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Hedgeweek USA Awards 2018





Xuan Sun, Vice President and Portfolio Manager at Hathersage Capital Management, addresses the audience at the HedgeWeek USA Awards 2018 ceremony



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Managing Editor: James Williams, james.williams@globalfundmedia.com; **Managing Editor (Wealth Adviser, etfexpress & AlphaQ):** Beverly Chandler, beverly.chandler@globalfundmedia.com; **Online News Editor:** Mark Kitchen, mark.kitchen@globalfundmedia.com; **Deputy Online News Editor:** Mary Gopalan, mary.gopalan@globalfundmedia.com; **Graphic Design:** Siobhan Brownlow, siobhan.brownlow@globalfundmedia.com; **Sales Managers:** Simon Broch, simon.broch@globalfundmedia.com; Malcolm Dunn, malcolm.dunn@globalfundmedia.com; **Sales Manager, Property Funds World:** Matthew White, matthew.white@globalfundmedia.com; **Marketing Administrator:** Marion Fullerton, marion.fullerton@globalfundmedia.com; **Head of Events:** Katie Gopal, katie.gopal@globalfundmedia.com; **Chief Operating Officer:** Oliver Bradley, oliver.bradley@globalfundmedia.com; **Chairman & Publisher:** Sunil Gopalan, sunil.gopalan@globalfundmedia.com; **Photographs:** Alex Fedorov
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The winners



Best Macro CTA Fund

Quest Partners LLC

Best Event Driven Value Orientated Fund

Kerrisdale Advisers LLC

Best Event Driven Merger Arbitrage Fund

TIG Advisors LLC

Best Event Driven Distressed Fund

Foxhill Capital Partners LLC

Best Convertible Arbitrage Fund

Absolute Investment Advisers

Best Credit Fund

Corbin Capital Partners LP

Best Fixed Income Credit Strategy Hedge Fund

Sancus Capital Management LP

Best Statistical Arbitrage Hedge Fund

Carmot Capital

Best Equity Short Bias Fund

Spruce Point Capital Management LLC

Best Equity Market Neutral Fund

Gondor Capital Management

Best Macro Hedge Fund

Hathersage Capital Management

Best Commodities Hedge Fund

NuWave Investment Management LLC

Best Niche Hedge Fund

Pillar Capital Management Ltd

Best Fund of Hedge Funds

Optima Fund Management LLC

Best Diversified Fund of Hedge Funds

FQS Capital Partners LP

Best Specialist Fund of Hedge Funds

Gapstow Capital Partners

Best Multi-Strategy Fund

Boothbay Fund Management LLC

Best Liquid Alternatives '40 Act Fund

Wavelength Capital Management LLC

Best North American Index Provider

HFR

Best North American Hedge Fund Administrator

Opus Fund Services

Best Offshore Hedge Fund Administrator

Horseshoe Fund Services Ltd

Best Liquid Alternatives '40 Act Fund Administrator

Gemini Fund Services

Best North American Prime Broker

Cowen Prime Services LLC

Best North American Hedge Fund Research Provider

Wedbush Prime Brokerage

Best Managed Accounts Platform

Lyxor

Best Seeding Platform

Protégé Partners

Best Risk Management Software Firm

Imagine Software Inc

Best Fund Accounting and Reporting Systems Firm

FIS

Best Managed Account Platform Technology Firm

SS&C Advent

Best North American Trading Venue

Nasdaq

Best North American Accounting Firm (joint winner)

Anchin Block & Anchin LLP

Best North American Accounting Firm (joint winner)

EisnerAmper LLP

Best North American Regulatory Advisory Firm

Constellation Advisers

Best Offshore Regulatory Advisory Firm

DMS Governance

Best North American Cybersecurity Services Provider

Align Cybersecurity™

Best North American Cloud Services Provider

Eze Castle Integration Inc

Best North American Public Relations Firm

Peaks Strategies

Best North American Executive Search Firm

MJE Advisors

Best North American Data Visualisation Software Provider

Thinknum

Best North American Insurance Provider

Ironcove Partners

Best North American Law Firm

Sadis & Goldberg LLP

Best Offshore Law Firm

Harneys

Best North American Third Party Marketing Firm

Agecroft Partners



Volatility comeback augurs well for hedge fund community

By James Williams

One of the prevailing thoughts among the hedge fund community at this year's HedgeWeek USA awards in New York, which took place on 20th September, was the expectation that volatility was steadily making a comeback.

As many will know, volatile markets are a hedge fund manager's best friend. Like big wave surfers in the middle of a storm surge, they thrive on the adrenaline of choppy markets and big price moves. But as we observe (or perhaps lament) the 10th anniversary of the Global Financial Crisis, one of the defining characteristics of that period, broadly speaking, has been a perniciously low volatility environment.

This has proven exasperating for hedge funders. Constant central bank intervention through QE and asset buy-back programmes



to support Western economies has driven interest rates to historic lows and given rise to the strongest US equity bull market since the Second World War.

The effect of this has been to create a false reality, a Platonic Simulacrum, with equity markets vastly overpriced relative to the underlying fundamentals of the economy.

But there are signs that this extended period of low volatility could be ending. The US Federal Open Market Committee increased the fed funds rate 25 basis points to 2.25 per cent at the end of September, with US GDP growth forecast to hit 3.1 per cent by end of 2018.

As markets return to fundamentals, this should provide hedge funds with more opportunities to seek out idiosyncratic sources of alpha, and in turn potentially



provide outsized returns for their investors. If Ray Dalio's prediction that we are in the seventh innings and the next market downturn – which will likely be a slow grind – could be just a couple of years away, the level of fear, and therefore volatility, in the markets will likely tick upwards.

This will particularly suit quantitative hedge funds that use sophisticated machine learning algorithms to gain an information edge in the marketplace. When markets become volatile and chaotic, to the casual observer things look very random. In reality, these periods are much more predictable.

"A properly tuned machine learning programme can predict what the next few moves are likely to be (i.e. over the short-term) after the butterfly flaps its wings," says George Sokoloff, co-founder of Carmot Capital. "In the brief periods when markets have been stressed, such as in 2015 and 2018, Carmot has shown itself to excel and generate some nice returns. Were we to have more of these volatility periods going forward, Carmot is designed to deliver strong performance."

The VIX index is approximately 20 to 30 per cent higher than last year. It has been range-bound between 12 and 13 since May, having spiked at 31 in February. This event, dubbed the "Volpocalypse", saw the S&P 500 experience a 10.7 per cent decline in just six trading days.

Michael Spelman is CIO at Optima Fund Management, one of the industry's oldest and most revered FoHF managers. Reflecting on the market conditions in 2018, and based on Optima's three core themes of Policy Regime Change, Economic Reflation, and anticipated Asset Rotation, Spelman says: "We see 2018 as a harbinger of a more 'normal' environment where stock and bond performance could be more volatile, but nevertheless driven by fundamental merit rather than by loose monetary policy.

"This implies that in contrast to the past 10 years, the opportunity set for active management going forward should be very positive based on a simple and empirically strong observation: Alpha "likes" fundamentally-driven performance, especially when it results in higher volatility and higher



dispersion of returns. Based on our research, we expect to see more of this going forward both across and within asset classes.”

Regarding its portfolios, Optima is playing an “offensive and defensive game” on the ground while also making sure that it maintains high-level situational awareness.

Within equities, Spelman confirms that it maintains healthy allocations to growth-oriented sectors such as Tech and Cyclical, “as we believe they offer some of the best sources of return in the latter part of a macro cycle. At the same time, we are boosting exposure to alpha-rich diversifiers including quantitative, market neutral, and country specialists.”

Within the macro space, the interest rate and currency managers that Optima allocates to continue to maintain a short-duration bias overall. It also maintains exposure to specialists in emerging markets, commodities and volatility trading.

One of the symptoms of the low rate environment is that the markets have been highly receptive to companies issuing debt with few covenants, if any as investors waive rights to seek out extra yield. These covenant-lite deals have allowed companies to refinance debt with ease. This loose level of lending has gotten some industry commentators worried that an accident is waiting to happen.

The [Bank for International Settlements](#) warned that likely distress among indebted borrowers may spread into the wider economy as central banks raise

interest rates. Their fear is not the level debt but the fact that investors seem less concerned about protecting themselves against losses, the BIS said. For context, the total of leveraged loans and high-yield bonds outstanding in Europe and the US has doubled to about USD2.65 trillion since the financial crisis, according to the BIS.

“I think there are certain sectors including retail in which companies continue to struggle, such as those that were taken private five or six years ago that are levered and really don’t have the flexibility to change their strategy,” says Neil Weiner of Foxhill Capital Partners, an event-driven hedge fund that focuses on distressed and special situations in the US mid-market.

