

Coming of age

Global hedge fund survey 2011

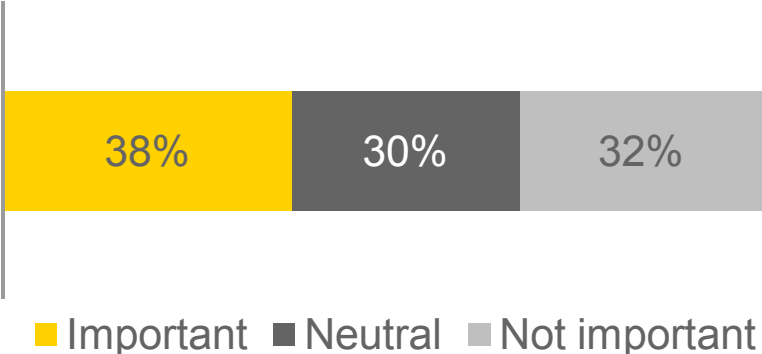
November 2011

 **ERNST & YOUNG**
Quality In Everything We Do

Importance of a clear succession strategy

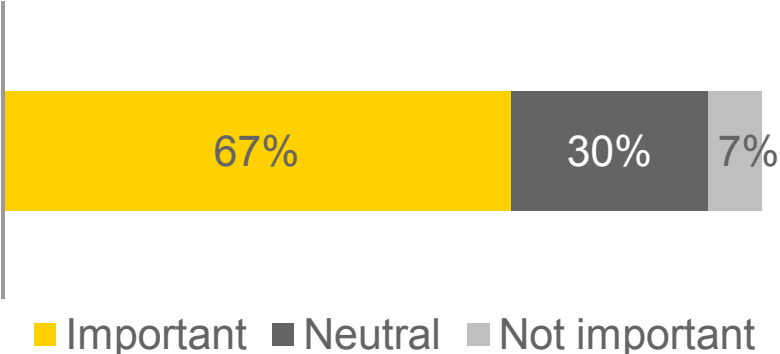
Hedge funds

How important is a well-articulated succession plan to retaining investors?



Investors

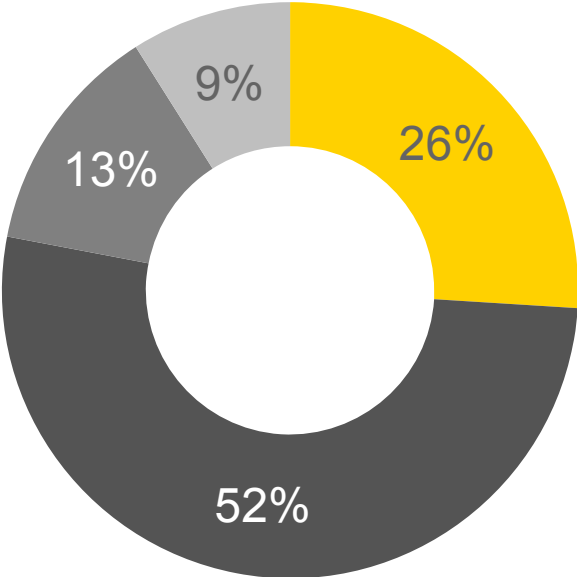
How important is a well-articulated succession plan to your comfort level for your investments?



Investor loyalty

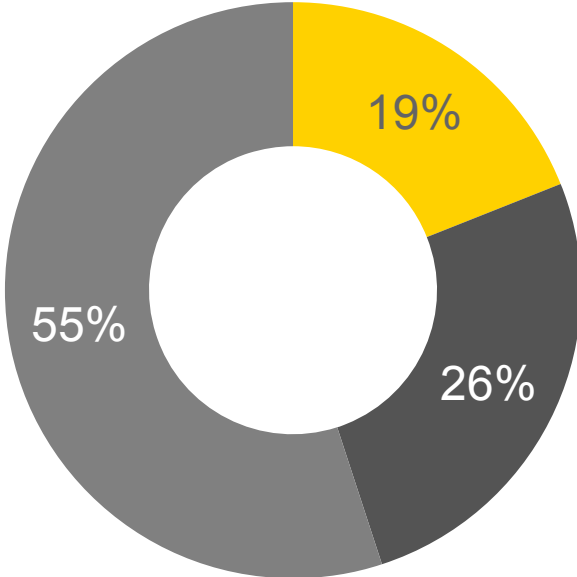
Hedge funds

To which of the following do you believe investors' loyalty lies?



Investors

In which of the following is continuity most important to your decision to remain invested?



