

1. Executive Summary

Alternative Investment Firms Continue to Lead Compensation

The 2006 Risk Talent Associates Professional Compensation Survey – Asset Management reports that compensation for risk professionals in asset management is extremely healthy and grew an average of 18% in 2005 over the previous year. Salaries increased an average of 5.5%, cash bonuses increased an average of 20% and non-cash bonuses (the value of stock, options and other non-cash compensation) increased an average of 30% in 2005.

Over 100 risk professionals participated in the survey from three types of asset management: alternative investments (hedge funds, fund of funds), traditional asset management, and insurance. The survey reports compensation trends by title, years of experience, risk type, geography and company size. Among other findings, the survey validates that salary ranges are relatively even by job title across all types of asset management, but total compensation is higher at alternative investment firms especially for the most senior positions.

Figure 1: Total Compensation, Salary and Bonus by Type of Asset Management (US Dollars)

| | | Total Comp | | Salary | | Bonus: Cash | | Bonus: Non-cash | |
|-------------------------------------|-----|------------|-----------|---------|---------|-------------|---------|-----------------|---------|
| | | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 |
| Alternative Investments | | | | | | | | | |
| Assoc./ Analyst/ Mgr | 7% | 139,000 | 164,000 | 103,000 | 114,000 | 36,000 | 50,000 | ** | ** |
| VP/SVP/Director | 13% | 410,000 | 494,000 | 178,000 | 200,000 | 170,000 | 230,000 | 62,000 | 64,000 |
| MD/ Chief Risk Officer | 22% | 923,000 | 1,154,000 | 235,000 | 250,000 | 544,000 | 724,000 | 144,000 | 180,000 |
| Traditional Asset Management | | | | | | | | | |
| Assoc./ Analyst/ Mgr | 12% | 146,000 | 167,000 | 107,000 | 110,000 | 39,000 | 57,000 | ** | ** |
| VP/SVP/Director | 17% | 303,000 | 355,000 | 140,000 | 150,000 | 117,000 | 140,000 | 46,000 | 65,000 |
| MD/ Chief Risk Officer | 9% | 620,000 | 795,000 | 240,000 | 245,000 | 250,000 | 290,000 | 130,000 | 260,000 |
| Insurance | | | | | | | | | |
| Assoc./ Analyst/ Mgr | 4% | 173,000 | 196,000 | 148,000 | 160,000 | 25,000 | 36,000 | ** | ** |
| VP/SVP/Director | 11% | 297,000 | 324,000 | 182,000 | 188,000 | 93,000 | 113,000 | 22,000 | 23,000 |
| MD/ Chief Risk Officer | 7% | 644,000 | 674,000 | 272,000 | 284,000 | 194,000 | 208,000 | 178,000 | 182,000 |

Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand.

Notes: Percentage of overall respondents indicated by "%". Insufficient data reported as "**".

Abbreviations of titles: Manager (Mgr), Vice President (VP), Senior Vice President (SVP), Managing Director (MD).

This difference in total compensation, according to Risk Talent Associates, can be explained by the continued need for alternative investment firms to draw top risk managerial talent from traditional sell-side investment banks. As hedge fund assets under management exceeds \$1 trillion and continues to grow, alternative investment firms can promise attractive cash bonuses to offset an individual's career risk, particularly if he or she is moving from traditional financial services to a less established firm. Risk Talent's capital markets compensation survey published in April 2006 revealed significant bonuses in 2005, suggesting hedge funds will need to dig a bit deeper into their pockets to continue to attract top talent.

The asset management survey reports 30% of survey respondents changed jobs within the last two years, as compared to only 17% in the capital markets survey. Although many who reported

changing jobs in asset management came from investment and commercial banking, there was a wide array of other industries represented including consulting and software.

The **2006 Risk Talent Associates Professional Compensation Survey- Asset Management** is part of an annual series of compensation surveys published by Risk Talent Associates, an executive search firm focused on risk management. In addition to the asset management and capital markets surveys published, Risk Talent will add surveys for compliance and other risk fields (software, consulting, energy and corporate) in 2006.

2. Tenure, by Years of Experience and Title, Drives Compensation

The survey reports that salary ranges in 2005 increase as employees gain more years of experience, but bonuses peak for those with 7-15 years of experience. As risk management matures as a specialized field, it is easier for professionals to achieve the skills required to succeed in senior-level risk positions earlier in their careers.

Figure 2A: Total Compensation, Salary and Bonus by Years of Experience (USD)

| Years of Experience | | Total Comp | | Salary | | Bonus: Cash | | Bonus: Non-Cash | |
|---------------------|-----|------------|---------|---------|---------|-------------|---------|-----------------|---------|
| | | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 |
| 0-6 years | 25% | 305,000 | 360,000 | 115,000 | 125,000 | 172,000 | 208,000 | 18,000 | 27,000 |
| 7-15 years | 47% | 536,000 | 692,000 | 186,000 | 194,000 | 250,000 | 318,000 | 100,000 | 180,000 |
| 16+ years | 27% | 550,000 | 640,000 | 237,000 | 255,000 | 218,000 | 285,000 | 95,000 | 100,000 |

Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand.

