



## Newsletter – October 2018

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### ***New Core Supporters***

The Standards Board is delighted to welcome new additions to its Core Supporter family. Both of these companies have been Signatories to the Alternative Investments Standards for a number of years.

- Citadel (USA)
- Orchard Global Asset Management (Singapore)

### ***SBAI's Culture & Diversity event in Washington, D.C.***

Dame Amelia Fawcett, Chairman of the Standards Board, continued the discussion on culture and diversity in Washington D.C. this month. This event, hosted by Orchard Global Asset Management, explored best practices (what works, what doesn't and why) and identified critical and emerging issues with a particular focus on the institutional investor perspectives, as well as critical business and strategic issues for investment managers.

Key areas covered:

- **Culture:** Leadership and role of tone from the top in cultivating an ethical and compliant culture, importance of clear governance structures/allocation of roles, importance of relentless communication with staff, developing a sense of "purpose" for the firm
- **Diversity** (in its broadest sense, not just gender): helps business identify opportunities others will miss and avoid new threats to business model, broadens talent pool and facilitates engagement with key stakeholders
- **Investor due diligence:** increasing scrutiny by some investors of managers' practices, including questions about gender pay gap, diversity (across multiple dimensions), hiring practices (disabled, veterans, etc.)

The SBAI would like thank its participants from AIAC Investment Group, BlackRock, Council of Institutional Investors, Disciplina Group, Flat World Partners, Girls Who Invest, Keystone Group, Magnetar Capital, Man Group,



New York State Common Retirement Fund, Orchard Global Asset Management, Rock Creek and 100 Women in Finance for their contribution to the debate.

This is the fourth event of this kind, following similar roundtables in London. The next two events are scheduled for November in Stockholm and New York.

### ***Standards Board at Albourne's Annual Conference in London***

This month the Standards Board hosted a roundtable within the framework of Albourne's Annual Conference in London. The panel discussion, which included prominent speakers from Canada Pension Plan Investment Board (Ted Lee), Teacher Retirement System of Texas (Dale West), Telstra Super Pty (Kate Mistic) and Victorian Funds Management Corporation (Andrew Korbel) and which was moderated by Anthony Todd of Aspect Capital, explored a number of important topics, including:

- **Allocation priorities:** portfolio construction - what's the right number of alternative funds from a diversification perspective, allocation approach to multi-strategy alternative risk premia funds, APAC allocations - do major (Western) institutional investors need a local presence?
- **Where to draw the line:** how investors approach decisions about internalising certain asset management activities, benchmarking, resulting governance implications (including ability to fire internal teams vs. external managers)
- **Building better partnerships:** longer term allocations with refined alignment structures, catering for other investor needs, including economics advisory, trade ideas, risk advisory etc.

Ted Lee (Chairman, SBAI APAC Committee) provided an update on the SBAI APAC Committee's activities in helping foreign investors understand the similarities and differences between onshore China and global industry standards.

The Standards Board would like to thank the speakers for sharing their time and insight on these important topics.

A special thank you goes to Simon Ruddick and his team at Albourne for welcoming the Standards Board and hosting the roundtable.

### ***SBAI in Bermuda and updates on its ILS Working Group***

The Standards Board participated in the Insurance Linked Securities (ILS) Convergence Conference in Bermuda earlier this month. Thomas Deinet, SBAI Executive Director, joined Aaron Koch (Milliman), Matt Swann (Hiscox Re ILS) and Andre Perez (Horseshoe Group) to discuss the role of good practices and the Standards in creating confidence. This session, moderated by Michael Hamer (Albourne), looked at valuation practices in ILS, including understanding the process for establishing fair value. It also addressed particular challenges that arose after the 2017 storms Harvey, Irma and Maria (HIM), collateral release practices and side-pocketing. The SBAI provided an update on the work of its ILS working group at an investor lunch.

### ***Standards Board adds a new team member***



The Standards Board is pleased to announce that it has added its fourth team member. Elizabeth “Betsy” Ewing, former partner and Head of Investor Relations at Carlson Capital, L.P. Betsy will be engaged in the SBAI’s activities in North America and will be working closely with the SBAI’s North American Committee.

Betsy managed the client servicing and relationship management team for Carlson for more than 20 years. As a partner, she was responsible for client development in North America, external public relations and overall business strategy. Betsy resides in Fairfield, CT and serves on the board of trustees of The Asheville School and the board of directors for Texas Wall Street Women and Fairfield Country Day School (member of the development committee). She holds a B.A. degree from Texas Christian University.

The Standards Board is delighted to welcome Betsy and looks forward to working with her to grow and build its North American efforts.

***REMINDER: Open Protocol’s updated XML template is now available***

Following the announcements and reminders in the [previous newsletters](#), the Standards Board is happy to report that the XML template has been updated and is available for downloading. Please visit the [Open Protocol](#) webpage.

