



## Newsletter – September 2019

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## New Stakeholders

The Standards Board is delighted to welcome new additions to the SBAI family.

### **Investor Chapter**

- Aalto University Foundation (Finland)
- LGT Capital (Switzerland)
- OPSEU Pension Trust (Canada)

### **Signatories**

- Inherent Group (US)
- Sandbar Asset Management (UK)
- Transtrend (The Netherlands)
- Whitebox Advisors LLC (US)

### **Core Supporter**

- BlueBay Asset Management (UK)
- Capital Fund Management (France)

## New Trustee

The Standards Board is delighted to welcome Leda Braga, the Founder of Systematica Investments, to its Board of Trustees. The addition of Ms Braga to the Board reflects the continuing importance of the UK and Europe-based managers and investors supporting the



Alternative Investment Standards. The latest UK and European Signatories and Investor Chapter members joining the SBAI in 2019 include Aalto University Endowment, CdR Capital, Leadenhall Capital Partners, LGT Capital, Sandbar Asset Management, Transtrend and VER (The State Pension of Finland). BlueBay Asset Management and Capital Fund Management, long-term Signatories, increased their support by becoming Core Supporters.

Leda Braga is the founder and CEO of Systematica Investments, a global institutional hedge fund manager with approximately \$8.2 billion in assets under management. Systematica was formed in January 2015 as a spin-off of BlueCrest Capital, where Ms Braga was President and Head of Systematic Trading for 14 years. Prior to BlueCrest, she was part of Cygnifi Derivatives Services (a J.P. Morgan spin-off). At Cygnifi Ms Braga was part of the management team and head of its Valuation Service. Prior to Cygnifi, she spent nearly seven years at J.P. Morgan as a Quantitative Analyst in the derivatives research team. Her past experience includes modelling of interest rate exotics, FX/interest rate hybrid instruments and equity derivatives. Ms Braga holds a PhD in Engineering from Imperial College London, where she worked as a lecturer and led research projects for over three years prior to joining J.P. Morgan. In addition, she has served in the advisory board of the pension fund of the CERN in Geneva and currently serves on the advisory board of the London School of Economics' Systemic Risk Centre.

Dame Amelia Fawcett, Chairman of the SBAI, said: “Leda’s wealth of experience, impressive track record and proven business leadership in the asset management industry, particularly in Europe, will make a valuable contribution to the Board. We look forward to benefiting from her wide experience and counsel as we continue our engagement in Europe and globally to improve industry practices.”

## APAC Committee Welcomes New Members

The SBAI’s APAC Committee added two new members to the Committee: William Ma, CIO of Noah Holdings (HK) Limited and Brian Pohli, Executive Director of CQS (HK) Limited. Noah Holdings (HK) Ltd is both a Signatory to the Standards and a member of the SBAI’s Investor Chapter. CQS is one of the founding members of the SBAI and has been a Signatory to the Standards since 2008.

Ted Lee, Chairman of the APAC Committee, stated: “We are absolutely delighted to welcome William and Brian to our Committee. The wealth of their experience and knowledge of our exciting industry will benefit the Committee as well as the Standard Board’s mission in the APAC region. I also would like to take this opportunity to thank George Long, Founder of LIM Advisors, who is stepping down from the Committee after having served on it since its inception in 2016. The APAC Committee has made tremendous progress in the region thanks to the extraordinary support of its members, and George has very much been a part of that, and we are very grateful to him.”



To read the press release in full, please [click here](#).

## Annual General Assembly

The Annual General Assembly was held in London on 26 September 2019. The event brought together over 100 SBAI stakeholders at its annual flagship event. The event included panel discussions with senior representatives of high-profile asset owners and asset managers, including APG Asset Management, BlueBay Asset Management, Capital Fund Management, Canada Pension Plan Investment Board, CERN Pension Fund, Dymon Asia, Marshall Wace, Teacher Retirement System of Texas and Utah Retirement Systems. The panellists focused on the following topics:

1. Institutional Investor Priorities 2020
2. Industry Leaders' Perspective: Evolving Asset Management
3. Shaping Corporate Culture: How it Works in Practice

The institutional investor panel focused on a range of current investor priorities:

- Public versus private markets: “private love affair or stable marriage?”
  - Importance of understanding true economic risk of private investments in overall portfolio design, including correlation with the rest of the portfolio (in draw-down scenarios) and modelling via “liquidity balance sheet”
  - Resulting role of liquid “hedge funds” in portfolio constructions and implications of longer lock-up structures (for an investor’s liquidity balance sheet)
  - Questions raised about the concept of “illiquidity premium” – is it a myth?
- Redefining partnerships between investors and managers
  - (Large) investor size and governance model (including board sophistication) as key success factors for more complex partnerships / interaction models with managers and other “solution providers”?
  - Overall importance of strong governance / oversight and performance measurement for extended relationships
  - Investor insourcing as a driver of change of interaction model (“managers as extended workbench”)
- Approach to emerging managers: Key drivers include securing capacity and alignment early on

The discussion of Evolving Asset Management focused on key industry innovations, including the crucial role of alternative/big data to improve investment decision-making in fundamental and quantitative strategies and how ESG applies in alternative investments.

- Alternative data and other innovations (e.g., machine learning):



- How better (alternative) data changes the dynamics in markets (*many market participants make better predictions, but markets might not actually behave as expected*)
- Cost of data operations: Cost of datasets has come down, but onboarding cost (due diligence, trialling, etc.) should not be underestimated; importance of ongoing cost benefit assessment of data subscription (e.g., measuring alpha contribution in quant strategies, internally charging PMs for data to instil cost discipline)
- How cloud computing has reduced barriers to entry for smaller firms to conduct analyses previously requiring expensive onsite IT infrastructure
- ➔ **SBAI has published a [trial data licence agreement](#) in its Toolbox**
- Responsible investments:
  - Role of ESG analysis in equity investing
  - Questions raised about the nature of “alpha” in ESG: is there “true” alpha, and can we observe “flow alpha” (momentum / self-reinforcement mechanism)?
  - ➔ **SBAI is in the process of launching a working group on responsible investment in alternative asset management**

The Culture and Diversity panel’s key areas of focus:

- Are managers under the cultural microscope? How assessment of culture plays an increasing role in due diligence to reduce the risk of failure/reputational risk (“there is no single right culture”, but “wrong culture” as warning signal; indicators include “body language”, dealing with disagreement, consistency of messaging across levels, ...)
- How firms nurture the right culture in their organisations:
  - Importance of senior management engagement with entire organisation consistently but particularly with middle management (role of communication and listening)
  - Changing focus from “blaming for failure” to “how to improve to prevent” through different incentives and instilling culture of “speaking up, speaking out”
- Tools to measure progress (in large organisations), including regular short (third party) surveys, etc

The Standards Board would like to thank all the panellists for their openness and insightful contribution to the discussion and making this Assembly such a success.

A special thank you goes to KPMG and Nathan Hall for hosting the Assembly and for their tremendous hospitality.

## Singapore Institutional Investor Roundtable



The Standards Board held its 4th Annual Institutional Investor Roundtable in Singapore in September. Speakers included representatives from Albourne, Avanda Investment Management, CPPIB, Dymon Asia, GIC, Graham Capital and Monetary Authority of Singapore. Topics covered include "how asset management firms need to adapt to evolving client demands", "co-investments", "transitioning the firm from small to medium/large scale", "how the SBAI Standards and Toolbox provide a "powerful resource for managers to build robust firms" and "a preview of the results of the MAS Asset Management Survey".

The Standards Board also held a brainstorming session, led by its APAC Chair, Ted Lee of CPPIB, to explore current issues Singapore-based managers and investors face; many of these issues will help prioritise the Standards Board's work program in the region. A big "thank you" to Danny Yong and his team at Dymon Asia for hosting the event and for many years of support for the Standards Board and its APAC Committee.

## Japan Stakeholder Meeting

The APAC Committee held its Japan Working Group meeting on 27 September in Tokyo. The event was attended by the Standards Board's Tokyo-based stakeholders, as well as Japanese institutional investors. It was an open discussion session led by APAC Chair Ted Lee to identify issues specific to Japan and to help prioritise the areas of focus for the Japan Working Group.

Key topics raised:

- Strong appetite for an educational process for good Standards and practices, including lessons learned outside of Japan, e.g. case studies from other markets on addressing issues such as better alignment, disclosure, etc.
- Standards and Toolbox as a valuable resource to drive better practices across a range of areas (request for Standards Board content sessions for Japanese allocators)
- Specific concerns raised include conflicts of interest in fund distribution model (e.g. Some Trust Bank mainly focusing on in-house products (or products of related entities))

The Standards Board looks forward to continuing to engage with the Japanese stakeholder and allocator community and to play an active role in helping drive good industry practices. We would like to thank JP Morgan Japan for hosting the event.