Notes: Percentage of overall respondents indicated by "%". Insufficient data reported as "**".

Salary, cash and non-cash bonus levels by title increase commensurate with promotions. Managing Directors, a prevalent title in well-established firms that pay in equity, earn the highest non-cash bonus, reflecting strong Wall Street earnings in 2005. Chief Risk Officers earn the highest cash bonus, as firms realize it is worth paying total compensation in the \$1 million range to mitigate risk. Asset owners and investors are better educated in risk management terminology and practices, and expect more sophisticated risk management communication. CROs offer strong guidance in compliance and regulatory issues, and add value to the investment process.

Figure 2B: Total Compensation, Salary and Bonus by Title (USD)

| Job Title | | Total Comp | | Salary | | Bonus: Cash | | Bonus: Non-Cash | |
|----------------|-----|------------|-----------|---------|---------|-------------|---------|-----------------|---------|
| | | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 |
| Assoc./Analyst | 14% | 151,000 | 164,000 | 95,000 | 100,000 | 40,000 | 45,000 | 16,000 | 19,000 |
| Manager | 9% | 204,000 | 252,000 | 140,000 | 153,000 | 44,000 | 66,000 | 20,000 | 33,000 |
| Vice President | 17% | 257,000 | 299,000 | 123,000 | 136,000 | 90,000 | 115,000 | 44,000 | 48,000 |
| Director | 14% | 334,000 | 398,000 | 167,000 | 180,000 | 131,000 | 178,000 | 36,000 | 40,000 |
| SVP | 10% | 461,000 | 549,000 | 214,000 | 227,000 | 192,000 | 240,000 | 55,000 | 82,000 |
| MD | 13% | 775,000 | 1,030,000 | 240,000 | 250,000 | 335,000 | 420,000 | 200,000 | 360,000 |
| CRO | 25% | 816,000 | 960,000 | 246,000 | 260,000 | 445,000 | 570,000 | 125,000 | 130,000 |

Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand.

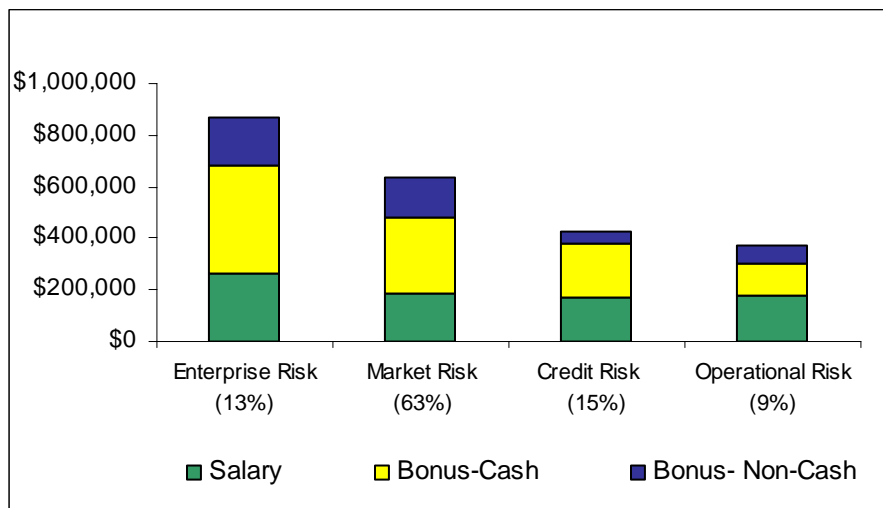
Notes: Percentage of overall respondents indicated by "%". Insufficient data reported as "**".

3. Enterprise Risk Professionals Receive Highest Total Compensation

An important variable that was not highlighted in previous asset management surveys is compensation trends by risk type - enterprise risk, market risk, operational risk, and credit risk. Professionals who are focused on enterprise-wide risk activities make 26% more than those focused on market risk, 51% more than those focused on credit risk and 57% more than those focused on operational risk.

A major driver of these compensation differences is that the enterprise risk category has a greater percentage of senior risk professionals. By comparing the most senior risk positions only, Risk Talent Associates finds that market and enterprise risk professionals do, in fact, receive almost equal average total compensation. However, senior-level market and enterprise risk executives still make approximately 13% more than their counterparts focused on credit risk and 45% more than senior-level operational risk executives.

