC, or the person or entity from whom the information was obtained, and may be protected from disclosure by applicable law.

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Compliance	
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Investor Protections	
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Disaster Recovery	
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Background

Criteria	Cliffwater Comments
Firm structure: [Redacted]	[Redacted]
Fund structure and domicile [Redacted]	
Compliance policies: [Redacted]	

<p>Specific policies:</p> 	
<p>Legal proceedings</p> 	
<p>Regulatory authorities:</p> 	
<p>Systems and platforms:</p> 	

IT staff size and turnover:	
Backup procedures:	
Business continuity and disaster recovery	
Insurance coverage:	

Section 2: Trading and Investment Operations

Score:

Viking meets [REDACTED]
[REDACTED]

[REDACTED] serves as the fund administrator. [REDACTED] serves as the custodian and [REDACTED] serve as prime brokers. The law firms of [REDACTED] are retained to advise the funds as needed.

The fund executes [REDACTED] trades a day on average and all trading is [REDACTED] approximately [REDACTED]. The vast majority of the portfolio [REDACTED] is in [REDACTED] is the primary order management system and the Viking back office will [REDACTED]

Best Practices Comparison

Outside Service Providers		Yes	No
28	[REDACTED]		
29	[REDACTED]		
30	[REDACTED]		
Infrastructure			
31	[REDACTED]		
32	[REDACTED]		
33	[REDACTED]		

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Trading Practices	
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Core Accounting Processes	
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Cash, Margin, and Collateral Management	
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Entity and Contact	Onshore	Offshore
Prime Broker		
Administrator		
Audit		
Legal		
Tax		
Other (including custodian if not PB)		
Changes in providers (3 yrs)		
Any issues encountered in audit of firm or its products?		

Criteria	Cliffwater Comments
[REDACTED]	[REDACTED]
Control structure and oversight	[REDACTED]
Trading team: [REDACTED]	[REDACTED]
Types of securities traded	[REDACTED]
Trading practices: [REDACTED]	[REDACTED]
Trade flow process: [REDACTED]	[REDACTED]
Trade confirmation and reconciliation: [REDACTED]	[REDACTED]
Specialized groups	[REDACTED]
Reconciliation process with administrator: [REDACTED]	[REDACTED]
Cash movements: [REDACTED]	[REDACTED]

Section 3: Financing and Counterparty Risk

Score: █

Viking meets [REDACTED]

The fund's primary sources of financing are [REDACTED]. All the prime brokers are US registered broker dealers and no prime broker has more than [REDACTED] of the assets. The fund currently has ISDAs in place with [REDACTED]

Best Practices Comparison

Financing and Counterparty Risk		Yes	No
57			
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Background

Criteria	Cliffwater Comments
Sources of financing: [REDACTED]	
Counterparties and terms of arrangements: [REDACTED]	
Prime broker financing: [REDACTED]	
Repo agreements [REDACTED]	

ISDAs	
Other (i.e. CDOs, debt offerings, etc.)	

Section 4: Valuation

Score:

Viking meets [REDACTED]

The valuations are reviewed and approved by [REDACTED]

The manager also has a [REDACTED] written valuation policy [REDACTED]

[REDACTED]

Best Practices Comparison

Valuation Personnel		Yes	No
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Valuation Policy			
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Pricing Sources and FAS 157 Companies			
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Positions with No Readily Ascertainable Market Value	
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Valuation Committee	
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Background

Criteria	Cliffwater Comments
Month end closing process [Redacted]	[Redacted]
Valuation of exchange traded (level 1) assets: [Redacted]	
Valuation of OTC / illiquid instruments / private placement (level 2 and 3) assets [Redacted]	

Section 5: Risk Management

Score:

Viking meets [REDACTED]
[REDACTED] Liquidity risk is very low because the manager trades almost exclusively in large-cap equities. The manager also has several risk limits including position level limits that a long position can never be more than 8% of the portfolio and a short can never be more than 5% on a cost basis. In addition, the net leverage has historically always been between [REDACTED] and the gross leverage has never exceeded [REDACTED].

Best Practices Comparison

Structure		Yes	No
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Risk Manager			
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Risk Limits and Testing			
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Leverage and Liquidity Risk	
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Background

Criteria	Cliffwater Comments
Structure of risk management group: [Redacted]	[Redacted]
Liquidity risk and funding: [Redacted]	

Section 6: Investor Related Practices

Score: [Progress Bar]

Viking meets [Redacted] The PPM details [Redacted]
[Redacted]

Investors receive a weekly estimate [Redacted] and a monthly estimate of performance [Redacted]. Investors also receive [Redacted] a quarterly letter.
[Redacted]

Viking's financial statements are audited by [Redacted] and audited financial statements are sent to investors within 120 calendar days of the fiscal year end, which is December 31st for the onshore funds and June 30th for the offshore funds.

