



Press Release

**Survey confirms increasing interest in alternative investments – Investors concentrate on transparency, security and understandability of financial products in the financial crisis – Academics point to risk-return profile improvements through the use of managed futures or other alternative investments**

Frankfurt/Hamburg, July 2, 2009

The length and intensity of the financial and economic crisis have caused institutional and private investors to ask which conclusions can be drawn from current market events with regard to investment strategy. Possible solutions were presented to journalists in Frankfurt by Yasin Sebastian Qureshi, cofounder and managing director of the Varengold Investment Bank, as well as Dr. Klaus Spremann, director of the Swiss Institute for Banking and Finance at the University of St. Gallen. Qureshi presented an overview of current market sentiments using the results of a study commissioned by Varengold concerning the significance and acceptance of alternative investments, which were recently opened to the German market. The study found a significant change in investor preferences following the financial crisis, and showed growing investor interest in alternative investments, such as managed futures.

The global financial crisis has thrown a new light on modern portfolio theory, founded by Markowitz et. al.: it has been academically and scientifically recognized that the use of alternative investments, such as managed futures, can be advantageous for reducing the risk

and increasing the return of a portfolio. Dr. Spremann referred to the existence of a new risk dimension, which – due to its empirical relevance – goes further than the systematic market risks and unsystematic risks presented by Markowitz’s portfolio theory, and should be considered in today’s portfolio theory and management.

### **Investor and Intermediary Information Requirements for Alternative Investments**

A survey commissioned by Varengold, running from the end of March to the end of April, 2009 and consisting of 100 in-depth interview with experts from banks, savings institutions, asset managers and independent financial firms, concluded that the familiarity of intermediaries with alternative investments is still relatively undeveloped, despite increasing interest from investors.

This shift in investor preferences is due to the ongoing financial crisis. “Customer expectations currently concentrate on transparency, security, and simple as well as understandable product structures with all asset classes. Complimentary to the product side, asset managers require an active and transparent product with strong returns,” emphasized Varengold managing director Qureshi.

Along with the general increase in interest in alternative investments among clients, from the perspective of the experts being questioned, the study confirmed the good performance of managed futures from the middle of 2007 to the beginning of 2009. Another important finding was the overall unfamiliarity that investors still have about alternative investment products. “Here, all providers and intermediaries are called on to reduce insecurity through education and to provide more transparency,” continued Qureshi.

### **Systematic Advantages from including Alternative Investments in a Portfolio**

Dr. Spremann confirmed the significance of including alternative investments in a portfolio with a well-balanced risk-return profile, based on the most recent academic and scientific findings. Based on the previously observed phenomenon of the collapse of supply and demand in capital markets with these fundamental premises, real economic considerations have clearly played an increasing role in investor decisions. As a result, investors tended to



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act in a conformist and pre-cyclical manner, aiming to achieve high returns with early anticipation of future market trends. This is also not reflected in the modern Markowitz portfolio theory.

“To limit the impact of these factors on the performance of a portfolio, the use of managed futures and other alternative assets in private and institutional portfolios offers systematic, or non-random, advantages,” commented Spremann. He indicated further that the practical use of “active” alternative asset styles seen in funds of funds offers investors good organization. They diversified across styles, detached themselves from the pitfalls of behavioral finance (such as the disposition effect) by delegating investment decisions, and allowed for a comparison based evaluation of the included funds by the managers of the funds of funds.

#### **Outlook: Stabilization of Volatility and Strengthening of Market Trends Expected**

Regarding the concluding outlook of future developments in the financial markets, Qureshi pointed out that due to the uniqueness of the current situation, many partially contradictory theories have been presented in the market. As a result, there is currently only limited orientation for sound investment decisions. The Varengold Investment Bank has, however, seen a potential stabilization of volatility on the financial markets. Qureshi emphasized: “We expect an increase in market trends in all directions, which can bring opportunities for returns in rising and falling markets.” Managed Futures are suited for portfolio optimization in all market conditions. The HI Varengold CTA Hedge fund of funds raised its 2-year performance in the first quarter of 2009 to 26.36% (from 24.97% at the end of 2008), and still offers the smallest interim risk with -4.21% over two years. As a result, it is one of the best funds of funds internationally, according to the product rankings from *Absolut Research*.



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## Information for Journalists

The Varengold Wertpapierhandelsbank AG is the German investment bank with an exclusive focus on the managed futures segment, which are a class of hedge fund strategies. The company has over 14 years of experience in asset management, and offers investors access to successful international managed futures strategies.

Varengold was founded in 1995 by Steffen Fix and Yasin Sebastian Qureshi to offer worldwide investors secure access to international managed futures strategies. Currently, the investment bank has 40 employees. The bank's core divisions are Asset Management with managed futures and Capital Markets – Brokerage (security clearing). The development of managed futures strategies with market traded products in stock, bond, commodity and currency markets was the focus in the founding years. For the past 10 years, the investment bank has focused on the evaluation and selection of external managed futures managers from a worldwide network as a fund of funds manager. The Capital Markets – Brokerage division was initially developed next to support Varengold's own risk management. Today, over 7,000 clients worldwide make use of these services for trading futures, options and forex.

Further information about the company can be found at [www.varengold.de/default.aspx?language=english](http://www.varengold.de/default.aspx?language=english)

Further information about managed futures can be found at:

[www.varengold.de/KnowledgeBase/ManagedFutures.aspx?language=english](http://www.varengold.de/KnowledgeBase/ManagedFutures.aspx?language=english)

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