



Newsletter – April 2020

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New Stakeholders

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

Signatories

- IXI Fund Managers Ltd (Cyprus)
- Minority Asset Management (Hong Kong)

New Leadership at the SBAI

The Board of Trustees of the Standards Board for Alternative Investments (SBAI) announced that Mario Therrien, Senior Managing Director and Head of Strategic Partnerships, Developed Markets, Caisse de depot et placement du Quebec (CDPQ), and Luke Ellis, CEO, Man Group Plc, both current Trustees of the Standards Board, will succeed Chairman Dame Amelia Fawcett, who is retiring after nine years leading the Standards Board.

[Mario Therrien](#) said: "I am incredibly honoured to lead the Board of Trustees of the Standards Board and further the important work and growing adoption of the Standards around the world. The current environment underscores the value of the SBAI as a collaborative platform where industry leaders can share knowledge and develop solutions that help institutional investors, investment managers and regulators strengthen the alternative investment industry."

[Luke Ellis](#) commented, "I am thrilled to have the opportunity to work with Mario to lead the Standards Board at a time when it is thriving and also the need for it has never been greater. I am



confident that the SBAI and the Standards will continue to serve all of the stakeholders in the alternative investment industry around the globe and be an essential part of making our industry stronger.”

[Thomas Deinet](#), Executive Director of the SBAI said: “The SBAI would like to take this opportunity to express its gratitude to Dame Amelia Fawcett for her contribution over the last nine years. Under her leadership, the SBAI has made significant progress in promoting the Standards and become a recognised advocate for transparency, integrity, and good governance in the industry. The SBAI team wishes Dame Amelia the very best in her new chapter.”

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

SBAI: “Navigating Through COVID-19” Series of Virtual Roundtables

We reported last month that we launched our COVID-19 series of virtual roundtables to facilitate a candid dialogue between institutional investors and fund managers about how to navigate the current challenges posed by the global pandemic, draw lessons for industry practices in areas such as risk management (market, liquidity and counterparty), valuations, operational management (including resiliency) and investor communication.

The SBAI so far hosted two sessions focussing on “Institutional Investor Perspective” and “APAC Perspective” with panellists from Canada Pension Plan Investment Board, CERN Pension Fund, Future Fund, Elo Mutual Pension Insurance Company, PAG and The Regents of the University of California. Key points made:

- Less redemption pressure on managers so far compared to GFC in 2008 due to a change in investor base, away from FOHF and HNWI to more institutional investors
- Large dispersion of performances across different strategies and countries (less volatility in APAC markets)
- No large asset allocation shifts or investments at this time for most allocators
- Inability to conduct on-site due diligence could slow new mandates, increasing role for investment consultants
- But regulatory changes, for example in Australia (enhanced access to Superfund savings), could pose risk management challenge and prompt need for portfolio re-balancing
- Keen focus on liquidity and solvency in assessment of emerging opportunity set



- Valuation of illiquid assets in focus, including establishing processes for more timely valuation information of private assets (note: SBAI to publish Alternative Credit Valuation Guidance in its Toolbox in May)
- Overall smooth BCP transition to home working for the industry

The COVID-19 series will continue in May with four sessions with the following panellists:

- **Implications for ODD and Monitoring**: Albourne, Cerberus Capital Management, CDPQ, Ionic Capital Management and Man FRM
- **Superfunds' Perspective**: Dymon Asia Capital, New Zealand Superannuation and Sunsuper
- **Were You Prepared?** Angelo Gordon, J Paul Getty Trust and Utah Retirement Systems
- **Managing Risk & Strategic Partnerships**: Citadel, State of Wisconsin Investment Board and Teacher Retirement System of Texas.

Responsible Investment Virtual Roundtable

The SBAI Responsible Investment (RI) Roundtable highlighted the spectrum of approaches to RI among institutional investors (for many, it is still an explorative process) and the varying degrees of applicability to different alternative strategies. Panellists from MASS PRIM Investment Committee, FaithInvest, Harvard Management Company, Man Group and NECP raised the following key questions:

- **Is RI integration in investment process a “no brainer”?**
 - If something has explanatory power for performance or risk, it should have been included in investment analysis all along (?)
 - But lacking clarity about applicability to different alternative investment strategies (i.e. relevance of RI factors varies as a function of type of underlying assets, holding period, and investment objective), no one-size fits all approach
- **What impact do exclusions have on portfolios?**
 - “Climate-driven Minsky moment” (collapse in prices of certain assets as part of transition to the low carbon economy, as predicted by Mark Carney) or opportunity for undervalued “sin stocks”?
 - If exclusions enhance returns, shouldn't these aspects be captured in RI Integration in the first place?
 - Differing views on whether excluded stocks can be shorted
 - How do investors establish their beliefs (which result in the “exclusions”)? Is it easier for faith-based organisation? For US retirement systems: informed by respective



States' legislative processes? University endowments: How do deal with conflicting demands from stakeholders (students, donors, academics, communities etc.)?