- Firm as an institution
- Individual portfolio managers
- Founding principal(s)
- Don't know

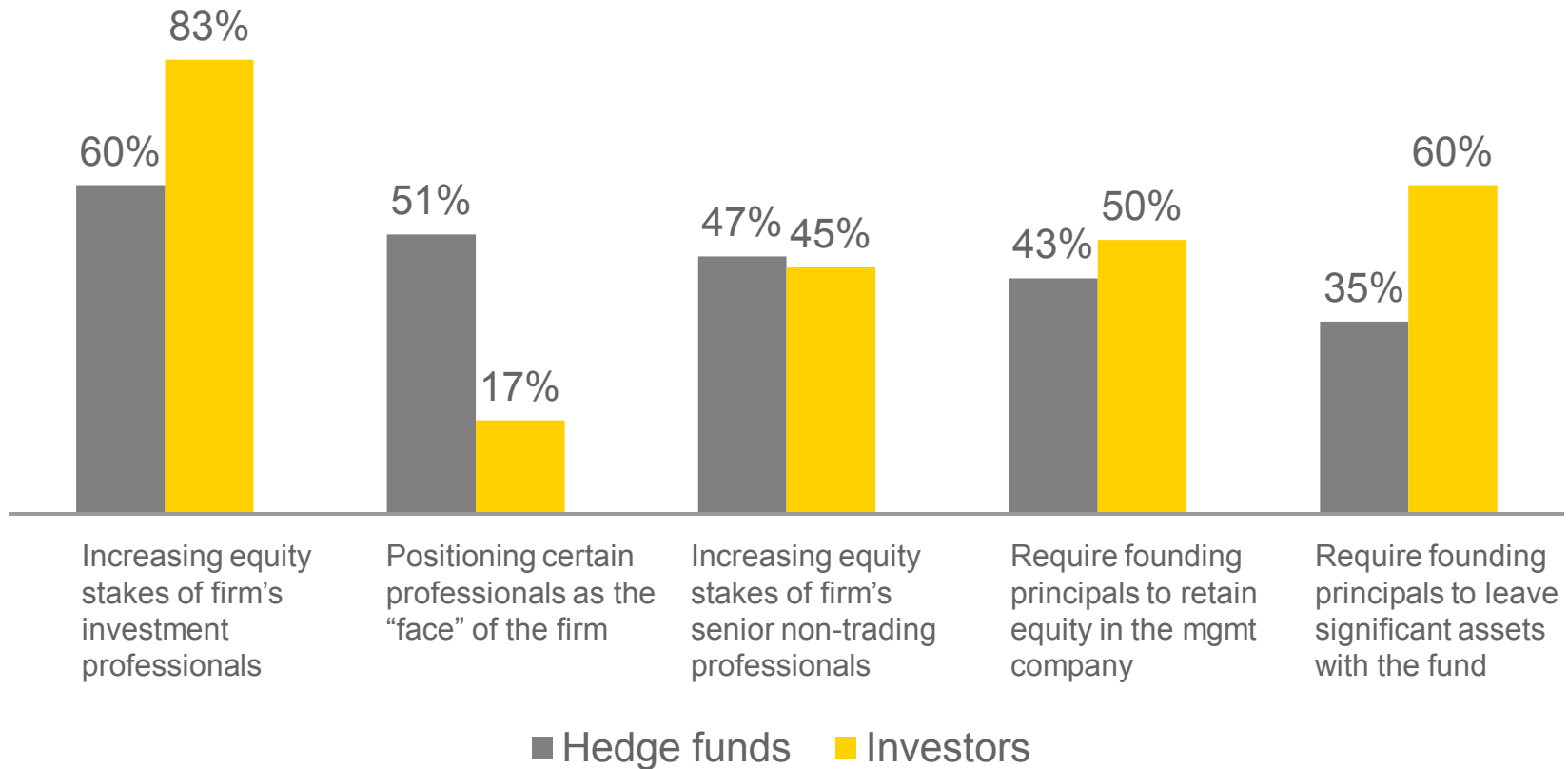
Key elements of succession planning

Hedge funds

Please describe the elements of your strategy for succession planning.

Investors

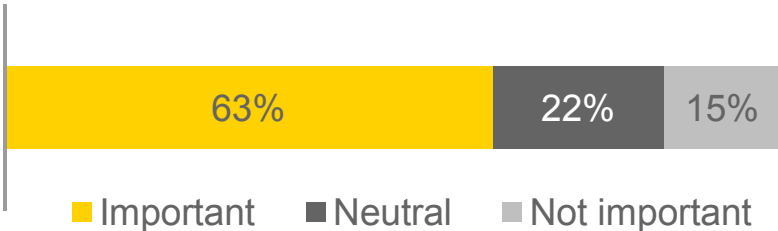
Please describe the elements of your preferred strategy for effective succession planning.



Board of directors — independence and effectiveness

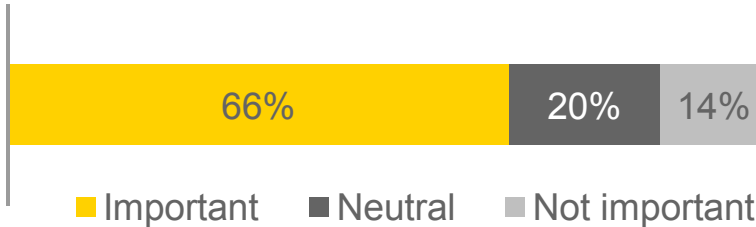
Hedge funds

How important is it to have a majority of independent directors on the board of directors of your funds?



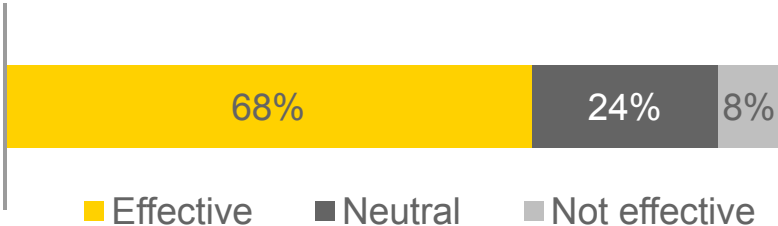
Investors

How important is it to have a majority of independent directors on the board of directors?



