



100 Times a Day: Hedge Funds and the Media

Alternative View

March 2006

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Walek & Associates is the leading independent public relations firm serving the global hedge fund industry and the fifth-largest and fastest-growing independent public relations firm in the U.S. serving corporate and financial clients. www.walek.com

Services for traditional and alternative asset management firms include: brand and visibility programming, media relations, M&A, supporting portfolio positions, media and presentation training, investor relations, speaking platforms and crisis management.



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INTRODUCTION

"I'm with you on the free press, it's the newspapers I can't stand"

Night and Day
Tom Stoppard

Hate them or love them, the world's press is as much a part of today's hedge fund landscape as institutional investors and compliance officers.

Once happy to be cloaked in secrecy and viewed as unregulated, hedge fund executives today face bright transparency, mounting regulation and an unrelenting media that can't wait to talk to and about hedge funds.

Reflecting the growing influence and transparency that hedge funds command, the media are pumping out copy at a record rate – nearly 40,000 articles in 2005, up more than 40 percent from the year before and nearly 20 times the number of articles published 10 years ago.

This is no accident, nor is it caused by any accident of the blowing-up kind. In fact, the latest record of media mentions of hedge funds came in a year when performance was nothing to talk about. Clearly, talk about lack of performance and its impact on fund flows was part of the high media score in 2005, as was the Spring 2005 fling speculating on the proverbial next "big blow-up" linked to the evaporating credit ratings of U.S. automakers.

As important, however, is the front-chair status of hedge funds in just about every financial deal, articles about the migration of institutions to the land of alpha, the growth of the global hedge fund business and a greater willingness (or is it just throwing in the towel?) on the part of hedge funds to accept the press' attention.

The following pages document the love-hate relationship between hedge funds and reporters in 2005 and over the last decade, and postulate about what's next.

The media is the message and the message for hedge fund managers about the media should be clear - You can hate them, you can love them, but you can't ignore them...and you better manage them.

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EXTRA! EXTRA!

Ink and electrons flowed by the barrel in 2005 as global media pumped out a record 39,989 articles mentioning hedge funds (Chart 1). That's more than 100 articles every day.

That's also 43 percent above the previous record set the year before and nearly twice the 2003 level, which for its time also was a record.

And no overnight sensation, this. Rather, allowing for a huge spike in press coverage in 1998 related to the Long-Term Capital blow-up, the media's relationship with hedge funds can best be seen as a blind date that has blossomed into a torrid affair.

The media's infatuation with hedge funds reflects the growing influence of the industry in every corner of business and finance. Look behind any deal headline today and you are likely to find at least one hedge fund.

"Hedge Funds" in the Media

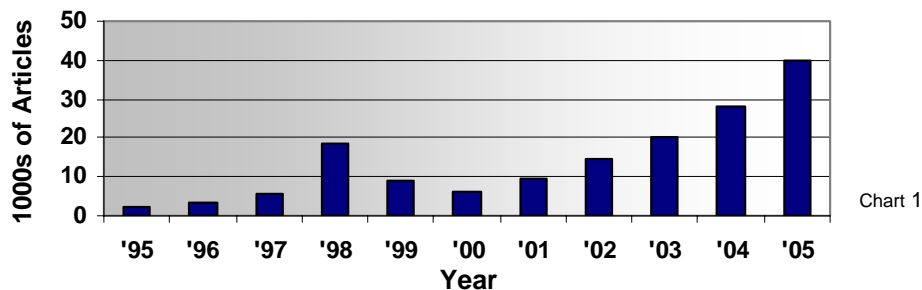


Chart 1

It also reflects a finding of our last report ("2005 Hedge Fund Media Survey," Walek & Associates) when every journalist surveyed told us that hedge fund managers are smarter about the markets than mutual fund managers.

Viewed in this light, journalists are doing their job – writing about where the action is and talking to the smartest people on the block.

But is this just a one-sided affair? We don't think so.

As hedge funds go from cowboys to the corner office, concepts like transparency, brand and credibility are much on the minds of hedge fund executives. Faced with an onslaught of media attention, hedge funds are increasingly taking it upon themselves to offer something more than "no comment" when a reporter calls.

The smartest hedge funds are managing the media's attention, even to the point of figuring out ways to make the experience mutually beneficial. Now there's a story.

