



Hedge fund community worries about planned financial regulatory reform according to RSM McGladrey survey

Survey respondents confident that current economic conditions present more investment opportunities than challenges

WASHINGTON, D.C., June 25, 2009 – Portfolio managers and executives of U.S. hedge funds believe the industry can survive this period of economic turmoil but the overriding concern, by a three-to-one margin, is that the government will go too far in its financial regulatory reform plan and stifle the market.

These opinions are part of a new report published by RSM McGladrey which surveyed the hedge fund industry to determine how they are dealing with the effects of the recession. RSM McGladrey, together with CPA firm McGladrey & Pullen, is the nation's fifth largest accounting, tax and business consulting firm.

"Respondents are concerned that excessive regulation may result from President Obama's June 17 announcement of planned regulatory reform that would include a requirement that hedge fund advisors register with the SEC and adhere to new requirements for record keeping, disclosure and reporting," said Jeffrey Yager, co-leader of RSM McGladrey's financial services practice.

The survey also indicated openness to more regulation, as hedge fund managers appear ready to work with President Obama's team to craft reasonable regulation moving forward.

When asked if they believed the SEC's regulatory oversight authority was sufficient, 42 percent of respondents noted that the agency needs additional authority, while 50 percent believe the SEC's oversight is sufficient but the SEC needs additional funding to be more effective.

Optimism for the Industry

The RSM McGladrey survey found that 60 percent of more than 100 respondents believe the current economic environment presents more investment opportunities than challenges. Hedge fund managers are optimistic that the market will improve late in 2009 or early 2010, providing them and their investors with new opportunities.

Cleaning up the Economic Mess

Among respondents, 69 percent express optimism that the U.S. economy will return to positive growth by the second quarter of 2010. A majority (56 percent versus 41 percent) believe that the private sector, not the public sector, will be responsible for cleaning up most of the problems in today's financial system.

Respondents pointed to declining profits, fewer worthwhile investments, redemptions and lack of access to new asset inflows, in that order, as indicators of the impact of the economic crisis on their

firms. With regard to redemptions, 65 percent of respondents expressed either major or minor concern about them. When it comes to risk taking, 56 percent of respondents said their risk appetite has declined, from a lot to a little (44 percent said they maintain the same risk appetite as before the economic crisis began).

On the other hand, 88 percent of respondents to the RSM McGladrey survey remain bullish about their ability to retain their top talent, while 87 percent note their firms are not planning to adjust their equity plans or rework their hurdle risks and 91 percent do not have liquidity concerns about their fund. Important for investors, 83 percent are not planning to seek lockup periods for new investors.

While not ignoring the wide range of evident threats to their businesses and the hedge fund industry as a whole, hedge fund managers as a group, by almost two-to-one, express optimism that the current economic environment offers more investment opportunities than challenges.

RSM McGladrey's Yager said, "Like President Obama, the hedge fund community remains optimistic about the future of the American economy and the opportunities it will present for investors and the financial services firms who allow them access to the marketplace. The hedge fund industry is likely to contribute to making the economy emerge stronger in the long run. The key is for financial professionals and government regulators to work together toward a shared goal of increased transparency and economic growth and opportunity."

Performance of Government Leaders and Institutions

Survey respondents were asked to rate key people and organizations on a 10-point scale, with 10 classified as "excellent" and 1 classified as "poor."

President Obama (61 percent) received a rating consistent with his approval numbers in recent national polls. Other noteworthy rankings include:

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| Higher poll approvals: | <ul style="list-style-type: none">• The Federal Reserve (78 percent)• Ben Bernanke, Federal Reserve Chairman (75 percent)• FDIC (78 percent)• Sheila Bair, FDIC chairman (67 percent) |
| Lower poll approvals: | <ul style="list-style-type: none">• Larry Summers, National Economic Council Director (53 percent)• Timothy Geithner, Treasury Secretary (51 percent)• OMB Director Peter Orszag (34 percent) |

Research Methodology

RSM McGladrey regularly sponsors surveys for information of value to clients and a variety of industries. RSM McGladrey commissioned Penn, Schoen & Berland Associates to conduct 102 telephone interviews between May 20 and June 4, 2009 among U.S. hedge fund portfolio managers and senior executives. The survey evaluated perceptions of the hedge fund industry regarding the impact of, and the government's reaction to the economic downturn.

More information on the RSM McGladrey Hedge Fund industry Survey is available at www.rsmmcgladrey.com/hedgefund.

About RSM McGladrey Inc.

RSM McGladrey Inc. is a leading professional services firm providing accounting, tax and business consulting. RSM McGladrey operates in an alternative practice structure with McGladrey & Pullen LLP, a partner-owned CPA firm that delivers audit and attest services. Through separate and independent legal entities, they work together to serve clients' business needs. Together, the companies rank as the fifth largest U.S. provider of accounting, tax and business consulting services (source: **Accounting Today**), with 8,000 professionals and associates in nearly 100 offices. RSM McGladrey Inc. and McGladrey & Pullen LLP are member firms of RSM International, an affiliation of independent

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About Penn, Schoen & Berland Associates

Penn, Schoen & Berland Associates, a unit of the WPP group (NASDAQ = WPPGY) is a global research-based consultancy that specializes in messaging and communications strategy for blue-chip political, corporate and entertainment clients. We have over 30 years of experience in leveraging unique insights about consumer opinion to provide clients with a competitive advantage - what we call Winning Knowledge™. PSB executes polling and message testing services for Fortune 100 corporations and has helped elect more than 30 presidents and prime ministers around the world. More information is available at www.psbresearch.com.

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