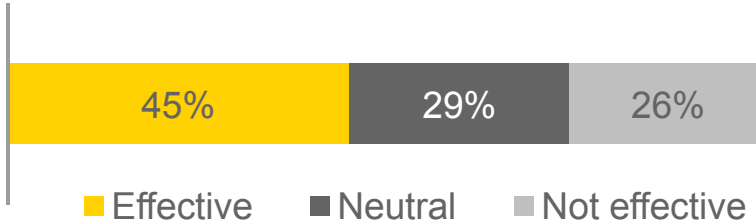
Hedge funds

How effective is the board of directors of your funds at carrying out its duties?



Investors

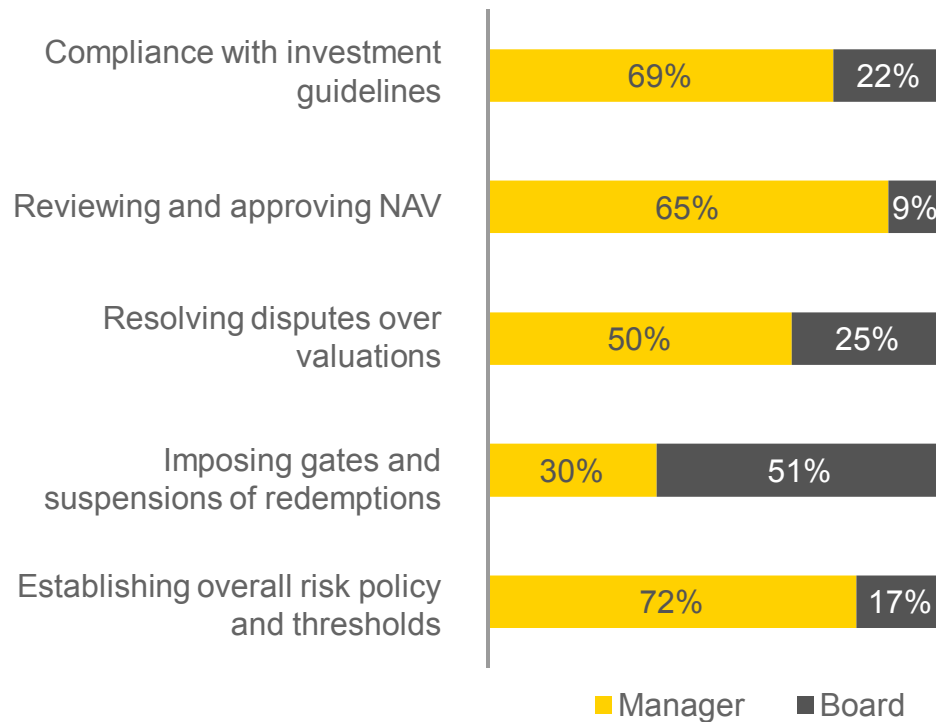
How effective do you consider the board of directors at carrying out its duties?



Board of directors — responsibilities

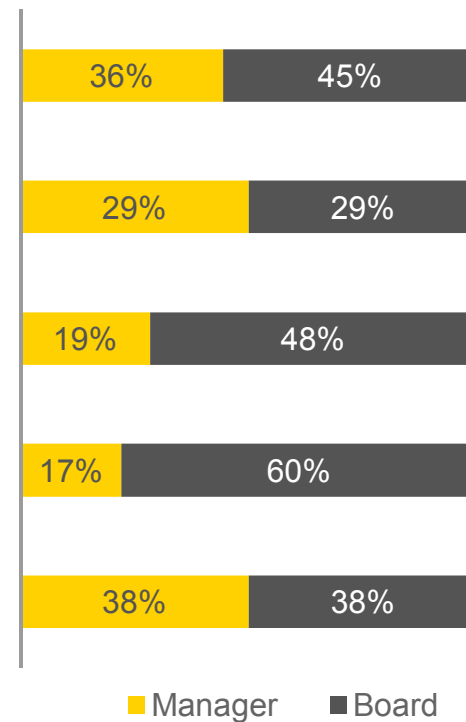
Hedge funds

Which of the following *currently has* the ultimate responsibility and accountability?



Investors

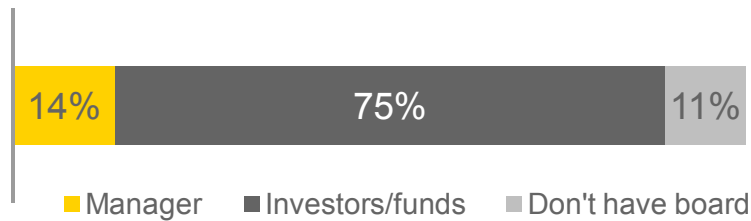
Which of the following *should have* the ultimate responsibility and accountability?



