

Fitch: Fund of Hedge Funds Face Large-Scale Test

Fitch Ratings-London/Paris-28 October 2008: At a time of unprecedented challenges, Fitch Ratings has today published the first issue of a Fund of Hedge Fund quarterly newsletter, discussing trends in strategies and performance, capital markets developments and key industry issues.

Leading into the current capital markets crisis, rapid growth in FofHFs has been accompanied by a marked increase in the number of organizations offering FofHF investment products. This year, however, presents the first large-scale test for institutional FoHF investors and managers.

In addition to its FoHF manager ratings and related research, Fitch identified the opportunity to add value to the investor community via a quarterly industry piece. For the inaugural newsletter, Fitch discusses, among others:

- FofHFs poor returns arising from rising correlations and reduced liquidity
- Lehman default and its implications for FofHF prime brokerage operations
- Redemptions and the potential liquidity mismatch for FofHF
- Other industry strategic challenges

Fitch issues FoHF manager ratings to provide an independent assessment of manager capabilities with particular focus on the specialized resources, expertise, decision-making, risk management and portfolio management processes needed to provide effective FoHF management.

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