



PRESS RELEASE

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INVESTORS DOWNGRADE PRIME BROKERS, ACCORDING TO CORGENTUM SURVEY

Administrators and Auditors Identified as Most Important Hedge Fund Service Providers

NEW YORK – July 16, 2012 – [Corgentum Consulting](#), the leading provider of the industry's most comprehensive hedge fund operational due diligence reviews, today announced the results of an investor survey. According to the findings, only 17% of investors feel that prime brokers are the most important hedge fund service provider. Administrators (33%) and auditors (31%) were identified as the most important providers to this market.

"After the Lehman Brothers disaster, many investors placed significant importance on the role of prime brokerages," said Jason Scharfman, Managing Partner of Corgentum Consulting. "The survey data indicates a potentially dangerous shift in the opposite direction signifying that investors have reverted to their old ways and are devaluing the role of prime brokers."

When asked who investors felt service providers owe their primary allegiance to, the vast majority (74%) felt administrators are committed to investors.

"This highlights a surprising disconnect between the operational realities of hedge fund investing versus investor's beliefs because administrators are hired and compensated by hedge funds and not investors," Scharfman said.

Additional findings include:

- The biggest concerns investors have about hedge fund service providers are capital loss (35%) and reputational risks (32%). This is an emerging trend as traditionally, investors have been more focused on valuation related risks and the level of service available from the provider.
- Investors are increasingly relying on administrators to perform asset verification (48%) and are still concerned with valuation (24%). Additionally, the data shows that investors are minimizing the importance of critical administrator functions, such as cash management (14%) and fund governance (7%).

The survey respondents represent a wide variety of hedge fund investors ranging from ultra-high net worth individuals and family offices to fund of hedge funds, pensions and endowments.

You can listen to a recording of Corgentum's recent Webinar, "[Effective Techniques for Evaluating Fund Service Providers and Counterparties](#)" for further background on this topic.

About Corgentum Consulting

Corgentum Consulting is a specialist consulting firm which performs operational due diligence reviews of fund managers. The firm works with investors including fund of funds, pensions, endowments, banks and family offices to conduct the industry's most comprehensive operational due diligence reviews. Corgentum's work covers all fund strategies globally including hedge funds, private equity, real estate funds, and traditional funds. The firm's sole focus on operational due diligence, veteran experience, innovative original research and fundamental bottom up approach to due diligence allows Corgentum to ensure that the firm's clients avoid unnecessary operational risks. Corgentum is headquartered at 26



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