Board of directors — accountability

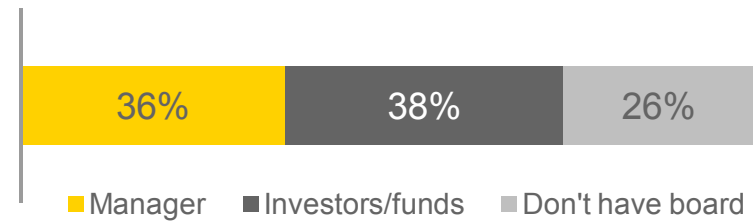
Hedge funds

In practice, to whom *is* the fund's board of directors accountable?



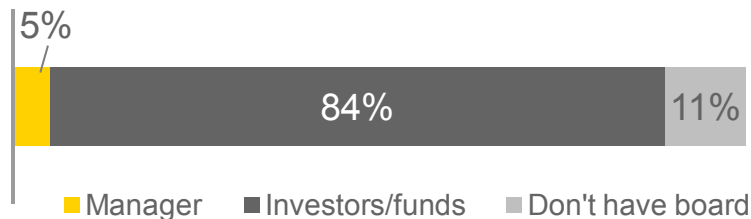
Investors

In practice, to whom *is* the fund's board of directors accountable?



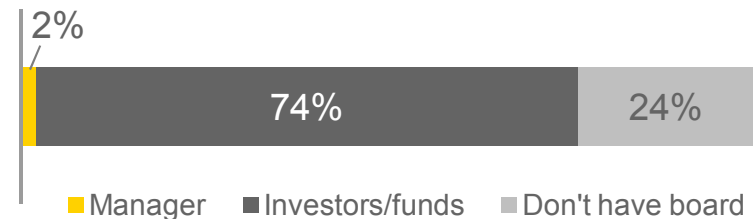
Hedge funds

To whom *should* the board of directors be accountable?



Investors

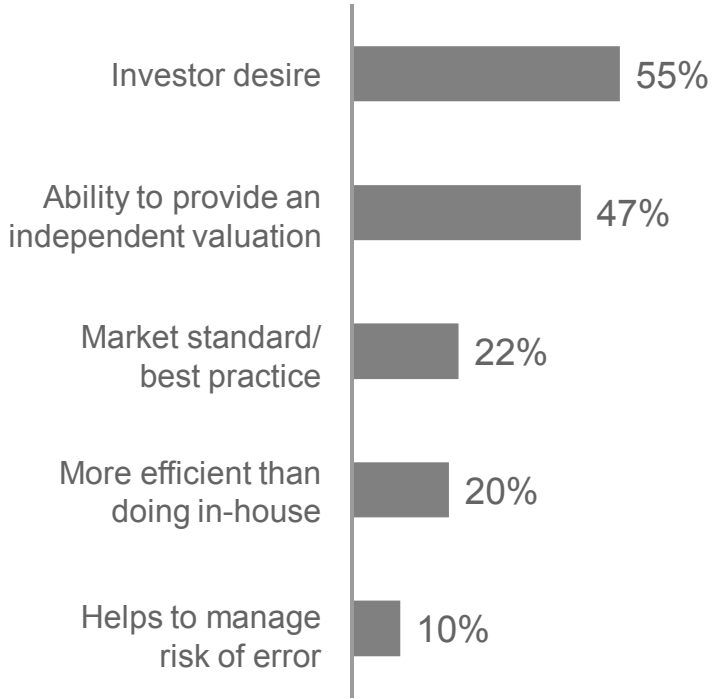
To whom *should* the board of directors be accountable?



Rationale for utilizing an independent administrator

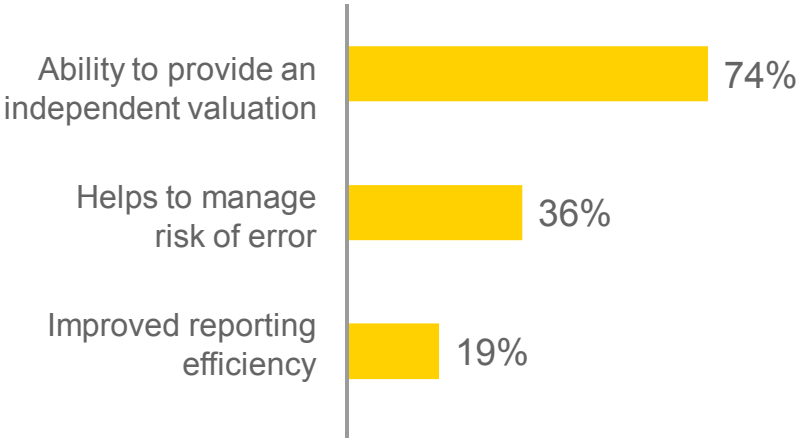
Hedge funds

What are the primary reasons you use an independent administrator?



Investors

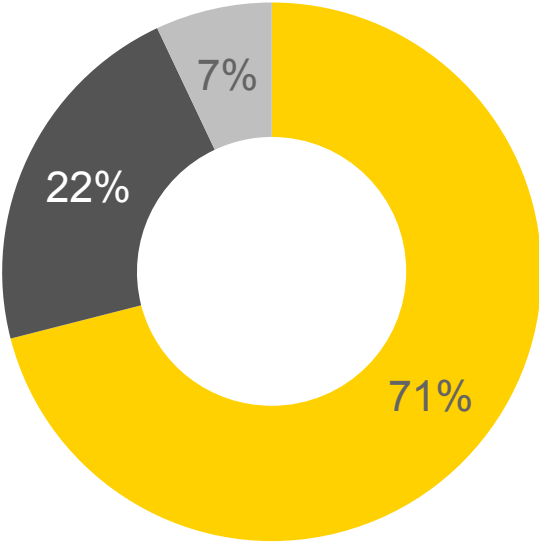
What do you believe the benefits of an independent administrator are?



