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CAYMAN

GAIM Ops Cayman 2016 Poll Results



In March 2016, EisnerAmper had the opportunity to participate in the annual GAIM Ops Cayman conference, one of the hedge fund industry's leading operations and compliance events.

This year's gathering brought together close to 500 operations, due diligence and compliance experts from the alternative investment industry. C-level personnel and fund managers made up the largest percentage of the attendees.

Over the course of the conference, the audience was polled on a variety of topics. The following report details those results.

As you review the responses, we want to offer our own insight to provide a more complete and in-depth look at the findings:

The Evolving Business Model for Hedge Funds

Fifty-five percent of respondents indicated the commingled hedge fund is not an endangered species. While the commingled fund may not become extinct any time soon, the 2x20 pricing structure is long gone for equity based strategies. The 1.5x20 fee structure has grown in popularity due to pressure from the institutional investment community resulting from underperformance in recent years.

We anticipate that you will find hurdle rates incorporated into the incentive fee structure, wherein a manager must outperform a stated rate of return (e.g., 10-year bond) before the incentive can be taken.

Institutional Investor Perspective

More than 75% of respondents would consider increasing or beginning pursuing opportunities through liquid alternative products.

Liquid alternative mutual funds took off like wildfire from 2012-2014 as the number of new funds grew and AUM ballooned. However, for investors looking to gain access to certain strategies, the daily liquidity requirements for a liquid alternative mutual fund often prohibit certain securities and asset classes being included in the fund. These strategies are only accessible in a traditional commingled hedge fund structure.

More than half of the respondents felt it was important to meet personnel beyond the senior management team during operational due diligence ("ODD") visits.

Post-Madoff, the role of ODD has grown dramatically. Whether investors are assigning the responsibility internally or outsource it to an ODD firm, managers must make sure their firms are of institutional quality from the front-middle-back office, legal/compliance, and infrastructure perspectives to win allocations.

We welcome the opportunity to discuss these topics in detail with you.



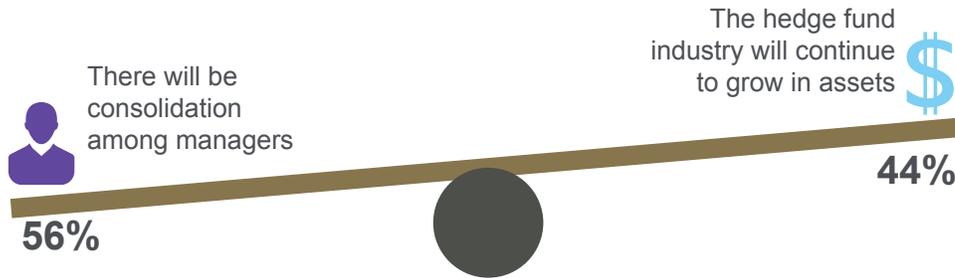
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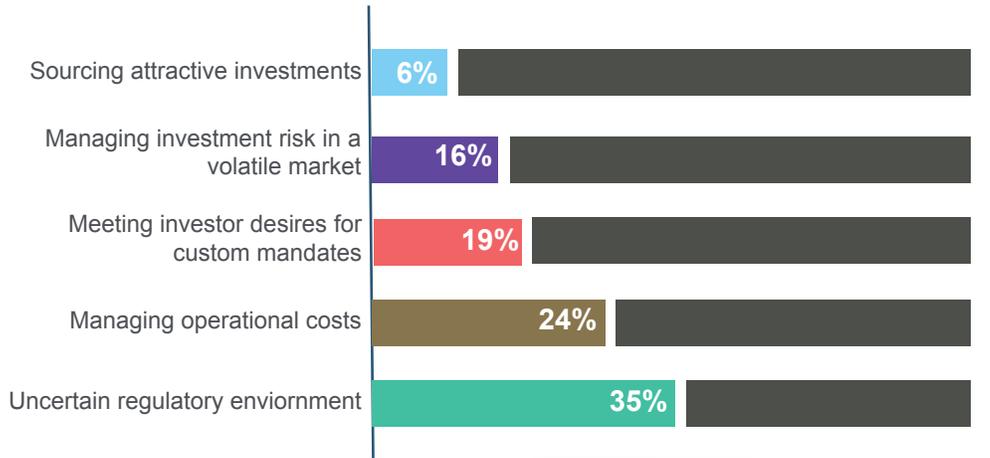
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Hedge Fund Investor: What's New and What's Changed

