

International Asset Management Limited

Independent specialists in tailor-made portfolios of hedge funds since 1989

Press Release

14 December 2009

Notes to Editors:

International Asset Management (IAM) is one of the oldest specialist independent fund of hedge fund investment managers in Europe. IAM was founded in 1989 and has offices in London, New York and Stockholm. Assets under Management are approximately US\$2.6bn as at end Nov 2009.

IAM offers a centre of excellence in creating and managing tailor-made segregated portfolios and proprietary commingled funds for discerning institutional and individual clients.

Contact

IAM – Liz Dawson

Tel: +44 (0) 20 7292 7253
Email: ldawson@iam.uk.com
7 Clifford Street
London W1S 2FT

Penrose – Nicolette Botbol

Tel: +44 (0) 20 7786 4828
Email: iam@penrose.co.uk
2nd Floor, 30–34 Moorgate
London EC2R 6DN

International Asset Management (IAM) 2009 Review/2010 Outlook

The hedge fund industry will grow in 2010 with risk management continuing to be the key to success

Macro, long/short equity and long/short credit will be the best performing hedge fund strategies in 2010

Industry Outlook

Morten Spenner, CEO at fund of hedge funds manager, [International Asset Management \(IAM\)](#), believes the hedge fund industry will grow in 2010. Morten reflects on the key challenges that the fund of hedge funds and hedge fund industries have faced in 2009 and how these will be addressed in 2010.

- **Stabilisation of the industry:** Outflows have subsided greatly, inflows have returned and a large core set of managers have demonstrated their ability to remain successful. Allocations to hedge funds will continue to grow in 2010 in response to the uncertain macro-economic environment
- **Ensuring the right risk-reward balance:** Performance in 2009 has been strong, albeit at a significantly reduced risk-level. There is less need for leverage, a strong bias towards liquid positions and the risk-reward balance has been particularly attractive over the past six months
- **Risk management a core focus:** Risk management tools are being further honed and managers are particularly sensitive to preserving capital
- **Being transparent with clients:** All market participants are recognising the need to establish stronger relationships with clients and the need to proactively share information on exposures
- **Enhancing operational standards:** Hedge funds and fund of hedge funds will continue to invest in people, processes and infrastructure in 2010. They have had to place increasingly more emphasis on adapting their business models to respond to a more discerning institutionally focused client base
- **Reacting to regulatory initiatives:** Hedge funds in general are in favour of commercially sound regulation and will continue to be committed to supporting new legislative initiatives and/or new product launches.

Investment Outlook

The unprecedented dislocation in markets will continue to provide opportunities for nimble, intellectually-strong players, says *Andrew Gibson, Head of Asset Allocation*. Andrew comments on his outlook for 2010 and which hedge fund strategies he thinks will perform best in 2010.

- The uncertainty between a deflationary or an inflationary world will continue
- Governmental monetary and fiscal policy shifts will greatly influence markets
- Underlying growth drivers and the pace of growth will vary significantly
- Individual companies will continue their fight for both survival and market share, and valuation anomalies will allow for value extraction.

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Hedge fund strategies for 2010

- Macro managers will be able to extract value from fixed income, FX, and commodity themes based on timing, geographical biases, and growth divergences
- Long/short equity and long/short credit managers will benefit from fundamental analysis as well as trading skills in an environment that will allow for positive attribution on both the long and the short side
- In all three strategies, macro, long/short equity and long/short credit, we see no reasons for deviating from liquid, tradable portfolios that enable strong risk frameworks.

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