

Media Survey



2005 Hedge Fund Media Survey:

The Media's Perspective on Major Issues & Trends

Global Capital Practice Group

Walek & Associates
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Media Survey



Introduction

Journalists have a profound impact on today's financial markets. From disseminating news and investigating scandals, to presenting analysis and forecasting terrain ahead, professional journalists report on and influence the global financial markets every day.

So what do these journalists think about hedge funds?

Following our groundbreaking survey in 2002, Walek & Associates' Global Capital Practice Group revisited the world's most influential financial journalists to ask for their latest thoughts on one of the most influential and controversial elements of today's markets — hedge funds. We asked 30 randomly selected journalists in the US, Canada and United Kingdom their thoughts about hedge funds — from today's headlines to bigger picture trends. We asked if they see another Long-Term Capital Management on the horizon. If the SEC is doing enough, or too much, to protect investors. And, once and for all: Who's smarter about the markets, hedge fund or mutual fund managers.

Our findings are sure to provoke questions and soul searching among the hedge fund industry and media alike.

Conducted in June 2005 when markets were rife with rumors of hedge fund troubles, the survey reveals many surprising and insightful trends that are crucial for anyone involved in the industry.

The following pages present the findings of Walek's 2005 Hedge Fund Media Survey. Also included on each page are selected observations from the press about where they think the industry is headed in the next five years.

Let us know your thoughts at HFSurvey@walek.com

Thomas Walek, President, Walek & Associates
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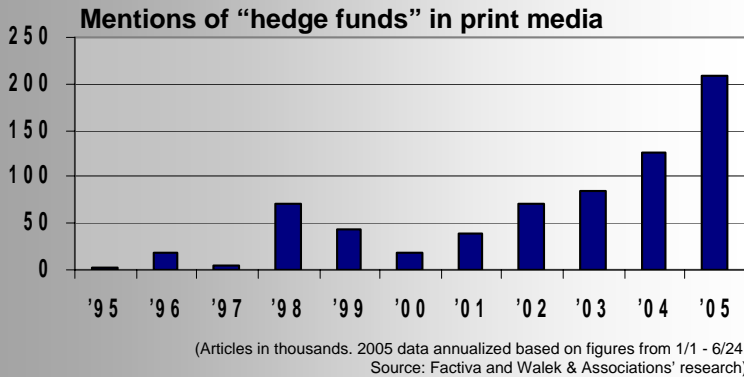
Executive Summary

- Media coverage of hedge funds has exploded in the last three years.
- The number of journalists who think the hedge fund industry is growing too fast has increased to 47%, from 32% in 2002.
- A majority of journalists now believe hedge funds exacerbate stock market swings.
- 61% of journalists think new US regulations of hedge funds will help protect investors.
- More journalists think hedge fund expenses are too high (41%) and fewer believe fund-of-funds are better investments than single manager funds (42%).
- 100% of journalists surveyed think hedge fund managers are smarter about the markets than mutual fund managers.
- While the media used the words “hedge funds” and “blow-up” together in articles two or three times as often today as they did three years ago, the percentage who expect a major hedge fund blow-up declined.

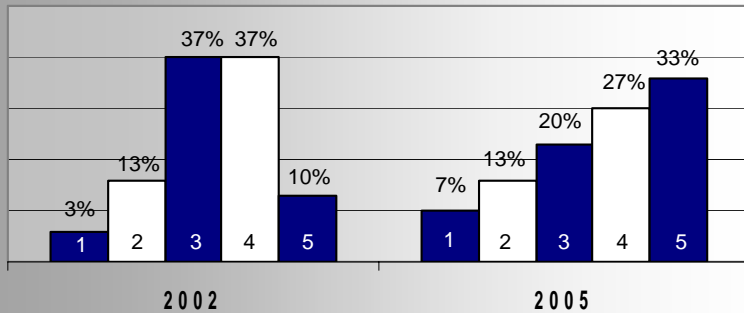
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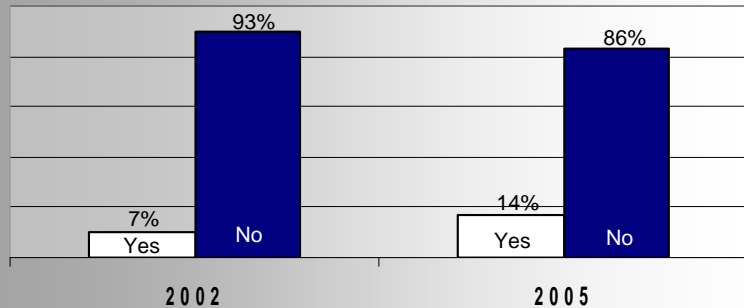
MORE INK, BETTER UNDERSTANDING



On a scale of 1-5 (5 being highest), how would you rank your understanding of hedge funds?