“We’ve seen individual names and companies facing specific problems. Industry-wide, I think US retail is oversized. A lot of debt has been issued with no covenants so investors are not going to have many rights as companies enter distressed and stressed situations. They will effectively operate as ‘zombie companies’ because investors won’t have the legal ability to restructure them because of fewer rights,” says Weiner, who adds:

“There’s a tremendous demand for private credit; hedge funds and PE funds are underwriting their own deals. This is pushing prices down and it’s becoming riskier and riskier. Unlike debt in the capital markets, which tends to be syndicated, these are bilateral arrangements. If companies get into trouble, there’ll be no liquidity. The big



question mark is: What will happen to all this debt that is being issued as private credit?"

If and when volatile trends upwards, active risk management will come to the fore and allow hedge funds to demonstrate their value to investors, some of whom have become distracted with low-cost passive funds in recent years.

Sancus Capital Management is a credit manager that specialises in investing in complexity premiums through structured products, such as CLOs and synthetic tranches. The founder, Olga Chernova, says that risk management is a key part of portfolio construction.

"We start by identifying trading opportunities with limited or asymmetric downside potential. Each trade is assessed independently and via its contribution to internal stress tests. Position stop losses are established before entering each trade and concentration limits are checked. Our approach to risk management is very transparent: internal system generates risk reports overnight which are available for review by everyone in the Fund," explains Chernova.

She says that in 2018, the CLO market has been dominated by three big themes: 1) A repeal of the risk retention rule; 2) A huge refinancing wave and 3) An increase in equity-friendly structural features.

The repeal of the risk retention rule generated a lot of supply in CLOs, which led to a widening in spreads of CLO liabilities. CLO managers no longer have to post 5 per cent of the transaction capital from their management companies or risk retention funds.

The repeal of this onerous capital requirement allows existing managers to issue more deals, as well as attract multiple new entrants into the CLO management space.

In addition, 2018 has seen a huge volume of the refinancing transactions.

"Most of the 2016 vintage is callable now and the tranches are 'in the money' to investors as the last two years saw a large spread tightening. Equity holders have a big incentive to refinance. This refinancing wave has been adding to the new transaction volume causing oversupply in the market and driving CLO liability spreads wider compared to the start of the year. In response to this, equity investors have been trying to defend arbitrage by introducing structural features, giving CLO equity investors more optionality.

"Despite the recent tilt in CLO market towards debt investors, we view CLO equity as very attractive long-term. If investors share our view that the current credit cycle expansion is nearing its end, it is an opportunity to lock in tight spreads on funding long-term CLO liabilities. If credit markets widen, equity in new deals with long reinvestment periods will do very well," says Chernova.

Quant, event-driven and credit long/short, not to mention equity long/short and global macro hedge fund strategies, will likely all benefit as the volatility regime improves.

As markets return to fundamentals and asset class decorrelations improve, the next two years could be a good period for alpha hunters, large and small. ■

Boothbay Fund Management

Best Multi-Strategy Fund

Boothbay Fund Management LLC, is the investment manager for the firm's flagship fund, a global multi-strategy hedge fund established by Ari Glass in 2014. The Fund seeks to generate strong risk-adjusted returns by allocating capital to idiosyncratic strategies that have minimal correlation to each other and traditional asset classes.

The Fund combines the risk management and investment principals of the large well-known multi-manager hedge funds while also taking advantage of its smaller relative size and investing in niche and less-crowded strategies.

Boothbay has three major components to its strategy and portfolio. First is a 'traditional' multi-strategy aspect, which utilises daily data, to determine manager selection and sizing, and then use the lack of correlations amongst the underlying strategies, to create a portfolio that can generate the return benefits of leverage without the linear increase in risk normally associated with leverage.

Second, the firm manages a "First Loss" platform, whereby the managers absorb the first 10 per cent of trading losses. Third, it seeks to combine a mixture of niche and capacity constrained uncorrelated strategies that have become an increasingly larger part of the portfolio.

According to Frederick Richardson, who runs business development for Boothbay: "We believe many of the best risk adjusted opportunities are capacity constrained, which keeps them from being fully exploited by many larger funds who would have the platform to do so."

To successfully implement this approach, Boothbay had to build out an infrastructure that can handle sourcing of talent, evaluation and diligence, portfolio construction, dynamic risk management, and a robust back office to support it all. "With over 80 strategies it is a significant undertaking," says Richardson.

Shane Burn, a former statistical arbitrage



Ari Glass collects Boothbay's award

portfolio manager and hedge fund allocator, heads up quantitative and volatility based strategies for Boothbay.

Glass, Boothbay's managing member, leverages his previous experience at Soros-seeded Tiger cub, Intrepid Capital, to select fundamental long/short managers. In 2016, Boothbay brought on Peter Bremberg as their Chief Operating Officer to oversee financial operations and help the firm optimise its balance sheet.

To date, Boothbay has achieved risk adjusted returns in the upper echelons in the industry with a Sharpe ratio of higher than two and a Sortino ratio close to 10. They have done so by outperformed many of its multi-strategy peers on an absolute return basis, while also having significantly lower drawdowns.

On winning this year's award Glass remarks: "This award is really as a result of a consistent team effort. With so many moving parts, it is important we keep a cohesive team. We are proud of the fact that we have not lost a key employee since the inception of the Fund. Our goal is to continue to satisfy our investors' needs and protect their capital." ■

Foxhill Capital Partners

Best Event Driven Distressed Fund

Foxhill Capital Partners LLC is an SEC registered value-oriented event driven hedge fund with particular expertise in distressed and special situations. The firm is based in Juno Beach, Florida. It was established by Neil Weiner, CIO, in 2006, with the launch of the Foxhill Opportunity Fund LP. In addition to the Fund, Foxhill manages an array of Separately Managed Accounts customised to meet specific client objectives.

The Fund looks across the entire corporate capital structure for the best risk-reward opportunities as companies engage in restructuring. By combining fundamental research with the use of options, derivatives and futures to carefully hedge credit, commodity and equity residual risk, Foxhill focuses on creating positions with a margin of safety to mitigate permanent impairment of capital.

"Our strategy focuses on distressed and stressed/high yield events. Where we find our niche, and what we think our greatest value-add is to investors, is focusing on the small-cap, mid-cap space where we are able to find opportunities that the large event-driven managers regard as too small," says Weiner.

Given the strength of the US economy and with the capital markets being so open there has been a relative dearth of stressed and distressed opportunities, but thanks to the tremendous amount of investment discipline, Weiner has found entry points in around 10 per cent of the companies the team analyses.

"We shy away from situations where the investor is at a disadvantage, such as covenant-lite term loans. It's not easy these days since issuers tend to have the upper hand so we take time to find situations where we are self-protected," explains Weiner.

To avoid the risks of being lured by



Neil Weiner, CIO at Foxhill Capital Partners

covenant-lite deals, Weiner looks exclusively for refinancing situations in the upper part of the capital structure "so we can be in the driver's seat when it comes to negotiating with the company."

"When you buy in distressed situations it tends to be when things look the ugliest; that's when people shy away. But if we really believe in the underlying value of the business we will continue to buy, even if the price is lower as this might just be for a technical reason. I always want liquidity to be able to add to a position on the way down and be able to bid a seller down; I never want to be that forced seller," comments Weiner.

Weiner has concerns over how the next down cycle will play out given that a lot of debt has been issued with little or no covenants, meaning investors are not going to have many rights as companies enter distressed situations.

These companies, will, he says, effectively operate as 'zombie companies' because investors won't have the legal ability to restructure them because of fewer rights. Indeed, Bloomberg recently reported that companies involved in 50 large M&A and LBO transactions reported leverage ratios that were 2.9 times higher than forecast one year after their acquisition, rising to 3.6 times higher after two years.

"These zombie companies will be able to maintain their interest expense but they will remain over-levered and recoveries in the upper part of the capital structure will be lower than we've seen in previous cycles," opines Weiner.

On winning this year's award, he concludes: "We are pleased to be recognized again by the hedge fund community for our performance. Our focus on under covered and undiscovered has continued to differentiate our approach and portfolio." ■

NuWave Investment Management

Best Commodities Hedge Fund

Founded by Troy Buckner, NuWave Investment Management LLC pursues a unique multi-strategy approach to investing in many of the world's most liquid markets. Buckner serves as Managing Principal, joined by a staff of 10 professionals, including Yury Orlov, NuWave's Head of Research, and Craig Weynand, the firm's Chief Operating Officer.

NuWave has long considered itself a pioneer in the application of machine learning and artificial intelligence techniques to the financial and commodity markets, having first deployed such concepts as far back as 2001. In the last decade significant advances in computing power and the development of increasingly sophisticated AI modelling concepts have continued to shape NuWave's systematic approach to trading.

"By way of analogy, consider the incredible advances made in terms of machine-based speech recognition," says Weynand. "Ten years ago, machines were capable of only a rudimentary understanding of speech – the only acceptable responses being 'Yes', 'No' or 'Representative.' Five years ago, the range of responses was somewhat broader, consisting of certain phrases or specific sentences. Today, the machine is capable of 'understanding' virtually any response. Similarly, personal assistants, such as Siri or Google, understand queries, perform tasks, follow instructions – all from conversational speech."