The updated downloadable files also include:

- Open Protocol Manual I - October 2018 (without highlighted changes): updated manual for those are new to OP
- Open Protocol Manual I - October 2018 (with highlighted changes): same as previous version but the changes from the August 2016 version are highlighted in red for those who are already producing OP reports
- Open Protocol Template I Revised October 2018: changes to the strategy tree in equity, credit and convert tab.

The summary of all changes to the OP template can be found in the [FAQ section of the OP webpage](#).

These updates follow a number of recent revisions to the Global Industry Classification Standard (GICS) structure, a widely accepted framework to organise industry sectors in a four-tiered hierarchical classification system. The Standards Board’s Open Protocol (OP) uses the GICS structure.

The changes came into effect on 1st October 2018. The earliest the managers would be required to produce reports in the new format will be 28th November 2018 (20 business days after October month-end).

***Standards Corner: Redemption notice process in master-feeder fund structures***

The Alternative Investment Standards cover the area of handling of redemptions/investor termination rights (2.1), including the exit terms of open-ended funds. Scrutiny of these arrangements is an important component of investor due diligence. In a recent court case, the Grand Court of the Cayman Islands ruled that in a master-feeder fund structure, a feeder fund redemption was ineffective on the basis that there was a failure by the



feeder fund to serve a further written redemption notice on the master fund in accordance with the procedures set out in the master fund constitutional documents. The court rejected the argument that it is customary industry practice to treat a valid written redemption notice from an investor at the feeder fund level as a trigger for an automatic back-to-back redemption of the master fund's shares unless this approach is set out in the constitutional documents. The redemption provisions in the master fund's constitutional documents are often identical to those of the feeder fund (i.e., redemption notices must be in writing). The court also highlighted the importance of maintaining sufficient and clear corporate records by the separate legal entities documenting any actions and resolutions of the Directors, in particular if the separate entities share the same board. ([Matter of Ardon Maroon Asia Master Fund \(in official liquidation\) Cause no. FSD 18 of 2015](#))

**Key takeaway:** Managers, investors, fund directors and fund administrators should review the redemption provisions in master-feeder fund structures to ensure redemptions are being handled in accordance with the constitutional documents.

#### ***Volunteers invited: SBAI announces a new big data working group***

Following the in-depth discussions of big data and artificial intelligence at its recent roundtables, the Standards Board is forming a working group to explore this area in more detail, including creating a standard trial data license agreement.

The Standards Board is inviting volunteers from its stakeholders to participate in this small working group. The materials produced by the working group will be added to the SBAI's Toolbox.

Please contact us at [info@sbai.org](mailto:info@sbai.org) if you are interested in participating.

#### ***Upcoming events***

##### **27 November 2018, Montreal: SBAI Institutional Investor Roundtable**

A very strong panel of manager and investor speakers this year will explore the topics of big data & artificial intelligence, as well as stewardship investing (ESG, etc). The speakers include senior representatives from Caisse de dépôt et placement du Québec (CDPQ), Canada Pension Plan Investment Board, Dechert, Eagle Alpha Future Fund, Man Group, Periscope Capital and PSP Investments.

In addition, CFA Montreal, in collaboration with the SBAI and Caisse de dépôt et placement du Québec will be hosting a cocktail and panel session "Diversity and Inclusion: Long-term Value Creators" on 27 November 2018 in Montreal. The event takes place after the annual SBAI Institutional Investor Roundtable. To register for the CFA event, [please click here](#).

##### **28 November 2018, Chicago: SBAI Institutional Investor Roundtable**

The SBAI will continue its discussion on 2019 investor allocation priorities, better partnerships and implications for the "delivery model" of managers and culture & diversity. Speakers include representatives from Alyeska, Excelon and Magnetar. More to confirm shortly.



**13 December 2018, Shanghai: SBAI Institutional Investor Roundtable**

**23 January 2018, Tokyo: SBAI Institutional Investor Roundtable**

**4 February 2019, Helsinki: SBAI Institutional Investor Roundtable**

**6 February 2019, Geneva: SBAI Institutional Investor Roundtable**

The full event schedule is available [here](#). More events will be announced in due course.

## APPENDIX

### Citadel

Citadel is a global investment firm built around world-class talent, sound risk management and powerful and innovative technology. For over a quarter of a century, Citadel has served top-tier investors around the world, including sovereign wealth funds, public institutions, corporate pensions, endowments, and foundations. Citadel's team of more than 750 investment professionals deploys capital across all major asset classes and in all major financial markets, from offices around the world including Chicago, New York, London, San Francisco, Hong Kong, Boston, Dallas, Denver, Greenwich, Houston, Toronto, Shenzhen, and Shanghai.

### Orchard Global Asset Management

Orchard Global Asset Management ("OGAM") is a global alternatives asset management firm with a focus on opportunistic fixed income and structured credit transactions in four principal market segments -- bank regulatory capital solutions, specialty lending, primary and secondary collateralized obligations, and structured credit trading - through a combination of comingled and single strategy funds. OGAM is led by an experienced senior management team whose members have worked for or held leadership positions with asset management firms, investment banks, and financial regulatory bodies. OGAM has offices in Singapore, London, Toronto, Washington, D.C. and Houston (TX).



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