Valuation outsourcing — risks and importance

Hedge funds

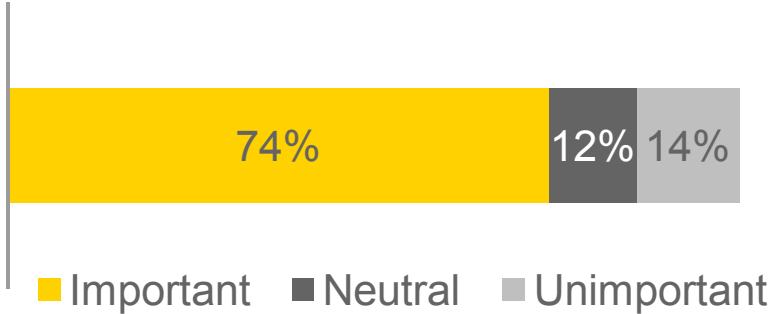
Do you perceive any risks in fully outsourcing valuation?



■ Yes ■ No ■ Don't know

Investors

How important is it that a hedge fund completely outsources valuation to an administrator?

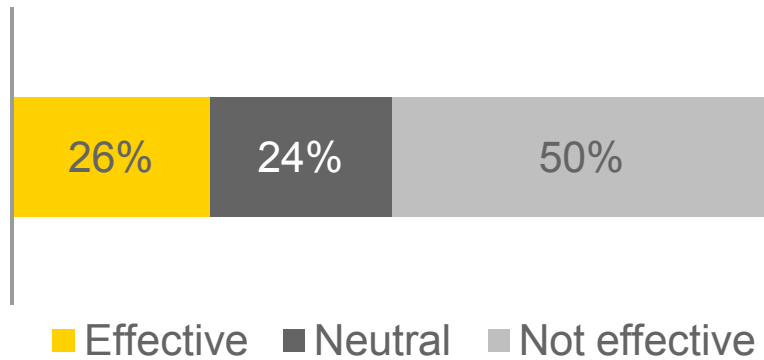


■ Important ■ Neutral ■ Unimportant

Administrator effectiveness in valuing Level 3 assets

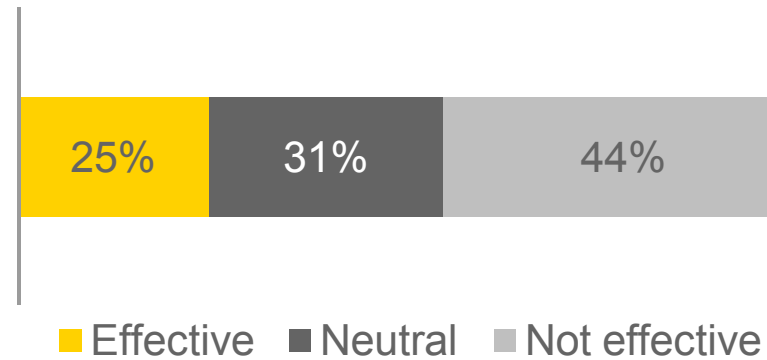
Hedge funds

How effective is your administrator at valuing Level 3 assets?



Investors

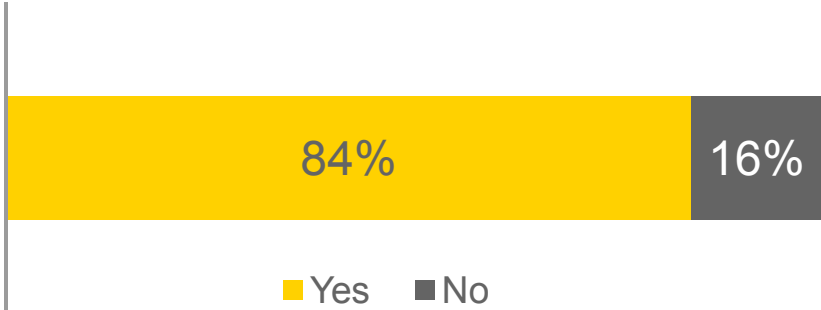
How effective is your funds' administrator at valuing Level 3 assets?



Importance of shadow accounting

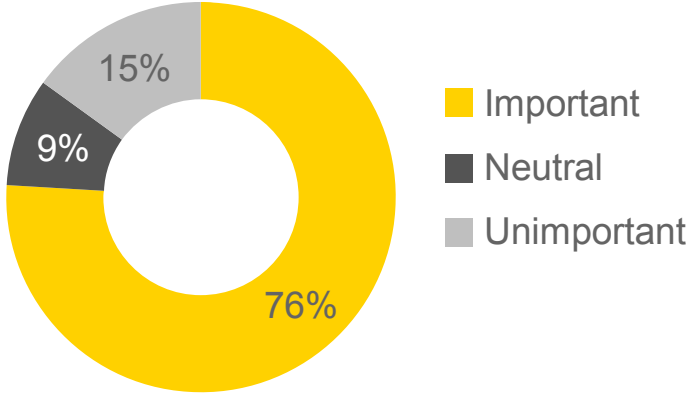
Hedge funds

If your administrator calculates and issues NAV for the fund, do you shadow?