Building on the example of speech recognition, Weynand goes on to explain that NuWave applies machine learning and AI to better understand the language of financial and commodity markets. "It is undeniable that the markets speak a distinct language ... a language that we – along with many others – are trying to decipher. Different investment managers may utilise different methods or focus on different input data, but we all share the same goal – to better understand



**Craig Weynand, Chief
Operating Officer at NuWave**

what the market is saying and, in doing so, to identify potential trading opportunities. Each piece of data, whether technical or fundamental, is analogous to an individual syllable ... and multiple data points, like multiple syllables, combine to form words and sentences which, in turn, form paragraphs – all of which help to describe price behaviour."

He further notes that, much like speech, there are infinite ways to parse and aggregate feature-rich information. "Consider such features as directionality, volatility, seasonality, sequence, technical data, fundamental data – there are countless ways to define or categorise such data sets and determine which combinations of relevant data sets are meaningful. Essentially, advanced machine learning and AI concepts can sift through history and compare combinations of data sets to determine which combinations are likely to yield high probability directional outcomes. Simply put, machine learning and AI help us better understand what the market is telling us."

NuWave's systematic approach to directional trading can be applied across multiple asset classes. Along with four unique futures portfolios and two cash equity funds, the firm now serves as sub-adviser to a liquid alt mutual fund that blends NuWave's cash equity trading capabilities with its diversified managed futures trading, all within a single portfolio, offering the potential for non-correlated returns during both bull and bear market scenarios.

Weynand confirms that, while 2018 has been a rather challenging year for many commodities markets, many of NuWave's systematic trading methodologies have identified significant opportunities for directional commodity trading, "particularly during August, when much of NuWave's outperformance was derived from trading in commodities." ■

Wavelength Capital Management

Best Liquid Alternatives '40 Act Fund

Established in 2013, New York-based Wavelength Capital Management is an independent investment management firm specialising in liquid, transparent, and cost-effective investment solutions designed to preserve assets and produce returns in any economic environment.

"We focus on factor-based fixed income analysis powered by technology," says Mark Landis, who co-founded Wavelength with Andrew Dassori. "We invest using a systematic approach that applies quantitative tools to process fundamental economic and market information. We seek to empower our clients through transparency in what we do, sharing our research process, and our mission is to deliver the best balance of risk and return for their financial future."

The utilisation of technology to look at a broader set and sub-set of the markets continues to grow. The edge that people had in the past has changed quite dramatically thanks to technology advances and as Landis states: "At the end of the day, we are trying to give all investors the ability to access an institutional process to manage assets across the fixed income universe."

Wavelength analyses up to 100 years' worth of historical data and uses a series of algorithms as part of a rules-based system to manage client capital. The firm's flagship product, the Wavelength Interest Rate Neutral Fund, is a '40 Act mutual fund managed with a quantitative, systematic process that seeks to produce returns and preserve capital in any interest rate environment.

"The strategy is designed to provide fixed income risk with a return that has no relationship with rates, and we use codified, testable, data-driven investment logic as opposed to a discretionary process; this lets us process fixed income data more efficiently than what would be humanly possible," says Dassori. "The core of the strategy is



**Mark Landis, co-founder
of Wavelength Capital
Management**



**Andrew Dassori, co-founder
of Wavelength Capital
Management**

based on linkages between markets and the economy that are testable and can be used to create a repeatable edge. The system is adaptive which allows us to use new types of data and the latest technology to execute on the investment logic it has built over time."

Wavelength manages risk systematically from a top-down perspective as well as from the bottom-up, on an instrument-specific level, to control for a variety of risk measures and dimensions including liquidity, volatility, skew, position concentration, net and gross exposures, and sensitivity to a range of economic scenarios.

While factors have been around for decades and are well-known among equity market investors they, are less common in the fixed income space. This is partly due to a lack of data that has existed traditionally, but technological advances and regulatory reform have helped change this.

"We've used proprietary datasets since starting the firm, but an interesting development has come from regulation that results in the increased availability of data for fixed income markets," explains Dassori. "A decade ago much of the information on fixed income markets wasn't available, and we spent a considerable amount of time rebuilding and re-engineering datasets to make them useful for factors of carry, momentum and value."

"The ability to scrape and access new types of information has given us a better opportunity. The process took a long time to build but we're not a black box by any means. We show investors exactly how and why we are delivering value," adds Landis.

On winning this year's award, Dassori concludes: "We appreciate the recognition for what we have built, and we look forward to helping investors navigate unfamiliar risks and a growing opportunity set for investing systematically in fixed income markets." ■

Pillar Capital Management

Best Niche Hedge Fund

Pillar Capital Management ('Pillar') was founded in 2008 and is headquartered in Bermuda. The firm manages open-ended Bermuda incorporated funds invested in the global property catastrophe risk market.

The senior management team at Pillar, headed up by CEO and CIO, Stephen Velotti, has an average of 25 years' experience in the reinsurance marketplace.

Pillar Capital is focused on providing alpha to investors through the reinsurance space. It aims to provide an attractive yield for investors while managing the risk it takes to achieve its returns. Analysing the entire market from the large reinsurance sector to the small ILW market and searching for opportunities on the buy and sell side allows Pillar Capital to optimise the portfolio and provide long-term compound returns.

When asked to comment on the nature of the ILS market this year, Velotti says that one of the surprises so far has been the large variance around valuations, from developing movements to the wide range of valuations across the entire market (ILS, Traditional, Sidecar, etc). Regardless of the market behaviour, Velotti is keen to stress that the key for Pillar Capital is not to have one deal that has performed well, "but an entire portfolio that has".

"We were very pleased with the majority of our positions and how they performed during 2017 and this allowed us to take advantage of opportunities in 2018. As we did not have to make wholesale changes to the portfolio, the continuity enhanced the fund's position," says Velotti.

Rather than target returns, Pillar's strategy is to develop a portfolio that considers the risk/ reward of the portfolio and, in particular, the tail of the portfolio's distribution. Portfolio metrics are evaluated utilising Pillar's proprietary Pillar Risk Optimization System ('PROS').



Stephen Velotti, CEO & CIO at Pillar Capital Management

Velotti says that deal access is one of the key factors in providing a superior portfolio to investors. "Having the ability to view a large spectrum of opportunities across the entire market," says Velotti, "allows Pillar Capital to maximise returns and optimise the risk/return metrics of the portfolio. The senior executives of Pillar Capital have built up a strong market presence by having a very experienced team with an average of 20-plus years in both the North American and international markets."

From a cultural perspective, the best way to describe Pillar Capital's investment philosophy is that the team is singularly focused on providing "true alpha" and generating long-term compound returns that beat the market for its institutional client base.

"Last year has shown that having a high no-loss return does not equate to providing above average returns over the long-term/ investors' investment horizon. Having and building strong relationships on the investor and investment side is key to providing an effective conduit between the two sides of the business," states Velotti.

Looking ahead for the next six months, he notes that with ILS being an integral part of the reinsurance market for the first time during a large loss year there are a number of trends arising in 2018; from how investors have responded to an active natural catastrophe year to how the ILS products have responded for the purchasers in the space.

"In general the ILS market has responded positively and we expect to see changes that will move towards increasing efficiency and transparency," says Velotti.

On winning this year's award, he concludes: "Winning the award was a team effort. We have built a strong and deep team and everyone contributed to another win." ■

Thomas Consenza collects Pillar's award



Optima Fund Management

Best Fund of Hedge Funds

It's fair to say that Optima Fund Management has seen a lot of change in the hedge fund industry, given that it has celebrated its 30th anniversary in July 2018. Since Dixon Boardman founded the New York-based firm in 1988, it has steered a steady course. It has continued to evolve in line with market trends so as to unearth the best hedge fund talent, which feature in a range of multi-manager funds, the first of which, a long/short equity FoFs, has been running since the year of Optima's inception.

As one would expect at a FoHF firm, investment research is a fundamental skill-set that Optima's team has built over the decades. Like an apex predator, Optima always looks forwards, never backwards. Just because a manager has had a good run of returns for one, two, three years, there is no guarantee he will remain a staple of the portfolio.

"In 2018, we have on-boarded several managers that I believe reflect Optima's expertise in sourcing hard-to-find talent," comments Michael Spelman, the CIO at Optima. "We strive to add a degree of uniqueness to our portfolios that larger allocation firms might have difficulty achieving due to the selectivity of underlying managers in choosing business partners and their desire to maintain a low profile."

"Within our macro fund, for example, we have hired a trader that exclusively trades power and emissions derivatives focused on northern European markets."

This, says Spelman, is a "hard-to-master" market which requires specialised skill not only in research and risk management, "but also expertise in a policy analysis which we find that few people have".

Within Optima's international equity funds, it has hired an India-focused manager that has much prized "local access" in a market where gaining an edge is as much about personally knowing CEOs as it is applying high-quality financial statement analysis. "We also continue to expand our pipeline of uncorrelated strategies including quantitative equity arbitrage and "free-form" AI strategies



Optima's Gabriel Chenard-Poirier & Michael Spelman collect the award

that are geared towards less conventional sources of behavioural alpha," adds Spelman.