- **Active engagement: What does it take to be an active owner?**
 - Starting point for asset owners are usually direct (equity) holdings
 - Active ownership requires skills and capacity to engage (which not all investors have)
 - Emergence of collaborative approaches among institutional investors on specific initiative

The SBAI will continue to explore the topic of RI in the coming months. The SBAI RI Working Group is currently undertaking a thorough review of the existing industry guidance and regulatory expectations in this area and will look into the spectrum of applicability in different strategies (LS equities, FI, credit, quantitative/systematic, ILS Funds).

SBAI Toolbox Webinar Series: Co-Investments

The SBAI Toolbox complements the Alternative Investment Standards and provides guidance on a wide range of industry topics, including governance, transparency and valuations. The SBAI has now launched the **SBAI Toolbox Webinar** series with an expert session on [Co-Investments](#), covering operational due diligence considerations when allocating to co-investments, how to structure a co-investment process, considerations about handling of fees and expenses, and structuring considerations. The SBAI would like to thank the speakers from Albourne Partners, HealthCor Management and Ionic Capital Management for their contributions. The Co-Investment Webinar will be repeated for APAC time zone stakeholders on 27 May.

The SBAI Co-Investment Memo is available [here](#).

Alternative Credit: Virtual Roundtable to Launch SBAI Toolbox Guidance

Alternative credit investing has significantly increased in relevance in recent years due to the reduction in bank lending following the financial crisis and institutional investors' appetite for yield. This is a welcome development: more investment choices for investors and a broader range of funding sources for users of capital (e.g. corporates, etc.). To accompany this development with a dialogue about good industry practice, the SBAI's Alternative Credit Working Group has assessed industry practices in areas such as valuations, managing conflicts of interest and fund structuring in more detail and will publish its results shortly.



The SBAI will hold a series of Virtual Roundtables to assess the state of play in alternative credit (also in light of COVID-19) and explore the results of the working group in the areas of valuation and conflicts of interest, evolving expectations, due diligence process, as well as standards and practices.

The first event will be held on 20 May (US-Europe time zones) with speakers from Albourne, Angelo Gordon, HPS Investment Partners, PIMCO and Utah Retirement Systems. The second event will be hosted in June focusing on the APAC region.

Upcoming Events

- 7 May 2020: Navigating through COVID-19: Implications for ODD and Monitoring (US-Europe time zones) (virtual)
- 14 May 2020: Navigating through COVID-19: Superfunds' Perspective (APAC time zone) (virtual)
- 19 May 2020: Navigating through COVID-19: Were You Prepared? (US-Europe) (virtual)
- 20 May 2020: Alternative Credit (US-Europe time zones) (virtual)
- 27 May 2020: Co-Investments in APAC (APAC time zones) (virtual)
- 28 May 2020: Navigating through COVID-19: Managing Risk and Strategic Partnership (US-Europe time zones) (virtual)
- 4 Jun 2020 (TBC): Alternative Credit in APAC (APAC time zones) (virtual event)
- 24 August 2020: San Francisco: Culture & Diversity and Responsible Investment Roundtable
- 9 September 2020: London, Annual General Assembly
- 2 December 2020: Montreal: Annual Institutional Investor Roundtable

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

APPENDIX I

IXI Fund Managers Ltd

IXI Fund Managers Limited (the "Fund Manager"), is an authorized asset management firm established in 2019 in Cyprus which focuses on active investment management in financial instruments.

The Fund Manager develops and manages investment strategies focused on FX and makes use of algorithmic models and systematic execution methods which form the base for the investment methodology employed by the Fund Manager.

IXI's investment approach reflects the firm's deep experience and understanding of the FX sector which the Fund Manager together



with its associated companies have been active in for more than 10 years. The firm's investment strategy is designed to leverage its specialized forex knowledge and technology skills to create significant value by designing highly profitable investment strategies. The firm's vast forex trading knowledge, robust algorithmic processes and systems in conjunction with its wide network of respectable business counterparties enable the unlocking of investment opportunities in the FX investment space. By successfully utilizing its heritage and harnessing the present market opportunities conditions, the Fund Manager aims to create sustainable value and a solid addition to investors' portfolios. The company is headquartered in Limassol, Cyprus which is a member state of the European Union since 2004.

Minority Asset Management

Minority Asset Management is founded in 2013. The company is focusing on actively managed China equity strategy, currently providing both USD offshore and RMB onshore funds. Minority developed behavioural finance-based methodologies to identify majority bias that is causing mispricing or inefficiency in the market, and capturing high risk-reward ratio investment opportunities. With AUM growing from under USD 5 million (end of 2013) to more than USD 1.4 Billion (end of 2019), Minority's investment philosophy "Alpha comes from bias of the majority" is well examined in turbulent China stock market cycles. The company is fully owned by the management team and currently operating in Shanghai and Hong Kong.



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