



Newsletter – February 2020

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New Stakeholders

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

Signatories

- Acadian Asset Management (USA)
- Schroder Secquaero (Switzerland)

Core Supporters

- Acadian Asset Management (USA)
- Springs Capital (Hong Kong)

SBAI publishes a Memo on Conflicts of Interest between Parallel funds

The Standards Board has published a [memo on addressing potential conflicts of interest between parallel funds](#), which was developed by the Standards Board's Governance Working Group.

This new memo sets out a case study about potential conflicts of interest arising between parallel funds, highlights how the Alternative Investment Standards address these issues and provides



examples for additional measures managers can take to strengthen their approach. It also provides an overview of areas investors should assess as part of their due diligence on how a manager addresses potential conflicts of interest.

Jamie Wise, CEO of Periscope Capital and a member of the Standards Board’s Governance Working Group, said: “Parallel funds with similar investment strategies can give rise to conflicts of interest among different investors and it is important that managers have a robust approach. The memo sets out additional measures managers can take specifically to address conflicts of interest between parallel funds, including documenting allocation decisions in trading/compliance reporting systems, audit of allocations by the chief compliance officer or conflicts of interest committee, review by an independent third party and reporting to fund governing body.”

Kai Rimpi, Head of Hedge Funds at Varma Mutual Pension Insurance Company and a member of the Standards Board’s Governance Working Group, stated: “This topic of conflicts of interest remains important to investors. A robust approach to mitigating these conflicts properly plays an important role in improving investor confidence. This memo provides a real-life case study with practical solutions to addressing conflicts of interest. We are very pleased that the Standards Board continues to demonstrate its commitment to improving practices in various areas, including fund governance and management of conflicts of interest.”

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

Business Continuity and Disaster Recovery

In light of the global spread of the coronavirus (COVID-19), as a precautionary measure, alternative investment managers are encouraged to revisit their business continuity/disaster recovery plans, assess how the virus could disrupt their business operations (and critical service providers) and their ability to meet regulatory obligations, and develop specific contingency plans to deal with a potential pandemic.

The Alternative Investment Standards cover disaster recovery in the operational risk section ([Standard 17d](#)), including contingency planning, communication plans (including with third party service providers) and regular testing of procedures. Additional specific measures firms can undertake include:

- Office management:
 - Employee awareness/self-monitoring



- Offsite/remote access working arrangements (including testing thereof, e.g. by rotation)
- Restricting non-essential business travel
- Governance arrangements:
 - Back-up personnel for key functions
 - Remote working communication plans
 - Reviewing the ability to provide ongoing compliance support
- Scenario analysis (e.g. impact of closed schools, reduced public transport etc. on operations)
- External communication:
 - Investor communication (business continuity, etc.)
 - Service provider lines of communication/back-up
- Revisiting governmental guidance/action plans/alerts (e.g. [UK Government](#), [UK FCA](#), [US Government](#), [Singapore Government](#), etc.)

SBAI at the “New Frontiers in Investment Research” Conference

The Standards Board participated in the “New Frontiers in Investment Research” conference in London, a quantitative research-focussed event hosted by Unigestion, in collaboration with Imperial College Business School and House of Finance at Paris Dauphine University. Areas discussed include:

- Performance attribution in equity markets using machine learning methods (to identify systematic sources of return and explain tracking error)
- ESG preferences and market efficiency: How the trend towards responsible investing affects the informational efficiency of stock prices
- Macro regimes investing
- Crowded trades and tail risk: the impact of hedge fund ownership concentration on risk and return

The SBAI practitioner panel at the conference focussed on the role of machine learning and ESG in asset management. Questions discussed include:

- Applicability of machine learning techniques in different areas, e.g. short-term trade execution optimisation vs. longer term prediction making
- The use of machine learning techniques in factor investment research and how it can help enhance fundamental decision making



The panel also explored the state of ESG implementation, challenges posed by data quality (dispersion of ESG scores) and unclear taxonomy, and how individual preferences/convictions can result in different approaches to responsible investments (e.g., in the context of exclusions).

The SBAI would like to thank the panellists Eric Bouyé, Head of Quantitative Strategies and Asset Allocation, The World Bank, Fiona Frick, Group CEO, Unigestion and Sandy Rattray, CIO, Man Group for their thought-provoking contributions.

A special thank you goes to Unigestion for hosting the event.

Women in Finance Leadership Breakfast in Austin

The Standards Board in collaboration with the Teacher Retirement System of Texas (TRS) and the Texas Alternative Investment Association (TAIA) hosted in Austin, Texas the fourth annual Women in Finance Leadership Breakfast. The focus of the discussion was on Generational Diversity in Asset Management and was led by Sandee Hurse, Chief Human Resource Officer for GCM Grosvenor. Over 40 women attended, representing multiple generations who shared their insights and best practices from their own experiences.