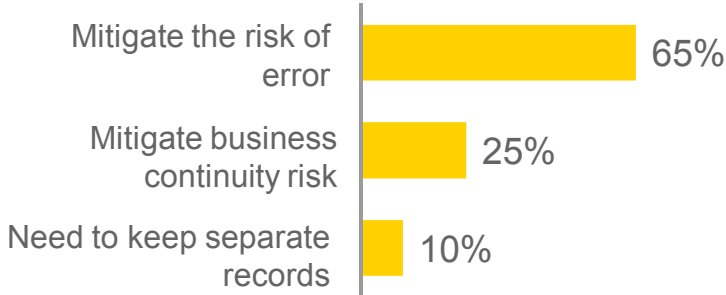


Investors

How important is it for your hedge fund manager to perform shadow accounting?



What is the primary reason you perform shadow accounting or processing?



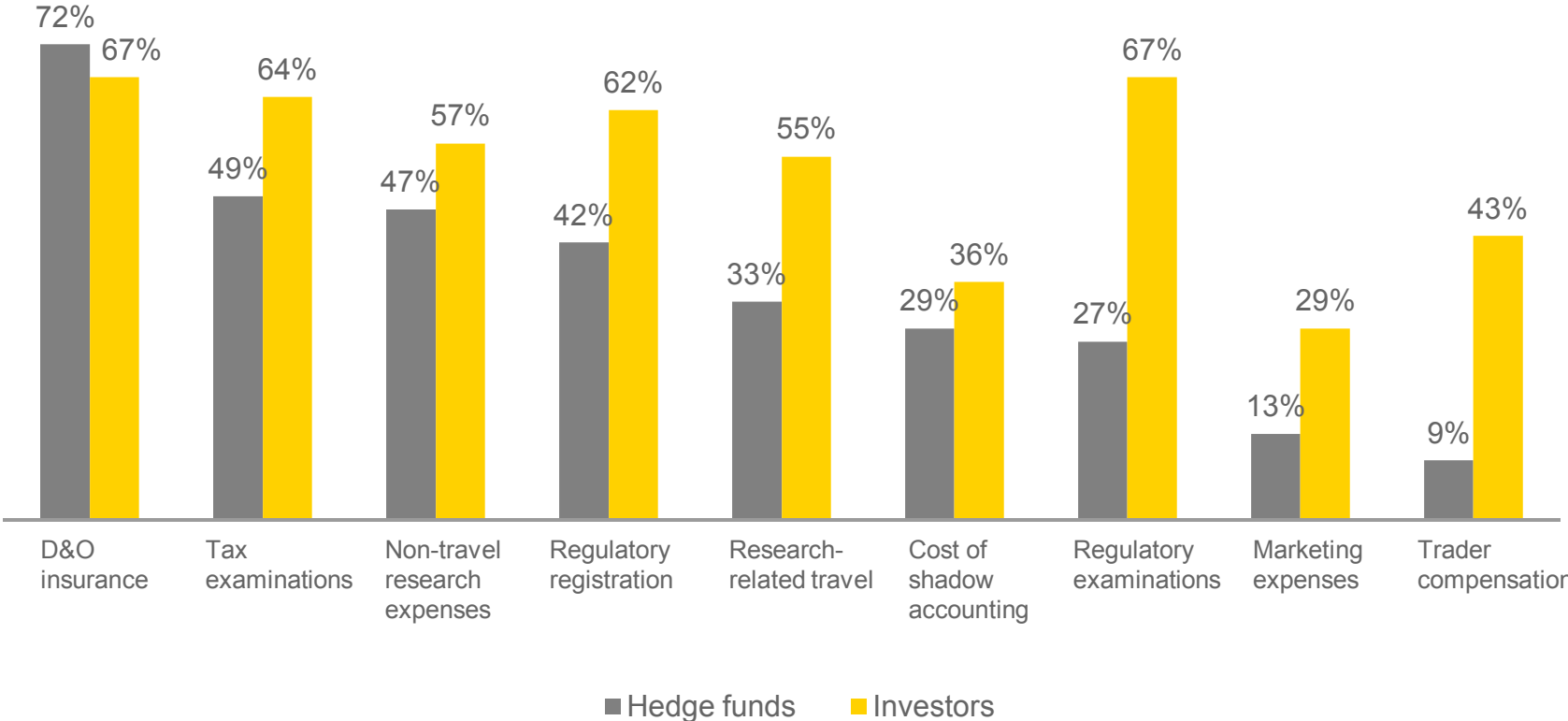
Fund expenses — what is passed through?

Hedge funds

Which of the following costs do you currently or expect to pass on?

Investors

Which of the following costs do you not object to passing on?



