

# Press Release

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**Zurich, January 22, 2009 - Areca Investment Management launches a new specialized fund of hedge funds called Areca Value Discovery.**

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Areca Investment Management is pleased to announce the launch of Areca Value Discovery Fund, a specialized fund of hedge funds dedicated to capture deep value investment opportunities in the fixed income and credit area.

## **Fund description**

The Areca Value Discovery fund will blend fundamental credit deep value strategies together with fixed income trading strategies. The core part of about 70 – 80% of the portfolio will be invested in low volatility and specialized hedge funds strategies with asymmetric return profile, in particular into Distressed Corporate Credit, Distressed Structured Credit, Capital Structure Arbitrage and Direct Lending. The satellite part, about 20 – 30% of the portfolio, aims to take advantage of the favorable trading environment in interest rates, currencies and other asset classes by investing in Global Macro strategies.

Attractive uncorrelated returns will be achieved through the combination of high cash flow income and capital appreciation. The fund's target is an annualized return of 12% - 16% p.a. with a volatility of 5% p.a. over a three to five years investment horizon.

## **Investment rationale**

The credit crisis has created outstanding investment opportunities to achieve superior returns while investing in the top of the capital structure, especially in Distressed Credit, Leveraged Loans, Capital Structure Arbitrage, Direct Lending and Global Macro Fixed Income strategies.

There are a number of key evolving market dynamics contributing to the opportunities in the new credit cycle, in particular in the distressed credit market. Illiquidity and weaker fundamentals are leading to increasingly attractive credit spreads across the capital structure. Excessive balance sheet leverage, increased low grade issuance and poor technicals are creating unique investment opportunities in debt of distressed companies with a sound business, healthy asset base and attractive cash flow characteristics.

Distressed credit investing is a cyclical macroeconomic theme that requires in depth knowledge as well as disciplined manager selection process. Timing of the entry points of each variation of the credit strategies is key and can significantly affect the performance outcome.

Son Nguyen, Managing Partner, argues that “the current dislocations create outstanding investment opportunity to buy substantially undervalued assets, especially in the top of the capital structure, at huge discounts. In the current environment, credit strategies do not need to deploy leverage to achieve high-risk adjusted returns.”

Ernesto Prado, Managing Partner and CIO, comments that “the reverse side of the coin of the ongoing credit crisis is that the best opportunities for investment in a generation is emerging for the savvy investor”.



**About Areca Investment Management AG:**

Areca Investment Management is a specialized fund of hedge funds advisor with focus on fixed income and credit strategies. The company was founded by very experienced hedge funds professionals with an excellent track record of creating superior risk adjusted returns.

Backed by sophisticated investors, the company is managed by Ernesto Prado and Son Nguyen, the Company's Managing Partners. Previously, they co-founded Peak Partners SA, a former partner of Harcourt Investment Consulting. Ernesto Prado acted as their CIO and Son Nguyen was their Senior Marketing Manager. Together they significantly contributed to the success of Peak Partners in producing superior risk-adjusted returns for their investors and in asset-raising from various sophisticated investors.

The funds under Ernesto Prado's responsibility have been awarded two InvestHedge Awards 2007 for best-risk adjusted returns in the category "Fixed Income & Credit" and in the category "Asset Based Lending".

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