## Manager Information Session

The Standards Board continues its Manager Information series and hosted its third session in London on 26 September, following similar events in New York and Dallas earlier this year. Senior representatives of BlueBay Asset Management, CDAM, Future Fund, Ionic Capital Management, Man FRM and Teacher Retirement System of Texas shared their views with a



group of London-based emerging and established managers on the benefits of becoming involved in the Standards Board. Specifically, the speakers focused on:

- Why investors care about managers signing up to the Standards and how it makes their life easier
- How the Standards provide a roadmap for (emerging) managers to institutionalisation
- How the “comply or explain” framework provides flexibility
- How the Standards Board facilitates collaboration between managers and investors on industry practices and standards, using its unique “platform” to help the industry come together—a “meeting of minds”
- How the broader resources provided by the Standards Board (e.g., Toolbox) provide quick solutions to key areas of investor focus (disclosure tools, standard fee calculation, fund governance, etc.) and are accessible to everyone free of charge

The Standards Board will continue this series of information sessions in coming months.

## ILS Working Group: Upcoming Investor Roundtables in Bermuda and Toronto

Following the publication of the [SBai ILS Valuation Memo](#) in the SBAI Toolbox earlier this year, the Standards Board ILS Working Group now is focusing on side-pocketing practices in funds investing predominantly in (collateralised) re-insurance investments. To broaden the discussion with institutional investors and managers and get further input, the Standards Board will hold two dedicated roundtables in the next two months:

- 10 October, Bermuda: Investor Lunch at the ILS Convergence Conference
- 19 November, Toronto: ILS Investor Roundtable

Please contact us at [info@sbai.org](mailto:info@sbai.org) for more information.

## Open Protocol Update: XML Template Updated

We would like to inform you that the XML Schema has been updated in the latest version posted in the [Open Protocol Toolbox](#). The change has been made in the schema for positions to be listed as issuers. This has been applied across all exposures: Equity, Sovereign & Interest Rates, Credit (excluding Convertible Bonds), Convertible Bonds, Currency, Real Assets and Other exposure. The [FAQ section](#) provides additional details. The guidance in the recently updated Open Protocol Manual for 2018 outlines this change under General Point 8. If you have any concerns or queries about this change, please email [info@sbai.org](mailto:info@sbai.org).



## Upcoming Events

- 10 October 2019: Insurance Linked Strategies: SBAI ILS Investor Roundtable, Bermuda at ILS Convergence Conference
- 15 October 2019, Chicago: SBAI Culture & Diversity in Asset Management Roundtable
- 17 October 2019, Washington D.C.: SBAI Institutional Investor Roundtable
- 21 October 2019, Philadelphia: SBAI Institutional Investor Roundtable at Albourne Annual Conference
- 19 November 2019, Toronto: Insurance Linked Strategies at SBAI Investor Roundtable
- 19 November 2019, Toronto: SBAI Culture & Diversity in Asset Management Roundtable
- 21 November 2019, Montreal: SBAI Institutional Investor Roundtable
- 4 December 2019, New York: SBAI Institutional Investor Roundtable
- 12 December 2019, Shanghai: SBAI Institutional Investor Roundtable
- 4 February 2020, Helsinki: SBAI Nordic Institutional Investor Roundtable
- 7 February 2020, Geneva: SBAI Swiss Institutional Investor Roundtable

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

### APPENDIX

#### **Aalto University Foundation**

Aalto University is an autonomous, multidisciplinary science and art community, which operates in the fields of technology, business, art and design. Aalto University has a long-term endowment strategy designed to support the implementation of its strategy. The goals of the endowment management are to provide a steady and predictable income to fund university operations as well as to preserve and accumulate the real value of the endowment capital in the long term. Preserving the real value of the endowment capital secures equality across generations by maintaining the purchasing power of the endowment capital and the funding it provides to the university's operations over time. At the end June 2019, the market value of the endowment portfolio was €1.075 million.

#### **BlueBay Asset Management**

BlueBay is an active fixed income specialist, structured to deliver outcomes tailored for investors seeking to enhance the returns of their portfolios. Investing globally for clients across corporate and sovereign debt, rates and FX, BlueBay manages over US\$59 billion in AUM. BlueBay utilises experience in alternative and traditional asset management throughout their investment teams, who are focused on alpha generation, maintaining a robust investment process and working collaboratively with clients.



