Managed Accounts: The New Normal?

In this edition of the Hedge Fund Pulse, the Strategic Consulting team examines the current Managed Accounts (MA) landscape. At the peak of the global financial crisis in the fourth quarter of 2008, numerous investors in HFs found they could not redeem their LP investments for cash in the time frame they had expected. This happened either because other investors had been quicker to put in their redemption requests and the managers had since raised gates to prevent distressed selling of assets, or because the liquidity profile of the underlying assets was no longer consistent with the liquidity terms of the HF, or both. This highly sensitized investors (most institutional) to the co-investor risk they are exposed to as investors in commingled funds. Additionally, fraud cases such as the Madoff ponzi scheme also prompted institutional investors to reconsider their approach to investing in HFs. MAs, despite having been around for years, seemed to provide the answer many investors were looking for. While the stampede towards MAs has moderated significantly since the early days of 2008 and 2009, MAs continue to be popular with a segment of investors, and managers are more inclined to offer these now than before. Prompted by these developments, we decided to examine the current landscape, and delve into five key facets of MAs in this paper.

First, we provide an introduction to MAs. Here we give a brief description of what MAs are, and why they are particularly popular with select investors right now. We discuss the various options available to investors including traditional MAs, fund of ones (which are often confused with MAs), and MAs through intermediaries such as Fund of Hedge Funds (FoHFs) and MA platforms.

Second, we explore the advantages and disadvantages of MAs from an investor’s point of view. Some of the advantages include transparency, control, liquidity, and risk management. Disadvantages include fiduciary liability, operational complexity, cost, and tracking error.

Third, we conduct a cost benefit analysis across different types of MA-like products and offer observations regarding the merits of each product. We also compare and contrast the key characteristics of each distinct product.

Fourth, we present HF managers’ approach to MAs from the perspective of start-up and mature HF managers. We also share the results of a survey conducted by Barclays Capital Strategic Consulting. Using the survey data, we comment on the number of HFs polled that offer MAs and minimum size requirements for MAs, etc.

Finally, we discuss the likely future evolution of MAs, based on our conversations with investors, HF managers, and MA platforms.

Methodology

For this piece, we collected inputs from the following sources:

- A survey of 48 HF managers conducted by Barclays Capital Prime Services
- In-depth interviews with select...
- HF managers offering MAs
- Institutional investors that invest through MAs
- HF MA platforms

- Ongoing dialogue with HF Managers and Institutional Investors
- News articles, research reports and industry commentaries

**Key Findings**

- MAs are investment vehicles that are legally owned and controlled by the investor; however, investment decisions are made by a hired investment (HF) manager. In a MA, the appointment of the Prime Broker (PB), custodian and fund administrator is done by the investor and the investor is responsible for the ongoing monitoring of these relationships. Investors in MAs take on debit risk which means they could be liable for more than just the capital they invest in the MA, unlike investors in commingled funds where their liability is limited to capital invested in the fund.

- A fund of one is a fund with only one dedicated investor. The key difference between a fund of one and a MA is that in a fund of one, the investor does not legally control the assets, in contrast to a MA. In a fund of one the HF manager controls the legal entity that holds the assets. Consequently, a fund of one protects the investor from co-investor risk and debit risk; however, the HF manager controls the assets and relationships with the PB, custodian, fund administrator, etc.

- A MA platform is an intermediary that helps investors set up and manage their MAs. The platform typically puts in place legal and PB documentation, and also aggregates risk and position level data for the HF managers on the platform on a periodic basis, for the benefit of the investors. The top three players in the MA platform space based on AUM are Lyxor Asset Management, Deutsche Bank, and Man Group.\(^2\)

- We think the top three advantages of investing through MAs are control of the assets, potentially enhanced liquidity, and the ability to proactively manage the risk of a MA / portfolio of MAs.

- We view the top four disadvantages of investing through MAs as: the fiduciary liability that falls on the investor, the operational complexity and increased cost that comes with operating a MA, and the tracking error that often occurs between the MA and the tracker fund.

- According to the Barclays Capital Strategic Consulting survey, the vast majority of HF managers (~90%) accept (or will accept in the right circumstances) MAs.

- According to the Barclays Capital Strategic Consulting survey, the minimum ticket size that HF managers require for MAs reflects a bipolar distribution, with ~40% requiring $100mn+ and ~40% requiring a ticket size less than $50mn.