Optima's culture can best be described as quality-obsessed, risk averse and innovative (as highlighted above regarding talent sourcing). Spelman expands on the innovation point: "Our multi-manager advisory clients are increasingly concerned about late cycle markets and rising volatility so we have been working closely with them to provide custom solutions. In 2017, we developed an absolute return programme with low correlation/beta to equities and a maximum drawdown target of 5 per cent, which is based on a blend of three strategies: equity market neutral, CTA and discretionary global macro. While it is defensive in nature, the portfolio also provides a competitive return."

Optima is a firm that invests as principals, not agents. This means building partnerships with its investors on one hand and ensuring that it underwrites durable, high-quality investments that match their needs and can stand the test of time on the other.

"We would suggest that when you put a group of highly motivated, intelligent, like-minded people together that share this common philosophy, and infuse it with rigour and the wisdom that comes from experience, then you are more likely than not to generate superior results. This is Optima's value proposition," asserts Spelman. ■

Carmot Capital

Best Statistical Arbitrage Hedge Fund

Carmot Capital designed an investment strategy that delivers top returns during times of market stress. Founded by George Sokoloff, PhD, CFA and Gerd Infanger, PhD in Silicon Valley in 2013, Carmot applies its experience and artificial intelligence models to manage a market neutral statistical arbitrage fund that profits from surprisingly predictable chaos.

The name Carmot comes from the alchemical process of turning base metal into gold. Carmot was believed to be a mythical element of the philosopher's stone and is the name taken by one of few hedge funds who operate in the heart of Silicon Valley.

Carmot's Tail Risk Plus strategy uses leading edge machine learning algorithms to generate returns during both high and low volatility periods. Unlike tail risk strategies, Carmot does not use derivatives to juice returns and delivers positive returns even in benign markets

"We are synthetically short liquidity, we are not long volatility," says Sokoloff. "Volatility is nothing but a by-product of insufficient liquidity. When markets fail to absorb large institutional trade flows, we see more statistically significant price shocks. That works well for us. Our algorithms are tuned to detect bigger and more consistent price moves, and predict what large traders are doing with their portfolios with a high degree of accuracy. Our returns are demonstrably stronger when volatility is high but, crucially, when volatility is low we still see a part of these moves. We can still exploit that information to our advantage to make money."

"We know that when humans panic they tend to panic together and they tend to panic in a predictable fashion. This happens among all investors, including even quantitative hedge funds when risk controls are breached and humans make decisions to cut exposure and liquidate positions.

"These are the market regimes in which we thrive; being able to predict the movement of stocks during chaotic regimes."



Carmot's Alex Antebi & George Sokoloff collect the award

Carmot's algorithm looks for tell tale signs of large and broad portfolios being pushed through the market on a daily basis by large institutional traders. These investors usually go through a certain lifecycle of trading; they try to limit the impact on the market and increase their aggressiveness to push the trades through over time.

"This is where we come in. When institutions push multiple stocks into the market at the same time, they are forced to create specific patterns in stocks that are either being bought or sold. Our goal is to decipher the components of their trade lists and the direction these groups of stocks are going to go in future," explains Sokoloff.

Indeed, this is a problem that machine learning algorithms are good at solving; seeking out commonalities amongst elements behaving chaotically and determining which direction these will likely go in future based on how they have moved in the past. Whether the past is a few months or a few minutes.

"Volatility is making a comeback and we are happy about that. Every time there's been a volatility spike the strategy has done well," says Sokoloff.

Carmot Capital is now ready to scale and to serve a broader set of Limited Partners with Sokoloff confirming it is embarking on new research, including a project to decipher what it calls "thematic volatility". ■

Hathersage Capital Management

Best Macro Hedge Fund

Hathersage Capital Management LLC is a discretionary global macro investment manager founded in 1991. The firm is a foreign exchange specialist, expressing its global macro views strictly in G10 currencies, using interbank spot, forwards and vanilla options.

Hedgeweek's readership voted Hathersage Capital Management's Citi Access G10 Macro Access Strategy the Best Macro Hedge Fund at the 2018 Hedgeweek USA Awards.

The portfolio management team at Hathersage has been managing substantial G10 FX portfolios for more than three decades. At a time when systematic trading and alt-beta exposure has grown dramatically, Hathersage is an experienced discretionary manager who understands how to utilise optionality and its knowledge of market nuance in adding meaningful diversification to a portfolio.

The Hathersage team uses traditional fundamental macroeconomic analysis to generate high probability trade ideas and create asymmetric directional exposures in its G10 Macro Access Strategy. Portfolios always maintain net long convexity, which limits the downside in moderate adverse price moves while enabling positive



Bill Lipschutz, founder and Chief Investment Officer of Hathersage

performance during periods of extreme market dislocations. The strategy has an annualised return of 15.53 per cent since its 2011 inception on the Citi Macro Access Platform, making it the top absolute return performer among all participating managers over that time frame.

With the post-war global order coming under increasing attack, markets are showing signs of concern about credit spreads and equity valuations. At the same time, a near decade of ultra-low interest rates has increased correlations across all asset classes. As such, savvy investors are focused on the importance of non-correlated, satellite diversification around a core investment portfolio.

Hathersage's flagship discretionary, macro-based strategy offers historically low average correlation when global equities are rising. But when global equities fall one standard deviation or more, that correlation becomes *highly* negative, helping to cushion the impact of a mark-down in an equity beta-centric portfolio when it is needed the most.

This strategy is now directly accessible through the Cayman-domiciled Hathersage G10 Macro Access Fund. The fund employs the same award-winning strategy that was previously only available via the Citi Macro Access Platform. The fund offers a highly competitive fee structure (the higher of the management fee or incentive fee with a high water mark) with no long-term lock-ups.

On winning this year's *Hedgeweek* award, Bill Lipschutz, Hathersage founder and Chief Investment Officer said: "Being recognised by *Hedgeweek* readers, many of whom are our investors, is a continuing honour for our team. Once again, we commend *Hedgeweek* on their commitment in acknowledging the achievements of the many talented investment managers and service providers in our industry." ■

Andy Wilkoff & Xuan Sun pick up Hathersage's award





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Sancus Capital Management

Best Fixed Income Credit Strategy Hedge Fund

Olga Chernova is founder and CIO of Sancus Capital Management, a credit manager with offices in New York and Los Angeles that she founded in 2009 after a distinguished trading career with JPM, Dillon Read and Goldman Sachs. The firm specialises in investing in complexity premiums through structured products, such as CLOs and synthetic tranches.

Sancus runs two hedge fund vehicles (multi-strategy credit and CLO equity). The multi-strategy credit fund combines various credit instruments to generate option-like payoffs with limited downside. The fund provides largely floating rate exposure, which produces low correlation with other classic long/short credit managers, mutual funds, and ETFs.

"Our approach to investing combines fundamental analysis, momentum trading and a relative value framework," says Chernova. "Our investors appreciate our expertise in complex products and our ability to move quickly as the opportunity set in credit changes throughout the credit cycle. In addition, our interests and investor interests are strongly aligned with significant internal capital invested in the fund."

Sancus has not only been creative with its trade ideas, it has also pioneered an important innovation in the CLO space, called the Applicable Margin Reset (AMR).

This feature uses an online auction mechanism to refinance CLO liabilities and skips the traditional underwriting process and costs associated with it. "The feature is highly valuable to CLO equity investors. Sancus offers access to a pool of CLO equity with this refinancing feature. This offering is currently unique in the market," confirms Chernova.

The Fund uses a relative value framework to identify mispriced opportunities and then



**Olga Chernova, founder
and CIO of Sancus Capital
Management**

often implements directional trades. Sancus calls this approach to credit investing "directional RV".

As Chernova explains: "Credit markets are often disjointed: similar risk profiles in different instruments are priced differently. For example, volatility in credit CDX options and short-dated high-yield bonds can be valued differently, since both have a different investor universe.

"Our relative value approach will highlight historical dislocation. However, often transaction costs and liquidity would be prohibitive to putting on both sides of the trade to lock in true relative value. We then pick a side that we think is cheap or mispriced and implement it as a directional trade to save on bid/offer.

"Directional trades might have more risk, but if we size them smaller we often come out ahead versus paying for true relative value."

Chernova remarks that the CLO market this year has been dominated by three big themes: 1) repeal of the risk retention rule; 2) a huge refinancing wave; and 3) an increase in equity-friendly structural features.

"All three are somewhat interconnected, but with respect to the repeal of risk retention rule, this move generated a lot of supply in CLOs which ultimately drove widening in spreads of CLO liabilities. CLO collateral managers no longer have to post retention capital from their management companies or risk retention funds. This allows existing managers to issue more deals, and does encourage new entrants into the CLO management space."