Best Practices Comparison

Initial Disclosures		Yes	No
137	[Redacted]		
138	[Redacted]		
139	[Redacted]		

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Fees and Expenses	
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Ongoing Information Provided to Investors	
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Financial Statement and Tax	
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Investor Terms	
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Background

Criteria	Cliffwater Comments
<ul style="list-style-type: none"> Quality and frequency of reporting 	

Criteria	Cliffwater Comments
Fund financial and tax statements: <div style="background-color: black; width: 200px; height: 40px; margin-top: 5px;"></div>	

Meeting History

Date	Location	Cliffwater Attendees	Manager Attendees
November 22, 2010	Greenwich, CT		
December 3, 2010	Conference Call		

Appendix: Glossary

Administrator	A service provider such as Citco or International Fund Services that handles administrative responsibilities such as calculating the fund’s NAV on a monthly basis, sending the investors performance reports, and maintaining the official books and records of the fund.
Fair Value (FAS 157)	FASB Statement No. 157, Fair Value Measurements (“FAS 157”), defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” Cliffwater reviews valuations according to the Fair Value hierarchy established by FAS 157, the three levels of which are described below.

Level 1 assets	Liquid assets with readily observable prices, and therefore a reliable market value. Level 1 assets typically include stocks, bonds, mutual funds, and any other assets that have a regular “mark to market” pricing mechanism.
Level 2 assets	Assets with a value based on market inputs that are not directly observable on a central exchange. These assets are often priced via quotations from dealers. An example of a level 2 asset is a credit default swap which is typically priced via indicative quotations from broker dealers.
Level 3 assets	Illiquid assets with a value that cannot be determined by observable measures. The fair value of a level 3 asset can only be estimated by using significant assumptions as inputs to the valuation model. Mortgage-backed securities are an example of this type of asset.
Leverage	<p>The use of explicit debt (i.e. borrowing) or implicit debt (i.e. derivatives) to achieve investment positions that exceed invested capital (NAV), thereby amplifying return but also increasing risk. A common leverage calculation is the ratio of gross notional exposure to invested capital. For example, a \$100 investment in BP stock coupled with a \$100 short sale of Exxon stock yields gross notional exposure of \$200. Leverage in this example can be described in at least two ways:</p> <ol style="list-style-type: none"> The portfolio has 200% gross exposure (equal to \$200 gross notional exposure divided by \$100 NAV) The portfolio is one time (1x) levered (equal to \$100 in debt divided by \$100 NAV) <p>As illustrated in the example, the \$200 gross notional exposure equals the absolute value total of both \$100 long (“gross long”) and \$100 short (“gross short”) asset exposures. The measurement of gross notional exposure varies by asset class:</p> <ul style="list-style-type: none"> <i>Equities</i> – the market value of long and short positions <i>Corporate Debt and Municipal Bonds</i> – the market value of long and short positions <i>US Treasuries (and other highly rated government debt)</i> – the market value of long and short positions, adjusted to a 10 year bond equivalent maturity (approximate 9 year duration), so that a \$100 exposure to a 2 year duration bond is recognized as a lower risk compared to a \$100 20 year duration bond. The \$100 3 year duration bond is said to have a \$33 10 year bond equivalent exposure (\$100 times 3, divided by 9) while the \$100 20 year duration bond is said to have a \$222 10 year bond equivalent exposure (\$100 times 20, divided by 9) <i>Options</i> – the delta adjusted exposure rather than the total notional value of the underlying reference asset. Delta adjusted exposure represents the implied shares/holdings necessary to hedge the options position <i>Credit Default Swaps</i> – total notional exposure of the underlying reference credit <i>Interest Rate Swaps</i> – total notional exposure (expressed as 10-year bond equivalent, per the duration adjustment process described above) to reference security or index <i>Futures/Forwards</i> – total notional exposure to reference security or index
Net Asset Value (NAV)	A fund’s total assets less total liabilities.
Notional Exposure	The total dollar exposure represented by a position. Due to leverage, this amount may be greater than the equity in the position. For example, a CDS contract offering \$1 million of protection has a notional value of \$1 million even though the cost of the contract itself is likely to be a small fraction of that amount.
Gross Long	The total notional exposure of all long positions in a portfolio. Long positions benefit from increases in securities prices.
Gross Short	The total notional exposure of all short positions in a portfolio. Short positions benefit from decreases in securities prices.
Net	The difference between a portfolio’s gross long and gross short exposures. A net long position indicates a higher portion of long positions in the portfolio, and that the portfolio should generally benefit from an increase in asset prices. A net short position indicates the opposite.
Total Gross	The sum of a portfolio’s gross long and gross short exposures.
Operations Score	A measure of how well the firm meets best practice standards on a scale of A (meets all best practice standards) to F (does not meet several best practice standards). A rating of “C” or lower indicates Cliffwater believes the firm’s departure from best practices could hurt returns or lead to the misappropriation of firm assets.
Prime Broker	A prime broker custodies assets, provides settlement services, facilitates the borrowing of securities for short positions, and may provide performance reporting for hedge funds. JPMorgan, Goldman Sachs, Morgan Stanley and UBS are large prime brokers.
Side Pocket	A segregated portion of a portfolio that may be used to hold illiquid, less frequently priced

	securities. Once a holding is placed in a side pocket, only current investors participate in its performance. Subsequent investors do not share in the gains/losses associated with assets previously placed in side pockets. Performance fees are paid when side pocket investments are realized. Assets placed into side pockets are not available for withdrawal until the investments are realized.
Soft Dollars	Commission credits from trading securities that can be used to pay for research or other services that brokers provide to hedge funds and that are intended for the benefit of investors. Most funds operate under the SEC 28e safe harbor rules that restrict soft dollar use to research only.
Unencumbered Cash	Unencumbered cash is equal to cash holdings less margin requirements.