- The four key themes that may become dominant in the near future are the increasing number of FoHFs acting as MA platforms, large institutional investors creating their own platforms and possibly leveraging them with fellow investors, MA platforms acting in an

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\(^2\) HFM Week, “The 2011 managed accounts universe”, March 2011
increasingly advisory capacity with underlying investors, and MA platforms increasingly packaging HF strategies into various products such as UCITS for investors.

The Menu of Products

MAs\(^3\) have become an increasingly important form of investing for institutional investors, and as a result, an increasingly important offering for HF managers. It is estimated that the amount of money invested in alternative MAs will reach $790bn in 2011 from $468bn in 2009\(^4\). Due to the surge of assets into MAs, many players are now involved in the space. Below we discuss the menu of products under MAs and highlight some key players in the MA platform space.

Managed Accounts

By definition, MAs are investment accounts that are owned and controlled by an investor, but investment decisions are made by a hired professional money manager (for the purpose of this publication, specifically HF managers). Since the assets in an MA are controlled by the investor, the onus of many of the operational responsibilities also falls on the investor. For example, the investor must hire the PB, administrator and custodian. Third parties that typically provide services for MAs are below:

- Administrators
- Auditors
- Custodians
- Prime Brokers
- OTC Counterparties

The investor must also negotiate and sign all documentation with service providers such as such as ISDAs and the Investment Management Agreement (IMA). MA accounts give investors the ability to have full transparency into the portfolio, potentially custom liquidity, and based on the agreement with the HF manager, investors can often choose to either customize the strategy of the MA to what suits them best, or make the MA a tracker of one of the HF manager’s funds. Additionally, because the investor has full control of the MA, the investor usually also has the ability to terminate the HF manager whenever they wish to do so.

An increasing number of institutional and other sophisticated investors that invest through multiple MAs have started to create their own MA platforms. Creating a platform requires significant scale and man-power; however, the benefits are also numerous. Having a platform allows investors to look at data holistically across their MAs. A platform also allows MAs to be constructed with specific liquidity profiles to suit the portfolio e.g., 50% of the portfolio must be able to be liquidated within 180 days. Potential additional benefits include cross margining across MAs (if owned by the same investor), comprehensive aggregated data, and lower operational costs due to economies of scale.

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\(^3\) In this piece, we use the terms “managed accounts”, “separate accounts” and “separately managed accounts” interchangeably

\(^4\) TABB Group Research; Advent Software and Maple Fund Services, “Alternative Managed Accounts: Opportunities in Fund Administration”, September 2010
As mentioned above, investors will typically either invest in MAs that track a HF’s flagship fund, or in MAs that are customized to the investor’s investment objectives. If an investor invests in a tracker fund, the MA is supposed to run pari passu with the fund. However, this is not always the case. There are many cases of tracking error, or when the performance of the MA does not match up to the performance of the commingled fund. Another key source of issues for a tracker MA account is when the HF manager offers the MA investor preferential liquidity terms. This can often create conflict between the HF manager and investors in the commingled fund. Due to reasons such as these, we have seen a trend towards customized MA accounts, rather than tracker funds. The degree of customization for MAs can vary from keeping the underlying strategy the same with different leverage levels, to changing the underlying assets themselves. In the Strategic Consulting report titled “2011: Look Both Ways”, published in December 2010, we surveyed a total of 221 investor firms representing $11tn of total AUM and $880bn of HF AUM about their adoption of MAs. Figure 1 and 2 summarize the results.

Fees associated with MAs differ according to the arrangement between the investor and the HF manager. Arrangements include:

- The investor pays identical fees in the MA that other investors pay in the commingled fund.
- The investor negotiates fees in which the management fee is lower than that of the flagship, but the performance fee is higher.
- The investor is able to negotiate lower management and performance fees due to an extremely large ticket size.

In all of the scenarios above, it is also possible that the performance fee will be subject to a hurdle rate. More than anything else, where investors and managers end up on the fee continuum is largely a function of the position they are negotiating from.
Fund of One

Fund of ones are often talked about in the same breath as MAs, however, they are a different category of products. The key difference between a fund of one and a MA is the ownership and control of the assets. In a MA, the assets are owned and controlled by the investor; however, in a fund of one, the HF manager retains control. Unlike a fund of one, a MA allows the investor to exercise control over the investments in the account. A fund of one is merely a single investor fund, and is subject to the HF manager’s control, is serviced by the HF manager’s own PB, fund administrator, custodian, etc. A fund of one protects investors from co-investor redemption risk and debit risk but not against risks such as ‘Madoff risk’. Transparency and customization are also often benefits to funds of ones, however, operationally the HF manager remains in control. In choosing to invest through a fund of one versus a MA, the investor is essentially giving up control in exchange for not taking on any fiduciary responsibility / debit risk (or the cost and operational complexity of a MA) but still getting the benefit of protection from co-investor risk.

