Newsletter
August 2012

Dear All,

Even during the holiday season, there have been a few developments at the HFSB. Here is our update for August.

HFSB Stakeholders

We are delighted to welcome three new additions to the HFSB signatory family:

- Bridgewater Associates (USA)
- Kildonan Castle Asset Management (USA)
- Radcliffe Capital Management (USA)

HFSB in the Nordic Region

Dame Amelia Fawcett will make a keynote speech at a breakfast discussion "Hedge Fund Investing and the Hedge Fund Standards Board" to be held on 7 September 2012 in Stockholm. Within the framework of this discussion, there will be a panel where our Executive Director Thomas Deinet will speak. If you are interested in attending this event, please contact us.

Standards Corner

We are starting a new section in our monthly newsletters where we will shed some light on one of the Hedge Fund Standards. This month we focus on:

Valuation of Hard-to-Value-Assets

The Hedge Fund Standards have a separate section on valuations where they focus on segregation of functions, how to approach hard-to-value assets and investor disclosure.

When hedge fund managers perform in-house valuation of hard-to-value assets or provide final prices to valuation service providers, mitigation of potential conflicts of interest and consistency in procedures to determine fair value are particularly important and necessary. Such procedures should include hierarchies of pricing sources and models to be used; use of multiple price sources, avoiding "cherry picking", back testing of models, etc. The disclosure requirements include reporting of the fund portfolio based on classifications set in accounting standards (e.g. ASC 820 or IFRS 7). All material issues related to the valuation of hard-to-value-asset should be disclosed to investors in a timely manner.

More details can be found in the Hedge Fund Standards in the section on valuation (Standards 5-9).

HFSB Annual Report

We are happy to announce that our Annual Report for 2011 is now available on our website.

APPENDIX

Bridgewater Associates	Bridgewater Associates is a global leader in institutional portfolio management with approximately US$130 billion in assets under management. Bridgewater began investment operations in 1975, and is a pioneer in risk budgeting and the separation of alpha and beta, managing Portable Alpha/GTAA, Hedge Fund, Optimal Beta/Risk Parity, Currency Overlay, Global Fixed Income and Inflation-Indexed Bond mandates. Bridgewater manages these portfolios for a wide array of institutional clients globally, including public and corporate pension funds, foreign governments and central banks, university endowments and charitable foundations.
Kildonan Castle Asset Management	Kildonan Castle Asset Management, L.P. is the investment manager for the Kildonan Castle Global Credit Opportunity Fund, which is a long/short credit strategy focused on liquid credit instruments in the US and Europe. The Fund was launched in October 2011 with $100 million and is now $350 million. The Fund is currently "soft-closed" to new investors. The Portfolio Manager, Srinivas Dhulipala, was Co-Head of the US Fundamental Credit Proprietary Trading Group at Merrill Lynch from 2006-2008, and Head of the Group at BoA/Merrill Lynch from 2008 to 2011. The strategy combines a top-down macro analysis with bottom-up fundamental credit research.
Radcliffe Capital Management	Radcliffe Capital Management, L.P, is an SEC registered investment adviser, started in 1996 to manage alternative assets in relative value and arbitrage strategies, and now manages $1.3bn in long-only defensive credit related strategies on behalf of institutional investors and qualified individuals. Radcliffe's team, models, systems, and risk controls allow it to pursue strategies with structural market inefficiencies, where management commits its own capital alongside its clients. The firm is currently managing an Ultra Short Duration strategy and a Credit Opportunity strategy where, through rigorous fundamental credit analysis, it seeks to identify mispriced corporate bonds producing excess returns with low volatility.