Do you believe that most investors understand hedge funds?



FINDINGS

- Volume of media coverage of hedge funds in 2005 is set to be the biggest ever for the third consecutive year.
- Journalists said they understand hedge funds better now than three years ago.
- Journalists said investors understand hedge funds better now than they did three years ago, but an overwhelming majority continue to believe investors do not.

ANALYSIS

The media is more interested in hedge funds than ever, reflecting a growing audience for hedge funds, a swelling media appetite for hedge funds, and the growing use of the media by hedge funds to build brands and attract assets. But the industry has far to go to educate investors.

Hedge funds in 2010

"Fewer hedge funds, but 50% more money."

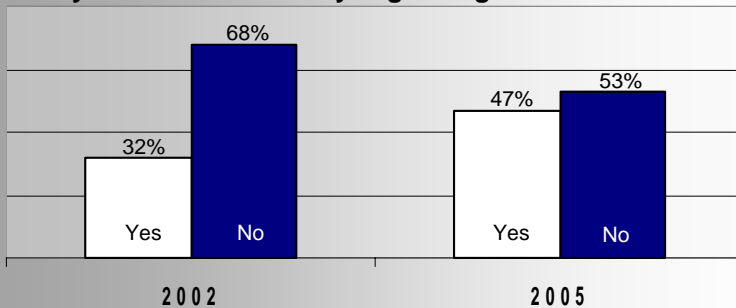
- Journalist

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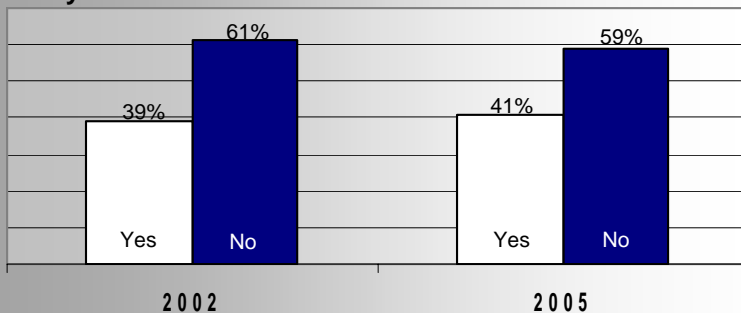


GROWTH, BUBBLES & VOLATILITY

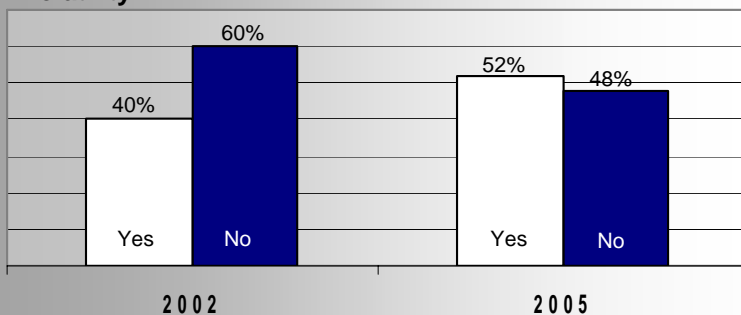
Do you think the industry is growing too fast?



Do you believe there is some kind of “bubble?”



Do you believe hedge funds exacerbate stock market volatility?



FINDINGS

- There was a 46% increase in the number of reporters who said that the hedge fund industry is growing too fast, though 59% do not see this growth as a bubble.
- A majority of reporters now believe hedge funds exacerbate stock market volatility.

ANALYSIS

As reporters witness the growth of the hedge fund industry, they increasingly believe the industry is growing too fast and that hedge funds themselves are having a greater impact on the stock market.

Despite concerns in the broad investment community that the growth of the hedge fund industry represents a “bubble,” reporters have stayed firm in the belief that it is not.

Hedge funds in 2010

“Less wild wild west.”

