



Newsletter – June 2020

In this month's newsletter:

- *New Stakeholders*
- *SBAI establishes EMEA Committee*
- *SBAI Standards and Guidance address key issues raised in the SEC's OCIE Risk Alert*
- *SBAI's "Navigating Through COVID-19" Series of Virtual Roundtables*
- *Upcoming Events*

New Stakeholders

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

Signatories

- Jupiter Research Capital (Hong Kong)
- Zebedee Capital Partners (UK)

Investor Chapter

- Veritas Pension Insurance (Finland)

SBAI establishes EMEA Committee

The SBAI has established a new regional committee focusing on the SBAI's initiatives in Europe, the Middle East and Africa (EMEA). Elena Manola-Bonthond, CIO of CERN Pension Fund, has been appointed Chairman and Doc Horn, Head of Total Return Strategies, Pictet Asset Management, Deputy Chairman of the Committee. Other members of the Committee include

- Angela Borrett, Albourne Partners
- Patrick Bronger, APG Asset Management
- Erik Eidolf, Nordkinn Asset Management
- Stuart Fiertz, Cheyne Capital Management (UK) LLP
- Fiona Frick, Unigestion
- Kristina Jacobsen, Ferd AS
- Roy Kuo, Church Commissioners for England



- Kai Rimpi, Varma Mutual Pension Insurance Company
- Martin Törnqvist, Capital Fund Management

Elena Manola-Bonthond said: “I am honoured to chair the SBAI’s EMEA Committee to help further the important work and growing adoption of the Alternative Investment Standards in this region. As a global investor, having agreed standards facilitates our due diligence and raises the quality of manager practices for the benefit of all market participants. I’m looking forward to working with the Committee and the Board of Trustees to contribute to the SBAI’s ongoing success.”

Mario A. Therrien, CFA, Chairman of the SBAI said: “We are excited about the launch of the EMEA Committee and are grateful for the support of the industry leaders who agreed to serve as its members. While the SBAI’s Alternative Investment Standards are universal in nature, it is important that we have industry leaders to address unique topics and facilitate the dialogue between regional asset owners, managers and regulators.”

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

SBAI Standards and Guidance address key issues raised in the SEC’s OCIE Risk Alert

The US SEC’s Office of Compliance Inspections and Examinations (OCIE) published its latest Risk Alert "[Observations from Examinations of Investment Advisors Managing Private Funds](#)" highlighting private fund advisor deficiencies in the areas of a) Conflicts of Interest (including parallel funds, co-investments), b) Fees & Expenses (including Valuation) and c) MNPI/Code of Ethics.

The SBAI has been focusing in recent years on many of the issues raised in the Risk Alert and addresses them through its Alternative Investment Standards, adopted by its signatories (managers), as well as its Toolbox guidance for managers and investors. The SBAI’s proactive and collaborative approach involving managers and investors helps address regulatory concerns and contributes to a more robust alternative investment industry.

The SBAI invites industry participants to consult our [Standards](#) and [Guidance](#) to support reviews of their practices in light of the SEC’s latest Risk Alert and welcomes questions and feedback on these topics.

Overview of how SBAI addresses some of the key issues raised in the Risk Alert:

- **Conflicts of interest in parallel funds:**
 - In its 2015/2016 Consultation to strengthen the Alternative Investment Standards, issues in relation to conflicts of interest between parallel funds have been addressed ([see Consultation Paper CP4 and amended Standards](#)).



- In 03-2020, the SBAI published additional [Toolbox guidance](#) on conflicts of interest, the memo provides an overview of additional measures managers can undertake to address conflicts between parallel funds.
- The SBAI's recently published Toolbox memo on "[Alternative Credit – Conflicts of interest](#)" identifies the specific conflicts of interest that can arise in funds investing in alternative credit, including in situations where different funds invest in different parts of a company's capital structure.
- The [SBAI Standardised Board Agenda](#) provides a blueprint for running Fund Board meetings to strengthen the oversight of the fund(s).
- **Co-investments:** In 12/2019, the SBAI published extensive [Toolbox guidance](#) on the key processes managers need to put in place to address governance and compliance challenges, structuring considerations and handling of fees, expenses/cost allocation.
- **Fee & Expenses:**
 - SBAI [Co-investment memo](#): approaches to fairly allocate fees and expenses, including broken deal expenses
 - Alternative Credit – [Conflicts of interest Memo](#): specific conflicts of interest in relation to fees, including fees earned by affiliated businesses, affiliated loan servicing and loan origination fees, including key questions for investors to ask in due diligence
- **Valuation:**
 - [Alternative Investment Standards 5-8](#): key features of a robust valuation process
 - Valuation in [Alternative Credit](#) and [ILS Funds](#), including key features of a robust valuation framework, and key questions for investors to ask
- **MNPI/Code of Ethics:**
 - [Alternative Investment Standard 23.1](#), including examples of compliance procedures to identify, detect and prevent market abuse
 - [Toolbox Guidance on Alternative Credit \(Conflicts of Interest\)](#) – handling of material non-public information (p. 7)