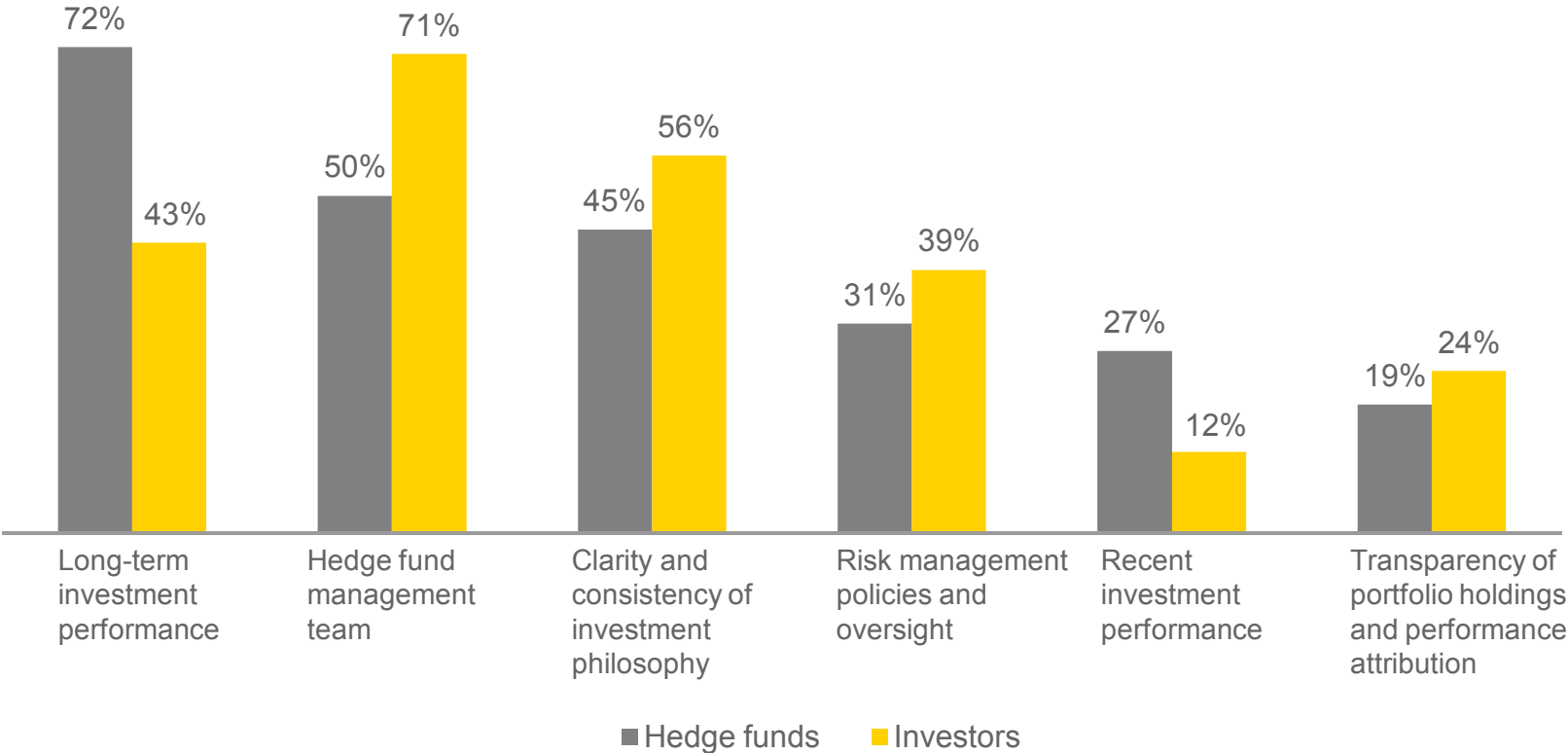
Most important criteria to investors in making investment decision

Hedge funds

What are the most important selection criteria investors consider when selecting a manager?

Investors

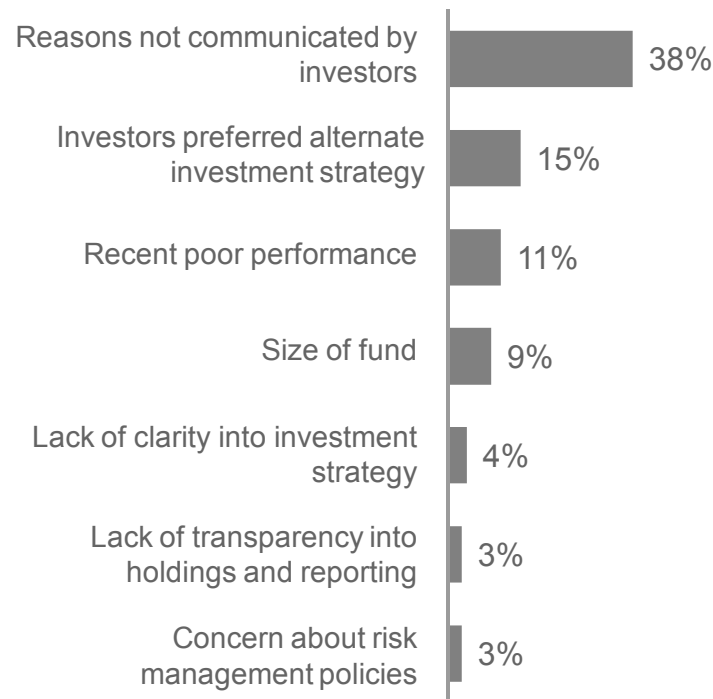
What are the most important selection criteria you consider when selecting a manager?