On winning this year's award, Chernova comments: "We are honored to receive this award. Our team have put a lot of hard work into developing both creative trading strategies in the credit space and pioneering important innovations within the CLO market." ■



Best Fund Accounting and Reporting Systems Firm

FIS is a global financial services technology company, with a focus on technology, consulting and outsourcing solutions. FIS serves more than 20,000 clients in over 130 countries and employs more than 55,000 people worldwide. It is a Fortune 500 company and is a member of Standard & Poor's 500® Index.

The FIS Investment Operations suite is designed specifically for alternative investment managers to support middle and back office functionality to enable the precise tracking of fund performance with a comprehensive general ledger for reporting. Moreover, the system empowers fund administrators to better help their end clients achieve their goals in an increasingly complex regulatory landscape, turning commoditised services into a premium proposition.

FIS's systems provide out-of-the-box connections to various market solutions for data dissemination including: market data, corporate actions, order management and investor servicing. "A second important feature is a comprehensive cross-asset application for high volume processing for fast reporting on large data sets. In addition, our systems support fast implementation times and easy upgrades, which helps clients to reduce their technology footprint for a lower cost of ownership," explains Tony Chung Global Head of Product Strategy, Alternatives, FIS.

Chung says that FIS's core business is to create best-in-breed software solutions, not that it is critical for fund administrators to have a "proven, trusted vendor that focuses on the changing investment strategy landscape and can provide a scalable, secure platform to connect to various data sources and other mission critical systems".

Certainly one of the benchmark criteria for any serious fund administrator is to provide alternative fund managers, regardless of strategy, with highly detailed data in a timely manner.

"FIS is committed to supporting fund



Tony Chung Global Head of Product Strategy, Alternatives at FIS

administrators in differentiating their business models while reducing operational cost," asserts Chung. "This is key to providing hedge fund managers the support needed to remain competitive with fees and open to various investment strategies."

One example of the blurring of lines between hedge and PE is that some PE managers are evolving their investment strategies by moving more into liquid short-term opportunities, particularly in credit. "As a result," says Chung, "we've leveraged the comprehensive reporting and accounting data from our VPM solution to integrate seamlessly to FIS's best-of-breed investor servicing platform for closed-ended fund structures; Investran.

"This will result in operational efficiencies for credit funds rather than tracking offline in spreadsheets and manually loading into desperate systems."

VPM is highly effective at simplifying the accounting and reporting process for bank debt strategies, including the ability to track interest on non-performing loans and calculate delayed compensation and cost of carry. FIS's capabilities extend across multiple disciplines, including collateral management, derivatives processing (Front Arena), compliance (FIS™ Protegent), investment accounting (InvestOne), as well as a performance measurement software module to improve the investment decision-making process.

Chung says that currently, FIS's fund accounting solution is focusing its R&D efforts in solution suites, "by which solutions across the FIS ecosystem are directly and deliberately connected in a standard and seamless manner".

"Investments are underway building best-of-breed solutions focused on private credit markets, emerging fund managers as well as established managers. We have also begun an initiative around AI, using robotics process automation (RPA) to process limited partner notices in the private equity space," confirms Chung. ■

WHEN SMART COUNTS



Horseshoe Fund Services is a leading independent award winning fund administrator

Our philosophy is simple:

We aim at being responsive to clients' needs and innovative in our approach and analysis.

We provide professional expertise at the highest level.

Without exception, we strive to exceed our clients' expectations.

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Horseshoe Fund Services

Best Offshore Hedge Fund Administrator

The Horseshoe Group was established in 2005 and is an independent financial services company dedicated to both the alternative fund and insurance linked security ("ILS") market.

Horseshoe Group has in excess of USD25 billion of assets under administration and is widely regarded as Bermuda's leading ILS fund administrator. Horseshoe has operational offices in Bermuda, Cayman Islands, Charlotte (North Carolina), Gibraltar and most recently opened an office in London.

"2018 has been another exciting year of growth for Horseshoe across our fund and insurance administration divisions," comments Brian Desmond, CSO and EVP Head of Fund Services at Horseshoe Group. "Once again we experienced considerable growth in our services to funds investing in insurance linked securities. In addition, we continue to focus on growing our US-based fund administration offering for both hedge and private equity funds."

On the ILS fund administration side, Horseshoe's wide range of insurance expertise allows it to provide a meaningful independent review of valuations prepared by the investment manager. Another area where Horseshoe can add value to ILS funds and their investors is in the area of portfolio allocation. Some investors may want assurance that if the manager has several funds that the allocation of deals between those funds is fair and in accordance with the offering document and will mandate the manager to contract with Horseshoe Fund Services.

Horseshoe can offer a true one-stop solution for those that want to set up a new ILS Platform, including the provision of fund administration, registered office, corporate secretarial, BSX Listing services, insurance management, accounting, transforming,



**Brian Desmond, CSO and EVP
Head of Fund Services at
Horseshoe Group**

underwriting, claims and actuarial services within one company.

Horseshoe was engaged by the majority of new ILS fund entrants in 2018, confirms Desmond and is in a good position to do the same in 2019. The Harvey, Irma and Maria (HIM) events in August and September of 2017 plus the wild fire events in December of 2017 resulted in 2017 being the largest loss-causing year ever and was therefore the biggest test for the ILS industry to date.

"The good news is that the ILS industry passed this test, with investors showing their commitment to the space by increasing their overall capital investment in ILS to a greater level than before the large loss events of 2017. New risk capital is coming to market as investors continue to find ILS an attractive and diversifying asset class. We are seeing investors look for new entries into the insurance and reinsurance business outside of primarily the property and property cat markets. This means new and innovative products and offerings in the life and annuity as well as the casualty space. We predict some interesting growth in these areas and overall we believe ILS will continue to become a larger percentage of the overall reinsurance market and will exceed the USD100 billion milestone by 2019."

In Desmond's view, the experience of the Horseshoe team is paramount when it comes to demonstrating to clients the group's ability to service both offshore and onshore structures.

"Another important differentiator for Horseshoe is that we have a dedicated corporate services company, 'Horseshoe Corporate Services', so our clients can rely on Horseshoe for both pure fund administration as well as ensure that their companies are in full compliance with Bermuda, Cayman and BVI regulations," states Desmond. ■

THINK ALTERNATIVELY.

fund ad·min·no·va·tion

/fund əd'miə'vāSH(ə)n/

noun: **administer**; 3rd person present:
innovation; plural noun: innovations

1. Calculation of the net asset value ("NAV") including calculation of the fund's income and expense accruals and pricing of securities at current market value

2. The action or process of innovating a new method, idea, product etc. "Opus redefines the fund administration industry through innovation"

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Fund Services

Opus Fund Services

Best North American Hedge Fund Administrator

Opus Fund Services has enjoyed a number of milestones over the last 12 months. Chief among these were a rapid expansion of its Asian operations, which has helped to significantly improve the timing of daily deliverables. Also the introduction of a range of new technology developments, with a specific focus on evolving its smart technology capabilities. Opus has continued the expansion of its sales team to meet increased demand for its services.

"Our Irish offices have been an integral part of our 24-hour service offering. Dublin is a key link between our Asian and US operations functions," comments CEO Robin Bedford, confirming that Opus has onboarded approximately 140 new clients in 2018, year-to-date. We have chosen to adopt an organic client growth strategy, rather than attempt to scale through acquisition and have seen a continued growth in alternatives, including private equity, venture capital and private debt."

Opus opened a new Halifax, Canada office in Q2 with plans to create 30 jobs in the city. The office launched with three senior hires from Citco. Project manager Katie Murphy, vice president of innovation heads the office, joined by Jody McCormack, vice-president of projects, and Chris Ryan, vice-president of fund accounting.



Robin Bedford, CEO at Opus Fund Services

Since Opus was established just over a decade ago, it has succeeded in being an innovative force in the marketplace. From day one, Opus embraced the disruptive nature of FinTech to sharpen operational efficiency and respond to the demand for more innovative services.

For example, in May this year, Opus introduced a new interactive Client Dashboard experience to enhance the way clients interact with its global investor relations and compliance teams. The Dashboard offers a deep, direct insight into the Opus operating environment, utilising a 'you see what we see' approach, says Bedford.

"Recent changes include giving clients the ability to control live data, including making changes directly into the underlying records where needed, as well as a cross-functional task list. This gives the client real-time insight into what we need them to do, preventing delays and the need to repeatedly chase clients."

When asked to describe the culture at Opus Fund Services, Bedford replies: "Constant innovation is driven from a culture that questions everything. There is a relentless pursuit to continuously improve what we do, and how we do it. Our primary differentiation is driven by being a proprietary technology shop. We build, don't buy our technology."

On winning this year's award, Bedford says: "We are very grateful for the continued acknowledgment, it is a validation that our unique disruptive strategy is being properly executed."