Managed Accounts through Intermediaries

One of the main beneficiaries of the flow of money into MAs have been intermediaries such as MA platforms. The combined AUM for the top ten MA platforms has grown 27.7% in the last 12 months (from $41.35bn to $52.8bn). A MA platform helps its investor clients manage their MAs. The platform will negotiate terms with underlying HF managers to create a MA product, and offer this product to investors. The MA platform will put in place counterparty agreements with PBs, custodians, and administrators, and will provide transparency to the investor on a periodic basis. If investors do not have the sufficient resources to adequately exploit all the advantages of MAs, MAs through intermediaries such as platforms may, depending on an investor’s circumstances, be a good alternative to consider. Players in the MA platform space include FoHFs, banks, dedicated MA platforms as well as investors themselves.

MA platforms also have the ability to offer investors a variety of different products. An investor can choose to open a MA through a platform in which they are the sole investor. This typically requires higher AUM minimums. Alternatively, an investor can choose to invest in a commingled MA through a platform. In this, the platform will essentially pool the investments of a group of investors, and invest them in a HF through a single, but commingled MA. This allows investors that are not able to meet the minimum ticket size requirements for single investor MAs, to invest through commingled MAs.

MA platforms typically charge a flat fee that depends largely on two key factors – the amount invested, and the product that the investor invests through. Platforms will usually charge a flat basis point fee and will pass through costs such as that for the administrator, legal etc.

MA platforms – Key Players

Below are the top 10 players in the MA platform space based on AUM.

1. Lyxor Asset Management: ~$11.8bn
2. Deutsche Bank: ~$10.5bn

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“We don’t like MA platforms primarily because we are not willing to give them the level of transparency that they ask for, we would rather give it directly to investors. This may change in the future, but it’s unlikely.”

– HF Manager

“The perception that only managers that need assets launch managed accounts has changed. Now we are talking to star and best-in-class funds.”

– MA platform

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1 HFM Week, “The 2011 managed accounts universe”, March 2011
2 HFM Week, “The 2011 managed accounts universe”, March 2011
The Pros and Cons of Separately Managed Accounts

It is clear that while a MA offers significant upside to investors, there are also aspects of MAs that could be considered “drawbacks”. Through the numerous conversations we have had with investors, one theme has been dominant – MAs are not for everyone. Based on these conversations and outside research, we have laid out what we believe to be the top ‘pros’ and ‘cons’ of investing directly in MAs.

The Pros

- **Control**
  - Perhaps the most important feature that a MA is able to offer investors is the feature of control. Owning the underlying assets gives investors the ability to liquidate the fund as they wish, ‘fire’ the investment manager, and influence the investment approach of the HF manager, the liquidity profile, leverage etc. Being the only investor in the MA and owning the assets protects the investor from being affected by other investors’ redemptions and subsequently having to deal with provisions such as gates. Also, HF managers sometimes pursue opportunities that are outside their remit. In a MA, the investor can constantly monitor the trades the HF manager is putting on to prevent him or her from trading in manner not consistent with the agreement with the investor.

- **Liquidity**
  - The ability to liquidate the underlying assets of a MA is a huge plus for investors, especially if events such as those in 2008 were to recur. This access to liquidity allows investors to rebalance their portfolios during times of stress (this is not always possible when investing through a commingled fund due to suspension of redemptions). In the case of a customized MA, the investor can work with the HF manager to create a liquidity profile in the MA that aligns with the investor’s portfolio.

- **Risk Management**
  - Position level transparency, independent valuation of assets and the ability to aggregate risk allow investors to manage their investments in a much more ‘hands-on’ fashion. Having a separate, reliable custodian protects the investor in case the HF manager tries to commit fraud. Also, oversight into the types of trades that the
HF manager is putting on provides the investor with added visibility and control into risks such as concentration risk, liquidity risk and market risk. Investors can not only apply better risk management to individual accounts, but to the overall portfolio by managing volatility, drawdowns, and exposures. The four main aspects of monitoring activities for separate accounts include:

- Monitoring risk – independent valuation of assets (by the fund administrator), risk exposure and liquidity management, and collaborating with the HF manager on setting overall guidelines and managing risk. Some investors argue that investing in HF s through MAs can help generate alpha by reducing volatility and the risk of severe losses, as well as enabling investors to rebalance their portfolios in times of market stress.