Quick takeaways from the discussion include:

- Generational age groups are defined based on the year you were born. However, the traits and characteristics of one's generational age group should not define the person. Many individuals are able to absorb and embody the perspective, values, expectations, ambition and work style of multiple generations. We need to identify and appreciate the intersectionality of generations in a person and avoid labelling.
- Different ways to bridge the gap between generations to promote a healthy and successful culture:
 - Addressing ALL forms of diversity must start at the top
 - Transparency of expectations and performance
- Build strong lines of communication: respect the difference of communication styles across generations
- Embrace technology. Good "rules of thumb" regarding technology and communication:
 - Establish technology etiquette
 - Do not text or email a message to your team or subordinate if it is longer than one paragraph – pick up the phone.
 - Summarise all internal and external discussions or meetings with a bullet point summary to ensure common understanding, take-aways and tasks at hand



- Create text groups to promote transparency & communication
- Recognise the importance of mentoring and, interestingly, reverse mentoring
- Promote unconscious bias training / use an external consultant to review and monitor bias in teams and business processes
- Avoid the negative perceptions about different generations. Focus on learning from each generation and embrace the differences with curiosity and a positive attitude.

The Standards Board would like to thank all the participants for their contribution to this important discussion. A special thank you goes to TRS and TAIA for hosting and supporting the event.

Responsible Investment

The Standard Board's responsible investment (RI) working group is now underway. The objective is to help managers and investors better understand how responsible investment considerations can apply to different alternative strategies, including the specific questions investors and managers need to ask themselves when calibrating their approach. As part of the effort, the working group will review existing materials about RI in alternative investments (including emerging regulatory developments). More topics will be added as the working group progresses.

The working group will be complemented with a series of Responsible Investment Roundtables in the near future.

Standard Investor Profile Template: Working Group Update

The subscription, Know-Your-Customer (KYC) and anti-money laundering (AML) processes require investors to provide certain information to managers and their administrators. Much of the information required is consistent across most jurisdictions and funds; however, the way this information is collected and how the specific questions are asked differs from fund to fund.

As previously reported, the Standards Board set up a working group, which includes institutional investors, investment managers and investment consultants, to create a Standardised Investor Profile Template (SIPT). This template is a tool meant to reduce the administrative workload for investors, who are otherwise required to analyse and fill in many different documents for each alternative fund investment. The idea behind the template is that it will be comprised of questions that are not controversial, and which are ubiquitous amongst alternative funds; therefore, they easily can be adopted by alternative funds when issuing new subscription documents. Funds can



add supplemental subscription questions to fulfil any further specific requirements and representations (for example, as required by local requirements) that are not covered by the SIPT.

With wide adoption, managers need only include the template as part of their subscription questionnaires, and investors will be able to include their previously completed form. This means there will be consistency in responses across their portfolios and a reduction in the time and effort required to fill out subscription documents.

If you would like to support the SIPT Working Group, please contact us at info@sbai.org

Upcoming Events

Important Notice: Following the advice from health organisations about minimising large public gatherings due to the continuing spread of the coronavirus (COVID-19), it is with regret that we have decided to postpone the Responsible Investment Roundtable event scheduled for 26th March at the offices of Man Group in London. The Standards Board is monitoring the situation for other upcoming events.

- 1 April 2020: New York: Alternative Credit
- 1 April 2020: New York: Responsible Investment Roundtable
- 13 April 2020: San Francisco: Culture & Diversity Workshop
- 13 April 2020: San Francisco: Responsible Investment Roundtable
- 30 April 2020: Boston: Responsible Investment Roundtable
- 14 May 2020: New York: Annual North American Stakeholders Forum
- 14 May 2020: New York: Emerging Manager Roundtable
- 9 September 2020: London, Annual General Assembly
- 2 December 2020: Montreal: Annual Institutional Investor Roundtable

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

APPENDIX

Acadian Asset Management

Acadian is a quantitative investment manager with expertise in long-only equity, long-short equity, systematic global macro and commodities. Acadian applies fundamental and macro-economic intuition in a systematic investment process across all strategies,



which is informed by the consumption of millions of daily data observations. Acadian was founded in 1986 and is headquartered in Boston, with wholly owned investment advisory affiliates in Singapore, Sydney, Tokyo, and London. As of December 31, 2019, Acadian managed over \$100 billion in client assets.

Schroder Secquaero

Schroder Secquaero is the Zurich-based global ILS center of competence of the Schrodgers Group. It is an integral part of the Schrodgers Private Assets business and offers a wide range of ILS funds and bespoke mandates, from pure cat bond strategies to broader solutions, including private transactions and dedicated life-only funds. The ILS team, currently managing around \$3 billion in assets, consists of 26 professionals from leading (re-)insurers, actuarial consulting firms and investment managers with jointly over 400 years of relevant actuarial, modelling, underwriting, structuring and investment experience.

Schroder Secquaero is the result of a long-standing cooperation that started in 2013 and culminated in the merger of Secquaero Advisors with the Schrodgers ILS investment desk in July 2019. Schroder Secquaero's team has been recognized for its in-depth knowledge of analyzing, modelling, structuring and valuing (re-)insurance risks.

Springs Capital

Founded in 2007, Springs Capital is an investment manager specializing in Chinese equity, managing over \$10 billion in onshore RMB funds, offshore USD funds and managed accounts as of February 2020. Springs Capital's client base spans from institutional investors such as pension funds, sovereign wealth funds, endowments, foundations and insurers, to family offices and ultra-high-net-worth individuals. Springs Capital adopts a fundamental-driven contrarian investment philosophy that highlights bottom-up stock selection based on deep-dive research in out-of-favor sectors. The group currently operates from offices in Beijing, Shanghai, Shenzhen, Hong Kong, Singapore and the United States.



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