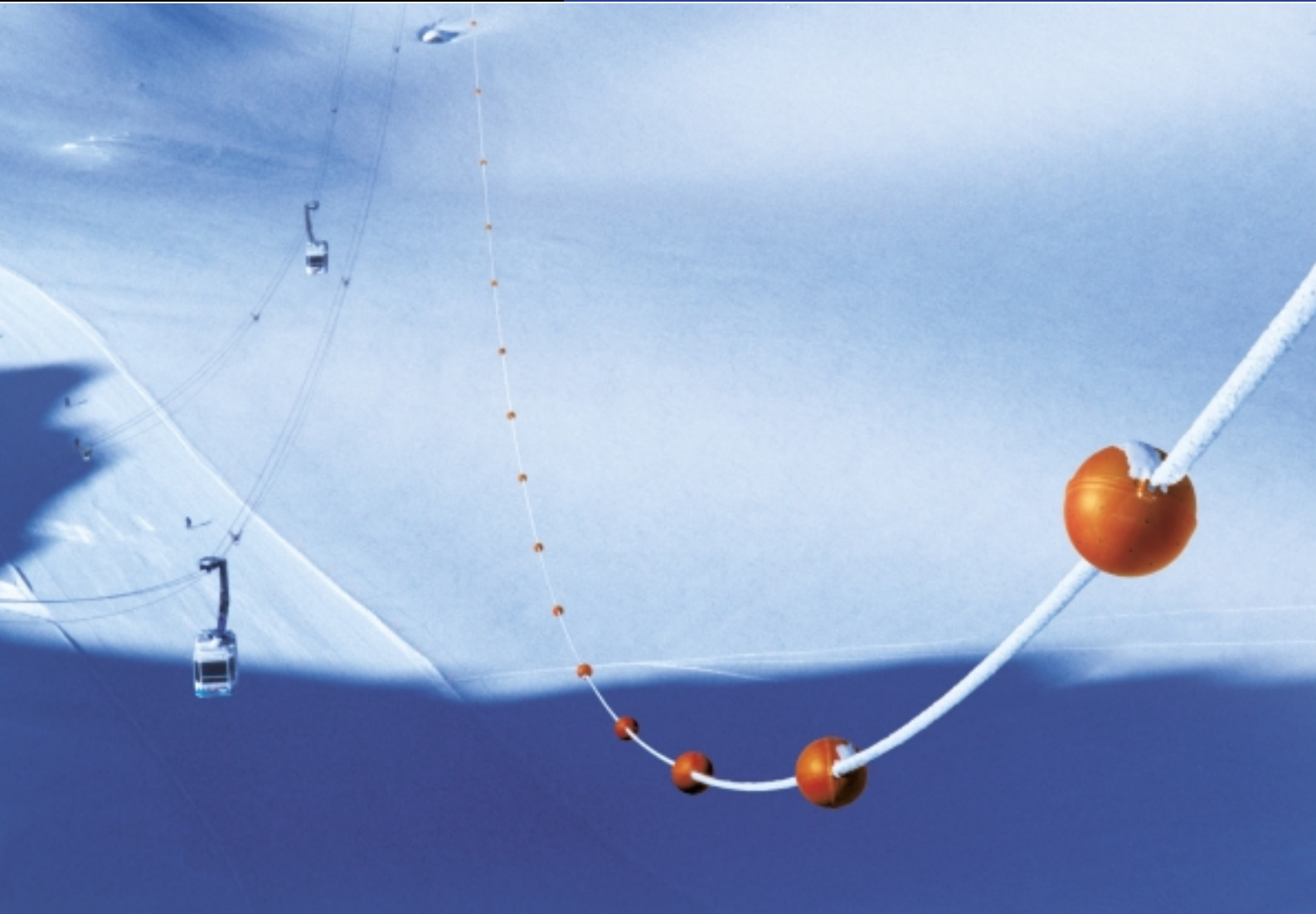


SWISS HEDGE

1st Quarter 2003

A Review on Developments in the Hedge Fund Market



Fixed Income

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Coloured balls at Mont-Fort
(3330 m) to alert airplanes of
the cables | Verbier | Switzerland

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Positioning Harcourt for the future in a changing hedge fund industry

By: Dr. Philipp Cottier | Harcourt AG

The hedge fund industry is evolving into a sophisticated, mature and regulated financial industry. Its institutionalization is increasing as well as the competition, particularly on the fund of funds front where banks and other financial services providers are pushing their way into the competitive landscape.

We estimate that funds of funds will become a commodity within three to five years. At the same time, analyzing hedge funds will become even more complex and also more time-consuming as there will be new strategies and many more funds but with shorter track records and probably lower average quality. Furthermore, restricted capacity of the better hedge funds will continue to be a major issue. This means that funds of funds will need to work harder to perform well, and barriers to entry will increase. In order to flourish, fund of funds groups will need specialized, dedicated analysts with the right background. They will also need to be good at negotiating transparency and capacity. At the same time, there will be a higher usage of balance sheet, risk warehousing and other intermediary services, driven by an increased demand for hedge fund-related structures that are tax and regulation-efficient, or that give investors access to different cash flows (eg capital guarantee, lending), or that offer higher liquidity (eg daily market-making).

In November, Harcourt teamed up with its strategic partner NIB Capital, with the aim of positioning the company for the future by providing investors with high added value, customized multi-hedge fund solutions. NIB Capital is a Dutch investment bank with a AA- credit rating and extensive knowhow in private equity, asset-backed securities and CDOs. It is held by the Dutch government and two large Dutch pension funds. There were several reasons for doing the deal:

First of all, having a stable, blue chip shareholder in the capital structure makes us more attractive to our stakeholders, investors and hedge funds, and enhances credibility. Secondly, we want to be able to offer investors fully



integrated solutions across the entire value chain. The availability of NIBC's balance sheet and structuring knowhow combined with its credit rating complements Harcourt's expertise in multi-hedge fund portfolios. Thirdly, we will expand our research platform with an office in New York, and enhance our risk management and general systems platform. Last but not least the transaction will give Harcourt a strong distribution base in the Benelux region.

We are convinced that this move positions Harcourt for the future, while allowing Harcourt to maintain its specific character: a highly specialized, leading investment boutique with top people and a great corporate spirit. Jointly with NIB Capital, we will continue to deliver stable, top quartile returns on our portfolios, while offering investors a complete range of balance sheet related services. The transaction enhances our strong market position in Europe as a leading provider of customized multi-hedge fund solutions to institutional investors. In other words, we will be able provide you, the investor, with even better solutions.