

HEDGE FUND STANDARDS BOARD (HFSB) BECOMES STANDARDS BOARD FOR ALTERNATIVE INVESTMENTS (SBAI)

13 September 2017

The Hedge Fund Standards Board (HFSB), the global standard-setting body for the alternative investment industry, has changed its name to the Standards Board for Alternative Investments (SBAI). The new name reflects the evolution of the industry and the ongoing development of the SBAI as it enters its second decade.

The SBAI originated in June 2007 when a group of leading alternative investment managers formed the Hedge Fund Working Group to develop industry standards in areas such as disclosure, valuation, risk management, governance and shareholder conduct. In January 2008, the Hedge Fund Standards Board was established as a non-profit organisation to oversee and further develop the Standards. Today, the SBAI is supported by approximately 200 alternative investment managers and institutional investors with \$3 trillion in aggregate capital, and is governed by a board of major investors and managers.

The change in name reflects the evolution of the alternative investment industry, in which managers increasingly offer their investment strategies through a variety of vehicles beyond “hedge funds” – including liquid alternatives, regulated funds, co-investment vehicles, drawdown funds and managed accounts. At the same time, investors have moved away from the “hedge fund” term as they classify and integrate a diverse array of alternatives strategies by underlying asset class, return profile, market exposure or liquidity. Further, many of the SBAI’s standards and guidelines, while developed for alternatives managers, have broader applicability across asset management.

Dame Amelia Fawcett, Chairman of the SBAI said: “Over the last decade, the SBAI has developed and implemented a model that is unique in the investment industry. This is a neutral platform bringing together investors and managers as equal partners in solving issues and developing standards of practice. As we enter the SBAI’s second decade, the platform is as relevant as ever, given the industry’s complex array of investment strategies and vehicles and the importance of meeting investor requirements in a highly competitive environment. We are pleased to see continued growth in industry support, particularly over the last couple of years, from both the institutional investor and manager communities globally.”

Dale West, Senior Managing Director, Teacher Retirement System of Texas and Trustee of the SBAI said: “From an investor perspective, the Standards contain core principles that apply to all types of

investment management activities, not just those organized as hedge funds. The name change positions the SBAI to engage more broadly with investors, regulators and the industry to address emerging issues.”

Luke Ellis, CEO of Man Group and Trustee of the SBAI said: “The alternatives industry has evolved significantly as managers have developed solutions to suit a variety of investor needs and created strategies designed to deliver many types of returns. The new name reflects the SBAI keeping pace with this evolution, with standards and guidelines that managers can apply across their businesses, demonstrating their commitment to sound practices.”

The practices and solutions developed by the SBAI are documented in the Alternative Investment Standards (the Standards), which managers commit to by becoming SBAI signatories. Additionally, the SBAI publishes industry guidelines and resources under its “Toolbox”, complementing its standard-setting activities. Also the SBAI has established working groups to study Total Expense Ratios and Factor Based Investment. The SBAI expects to publish results of those working groups later in 2017.

Managers joining the SBAI over the last 12 months include: 400 Capital Management, BlueBay Asset Management, China Alpha Fund Management, Citadel, Frontlight Capital, Graticule Asset Management Asia, Hiscox Re Insurance Linked Strategies, Ivaldi Capital, Jasper Capital International, LIM Advisors, Misaki Capital, Myriad Asset Management, Nezu Asia Capital Management, Nordkinn Asset Management, Simplex Asset Management and Trustbridge Partners.

Investors joining the SBAI over the last 12 months include: Air Canada Pension Investments, Alaska Permanent Fund Corporation, CB Permatrust Asset Management, Japan Post Bank, Morgan Stanley Investment Management, New Jersey Division of Investment and Pennsylvania Public School Employees’ Retirement System.

