



## Newsletter - December 2017

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### ***New Stakeholders***

We are pleased to welcome a new addition to the SBAI family:

#### **Signatories**

- Oasis Management Company (Hong Kong)

### ***SBAI in Asia***

#### ***Tokyo***

The SBAI held its second Institutional Investor Roundtable in Tokyo, bringing together leading Japanese investors and SBAI stakeholders to explore current industry issues through interactive panel discussions:

The corporate governance panel looked into:

- Impact of Japanese corporate governance reforms ([2015 Corporate Governance Code](#)), including appointment of “outside” directors, more focus on return on equity/capital productivity, scrutiny of management by boards, suitability of the “comply-or-explain” approach, and the “real” state of implementation of the governance reforms
- Spectrum of activist investment approaches in Japan, i.e. constructive engagement with well-governed/responsive firms versus more forceful approaches (talk to management, engage with other shareholders, access to meeting minutes, public dialogue, litigation), including recent corporate case studies
- [Japanese Stewardship Code](#): Applicability to institutional investors (selection of funds, ESG/engagement), extension to corporate pension funds
- Alignment of interest and fees: how managers and investors find common ground through new alignment structures

The market practitioner panel focused on:

- Big data/artificial intelligence (AI) in asset management: state of play
- Outlook for Japanese equity and credit markets



The SBAI would like to thank the speakers from Albourne Partners, CQS, Japan Post Bank, Man Group, Misaki Capital, Nomura Securities, Oryza Capital, PAAMCO Asia, PAG, Strategic Capital and Winton for their invaluable contribution to the discussion. We also would like to thank the British Embassy in Tokyo for so kindly hosting the event.

### ***Shanghai***

The SBAI held its second Institutional Investor Roundtable jointly organised with Shanghai Lujiazui Financial City London Office. This Roundtable was attended by over 150 industry practitioners.

The first panel focused on attracting international capital, how to build an institutional investment business and how to meet institutional investor expectations. The panellists also debated common reasons why managers fail their investor due diligence and how the Alternative Investment Standards address key investor concerns.

The second panel explored the topic of innovation in asset management, specifically big data and artificial intelligence.

The SBAI would like to thank the speakers from Canada Pension Plan Investment Board, Huatai-Pinebridge Fund Management, Jasper Capital International, Lujiazui Financial City London Office, Man Group, PAAMCO Asia, Rosefinch Investment Management Corp., Springs Capital and Wind Information for their insight and sharing their knowledge. The SBAI also would like to thank Wind Information for hosting the event.

### ***Cyber security: volunteers are needed!***

The SBAI is currently updating the Toolbox Cyber Security Memo to accommodate the latest thinking on cyber-attack preparedness and lessons from recent cyber-attacks. Stakeholders interested in supporting this effort can contact us at [info@sbai.org](mailto:info@sbai.org).

### ***Summary of 2017***

It has been another eventful and ground-breaking year for the SBAI in a number of areas, including content development, standard-setting, global events and stakeholder and regulatory interaction:

- In January the SBAI expanded its [APAC Committee](#) and added George Long of LIM Advisors and Danny Yong of Dymon Asia. The Committee was established in June 2016 to help the SBAI in the region and ensure that Asia-Pacific regional and local issues and needs are addressed as the SBAI develops standards and guidance.
- In May Open Protocol was added to the [SBAI Toolbox and](#) SBAI became Co-Chair of the Open Protocol Working Group. The Open Protocol template standardises the collection and representation of risk information of hedge funds and other types of investment funds; funds with over \$1 trillion in assets under management currently use Open Protocol.
- Between February and August, the SBAI published via its monthly newsletters the findings from its project, launched in 2016, to analyse the explanations provided by signatories in relation to how they achieved conformity with the Alternative Investment Standards. The purpose of the analysis was to



identify which standards trigger the most explanations. The analysis highlighted the diversity of practices in the industry, reflecting the wide variety of strategies managers pursue and the requirements of different jurisdictions. It also demonstrated the suitability and flexibility of the “comply or explain” mechanism and highlighted the fact that there is often no “uniform” way of doing things.

- In September, the SBAI changed its name from “Hedge Fund Standards Board” to “Standards Board for Alternative Investment” to reflect the evolution of the organisation and the alternative investment industry.
- In the same month (September), the SBAI released the results of the findings produced by the working group it established in 2016 to study fee terms, methodology and definitions. The SBAI working group created a [Standardised Total Expense Ratio \(“STER”\)](#) that calculates a single, standardised expense ratio to facilitate better understanding, comparison and monitoring of fees and expenses across alternative investment funds. The STER calculation aggregates expenses and management fees charged to, or incurred by, a fund. A unique and important feature of the new STER methodology is that it includes the costs of research bundled with dealing commissions (often referred to as “soft dollar research costs”).
- In November, the SBAI set up a working group to explore factor-based investing/dynamic beta/alternative beta. The working group also will look into if /where standards and/or guidance can help address potential issues in areas such as governance, disclosure, etc. The report of the working group is expected to be published in 2018.
- In the area of [cyber security](#), the SBAI continued its series of cyber-attack simulation exercises as well as participated in cyber events in Hong Kong, Singapore and Toronto. The SBAI also participated in a global survey to assess cyber security practices in asset management. The survey was conducted in collaboration with the Affiliate Members Consultative Committee (AMCC) of the International Organization of Securities Commissions (IOSCO), of which the SBAI is a member.
- The SBAI hosted 17 global institutional investor roundtables, attended by over 500 representatives from major investors and managers to discuss industry issues. The events were held in Boston, Chicago, Geneva, Helsinki, Hong Kong, London, Los Angeles, Melbourne, Montreal, New York, San Francisco, Shanghai, Singapore, Sydney, Tokyo, Toronto and Washington D.C.
- In 2017 the SBAI also welcomed 16 new [Signatories](#) and 6 new [Investor Chapter](#) members.

