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HEDGE FUND WORKING GROUP FOCUSES ON VALUATION AND RISK MANAGEMENT STANDARDS

The Hedge Fund Working Group (HFWG) has today published its best practice standards for hedge fund managers following widespread consultation with the industry and other interested parties.

The body of voluntary standards includes recommendations for managers to adopt an independent process for valuing portfolios and to put in hand robust governance of funds. In each case this is to handle conflicts of interest between managers and investors. The report also recommends enhanced disclosure to investors and that managers should have a comprehensive framework to manage risk - an important area in the context of financial stability.

The HFWG, comprising 14 leading hedge fund managers based mainly in London, was set up last year in response to concerns both about the growing impact of hedge funds and financial stability. The standards aim to address these and other issues through increased disclosure to investors and other counterparties.

Sir Andrew Large, chairman of the HFWG, said:

“Our final report is the result of extensive consultation within the financial industry which has helped us to refine the standards and in some important respects make them more rigorous.

“Now it is up to investors to help take this forward. This is a voluntary, market-led initiative based on disclosure. It is the investors who can provide the market discipline to ensure these standards are widely adopted.”

Compliance with the hedge fund standards will be voluntary and will operate on a ‘comply or explain’ basis.

A new Hedge Fund Standards Board (HFSB) is being set up to act as custodian of the standards. The trustees of the HFSB will be responsible for updating the standards in the future and also for encouraging convergence to take place with the similar initiative currently being taken by the President's Working Group in the US.

Members of the HFWG will initially act as interim trustees of the new HFSB and Sir Andrew Large as interim chairman until permanent trustees are appointed.

Christopher Fawcett, chairman of The Alternative Investment Management Association (AIMA), will become a trustee of the HFSB. AIMA will also have a key role developing aspects of the recommendations included in the report and in acting as a channel for guidance for the industry as well as consultations on future changes.

ENDS

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Notes to editors:

1. The HFWG report can be downloaded and information about the Hedge Fund Standards Board found at www.hfsb.org.
2. The HFWG was set up in July 2007 to address issues raised about financial stability by the G8 and the Financial Stability Forum as well as other concerns about the hedge fund industry. The terms of reference of the working group were to explore a range of issues covering in particular valuation, disclosure of financial information and risk management.
3. The working group has consulted widely with interested parties in the industry, its investors and suppliers. More than 75 written submissions were received and 26 oral sessions held during the two month consultation period.
4. The 14 members of the HFWG are :

Brevan Howard - Nagi Kawkabani, Co-CEO
Brummer & Partners- Klaus Jäntti, CEO
Centaurus Capital - Bernard Oppetit, CEO
Cheyne Capital - Stuart Fiertz, President
CQS - Michael Hintze, CEO
Gartmore - Jeffrey Meyer, CEO
GLG - Manny Roman, co-CEO
Lansdowne Partners - Paul Ruddock, CEO
London Diversified - Rob Standing, Founding Partner
Man Group - Stanley Fink, Deputy Chairman
Marshall Wace - Paul Marshall, Chairman
Och-Ziff Capital Management - Michael Cohen, Managing Partner, CIO of Europe
RAB Capital - Michael Alen-Buckley, Chairman
Sloane Robinson - George Robinson, Founding Partner

5. London is the dominant centre for hedge fund management in Europe. According to EuroHedge, UK-based hedge fund managers had \$415 billion of assets under management at end-June 2007. This represented nearly four-fifths of the \$539bn billion total managed or invested in Europe.