

## Fund of Funds Managers Seeking to Enhance Transparency, Examining Fees and Service Provider Relationships

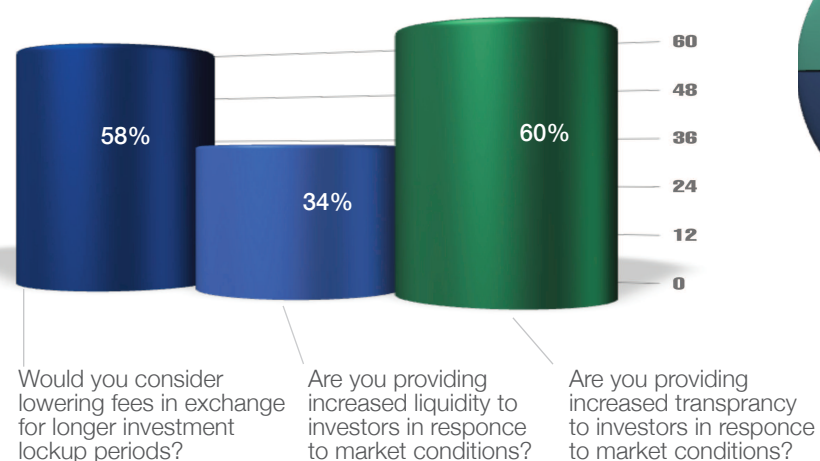
**New York, NY – May 27, 2010** – International accounting and advisory services firm Rothstein Kass ([www.rkco.com](http://www.rkco.com)) today announced the release of “Call to Action,” a survey report on key trends impacting the fund of funds sector. Results were based on online and / or telephone interviews with 103 fund of funds managers and executives representing a total of 93 companies and 294 funds. Findings suggest that the industry expects intense competition for investment capital as firms work to enhance transparency. Nearly half of survey respondents indicated that they anticipate increased competition from single-manager vehicles, and over 45 percent expect greater competition from institutional investors replicating fund of funds. As the sector confronts this challenge, 60 percent of fund of funds are providing greater transparency to investors in response to market conditions.

“The growth of the fund of funds sector was propelled by its ability to offer portfolio diversification, superior results consistent with specific risk profiles and to some extent, peace of mind. Though investor resolve was shaken by market events and high-profile incidents of malfeasance, the fund of funds industry was sustained by an institutional investment community that recognized that the fundamental benefits were unchanged by short-term market volatility,” said Howard Altman, Co-CEO and Co-Managing Principal of Rothstein Kass. “As they seek to raise new capital, however, fund of funds managers are finding that institutional investors are placing a greater emphasis on due diligence processes. By continuing to act institutional themselves, fund of funds can provide a window into their operating environment to restore investor confidence and effectively compete with single manager vehicles and fund of funds replication strategies that are more aggressively pursuing institutional assets.”

Rothstein Kass commissioned market research firm Infosurv to conduct research for “A Call to Action” to gain insight into the trends shaping the fund of funds space and the outlook for the future. 34 percent of participants’ underlying funds reported assets under management under \$50 million, with 36 percent reporting assets under management between \$50 and \$150 million. 19 percent of survey respondents indicated assets under management between \$150 and \$500 million, with the balance, 11 percent reporting assets under management over \$500 million. Survey participation included but was not limited to Rothstein Kass clients.

“The institutional investment community’s trust in the alternative investment sector has not been shattered, but it’s fair to say it has been rattled. As they work to thoroughly address the market-driven demand for greater transparency, for many fund of funds, the dynamics of the relationship have changed,” said Jeff Kollin, a Director in the Financial Services practice of Rothstein Kass Business Advisory Services<sup>SM</sup>. “Fund of funds managers also understand that they will be judged, to a greater extent, on the quality of professional relationships. As a result, alignment with reputable third-parties has become a key differentiator in the marketing of these investment vehicles.”

### Percent of Yes Responses



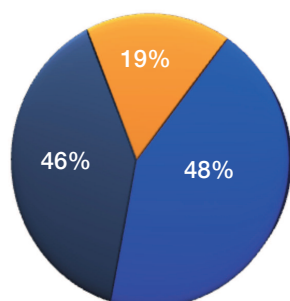
**60 percent** of respondents indicated that they are providing increased transparency in response to market conditions

**58 percent** of survey participants would consider lowering fees in exchange for longer investment lock-up periods

**34 percent** of fund of funds are providing increased liquidity in response to market conditions

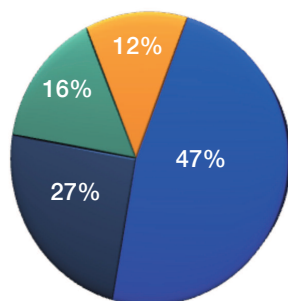
**47 percent** of respondents suggested that of existing service providers, they would be most likely to review or change their fund administrator relationship this year.

**25 percent** of participants indicated that they would be most likely to review or change their custodian, with 28 percent most likely to review or change their auditor or legal counsel.



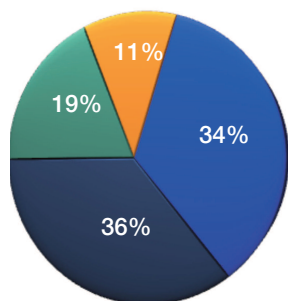
### From where do you see this increased competition coming?

- 48% Increased competition from single-manager vehicles
- 46% Increased competition from institutional investors replicating fund of funds
- 19% Increased competition from mutual funds



### Which service provider are you most likely to review/change in 2010?

- Fund Administrator 47%
- Custodian 27%
- Auditor 16%
- Legal Counsel 12%



### Size of Underlying Funds

- Less than \$50mm 34%
- \$50 - \$150mm 36%
- \$150mm - \$500mm 19%
- \$500mm or more 11%

### About Rothstein Kass:

Rothstein Kass is a premier public accounting and advisory services firm that has served privately held and publicly traded companies, individuals, and families for more than 50 years. Rothstein Kass is consistently ranked as a top CPA firm to the alternative investment industry in independent, third-party surveys. The Rothstein Kass Financial Services Group provides services to many high-profile and respected clients including hedge funds, fund of funds, private equity and venture capital funds.

Rothstein Kass Business Advisory Services, LLC professionals provide value-added and results-oriented consulting services in the areas of strategy, operations, technology, risk, compliance, dispute resolution and investigations to clients across industries. Rothstein Kass Business Advisory Services, LLC is an affiliate of Rothstein, Kass & Company, P.C., a premier certified public accounting firm serving clients for more than 50 years.

The Rothstein Kass Financial Services Advisory practice is a division of Rothstein Kass Business Advisory Services that provides independent and objective guidance on matters spanning all aspects of the client relationship. The Financial Services Advisory practice advises clients in tactical service areas including strategy, operations, technology, compliance and risk. Strategic services include infrastructure and operations, service provider evaluation, and organizational advisory. Clients include hedge fund and private equity fund managers, institutional investors, mutual funds, broker / dealers and insurance companies.

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