The new Signatories are

- |   |                                   |
|---|-----------------------------------|
| • 400 Capital Management                | • Ivaldi Capital                  |
| • Areta Capital Partners                | • Jasper Capital International    |
| • ARP Americas                          | • Misaki Capital                  |
| • BlueBay Asset Management              | • Myriad Asset Management         |
| • China Alpha Fund Management           | • Nordkinn Asset Management       |
| • Citadel                               | • Oasis Management Company        |
| • Highbridge Capital Management         | • Polar Asset Management Partners |
| • Hiscox Re Insurance Linked Strategies | • Simplex Asset Management        |

The new Investor Chapter members are

- |                                  |   |
|----------------------------------|---|
| • Air Canada Pension Investments | • Keva  |
| • Allianz Global Investors       | • Morgan Stanley Investment Management                    |
| • Japan Post Bank                | • Pennsylvania Public School Employees Retirement Systems |



## **What's next?**

The SBAI remains committed to increasing the positive industry impact of the Standards, Toolbox items and the SBAI's collaborative process by ensuring the SBAI is proactively addressing emerging areas and is broadening participation and support among managers globally. In 2018 the SBAI will continue its constructive engagement with its stakeholders and market participants on important topics, including:

- **Factor-based investing:** the working group will look into, amongst other things, terminology of factor-based investing, standardisation of reporting and the applicability of the Alternative Investment Standards to factor-based strategies.
- **Standard Total Expense Ratio Memo:** Following the publication of the finding of the working group, the SBAI will continue studying this area. New information will be made available via its Toolbox.
- **Cyber Security:** The SBAI will continue its activities in the cyber security arena. It is planning to update its cyber security memo in 2018 and continue its cyber-attack simulation series in a new format.
- **Analysis of conformity with the Standards:** With the increasing number of signatories, the SBAI will continue analysing the explanations provided by the signatories to see how they differ from region to region. Many of our signatories found this analysis relevant and helpful in benchmarking their own approaches.
- **Regulatory interaction:** The SBAI will continue its dialogue with IOSCO, informing the global regulatory process on the standards and practices that help address potential systemic concerns.
- **Global Events:** The SBAI also will continue its Institutional Investor Roundtable series in 2018 and will add more cities to the list of cities where the SBAI hosts its events.

## **Upcoming events in 2018**

- **6 February, Helsinki: SBAI Institutional Investor Roundtable**  
An annual gathering of the Nordic institutional investor and manager community. Details TBC.
- **8 February, Geneva: SBAI Institutional Investor Roundtable**  
An annual gathering of the Swiss institutional investor and manager community. Details TBC.
- **7 March, Toronto: SBAI Institutional Investor Roundtable**  
An annual gathering of the Canadian institutional investor and manager community. Details TBC.
- **30 May, New York: SBAI Annual North American Stakeholder Forum**  
An annual gathering of the North American stakeholders. Details TBC.
- **26 September, London, SBAI Annual General Assembly**  
An annual gathering of the SBAI stakeholders. Details TBC.
- **27 November, Montreal, SBAI Institutional Investor Roundtable**  
An annual gathering of the Canadian institutional investor and manager community. Details TBC.

The full event schedule is available [here](#).



## Finally

The SBAI would like to express its immense gratitude to the over 200 managers and investors who support the Standards as Signatories and Investor Chapter members. The SBAI also would like to thank its Founders, Core Supporters and Trustees for their continued guidance, contribution and support for the SBAI’s mission to promote better practices in the industry. The SBAI looks forward to continuing its collaboration in 2018. In the meantime, from all of us here at the SBAI, this, our last newsletter of the year, comes with our best wishes for the holiday season and a successful and collaborative New Year.

### SBAI Founders & Core Supporters



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**APPENDIX**  
**OASIS**  
**Management**  
**Company**

Oasis is an international investment firm founded in 2002 by Seth H. Fischer and headquartered in Hong Kong. Oasis targets opportunities in a wide array of asset classes across countries and sectors with a focus on Asia, and invests in long and short opportunities across markets and capital structures. Oasis is a micro opportunity investor, and aims to profit from specific, single risks, and wherever possible hedge all other risks of an investment. The firm's investment approach combines fundamental value analysis with sensitivity to changing market environments, and Oasis's competitive tool kit includes a culture of innovation, speed, and flexibility, extensive qualitative and quantitative research capabilities, and a rigorous legal, compliance, and portfolio risk management framework



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**Our mailing address is:** SBAI, Somerset House, New Wing, Strand, London WC2R 1LA, United Kingdom