

NZARA

New Zealand Absolute Return Association

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PRESS RELEASE

Direct investment in hedge funds is not for the Retail Investor

The collapse of the Bear Stearns hedge funds in the United States as a result of the sub-prime lending market “credit crunch”, and the flow-on effects into the Australian hedge fund industry have highlighted the fact that hedge funds are complex and specialized investment products requiring expert investor knowledge.

Anthony Limbrick, Chairman of the New Zealand Absolute Return Association, the organization representing the New Zealand hedge fund industry says “it is the New Zealand Absolute Return Association position that retail investors should not be encouraged to invest directly in hedge funds. They do not have the resources, the understanding, nor the experience to judge whether such an investment is appropriate for their investing needs.”

Mr Limbrick says “hedge funds have a place in a well-diversified investment portfolio. It is important to understand that many hedge fund products may actually reduce portfolio investment risk”.

However Mr Limbrick believes the optimal approach to introducing this investment style into a retail investor’s portfolio is to use a reputable institution or funds management provider to create diversified exposures on the investors’ behalf, thus reducing the impact of the failure of an individual manager or managers.

“As with any business sector, there are those who thrive, and those who fall by the wayside. In order to enjoy the benefits of hedge funds, but to reduce one’s exposure to the collapse of isolated managers, or even more broad-based periods of market stress, it is important to have a well-diversified exposure run by an expert institutional team”.

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