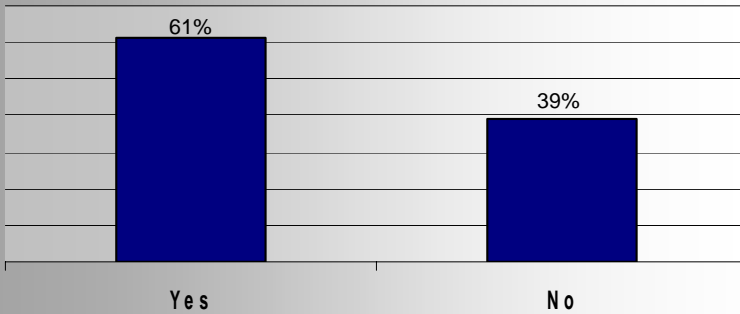
- Journalist

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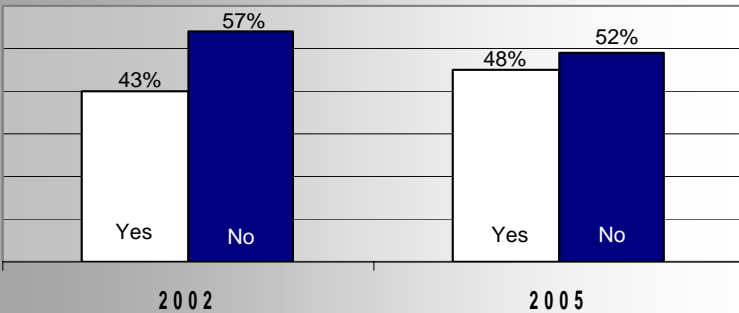


REGULATIONS & THE RETAIL MARKET

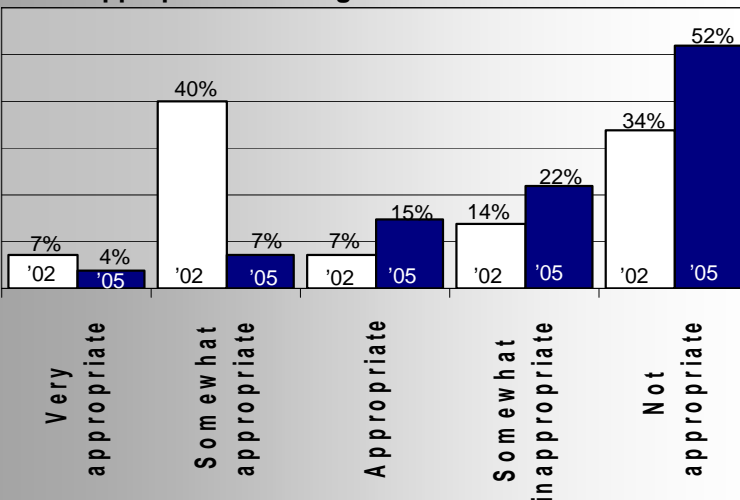
Do you believe investors will be better protected when SEC registration rules go into effect in 2006?



Are hedge funds adequately regulated?



How appropriate are hedge funds for retail investors?



FINDINGS

- 61% of the media said “investors will be better protected” when new SEC registration requirements go into effect in 2006.
- 52% don’t believe hedge funds are adequately regulated.
- 74% think hedge funds are inappropriate for retail investors, up from 48% in 2002.

ANALYSIS

Despite new regulations — and the belief among journalists that these regulations will help protect investors — the media increasingly feels that hedge funds and retail investors don't mix.

Hedge funds in 2010

“Everyone will want a piece of the action.”

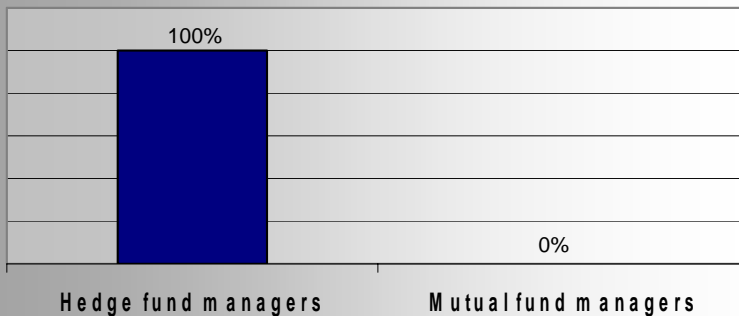
- Journalist

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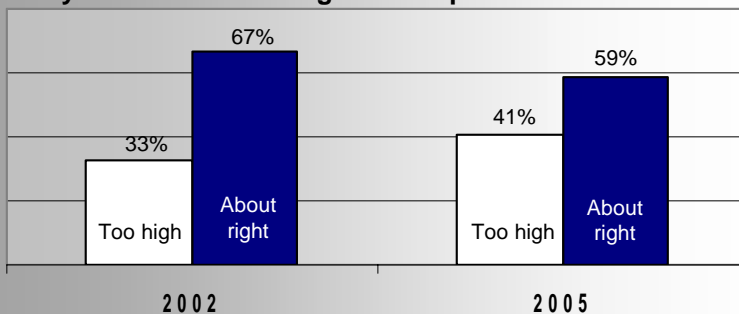