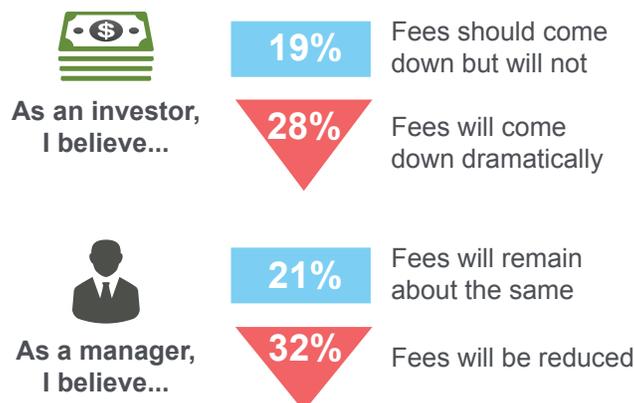
Will the hedge fund industry continue to grow in assets or will there be consolidation among managers?



What is the biggest challenge facing managers today?

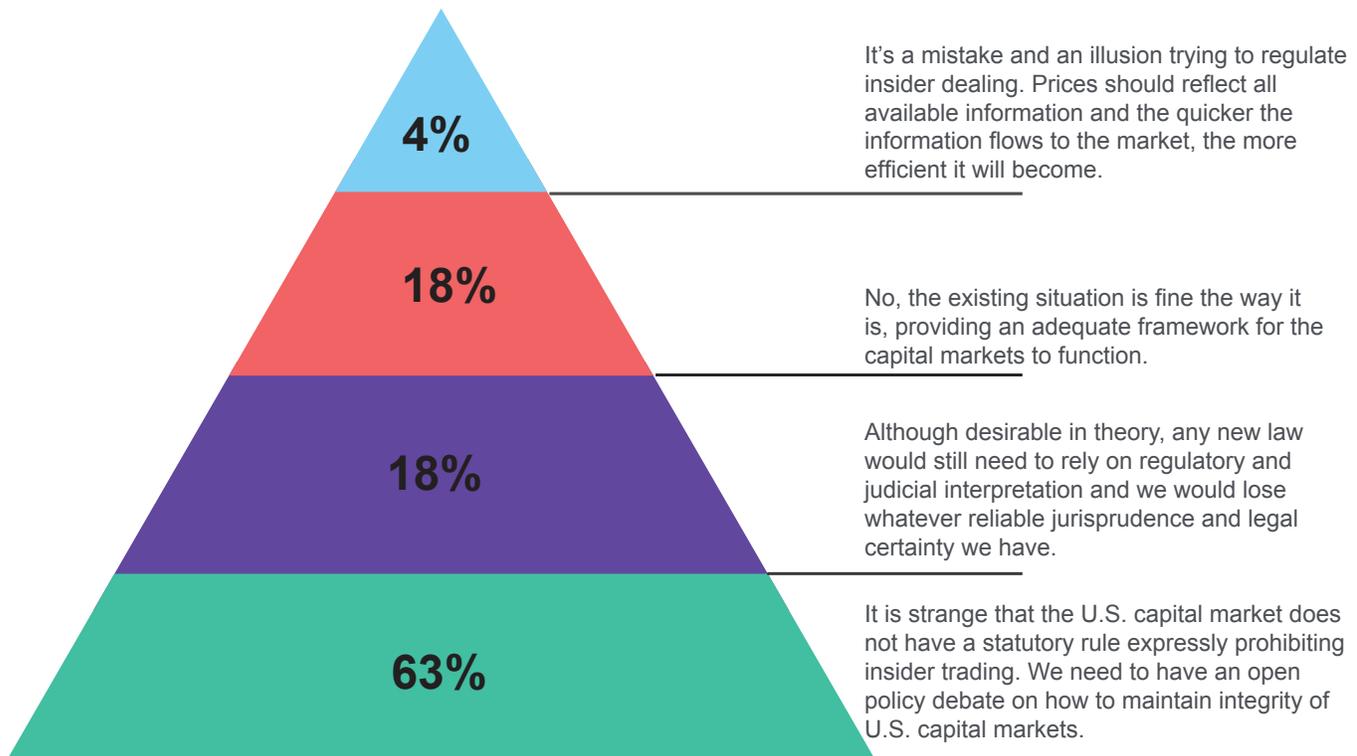


Where are fees heading over the next couple of years?