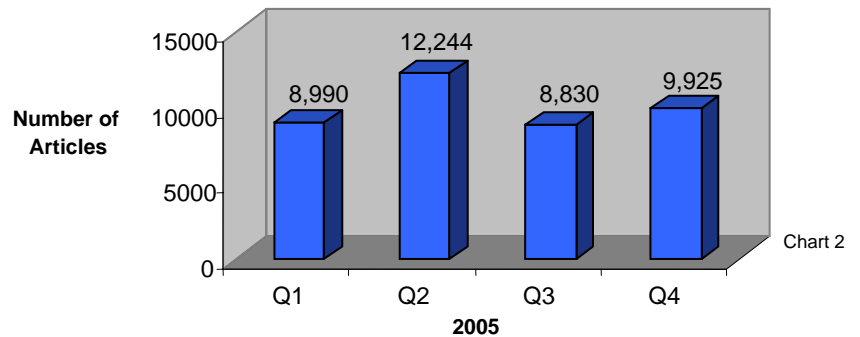
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BREAKING NEWS

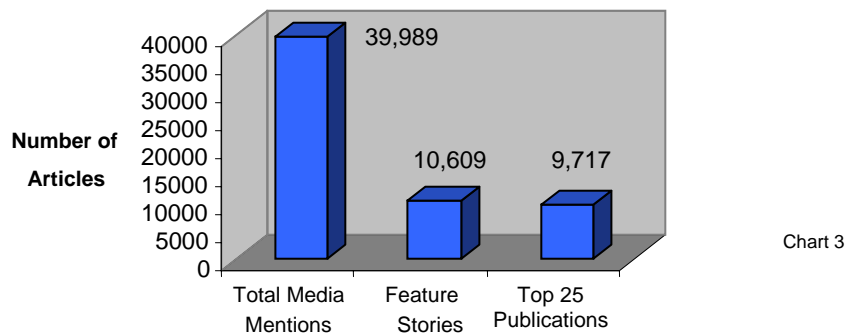
2005 was a record-setter for media writing about hedge funds. Breaking out the numbers reveals other newsworthy facts.

Quarterly Media Mentions of “Hedge Funds”



The second quarter dominated the 2005 calendar (Chart 2), reflecting an intense focus on hedge funds and possible blow-ups linked to the May 2005 announced downgrade of GM and Ford and the subsequent impact on global markets.

2005 Breakdown by Feature Story and Top 25 Publications



More than one-quarter of 39,989 articles posted in 2005 were “feature stories” in which “hedge funds” appeared in either the headline or the first paragraph of the article (Chart 3).

And it’s not just trade publications and newsletters doing the writing. Of the 39,989 total hedge fund articles last year, 9,717 were published in the world’s top 25 publications (Chart 3).



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So will the affair between hedge funds and the media continue?

Yes. Hedge funds are just growing into the role of activist shareholders and as that impacts public companies and markets, the attention to hedge funds will grow. Also, the convergence of traditional asset management and hedge funds and private equity and hedge funds seems to be just beginning. These trends together with performance, new funds, fund flows and new investors suggest that increased media attention on hedge funds will continue in 2006.

Add to that the recently enacted U.S. Securities and Exchange Commission regulations requiring managers to become Registered Investment Advisors and the prospect for an even brighter media spotlight on hedge funds in 2006 appears certain. One effect of the new regulations is a loosening of restrictions that have constrained hedge funds from marketing themselves. While the legal door is now open for more marketing by hedge funds, it remains to be seen which managers will seize this historic opportunity to build their businesses.

There will certainly be more to this story.

In the meantime, here is what hedge fund executives can consider today before the next press call comes:

- Understand what the press wants and how they operate
- Have your own agenda and message every time you talk to a reporter
- Build and maintain relationships with key media
- Try to avoid "no comment"
- Assume everything is "on the record"



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METHODOLOGY

Research used in this study was primarily obtained from Dow Jones Reuters Business Interactive LLC ("Factiva"). A comprehensive search was conducted in late January 2006 for the term "hedge funds" in articles published between 1 January 2005 and 31 December 2005 and similarly for previous years.

Using the same time period and keywords, a search was conducted for the subset "Features," defined as all articles with the term "hedge funds" appearing in the headline or first paragraph.

Using identical parameters, a search was conducted for the subset "Top 25 Publications," defined as all articles with the term "hedge funds" appearing in one of the following:

| | |
|----------------------------|---------------------------------|
| <i>Associated Press</i> | <i>New York Times</i> |
| <i>Barron's</i> | <i>Newsweek</i> |
| <i>Boston Globe</i> | <i>Nikkei</i> |
| <i>Business Wire</i> | <i>PR Newswire</i> |
| <i>BusinessWeek</i> | <i>Reuters</i> |
| <i>Chicago Tribune</i> | <i>South China Morning Post</i> |
| <i>Dow Jones</i> | <i>The Daily Telegraph</i> |
| <i>Financial Times</i> | <i>The Economist</i> |
| <i>Forbes</i> | <i>The Globe and Mail</i> |
| <i>Fortune</i> | <i>Time</i> |
| <i>La Tribune</i> | <i>USA Today</i> |
| <i>Los Angeles Times</i> | <i>Wall Street Journal</i> |
| <i>New York Daily News</i> | |



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