HEDGE FUNDS SMART, BUT EXPENSIVE

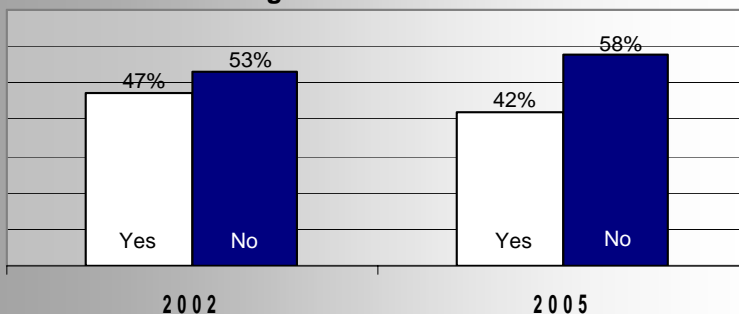
Who's smarter about the markets?



Do you believe that hedge fund expenses are:



Do you believe fund-of-hedge funds are better investments than individual hedge funds?



FINDINGS

- 100% of survey respondents think hedge fund managers are smarter about the markets than mutual fund managers.
- 41% of journalists today think hedge fund expenses are “too high,” up from 33% in 2002.
- The media increasingly believes that single manager funds are better investments than fund-of-funds.

ANALYSIS

A growing number of journalists said that hedge fund expenses are too high, and that typically less expensive, single manager funds are better investments than fund-of-funds.

While the media resoundingly believes hedge fund managers are smarter than their mutual fund competitors, it's not enough to convince them that their fees are appropriate.

Fund-of-funds have an even steeper hill to climb with the press, given reporters' beliefs that they are less desirable investments than single manager funds.

Hedge funds in 2010

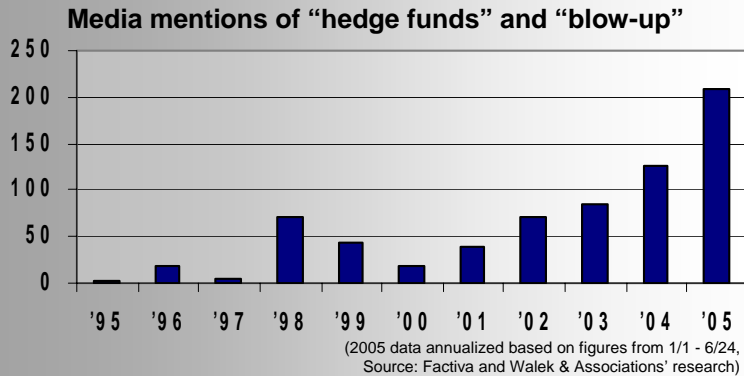
“Less mystique.”

- Journalist

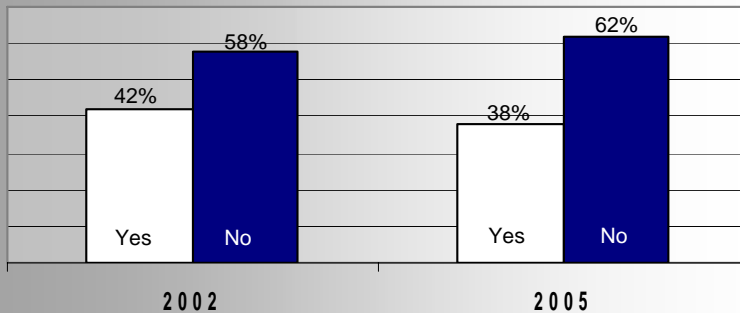
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BLOW-UPS



Do you expect another major hedge fund blowup similar to that of LTCM?



FINDINGS

- Media mentions of “hedge funds” and “blow-up” surpassed the 1998 spike that Long-Term Capital Management (LTCM) generated in 2003. This year, the media is on track to produce twice as many articles on the issue.
- By a slight margin, reporters said the risk of an LTCM-like blow-up declined since 2002, though 38% see one coming.

ANALYSIS

Despite turning out a high volume of articles, reports, broadcasts and other mentions of hedge funds in recent years – many discussing the possibility of a hedge fund “blow-up” – two-thirds of the media don’t see a major collapse on the horizon.

Hedge funds in 2010

“Going to be a shakeout.”

- Journalist

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Methodology

Walek & Associates' Global Capital 2005 Hedge Fund Media Survey questioned 30 professional journalists in June 2005. Respondents represented a mix of journalists from newswires, newspapers, business periodicals, newsletters and Internet-based media serving institutional investors, high-net-worth investors, retail investors and intermediaries.

Interviews were conducted via telephone during which 16 questions were asked and responses recorded on an anonymous basis. Total responses to each question were compiled and percentages calculated. Not all journalists answered all questions and some questions allowed multiple answers. Percentages are based on total number of responses to each question.

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