Calling All Regulators: Active and Recently Retired Regulators Prepare You for What's Next

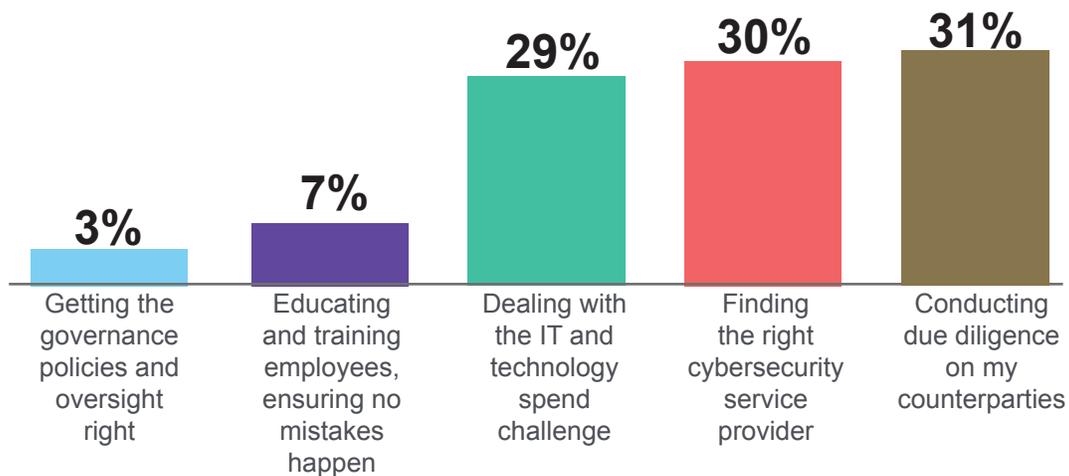
Insider Dealing: Post-Newman, do you believe congressional action to codify "insider trading" would be beneficial?



Calling All Regulators: Active and Recently Retired Regulators Prepare You for What's Next (*continued*)

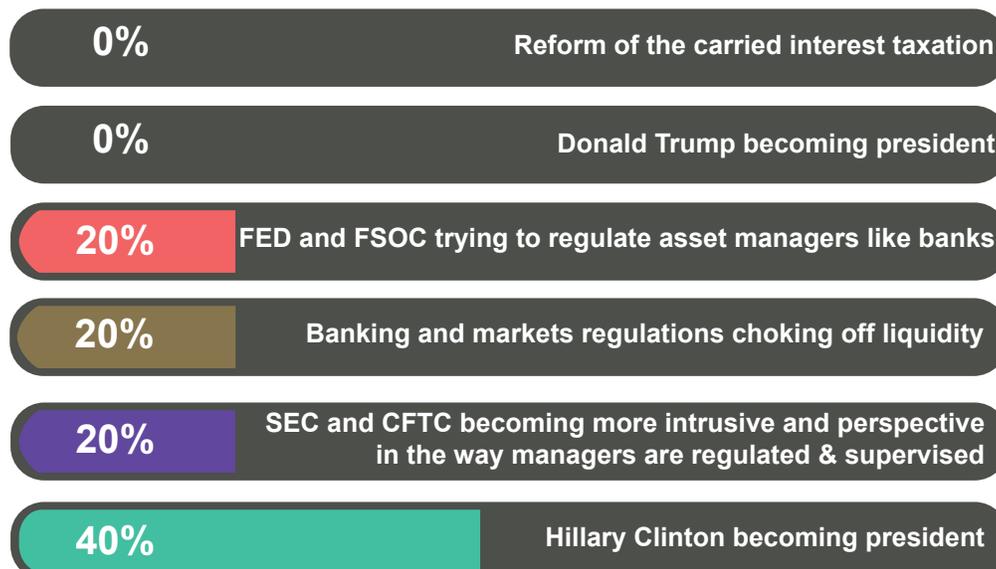
Cybersecurity and cyber-related crime:

Which elements of a cybersecurity program do you find the most difficult to implement?