- Performance monitoring – analyzing performance and tracking performance relative to peers and the main fund.

- Operational controls – reconciliation of securities and cash, monitoring of settlements, monitoring OTC and associated collateral, and monitoring administrators and other service providers.

- Fund accounting – controls over fees and expenses and assistance in auditing of funds.

The Cons

- Fiduciary Liability
  - With the benefit of control also comes the drawback of increased liabilities. Ownership of the assets adds a fiduciary burden on the investor to be equipped to handle sudden liquidation scenarios of the MA. Having to conduct due diligence on PBs, custodians, and administrators, and the ongoing management of the relationship adds to the fiduciary burden. In case of a pension plan, for example, the fiduciary duty is owed to the beneficiaries of the plan.

- Operational Complexity
  - Operational complexities such as the need for daily accounting, data aggregation, an independent PB and an independent 3rd party administrator make the task of managing a MA a difficult one for many investors. In addition to the complexity, the infrastructure and manpower costs associated with running a MA structure may be out of the realm of possibility for some investors.

- Cost
  - In addition to large operational costs, operating a MA implies high costs in terms of a large ticket size as well. If investing directly with a HF manager, minimum ticket sizes could be as much as $100mn, combined with higher pass through expenses or fees. If investing through a MA platform, the investor will have to incur added platform fees on top of manager fees (plus pass through expenses).

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7 Allstate Investments and Investcorp, “Separate Accounts as a Source of Hedge Fund Alpha”, April 2010
- **Tracking Error**
  - Tracking error between the MA and the commingled fund is a phenomenon that has been observed by many investors over the years. Tracking error can cause the performance of the MA to be a dampened version of the performance of the commingled fund. Some investors have mentioned that tracking error is especially evident in the first 6-12 months when the MA is still in the process of properly being set up. This emphasizes the reason why a MA is a long term strategy. One of the main reasons why tracking error exists is the AUM of the MA. For smaller accounts, cost is often greater, and there are certain strategies that cannot be employed. For example, certain contracts due to high margins cannot be traded on a smaller asset base. Handling the timing of foreign exchange sweeps can also cause tracking error.

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**Product Cost Benefit Analysis**

Once an investor has decided to invest through a MA account-like structure, the next step is to decide which ‘MA-like’ product to invest through. This decision requires the investor to explore which motivations are truly driving them to open a MA. Below, we have conducted a high-level cost benefit analysis for five key ‘MA-like’ products across various dimensions / motivations.

Below is a brief recap of the key features of each product.

- **Traditional MA**
  - A single investor MA in which the investor directly hires the HF manager to trade on its behalf. The HF manager has discretion and access to the assets within a well defined framework of restrictions. The investor retains oversight and the ability to step in and take control of the assets if it so desires.

- **Fund of One**
  - A traditional fund of one in which the HF controls and manages the assets in a fund with a single investor.

- **MA through FoHF**
  - A MA through a FoHF, where the FoHF controls the assets, as opposed to the end investor or the HF manager.

- **MA Platform – Single Investor Account**
  - A dedicated investor MA through a platform.

- **MA Platform – Commingled Account**
  - A multiple investor MA through a platform.

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8 This analysis is limited in scope / purpose and investors should do their own complete due diligence of the costs and benefits of any managed account investment

"Prior to 2008, FoHFs were the majority of our investor base. Today, it is primarily institutional and FoHFs represent only 15% of the AUM." – MA platform
Hedge Fund Managers’ Position on MAs

HF managers have historically been ambivalent about MAs for a number of reasons, e.g., the added operational burden, risk of alienating existing investors in their commingled funds, providing much greater transparency on positions to those investors that could potentially steal or copy investment ideas. Additionally, while assets in a MA count towards the HF firm’s AUM, they do not contribute to the AUM of a commingled fund and, therefore, do not help the fund get over important AUM milestones (e.g., $500mm or $1bn). On the other hand, for many smaller HFs and start-ups/spinouts, MAs might be the only way to grow AUM, given the extra protection these provide particularly to institutional investors (e.g., Pensions) that are willing to bear the additional cost and complexity burdens in exchange.