Opus Fund Services is a multi-award-winning hedge fund administrator, established in Bermuda in 2006, subsequently expanding into the US with offices in Chicago (2008), San Francisco (2009), New York (2013) and Portland (2014). More recently it has expanded its global footprint by adding offices in Dublin, Ireland (2016), Manila, Philippines (2017), Halifax, Canada (2018). It currently serves over 250 fund managers and 425-plus funds with a combined AUM approximating USD14 billion. ■

John Ruskowski & Nick Breault pick up Opus's award





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SS&C Advent

Best Managed Account Platform Technology Firm

SS&C Advent, a business unit within SS&C Technologies Holding Inc. (SSNC: NASDAQ), provides software and software-enabled services to the global financial services industry. SS&C Advent's selection of software and rapidly deployable software-enabled services allows its clients to automate and integrate front-office functions such as trading and modelling. In the middle-office, these functions extend to portfolio, collateral and FX management and reporting, while in the back-office, they include accounting, performance measurement and reconciliation.

"Our solutions enable clients to focus on core operations, better monitor and manage investment performance and risk, improve operating efficiency, and reduce operating costs," comments Katherine Pearce, Vice President, product Management and Solutions Consulting.

Institutional investors continue to use segregated managed accounts as they seek out the most optimal way to allocate to hedge funds, with both public commingled platforms as well as private platforms continuing to record annual growth.

This is where SS&C Advent's Geneva World Investor solution comes into play. In short, the system streamlines investor servicing workflows for investor management, accounting, fee calculations and reporting. The system allows fund managers and fund administrators the ability to confidently handle a wide range of complex structures and managed accounts.

Pearce confirms that many of the 375-plus clients on the Geneva platform offer separately managed accounts for their investors in order to accommodate their specific needs.

"The Geneva suite of products helps position our clients for business growth and provides the flexibility required for not only managed accounts, but a range of structures as well. At its core, Geneva is the industry-



Katherine Pearce, Vice President, product Management and Solutions Consulting at SS&C Advent

leading general ledger solution, designed to ensure the integrity and timeliness of operations and accounting data across the firm," says Pearce.

To underscore its importance, SS&C Advent currently commits approximately 18 per cent of revenue to R&D to the Geneva suite of products. A significant part of that investment is committed to investor reporting "to ease the creation of customised content without the need or associated cost of developers".

"Affirmation of these enhancements includes our endorsement of the Institution Limited Partners Association (ILPA) Reporting Template within Geneva World Investor, 'Reporting Views' to streamline report creation and a reporting data store to facilitate myriad custom reporting needs. This acknowledgement is one mark of our commitment to continuously innovating to give our clients the best tools available," explains Pearce.

In her view, a superior managed account technology is one that understands and continues to support its clients' operational needs. Geneva's unique and purpose built architecture, she says, allows firms to scale their business and pursue new opportunities without adding operational overhead.

When asked whether she is confident that the uptake of managed accounts within the hedge fund space will continue, Pearce swiftly remarks: "The simple answer is yes. Managers are now willing to accommodate their investors' requests for preferential fee treatments and managed accounts in order to attract large institutional investors.

"With Geneva, we've been focused on building out technology to support the associated fee calculations such as the growing popularity of the 1 or 30 model, where investors are willing to pay for managers who outperform, but not also pay a management fee; hence the 'or', concludes Pearce. ■



hedge**week**

USA AWARD WINNER 2018

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Jeffrey I. Rosenthal, CPA, CGMA
Financial Services Practice Leader
jeffrey.rosenthal@anchin.com

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1375 Broadway, New York, NY 10018 | 212.840.3456 | anchin.com | [@anchincpa](https://twitter.com/anchincpa)

Anchin Block & Anchin

Best North American Accounting Firm (joint winner)

With a staff of more than 350 and numerous specialised industry and service teams, Anchin Block & Anchin LLP is a full-service accounting, tax and advisory firm that provides investment companies, privately held businesses, and high net worth individuals/family offices with a wide range of traditional and non-traditional services.

"I was counting on 2018 being a banner year for hedge funds because what the market had been missing for so long was volatility and clearly there's been a significant amount of it this year," says Jeffrey Rosenthal, CPA, CGMA, is Partner-in-Charge of Anchin's Financial Services Practice.

"One of the shortcomings I've heard from managers in recent years is that it's been difficult for them to outperform the S&P in a market that has continued to go up with little volatility. This year we've seen a return of volatility but results have been mixed. Some funds are doing well but other funds still remain overly cautious."

Anchin spends a lot of time working with clients to help them avoid common pitfalls of setting up a business. This might include advising on structuring, hiring, budgeting, thinking forward about growth, creating short- and long-term plans, and establishing best practices that include preparing to register with the SEC as an investment adviser.

"The cost of compliance continues to rise," says Rosenthal. "I share my observations on what I have seen and what my other clients have done over the past 30 plus years I've worked in this industry. With respect to costs, especially for smaller sized start ups,; not just considering those costs associated with the fund but with those related to operating the management company; the expected overhead coats, the need to prepare a budget for a two to three-year period without counting on generating significant income or a salary for the manager himself. We sit down and go through all the costs and issues associated



Anchin's Jeffrey Rosenthal picks up the award

with running a business, and then we discuss structuring and tax planning."

Cybersecurity and surviving an SEC inspection are issues that keep many new managers awake at night. There is nothing worse than a cyber-breach to destroy a manager's reputation and his fund.

As mentioned earlier, volatility is likewise a potential concern. This is more to do with the fact that start-up managers want to ensure they keep the capital they have raised and be able to raise more. They want to build their business but at the same time, they don't want to be perceived as market gamblers.

"They see some of the larger funds facing issues at a time when we've gone through the longest US equities bull market in history. But how much longer can that continue? A lot of start-ups are worried about volatility because they don't want to be caught on the wrong side," says Rosenthal.

He says that the rising trend of crypto fund strategies is something that as an auditor, Anchin is still exploring. "We're not as yet fully comfortable with respect to valuations and custody. Both continue to improve, but there are many crypto-currencies on exchanges that are not regulated. Though we are not auditing these funds today, we are hopeful to add that capability shortly to compliment our tax service to these funds." ■

DMS

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DMS Governance is the worldwide leader in fund governance + risk + compliance, serving more than \$350Bn in fund assets and 60% of the top investment managers globally. DMS excels in delivering high-quality professional services across a diverse range of leading global institutions and emerging managers.



MATTHEW BROWN

Executive Director | London

mrbrown@dmsgovernance.com
(p) +44.020.3709.6901
(c) +44.7880.322.561



DAVID MORRISSEY

Executive Director | Dublin

dmorrissey@dmsgovernance.com
(p) +353.1.619.2342
(c) +353.86.042.9826



DANIEL FORBES

Executive Director | New York

dforbes@dmsgovernance.com
(p) +1.212.257.5052
(c) +1.646.823.2512



CONNIE WONG

Director | Singapore

cwong@dmsgovernance.com
(p) +65.6911.3691
(c) +65.8823.4818



NIALL O'DOWD

Director | Cayman Islands

nodowd@dmsgovernance.com
(p) +1.345.749.2745



FRANCINE BALBINA

Executive Director | São Paulo

fbalbina@dmsgovernance.com
(p) +55.11.2787.6213
(c) +55.11.9905.8021



DARREN GORMAN

Managing Director | Luxembourg

dgorman@dmsgovernance.com
(p) +1.353.1.619.2325
(c) +1.353.87.940.0041



NIAZ KHAN

Managing Director | Hong Kong

nkhan@dmsgovernance.com
(p) +852.3478.3822
(c) +852.9137.3236

DMS Governance

Best Offshore Regulatory Advisory Firm

As the worldwide leader in fund governance, risk and compliance, DMS Governance (DMS) excels in delivering high-quality Fund Governance, Risk and Compliance services across a diverse range of investment fund structures and strategies. It represents leading investment firms with assets under management exceeding USD350 billion and for the 4th consecutive year it has been awarded *Best Offshore Regulatory Advisory Firm* by *Hedgework*. The *Hedgework* Awards recognise excellence among hedge fund managers and service providers around the world.

The key to its continued success and high client demand is, says Daniel Forbes, Executive Director, DMS Governance (New York). "We've been in the industry for 18 years, advising and assisting clients with navigating the regulatory landscape and we have built a reputation with our clients as a service provider they can trust and rely on. We have more than 3,000 clients across the globe so clients know they can turn to us when it comes to applying global market standards and practices to their businesses.

"Over the past year, we have seen a significant increase in the demand for our regulatory hosting solutions, and with Brexit fast approaching this has added to our clients' requirements. We are well-positioned to assist clients who wish to find a convenient and cost-effective way to launch UCITS Funds or Alternative Investment Funds."

David Morrissey, Executive Director, DMS Governance (Europe) comments: "Many alternative and traditional fund management firms that have offices in London may become obsolete from a European perspective; that's the worst-case scenario we see as a possibility from March 2019."

Firms that do not have another EU licenced entity within their organisation will face two key challenges as Brexit approaches; the marketing of their services within the European Union and the operating of separately managed accounts. DMS steps in



Daniel Forbes, Executive Director, DMS Governance (New York)

to meet these challenges and is in the unique position of being able to offer its clients a MiFID Solution, allowing them to continue to market their business and services to qualified institutional investors across Europe.