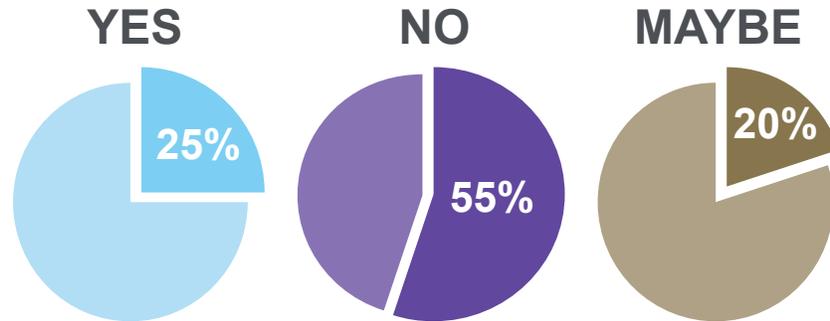
Other policy and regulatory developments:

Which of the following developments do you identify as the potential biggest threat to the hedge fund industry (Related to politics and regulations)?

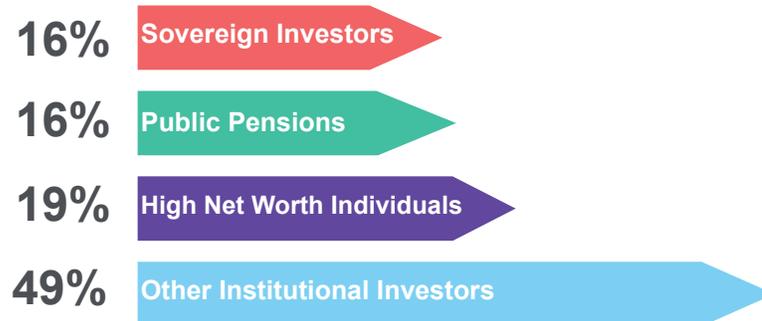


The Evolving Business Model for Hedge Funds: Looking at the Future Model of Sustaining, Growing and Innovating

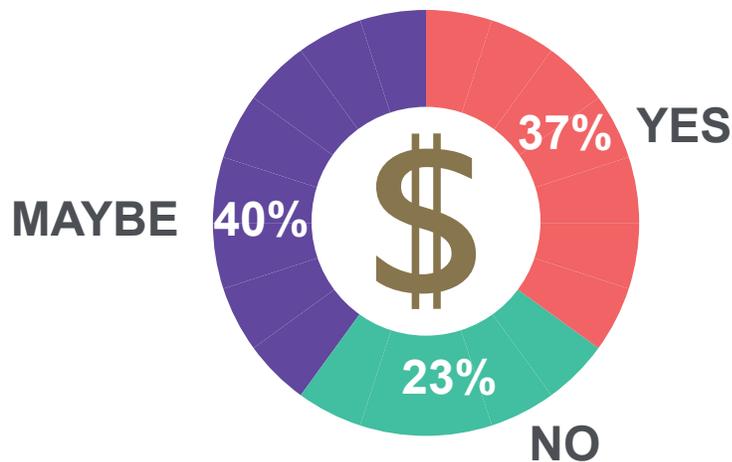
Is the commingled hedge fund an endangered species (and the 2 and 20 fee structure along with it)?



Which investor group(s) represents the most advantageous path for your goals in raising capital?