Figure 3: Total Compensation by Risk Type (USD)

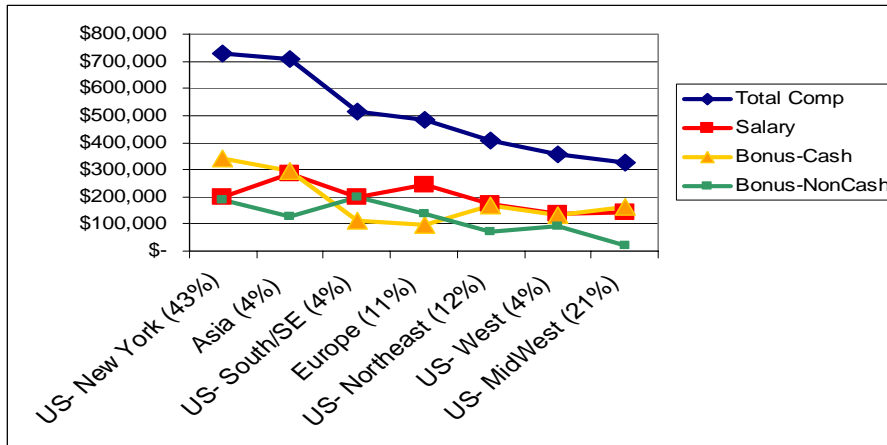


Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand.
 Notes: Percentage of overall respondents reported in brackets "(%)".

4. Professionals Based in New York Continue to Earn Top Compensation

New York remains the place to earn top compensation among risk professionals, followed closely by Asia (with only 4% representation). There is a significant drop in average total compensation thereafter, followed by Europe and other regions of the United States.

Figure 4: Total Compensation, Salary and Bonus by Geography (USD)

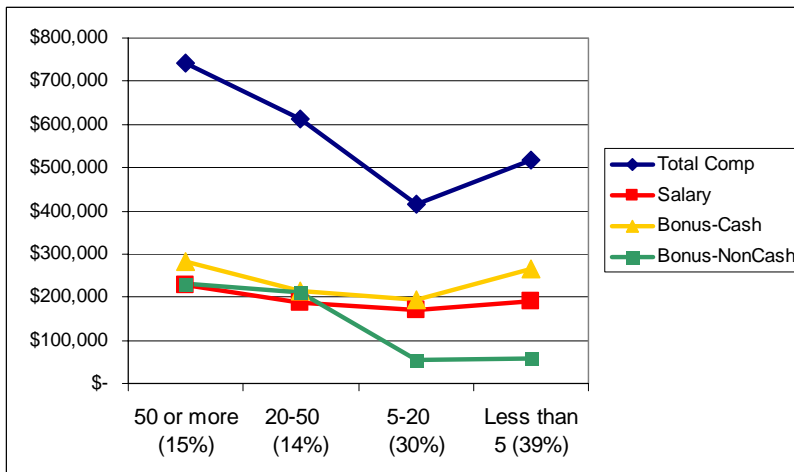


Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand.
 Notes: Percentage of overall respondents reported in brackets "(%)".

5. Largest Firms Top Compensation Packages

Total compensation is highest at asset management companies with large risk management groups of 50 or more employees. Professionals at the smallest firms, with 5 or fewer risk professionals, earn better compensation than their counterparts at medium-sized companies, likely because they are more actively engaged in hedge fund management.

Figure 5: Total Compensation, Salary and Bonus by Geography (USD)



Source: Risk Talent Associates Salary Survey 2006. All figures in US Dollars and rounded to nearest thousand.
 Notes: Percentage of overall respondents reported in brackets "(%)".

6. Survey Methodology

The **2006 Risk Talent Associates Professional Compensation Survey – Asset Management** was conducted in April and May 2006 using Survey Monkey software. Responses were received from over 100 professionals in the Risk Talent Associates corporate database.

The survey collected information on 2004 and 2005 salary, cash and non-cash compensation (such as stock, options, and other non-cash compensation). Survey respondents identified their type of asset management, years of experience, title, type of risk focus, geographic location, and size of company (based on the number of risk professionals in their organization).

This is the second time that Risk Talent Associates has published asset management compensation data for 2004 and 2005. In this year's survey, Risk Talent Associates chose to report on salary and bonus information for years completed as opposed to last year's survey that included forecasts. The 2004 and 2005 salary ranges gathered do not vary significantly between the two reports. However, cash and non-cash bonus data was gathered from a much higher proportion of respondents and is approximately 25% higher overall in this survey.

Risk Talent Associates, an executive search firm focused on risk management, is conducting a series of risk compensation surveys in 2006 across four market segments: capital markets, asset management, compliance and other fields (software, consulting, energy and corporate).

About Risk Talent Associates

Risk Talent Associates (www.risktalent.com) is the leading international executive search firm focused exclusively on positions in the fields of market, credit and operational risk, as well as financial compliance and risk technology. Risk Talent's expertise, industry knowledge, proprietary network and dedicated focus shorten the recruiting process to deliver senior and mid-level risk managers in the capital markets, asset management, energy, consulting and software industries. Risk Talent has offices in New York, Chicago and London.

For more information, contact:

Michael Woodrow
President
Risk Talent Associates
212-253-2353
mwoodrow@risktalent.com

For media inquiries, contact:

Daniel Keppie
Public Relations
Risk Talent Associates
613-323-3655
dkeppie@risktalent.com

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