In addition, DMS can assist clients through the same MiFID entity to operate separately managed accounts. "Compared to other service providers in the market place today, this is a key differentiator. We have our own, highly-experienced, risk, legal and compliance teams supporting the European ManCo and MiFID firm and this substance and infrastructure is what sets us apart from others in the marketplace. Clients know that we will be able to offer a full-service provision and that the solution will be tailored to meet their specific needs," says Morrissey.

Throughout 2018, DMS has seen many of its global clients affected by a series of regulatory changes such as AML and GDPR. With each new legislation comes a new set of challenges for clients and they look to DMS for guidance. Forbes comments: "The recent introduction of new Cayman Islands AML requirements has meant that DMS' services have been in high demand. This is one of our areas of expertise and our clients are taking full advantage of this. Similarly, we are seeing the implications that GDPR have had for our clients and we have actively reached out to them to inform them how GDPR might impact their businesses. In both cases our clients look to leverage our knowledge and expertise and we assist them by helping them to understanding the issues they face and by providing a tailored solution to resolve them."

It is this combination of longevity, expertise and trust that is reflected in their 4th consecutive award win. In winning this year's award, Forbes concludes: "We are delighted to receive this award from *Hedgework* which reflects not only our breadth of expertise but our commitment to delivering high-quality and tailored services to our clients in the global fund governance community." ■

★ WINNER ★

Best Risk Management Software

★ WINNER ★

Best Risk Management Software

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Real-Time Risk & Compliance Solution

“Every time futures are cleared, or equities or even Portfolio Swaps are traded, they feed immediately into Imagine, which instantly updates the VaR, Greeks, threshold alerts, and more.”

Imagine's Real-Time Risk & Compliance (RRC) Solution is the fastest, most flexible and transparent risk system available today. RRC manages the risk on many millions of trades per day for thousands of cross-asset accounts. Tracking regulatory limits and investment risk, RRC identifies intra-day breaches, and delivers consistency between start-of-day, intra-day and end-of-day P&L.

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Imagine Software

Best Risk Management Software Firm

New York-headquartered Imagine Software has long been viewed as one of the financial industry's leading real-time portfolio, risk management and regulatory systems.

Founded in 1993 and still privately owned and run by Scott Sherman, Steven Harrison, Dr Lance Smith and David Miller, Imagine supports the industry's blue-chip hedge fund managers, fund-of-funds, pension plans, money managers, asset managers – and the major banks and brokerages. Imagine was the first to offer a cloud-based ASP solution to the industry in 1999. It currently handles USD5 trillion in risk-managed client assets.

"Our 'traditional' ASP sales have remained steady, and we have seen a broad take-up of our latest innovation, Risk Services, which is now a separate and independent revenue line," confirms Dr Smith. "Now that we have unbundled our industry-leading analytics from our desktop GUI, clients and partners can use 'apps' to embed our analytics into their own dashboards and applications. For example, OMS/EMS providers can now offer in-depth pre-trade compliance (i.e. including risk-based limits) to their clients."

The Imagine Real-Time Risk & Compliance (RRC) solution is much in demand as firms of all sizes look to manage evolving rules and reporting requirements. Imagine's ability to slice and dice risk and portfolio data helps companies simultaneously track real-time limits, perform stress tests, capture risk across the entire portfolio, spot and correct compliance breaches and deliver timely transparency reports.

Dr Smith explains that the RRC solution was originally geared towards banks and prime brokerages that have very large trading volumes, "and the feedback is very positive. It is in production, mission critical, and performing very well. We are now repurposing the same technology for other players that may not have the trading



**Dr Lance Smith, co-founder of
Imagine Software**

volumes, but have very large numbers of positions (think large asset managers) and need similar performance."

Users can stress test more than 50 historical scenarios, such as Brexit, Enron, Flash Crash, and the 2008 financial crisis.

The feedback has also been very positive for another of Imagine's solutions: the Imagine Margin Service, a complete operational workflow that incorporates Imagine's trading system, data and library of margin calculators.

"Clients especially appreciate the transparency of the margin calculation. They can drill down and see exactly how the margin was computed, encompassing all waterfalls and decision trees within the margin plan. We continue to extend the margin module by adding on additional exchanges," states Dr Smith. He further adds that one of the more recent examples of how Imagine continues to support its clients' real-time risk management needs involved partnering with a structured products vendor to embed their analytics inside the Imagine platform.

"Even though the native models are Monte Carlo in nature, our implementation is such that these securities (MBS, CLOs) behave just like any other, including real-time risk and Monte Carlo VaR," says Dr Smith.

Dr Smith says that from a risk management perspective, alternative data sets such as weather or social media metrics need to be translated into any likely impact upon various segments of the market: "While we do not effect these interpretations ourselves, we provide the ability for our clients to interpret as they wish, and incorporate into their risk management practices through the Imagine IFP by writing their own 'apps,' to create their own stress tests and risk calculations." ■

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Gemini Fund Services

Best Liquid Alternatives '40 Act Fund Administrator

There are many things to consider when looking to establish a '40 Act registered fund, especially for hedge fund managers who have typically operated in a private fund environment. But as more investors seek out liquid alternatives in order to gain efficient access to strategies such as global macro, both alternative and traditional fund managers are becoming more active in the '40 Act space.

Key to success in this area is partnering with an expert fund administrator with a track record of supporting a wide range of registered products. For over 30 years Gemini has been creating and servicing mutual funds and helping advisors successfully launch pooled investment solutions. With over USD62 billion in assets under administration (as of 7/31/18), Gemini services more than 480 pooled products across approximately 110 fund families.

"We are consistently adding liquid alternative fund structures with varying degrees of complexity to our fund administration," observes Kevin Wolf, Gemini President of Solutions for Registered Funds. "The last 12 months have largely been consistent with the growth we've seen since 2007."

"The 2008 recession and Madoff scandal resulted in a huge influx of hedge fund managers doing mutual fund conversions. We saw a large flight to regulation and a flight to liquidity at those times," says Wolf. "That gave Gemini an opportunity to offer hedge fund managers our expertise on how to structure mutual fund conversions correctly, making sure there was a strategy fit and that the parameters made sense. Since that time, we've seen a steady stream of conversions. Additionally, many of the alternative mutual funds we've launched have been multi-manager funds with sub-advisors who traditionally operated in the hedge fund space."

Gemini considers educating advisors to be a fundamental part of its role in supporting '40 Act funds. Often, the US tax implications for complex derivatives can be debilitating and create inefficiencies. "The more you can educate clients up front on how to structure



Gemini's Kevin Wolf & James Ash collect the award

the product, the better," explains James Ash, Gemini Senior Vice President, National Sales. "Clients need to understand a multitude of compliance issues, and we are well suited to handle and educate our clients on all the nuances."

Aside from education, "you also need to have a good tax provisioning and oversight process to properly add value," says Ash.

Wolf expounds upon that, saying "Gemini recently underwent an accounting conversion, which allowed us to build the data funnel differently than most of our competitors. We made sure we could pull data up into the system so that our data flow is as up-to-date and accurate as possible in relation to our clients' holding positions, rather than scrubbing data after the fact."

Another key role Gemini plays is helping clients get their product to market.

"We help advise them on how to best structure the fund within the '40 Act space based on what we've seen before with other clients. However, you have to have the architecture in place out of the gate to avoid struggling with the administration tasks," says Wolf. "Helping the client think of ways they might package their product in a compliant manner – that's the really exciting part of the job. While many fund administrators are shrinking and consolidating, we continue to expand our operations and our expertise to handle the complexity of new '40 Act funds coming to market." ■



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EisnerAmper LLP is among one of the nation's largest accounting firms, with a dedicated and well-established Financial Services Practice that provides audit, tax, and advisory services. Our Financial Services Practice, comprised of the Asset Management and Capital Markets Groups, is the largest industry group within EisnerAmper servicing more than 2,500 financial services clients.

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EisnerAmper

Best North American Accounting Firm (joint winner)

With over 1,500 employees in international locations, over 250 employees and 40 partners dedicated to the financial services practice, EisnerAmper LLP has the breadth to handle global engagements and provide comprehensive guidance and support to its roster of hedge fund clients.

Over the years, EisnerAmper has forged a reputation in the US market for delivering proactive, responsive, high quality service. Now, with the opening of its inaugural European office in London this year, EisnerAmper is actively winning new UK clients and raising its profile. The office is headed up by Robert Mirsky whose focus is to grow the business across the entire asset management industry, in addition to alternatives.

"We've had lots of good exposure here in London and we're building our staff numbers. It's a really exciting time. In the UK, I'm not sure there was a real alternative specialist accounting firm like EisnerAmper. I think the UK marketplace was looking for an alternative to the Big Four. It's not just a pricing factor it's also an attention factor. We have the same, if not better, specialism. If you look across our business, we have somewhere in the region of 1,500 hedge fund clients.