BlueBay has an established track record across a range of specialist strategies including relative return, total return and alternative investment portfolios, and integrate ESG into their investment processes. The firm believes in tailoring their strategies to support clients' objectives. Culturally BlueBay strives to pursue best practices in investment, operations, governance, compliance and client relations, as well as providing a diverse and inclusive working environment.

BlueBay is a European based wholly-owned subsidiary of Royal Bank of Canada.

**Capital Fund Management**

Capital Fund Management (CFM) is a global asset management company based in Paris with offices in New York, London, Tokyo and Sydney. CFM takes a scientific and academic approach to finance, using quantitative and systematic techniques to develop alternative investment strategies and products for institutional investors and financial advisers.

CFM has over 250 employees worldwide and manages \$10 billion as at August 2019.

**Inherent Group**

Inherent Group LP is a value-oriented investment firm that invests across the capital structure, seeking to compound capital at superior rates of return. The Firm uses environmental, social, and governance ("ESG") analysis as a tool throughout all stages of the investment process to identify attractive investment opportunities and engage with companies. Through its corporate engagements, the firm aims to improve companies' financial performance and motivate managements to incorporate sustainability factors into their decisions.

**LGT Capital**

LGT Capital Partners is a global multi-alternatives platform with USD 60 billion in assets under management and more than 550 institutional clients in 37 countries. An international team of over 500 professionals is responsible for managing a wide range of investment programs. Its stable ownership structure enables us to build long-term partnerships with clients.

As manager of the LGT Endowment Fund, LGT CP is per definition a long-term investor. Hence, the firm emphasizes quality over volume, which imparts a culture that empowers employees to focus on long-term success. Under this vision, LGT CP is able to apply the knowledge of its employees to create lasting value in order to help investors achieve their goals.

As a substantial co-investor in LGT CP managed programs, the firm has a strong alignment with its investors in achieving attractive risk-adjusted returns.

**OPSEU Pension Trust**

With net assets of around \$20 billion, OPTrust invests and manages one of Canada's largest pension funds. OPTrust is a global investor with a team of experienced investment professionals located in Toronto, London and



Sydney. OPTrust manages a diversified portfolio that invests across liquid and illiquid strategies.

OPTrust's investment mandate focuses on achieving the organization's mission to pay pensions today and preserve pensions for tomorrow. It is a pension management organization. Its investment strategy is aligned with its members' interests and seeks to deliver the returns needed to keep the Plan fully funded at the lowest level of risk.

**Sandbar Asset Management**

Sandbar Asset Management LLP was founded in 2017 by Michael Cowley and his investment team from Millennium Capital Partners LLP, where he managed a global market neutral equities book. Prior to founding Sandbar the core investment team ran the strategy for a number of years at various firms including Citadel LLC & Balyasny Asset Management. The investment objective is to create a global factor & market neutral equity portfolio with low market or peer group correlation. The portfolio is constructed to create intra-sector alpha on both long and short sides of the portfolio and targets high single digit volatility.

Michael received his BEng in Materials Science & Technology from Birmingham University in 2001 and his MSc in Financial Risk Management from the London School of Economics in 2002.

**Transtrend**

Transtrend specializes in active investment management through the development and application of systematic trading strategies. Transtrend is based in Rotterdam, the Netherlands, and has approximately \$6.3 billion in assets under management. Transtrend fosters an environment of innovation, independent thinking and being in control, and aims to contribute to well-functioning, well-organized and reliable markets.

Transtrend's flagship program, the Diversified Trend Program, has a track record going back to 1992. It trades over 500 global futures and forward markets, including a variety of synthetic market combinations. The program is designed to capture the underlying trends moving these markets. It aims to deliver attractive risk-adjusted returns uncorrelated to the major asset classes.

**Whitebox Advisors**

Whitebox Advisors LLC ("Whitebox") is a multi-strategy alternative asset manager that seeks to generate optimal risk-adjusted returns for a diversified base of public institutions, private entities and qualified individuals. Founded in 1999, Whitebox invests across asset classes, geographies, and markets through the hedge fund vehicles and institutional accounts we advise. The firm maintains offices in Minneapolis, Austin, New York, London and Sydney.



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