Rationale for loss of mandate

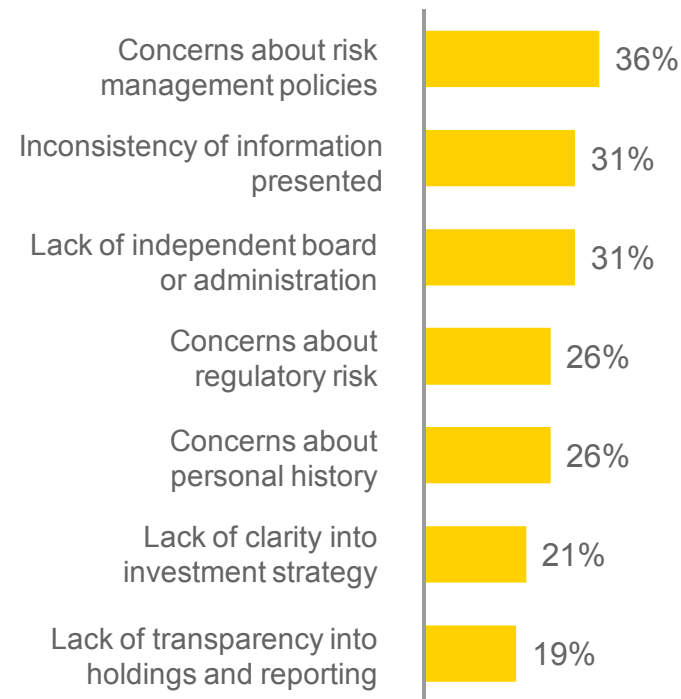
Hedge funds

When your firm loses a mandate, what is the most frequent explanation an investor has given for not investing?



Investors

When a fund has passed your initial screening criteria, what has caused you to pass on investing with that fund?



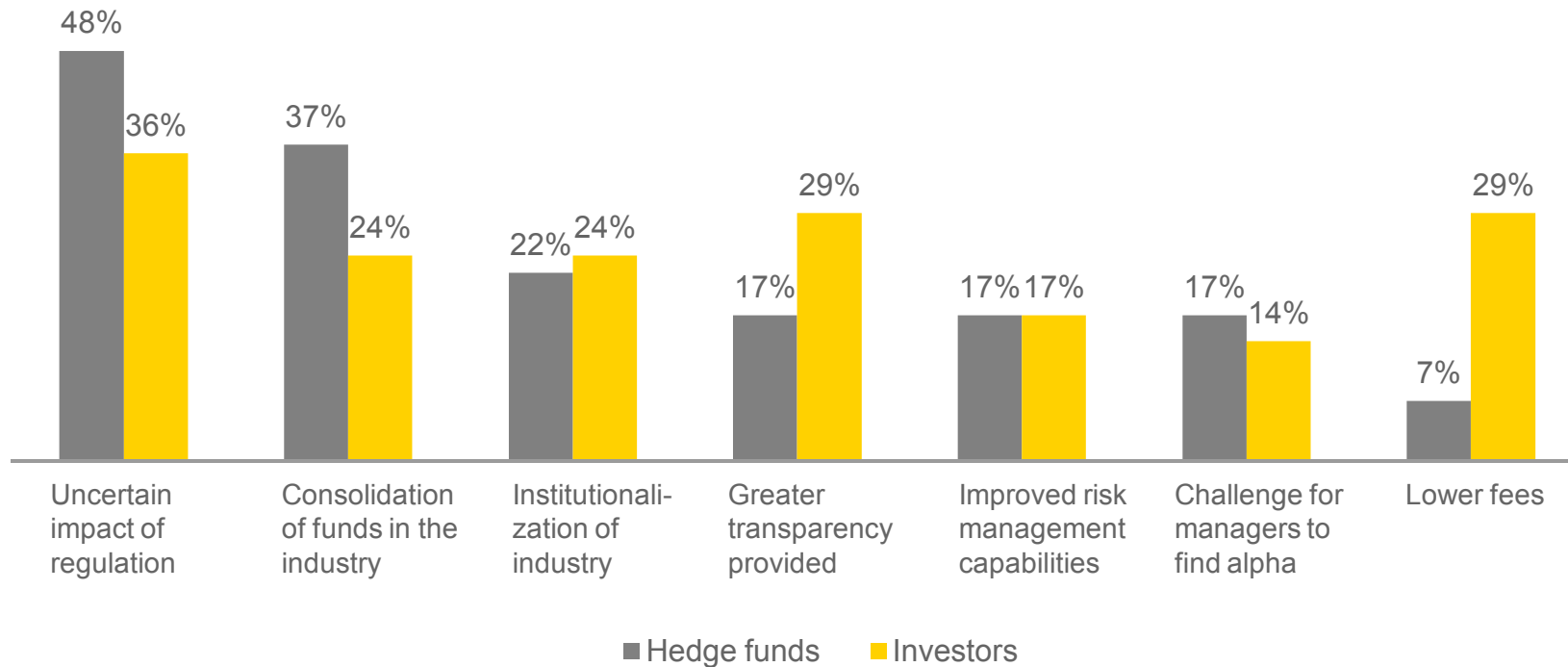
Future landscape

Hedge funds

What will be the biggest trends or developments in the hedge fund industry over the next one to two years?

Investors

What will be the biggest trends or developments in the hedge fund industry over the next one to two years?



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