SBAI's "Navigating Through COVID-19" Series of Virtual Roundtables

The Standards Board continues with its COVID-19 series of virtual roundtables in June and held two events on the topics:

Looking at the Post-Pandemic World

Panellists: Mario A. Therrien, Caisse de dépôt et placement du Québec (and Chairman, SBAI), Luke Ellis, Man Group Plc (and Deputy Chairman, SBAI) and Philippe Jordan, Capital Fund Management

Key points and questions raised include:

- COVID-19 as an accelerator for change in working practices
- Is COVID-19 a driver for changes to capitalism?



- What are implications for allocators (incl. what is the future role of government bonds (at zero yields) in portfolios? (end of 60/40?). More detailed summary available [here](#).

Role of Responsible Investment Consideration during the Crisis

Panellists: Fiona Frick, Unigestion, Brandon Gill New, OPTrust and Roy Kuo, Church Commissioners for England

The discussion (see agenda [here](#)) covered a wide range of topics, including

- How different investors organise their RI activities and perspective on ESG integration vs. exclusions vs. active engagement.
- There is no "one size fits all" ESG approach to alternative investment strategies.
- COVID-19: increasing focus on resilience vs. efficiency and the rising prominence of "S" in ESG.

The SBAI RI working group will continue to explore this topic in more detail. The SBAI would like to thank all the speakers for their invaluable contribution to the discussions.

Upcoming Events

- **8 July 2020:** Alternative Credit (APAC) (virtual roundtable)
- **15 July 2020:** Facts and Perspective: Hong Kong as a Hub for Alternative Investments (APAC time zones) (virtual roundtable)
- **15 & 21 July 2020:** Application of GIPS Standards to Alternative Strategies, speakers from Acadian, CDPO, Telstra, Wellington Management and CFA Institute (virtual roundtable, separately catering for European/North American and APAC time zones)
- **24 August 2020:** Culture & Diversity and Responsible Investment (virtual roundtable)
- **August 2020:** Performance Benchmarking (TBC) (virtual roundtable)
- **September 2020:** Responsible Investment in Alternative Credit (TBC) (virtual roundtable)
- **September 2020:** Operational Due Diligence in times COVID-19: How to deploy capital to new managers? (virtual roundtable)
- **9 September 2020:** London, Annual General Assembly (TBC)
- **2 December 2020:** Montreal: Annual Institutional Investor Roundtable (TBC)

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

APPENDIX I

Jupiter Research Capital

Jupiter Research Capital (Asia) Limited specializes in quant strategies in China A share market. Jupiter Research's current main strategy is a quantitative intraday stat-arb strategy focusing on Chinese A-Share market.



The firm's research team builds quantitative models by utilizing traditional and machine learning methods focusing on high frequency and intraday signal as well as daily technical factors, event factors and fundamental factors. The firm currently manages over 1 billion USD for its flagship market neutral fund in Hong Kong. It plans to launch China A-share long only fund strategy in the summer of 2020.

Zebedee Capital Partners

Zebedee Capital Partners was established as a dedicated equity long/short investment manager in 2001 by current CIO/CEO Julian Edwards. Located in London since inception, Zebedee manages a single European equity long/short strategy – Zebedee Focus, with two associated Cayman domiciled commingled vehicles and associated SMAs.

Focusing on just three European sectors: financials, miners and consumer cyclicals, the firm has a broad research universe, but its investment universe is restricted to names with more than \$10bn of free float. The firm integrates a long-term fundamental investment horizon with an active risk management process, whereby position turnover is closely correlated to volatility. The firm's focus strategy has enjoyed considerable success and it was a two times winner of the EuroHedge European Equity Long/Short Fund Award, most recently in 2016.

Veritas Pension Insurance

Veritas Pension Insurance, founded in 1905, is one of the oldest insurance companies in Finland. Veritas provides, through statutory pension schemes, basic security to the employees of its corporate customers as well as to self-employed persons. The company aims to provide the best service in the industry for small and medium-sized enterprises and self-employed persons.

Veritas Pension Insurance invests pension assets profitably and securely. At the end of 2019, the market value of Veritas' investments was EUR 3.7 billion. The investment portfolio is diversified globally across different asset classes: 33% in listed equities, 36% in fixed income and 31% in alternative assets. Responsibility is an integrated part of the investment process.



To unsubscribe from this newsletter email: info@sbai.org

Copyright © 2019 SBAI, All rights reserved.

Our mailing address is: SBAI, 7 Henrietta Street, London WC2E 8PS, United Kingdom
