

Media release

SFA “Alternative Investments” specialist committee media event

Alternative investments pass the stress test

Zurich/Geneva, 8 May 2008 – Alternative investments, and hedge funds in particular, remain the subject of much debate. Despite the possibility of short-term losses, hedge funds have held up well in periods of market turbulence, both in the past and at present. They are suitable for portfolio diversification, reduce the volatility of the performance of traditional portfolios and offer high growth rates. More than USD 1,700 billion is currently invested in hedge funds worldwide, with Swiss financial institutions playing a leading role in this regard.

Hedge funds – like traditional investments – have again been at the forefront of public interest this year. The SFA “Alternative Investments” specialist committee covered the latest developments at its media events held on 8 May 2008 in Zurich and Geneva. Hans-Jörg Baumann, CEO and Chairman of Swiss Capital Group as well as Chairman of the SFA “Alternative Investments” specialist committee, gave a presentation on the committee’s objectives and activities. The committee deals with matters concerning the alternative investments sector with regard to both the regulated and non-regulated businesses, and has established itself as a recognized point of contact among financial market participants vis-à-vis the SFBC, the Swiss Federal Department of Finance and the tax authorities. The focus is above all on being able to offer investors attractive investment solutions from Switzerland, while at the same time bolstering the strong position of the Swiss financial sector in the increasingly hard-fought competitive environment worldwide.

Dr. Philippe Cottier, Member of the Board of Harcourt Investment Consulting, spoke of the importance of hedge funds as a key growth factor for the Swiss financial industry today and going forward. Switzerland currently holds a 31% market share in the global fund-of-hedge-funds industry, with around CHF 280 billion under management. The sector employs more than 3,000 people, and makes a significant contribution to gross national product and tax revenues. As part of the Swiss Financial Sector Masterplan, Switzerland’s appeal for funds of hedge funds and single hedge funds is also to be further enhanced.

Serge Cadelli, Chief Operating Officer and Chief Risk Officer of RMF Investment Management, pointed out that hedge funds have, as a rule, mastered the credit crisis relatively well thus far. With a few exceptions, hedge funds also fared clearly better than traditional investments such as equities in the first quarter of this year. Bertrand Bricheux, Head of Marketing & Business Development at UBP Alternative Investment, explained diversification and leverage controlling – two key risk management instruments for funds of hedge funds. In his outlook for the coming months, he outlined numerous opportunities for hedge funds.

Sensible and sought-after addition

Alternative investments contribute to portfolio diversification and enhance performance, while at the same time reducing volatility. Their track record and their showing in the current period of market turbulence are proof of these characteristics. However, short-term losses are possible depending on the type of product and market developments, as several hedge fund strategies can

temporarily show a positive correlation with traditional asset classes in exceptional stress situations. That said, broadly diversified hedge funds mostly withstand crises well and are given preference over concentrated portfolios or direct investments in single hedge funds in such periods. In periods of heightened uncertainty, investors tend towards capital preservation and optimize their portfolios with alternative investment strategies, in particular funds of hedge funds. The hedge fund market and the corresponding range of products are therefore enjoying strong growth. According to the Hedge Funds Research Institute (HFRI), there is more than USD 1,700 billion invested in hedge funds worldwide, with Swiss institutions accounting for a considerable portion of this figure. The volume has thus increased by more than 20% year-on-year.

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Business leaders from the key funds of hedge funds in Switzerland are represented on the SFA's "Alternative Investments" specialist committee. Together, they cover more than USD 250 billion in hedge fund assets under management. The current members are Credit Suisse, GAM, Harcourt Investment Consulting, RMF Investment Management, Swiss Capital Group, UBS and Union Bancaire Privé. www.sfa.ch/index.php?site=1&page=22

The Swiss Funds Association SFA, which was established in Basel in 1992, is the representative association of the Swiss fund and asset management industry. Its members (at the end of April 2008: 133) include all the major Swiss fund management companies and many representatives of foreign funds in Switzerland as well as institutional asset managers. The SFA's members cover more than 90% of the some CHF 600 billion in fund assets distributed in Switzerland. www.sfa.ch