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Notes to editors:

1. The SBAI was formed in January 2008 as the standard-setting body for the alternative investment industry, bringing together managers and investors globally to help determine how the industry should operate. It is custodian of the Alternative Investment Standards, which create a framework of transparency, integrity and good governance for the industry, facilitate investor due diligence and complement public policy. The SBAI also provides practical guidance to investors and managers in areas such as fund governance, standardised transparency and risk reporting, and cyber security through its

Toolbox. The SBAI is supported by more than 125 alternative investment managers with approximately \$1 trillion in aggregate assets, and by more than 65 institutional investors overseeing \$2 trillion in assets. The Standards and the full list of signatories and supporters are available at www.sbai.org.

2. In July 2014, the SBAI became an Affiliate Member of the International Organization of Securities Commissions (“IOSCO”). In April 2017, Ashley Alder, CEO of the Securities and Futures Commission of Hong Kong and Chairman of IOSCO said: “When the industry evolves its own robust conduct standards, particularly through an organisation like the HFSB, where funds and investors come together, laws and regulations we enforce are less likely to be breached. There is no reason why the Standards should only apply to hedge fund managers, and we would like to encourage the HFSB to explore widening its remit.” In May 2017, Gerard Fitzpatrick, Senior Executive Leader, Investment Managers and Superannuation at the Australian Securities Commission (ASIC) said: “I commend the HFSB for identifying the importance of adequate risk disclosure and its ongoing transparency initiatives, including the launch of the standardised Administrator Transparency Report last year and the Open Protocol risk reporting standard. These initiatives are not just relevant to hedge fund managers, but to all alternative investment funds and beyond.”
3. The materials available through the Toolbox serve as a guide only and are not formally part of the Standards and the comply-or-explain approach. Both the Standards and the Toolbox are regularly updated to cover emerging industry issues. Updates in recent years include:
 - 2017: Open Protocol Risk Reporting added to the SBAI Toolbox, covering standardised risk reporting templates currently used for over \$1 trillion in fund assets.
 - 2016: Administrator Transparency Reporting template established by a working group of major managers, investors and administrators.
 - 2015: Cyber Security Memo published, providing guidelines to managers for addressing cyber security risk.
 - 2015: Standards updated to enhance managing conflicts of interest, particularly between parallel funds.
 - 2014: Standardised Board Agenda published, assisting fund boards in ensuring proper governance.
4. The Trustees of the SBAI are:
 - Dame Amelia Fawcett, Chairman (SBAI)
 - Jane Buchan, CEO, Pacific Alternative Asset Management Company (PAAMCO)
 - Clint Carlson, President & CIO, Carlson Capital
 - Bruce Cundick, CIO, Utah Retirement Systems
 - Luke Ellis, CEO, Man Group plc
 - David George, Head of Debt & Alternatives, Future Fund Australia
 - Chris Gradel, Founder, Pacific Alliance Group (PAG)

- Kathryn Graham, Head of Strategy and Co-ordination, Universities Superannuation Scheme Ltd
- Henry Kenner, Founding Partner & CEO, Arrowgrass Capital Partners LLP
- George Robinson, Co-Founder, Sloane Robinson
- Simon Ruddick, Chairman & Co-Founder, Albourne Partners
- Daniel Stern, Co-Founder and Co-CEO, Reservoir Capital Group
- Betty Tay, Managing Director, Head of External Managers Department, GIC Private Limited
- Mario Therrien, Senior VP, External Portfolio Management - Public Markets, Caisse de dépôt et placement du Québec
- Dale West, Senior Managing Director, Teacher Retirement System of Texas
- Poul Winslow, Managing Director, Head of Thematic Investing and External Portfolio Management, Canada Pension Plan Investment Board

5. The Founders of the SBAI are:

- AlphaGen Capital
- Brummer and Partners
- Cheyne Capital
- CQS
- Lansdowne Partners Limited
- Man Group plc
- Marshall Wace
- Och-Ziff Capital Management
- Winton Capital Management

6. The Core Supporters of the SBAI are:

- Aberdeen Asset Management
- Albourne Partners
- Arrowgrass Capital Partners LLP
- Carlson Capital
- IONIC Capital Management LLC
- PAAMCO
- PAG
- Reservoir Capital Group
- Unigestion