



Alternative Fund Consulting

Enterprise Legal . Infrastructure . Risk . Product Execution . Business Development

The World of Fund Asset Raising

The right pedigree, strategy or track record is no longer a guaranteed recipe for success in the raising or retaining of assets. More so than ever both start-ups and established hedge funds are distinguishing themselves from similar strategies by marketing not only their track record and pedigree but also their operational, portfolio and regulatory infrastructure.

Funds that fail to address the concern over fraud, mismanagement, operational and regulatory risk may miss out on the opportunity to attract assets both new and reallocated in 2020. Like it or not the perception of today's investor is that infrastructure and performance are directly connected.

To be well positioned in 2020, trading funds and their advisory firms must address investors' concern over operational and regulatory risk. This level of scrutiny will increase the importance of effective and documented operational, regulatory and compliance risk management. Responding to potential investor's increasing desire for full transparency will be paramount.

Even if a fund's start-up Asset Under Management (AUM) requires an infusion of working capital it can dramatically improve its AUM in a cost effective manner by communicating a clear, transparent and bespoke plan to strategically mitigate risk as its AUM grows. Noted below are just some of the minimum "high risk" areas a successful hedge fund should focus on no matter the size in AUM, people or strategy:

- Portfolio management, investment guidelines, trade allocation, trade errors, best execution;
- independent and verifiable valuation policies and procedures, and for illiquid securities, strong consideration to the creation of a valuation committee;
- personal trading policies and procedures, processes and controls; and
- contingency planning and business continuity.

The tangible benefits of a robust operational and regulatory infrastructure for both start-up and established hedge funds:

- Marketing edge;
- increase investor's perception of value in management;
- discover unknown risks to mitigate losses;
- maximize absolute returns;
- streamline investors' due diligence process; and
- increase the likelihood of success in retaining and raising new assets.



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