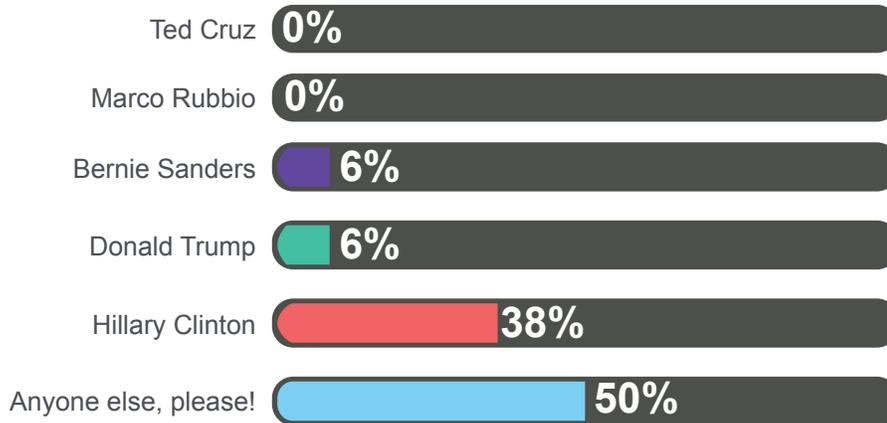


Should you increase or start pursuing the opportunity through liquid alternative products?

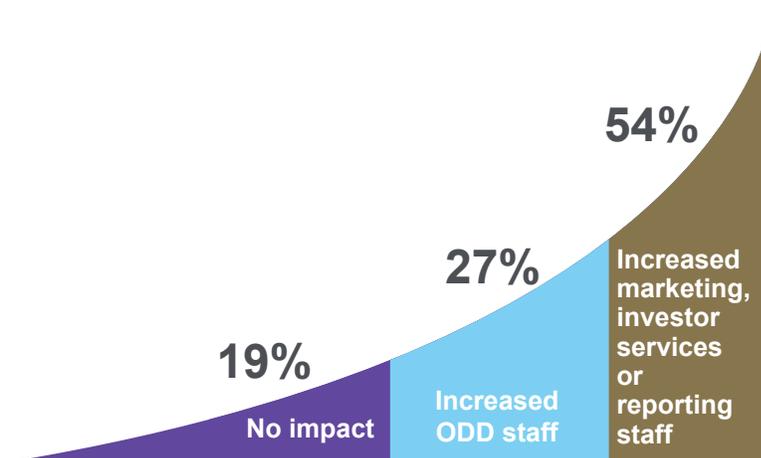


Institutional Investor Perspective: The Future Partnership with Managers

Who do you expect to win the U.S. Presidential election?

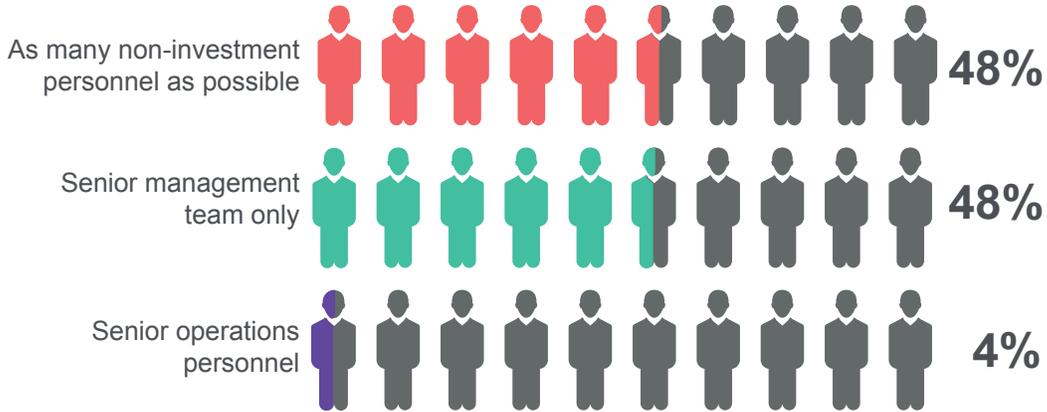


Demands for portfolio and operational transparency have increased dramatically over the last few years. How has your organization reacted to those demands?



Institutional Investor Perspective: The Future Partnership with Managers *(continued)*

Who are the most important people to meet during an operational due diligence visit?



Have you had Basel III-related conversations with your prime brokers?



Is your CCO function outsourced to a third-party compliance consultant?