Start ups / Spinouts

As a result of the Volcker rule, banks are shutting down or spinning out their proprietary trading groups. To the extent they believe in the potential of some of these traders to become successful HFs over time, we understand that some of them are planning to invest into these spinouts as Limited Partner (LP) capital in exchange for a myriad of considerations. While this capital provides an initial vote of confidence from the banks, it also comes with a built-in redemption date. Due to the requirements of compliance with the Volcker rule, banks that invest this LP capital will need to redeem the bulk of it by the middle of 2014. Consequently, it is very likely that this LP capital will be invested through MAs. Potential investors into these spinouts would also prefer to avoid being invested in the commingled fund alongside this short-duration LP capital.

Mature Hedge Fund Managers

While not all of them are obvious, larger and more established HFs can also derive benefits from offering MAs. The most obvious one is that, given their relatively scalable infrastructure, larger HFs can more easily handle the complexity of offering MAs. This helps to spread the firm’s costs over a larger base of AUM, at a minimum. Additionally, customizing the fee structure, liquidity terms and investment parameters allows HFs to target those investors that they would like to develop long term relationships with but that are not attracted to the current commingled offering. The MA structure also allows HF managers to get around Most Favoured Nation (MFN) clauses with their commingled fund investors that would preclude them from offering better terms to these investors. In fairness, HFs we spoke to have no intention of doing this but the theoretical possibility exists. Finally, a key benefit of MAs for large, established HFs is the ability to launch a
product as a MA that is not in their core area of expertise but is closely related (an ‘adjacency’). Oftentimes a single investor that knows them well will be willing to fund this new product as a MA. Further down the road, the manager then has the ability to use the experience and the track record to offer the product more broadly.

We surveyed ~50 HF managers to get a deeper understanding of their views on MAs. In order to get a representative sample, we surveyed HFs varying in size as well as their core strategy.

- Figure 4 and Figure 5 display the breakdown of the HFs surveyed by size and strategy, respectively. As can be seen, all size buckets and strategies are represented in the sample set, with a bias towards equity HFs in the $1bn - $5bn size segment.

- Figure 6 displays the attitude of surveyed HF managers to MAs. The HFs that responded “maybe” are HFs that would only offer MAs to investors in certain situations. It should be noted that an overwhelming majority of HFs (~90%) offer MAs.

- Figure 7 illustrates the minimum ticket sizes the surveyed HFs demand for MAs. Not surprisingly, this number is very correlated to the HF’s AUM. Only a few HFs that are less than $1bn require minimum ticket sizes of $100mn or more for MAs. Many HFs will institute high threshold amounts for investing in MAs because this allows for self selection of certain types of institutional investors that are truly focused on investing through MAs. Figure 7 also displays a bipolar distribution where ~40% of HFs require less than $50mn and ~40% require $100mn or more.
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For Institutional Investors Only – For Information Only – Not for Redistribution

Figure 6: Acceptance of MAs

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>83.3%</td>
</tr>
<tr>
<td>No</td>
<td>8.3%</td>
</tr>
<tr>
<td>Maybe</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

Source: Strategic Consulting survey results (April 2011)

Figure 7: Minimum size for MAs

<table>
<thead>
<tr>
<th>Size Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$25mn</td>
<td>41.0%</td>
</tr>
<tr>
<td>$25mn-$50mn</td>
<td>15.4%</td>
</tr>
<tr>
<td>$50mn-$75mn</td>
<td>10.3%</td>
</tr>
<tr>
<td>$75mn-$100mn</td>
<td>7.7%</td>
</tr>
<tr>
<td>$100mn+</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

Source: Strategic Consulting survey results (April 2011)

Figure 8 shows the number of MAs at the HFs surveyed. The majority of HFs (~75%) have four or less MAs. This is understandable, as the minimum size required for MAs is so large. Four out of the six HFs that have 10 or more MAs have an AUM greater than $5bn. This is also understandable due to the operational complexity of MAs – running MAs from a HF’s point of view requires scale and significant resources in order to manage the complexity of allocating trades to different MAs, managing liquidity and leverage requirements of each MA, all while adhering to the investment guidelines for each MA. Therefore, the larger HFs are often better equipped to handle MAs than the smaller ones. Smaller HFs, on the other hand, usually find that MAs may be the only way to win allocations from institutional investors.

