

FOR IMMEDIATE RELEASE



Media Contacts:

Loretta Mock/Paul Damon
646 395 6300
mpi@cognitomedia.com

MPI White Paper on Madoff Shows Advance Warning of Return Irregularities
-Quantitative Analysis of Madoff Indicates Similarities with the Bayou Fund
-Hedge Fund Indices Affected by Madoff

Summit, NJ, December 22, 2008 - Markov Processes International, a leading research and investment technology provider, today announced the release of a white paper that illustrates how advanced returns-based analysis techniques could have alerted investors to potential problems with Madoff. The paper, entitled "Madoff: A Tale of Two Funds," specifically finds a strong correlation between the return pattern of the Fairfield Sentry Fund, one of the primary feeder funds to Madoff's strategy, and the Bayou Fund, which infamously created a history of false returns. The original analysis was performed in May 2006.

An analysis of Madoff's monthly returns using MPI's Dynamic Style Analysis ("DSA") model found a number of contradictions with the fund's stated strategy. In addition, the meaningful correlation with Bayou, which was discovered in the analysis, raised even greater suspicion. Both funds had consistent positive returns with virtually no volatility, a fact that could not be adequately explained.

Michael Markov, CEO of MPI and author of the analysis said: "ideally, a hedge fund analyst armed with such research could have connected the dots with Madoff's other operational peculiarities to have avoided disaster. This research shows that solid quantitative analysis can be as useful for hedge fund analysis as it is for traditional manager analysis."

Additionally, there are serious implications for hedge fund indices, which function as benchmarks for hedge fund performance and are often used for replication as well. The Market Neutral indices, which included returns data from Madoff's funds, must now be adjusted as they essentially reflected a large holding of fraudulent data. This could lead hedge fund indices to reconsider their structure. The Madoff case, in particular, shows the sensitivity of weighting an index by fund AUM rather than assigning equal weight to each fund, especially when there's little transparency available on underlying funds. The paper also discusses implications for passive index replicators and the need to re-examine their rules and due diligence approaches.

The white paper also provides a good background on advanced returns-based style analysis and shows how this can be utilized by investors to better understand the funds they have committed to. This analysis can

serve as an early warning system for investors, alerting them to potential inconsistencies that should be investigated further.

Reporters interested in receiving the white paper please contact mpi@cognitomedia.com.

About Markov Processes International

Markov Processes International, LLC (MPI) is a global provider of investment research and technology solutions. MPI's software applications and customized consulting services are employed by the finest institutions and financial services organizations to enhance their investment research, reporting, data integration and content distribution. MPI offers the most advanced platform available to analyze hedge funds, mutual funds, portfolios and other investment products, as well as asset allocation and portfolio optimization tools.

MPI's Stylus Pro software is utilized by alternative research groups, hedge fund of funds, family offices, institutional investors, consultants, private banks, asset managers, diversified financial services organizations as well as marketing, product development and IT departments around the world. MPI also offers solutions for investment advisors and private wealth professionals.