Figure 8: Number of MAs at HFs

<table>
<thead>
<tr>
<th>Number of MAs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>28.6%</td>
</tr>
<tr>
<td>1 to 2</td>
<td>26.2%</td>
</tr>
<tr>
<td>3 to 4</td>
<td>19.0%</td>
</tr>
<tr>
<td>5 to 10</td>
<td>11.9%</td>
</tr>
<tr>
<td>10 or more</td>
<td>14.3%</td>
</tr>
</tbody>
</table>

Source: Strategic Consulting survey results (April 2011)
What’s next for Managed Accounts?

It is evident that the MA product has evolved extensively over the years, and continues to do so. Four key themes that we may see unfold in the MA landscape in the next few months and years are:

- An increasing number of FoHFs acting as MA platforms.
  - FoHFs are particularly adaptive to what investors are demanding. Many FoHFs have already ramped up their advisory capabilities to rival investment consultants. The next wave of evolution for these organizations seems to be an increased focus on the MA platform place.
  - FoHFs have many of the raw materials already available to them such as relationships with HF managers, relationships with HF investors, as well as due diligence and reporting capabilities.
  - "I think FoHFs will evolve over time where they will routinely start offering co-investment opportunities to investors to drive down costs." – HF MA Investor

- Large institutional investors creating their own platforms and possibly leveraging them with fellow institutional investors.
  - This seems to be the next step in the evolution process for large sophisticated institutional investors, specifically state pension plans. While it is not everyone’s cup of tea, large investors that operate or are planning to operate several MAs, are increasingly beginning to create their own MA platforms to reap benefits such as reduced costs and cross margining.
  - A few investors that we spoke to are also considering opening up their platforms to other investors, however, this may require registration as an advisor (significant hurdle) and an investment in manpower.
  - "My understanding is that the creation of managed account platforms is the new direction that pension plans are taking." HF MA Investor

- Platforms further leveraging their products and acting in an advisory capacity with investors.
  - Just as FoHFs have been ramping up their advisory capabilities in an effort to compete with consultants, we anticipate that MA platforms may ramp up their advisory services as well. This will all be in an effort to be a ‘one stop shop’ and create a holistic product offering.
  - We see platforms gaining a first mover advantage as HF managers will not want to be on multiple platforms.

- Platforms packaging various types of new products for investors.
  - Platforms are increasingly packaging different types of products for investors, for example, some are able to play a unique role in wrapping traditional HF products into UCITS products by entering into swaps, which is advantageous to HF managers as well as investors. HF managers are able to expand their product offering, without altering their trading style, and investors are able to access UCITS products which they might not have had access to otherwise. A few platforms have
already started offering these products to investors, while others are still in the structuring phase. In addition, to a UCITS feeder, funds offered by platforms can also have 40 act feeders or retail fund feeders.

- Platforms should also keep in mind that there is a high cost associated with implementing a UCITS platform. There are also numerous legal and compliance related issues associated with the UCITS product.

References

- HFM Week, “The 2011 managed accounts universe”, March 2011
- Infovest21, “Moving into a more customized world: Managed accounts vs funds of one vs platforms”, May 2011
- Preqin Research Report, “Managed Accounts on the Upswing”, February 2010

Further Reading and Inquiry

We invite you to read our earlier editions of the Hedge Fund Pulse to get more information on a range of topics. Recent pieces include “Affirmative Investing: Women and Minority Owned Hedge Funds” (June 2011), “A New Alternative: Convergence between Long-only and Hedge” (May 2011), and “Emerging Managers: Good Buy or Good Bye?” (April 2011).

Capital Solutions

In partnership with the Asset Management Banking Group, the Capital Solutions team within Prime Services offers a unique blend of industry insight and tailored client solutions for a broad range of issues. Our integrated offering includes:

Capital Introductions

- Maintenance of ongoing investor dialogue to provide valuable feedback to HF managers.
- Targeted capital introductions.
- Hosting events that provide a forum for knowledge transfer and discussion / debate on industry issues that help educate and inform both clients and investors.
Strategic Consulting

- Develop industry-leading content on the HF industry and its participants (e.g., HF and FoHF managers, institutional investors, investment consultants) and act as a competence center internally for the firm.

- Provide management consulting services to help HFs and Asset Managers address some of the key issues they face, including new product development, marketing and distribution strategy, and organizational effectiveness.

We partner with our colleagues in the Asset Management Banking group to provide the following additional services:

- Advise on control and minority stake M&A transactions.
- Raising strategic LP capital / advice on fund restructurings.
- Underwriting and placement of debt financings and equity offerings.

Advisory and Financing offerings are serviced by the Investment Banking team of the Asset Management Banking Group.
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