"We are working with many large established fund management groups as well as start-up and emerging managers. People recognise there is a lot we can do," asserts Mirsky.

EisnerAmper prides itself on the level of focus and attention it gives to clients it partners with. There is an expectation, says Mirsky, that as a partner "you will be actively involved and giving senior level attention on engagement. Every client is that much more important to the firm and they appreciate this."

In the US, EisnerAmper has won some significant mandates, including those from a number of prominent of start-up hedge funds. As Frank Napolitani, Director, Financial Services at EisnerAmper explains, 2018 has proven to be the year of the big launch.



Frank Napolitani collects EisnerAmper's award

"Earlier in the year we won some work from a billion dollar fund ahead of their launch and we have taken on a multi-strategy fund that should be launching with no less than USD300 million in October, which is great for us as a middle-market accounting firm," says Napolitani.

The consulting group at EisnerAmper financial services, which comprises Napolitani, Jaclyn Greco in New York and Eugene Tetlow in San Francisco, is actively engaged with the market every day. This places EisnerAmper at a competitive advantage to other accounting firms who don't have a consulting group and is one of the reasons for its continued year-on-year success.

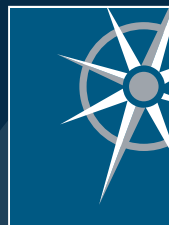
"I talk to portfolio managers every day and allocators," says Napolitani. "I am able to share the prevailing views and concerns allocators might have regarding hedge funds to our hedge fund clients. And my advice to those raising capital has been as follows: Whatever you think you're going to raise, cut it by 50 per cent and however much time you give yourself to raise that capital, double it.

"If you can afford to budget yourself over two years instead of 12 month, raise USD50 million, and if you can build a track record and demonstrate outperformance versus the market and your peers, then you've got a good shot. If you can't, I wouldn't think about launching a hedge fund right now." ■

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Sadis & Goldberg represents over 1,000 hedge and private equity funds. Above all else, we value our client relationships. Our attorneys strive to provide excellent, consistent, practical and efficient legal services. We distinguish ourselves from other law firms by assisting our clients in the development of their businesses. This comprehensive approach has often earned us recognition as one of the top five law firms in the U.S. for our hedge fund practice. Invest a few minutes to learn what our attorneys can do for your business.



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Lawyers World

✦ Private Funds Law Firm of the Year
ACQ Law Award
2011 - 2018

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2010 - 2017

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Sadis & Goldberg

Best North American Law Firm

Sadis & Goldberg LLP is one of New York's leading financial services focused law firms. Known both domestically and internationally as a dominant force in the financial services sector, Sadis & Goldberg serves clients throughout the world.

The Financial Services Group is headed up by partner Ron Geffner and comprised of 15 attorneys that have each spent a significant amount of their career practicing in the private fund space, providing a compelling roster of seasoned legal advisers.

Sadis & Goldberg has not only been intimately involved with the creation of various investment products, but also with many of the distribution models including seed transactions, acceleration capital, creation of hedge fund platforms, joint ventures, and the retention of third party marketers. Working with over 1,000 funds, the firm is actively involved in the most current legal trends in the industry.

Reflecting on what Sadis & Goldberg have been busy focusing on in 2018, Geffner comments: "We have been active launching many closed end funds, including both private equity funds and venture capital funds, and open end funds, focusing on various strategies such as healthcare, technology, media and telecommunications, real estate, cannabis, opportunity zone funds and crypto-currency."

Given that Geffner and his partners launch 70 to 80 funds each year, the firm has a good opportunity to better understand and influence industry standards.

As Geffner explains: "Having over 1,000 funds as clients, Sadis has had the experience of providing guidance on day-to-day legal matters such as commercial agreements, negotiations with investors, regulatory filings with the SEC, CFTC and FINRA, employment agreements and agreements amongst principals. Sadis takes pride in our deep bench of experienced and



Ron Geffner, Partner at Sadis & Goldberg LLP

well trained lawyers who have practical day-to-day experience working with managers at all stages of their lifecycle."

Unlike many of its competitors, Sadis' lawyers are remunerated by performance rather than billings and collections alone. This model, according to Geffner, provides the following advantages to its clients: (i) direct access to the partners; and (ii) partners delegate the work to the appropriate level to ensure the work is done cost-efficiently. The firm places significant emphasis on training and teamwork within the group structure, thus ensuring a consistent quality to its clients.

Sadis & Goldberg represents institutional managers, middle market managers as well as start-up and emerging managers. "Our breadth across the hedge funds industry is very broad," states Geffner, confirming that the firm is currently speaking to a large number of start-up managers spanning multiple strategies. "The list would be too long to mention in detail," says Geffner, although he confirms that hedge funds are often at the forefront of adopting investment strategies in connection with evolving asset classes such as cannabis and crypto-currencies.

"In the last twelve months, we have seen a dramatic increase in managers launching products around these asset classes."

Sadis has recently remodelled its offices in response to having increased its family of lawyers by about 20 per cent. Since January 2018, Sadis has added Paul Marino, Robert Cromwell, Nick Federici, Elliott Frank and Michelle Malone. "We also included Jennifer Risi, Digital Marketing, to our family. Later this year, we will be releasing our updated website which will also reflect our rebranding," states Geffner.

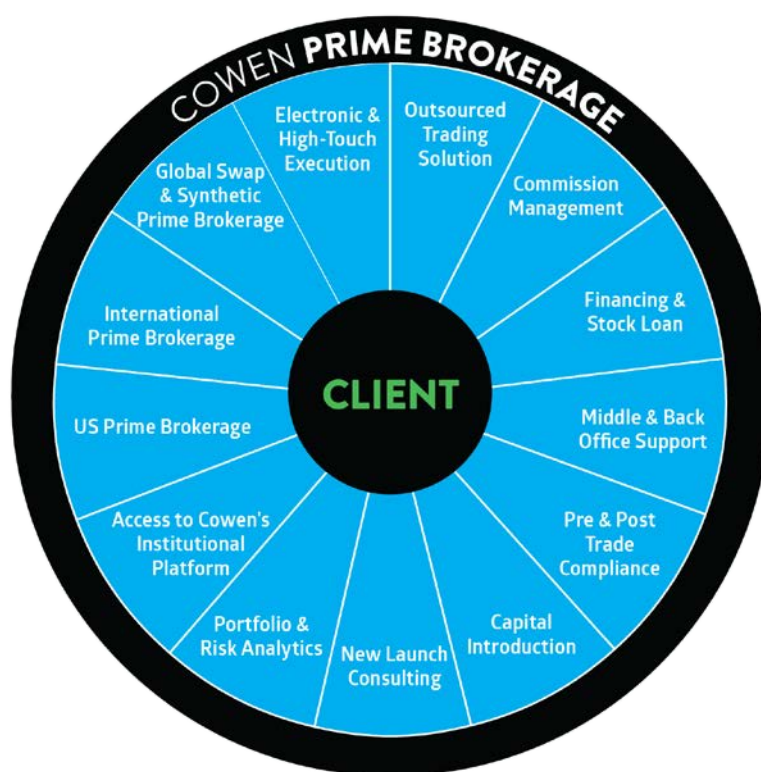
What makes Sadis & Goldberg unique, compared to other law firms, is its low turnover of clients; a testament to the quality and experience of its partners. ■

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Cowen Prime Services offers a comprehensive suite of brokerage and related services that provide investment managers with customizable and scalable solutions.

The firm was built by former investment managers to serve hedge fund managers, managed account platforms, institutional investors, family offices, and registered investment advisors with turnkey solutions designed to mitigate operating responsibilities and allow clients to focus on their core competencies – investing.

Cowen's global offering features: US prime brokerage, international prime brokerage, global swap & synthetic prime brokerage, electronic and high-touch execution, outsourced trading solution, commission management, financing and stock loan, middle and back office support, pre- and post-trade compliance, capital introduction, new launch consulting, portfolio and risk analytics and access to Cowen's institutional platform.



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Cowen Prime Services

Best North American Prime Broker

Cowen Prime Services LLC has continued to make huge strides in cementing its reputation as one of America's pre-eminent prime brokers to emerging and mid-sized hedge funds. With the continuing commitment of resources from its parent, Cowen, the prime brokerage division has continued to expand its service offering in the US as well as its international capabilities through Cowen International Limited. This year it has added more expertise to its US and London teams, and made initial hires in Hong Kong.

"We made several key hires this year that have added significantly to our Outsourced Trading and Capital Introduction efforts. In our Capital Introduction team, we added three new members to the team, each of whom bring valuable experience on the allocation side," explains Jack Seibald, Global Co-Head of Cowen Prime Services.

Over its 100-year history, Cowen has developed a culture that is committed to helping its clients outperform.

Clients of Cowen Prime Services leverage Cowen's broader capabilities, including the firm's non-conflicted electronic execution offering with access to more than 100 markets globally, and its institutional research, which currently has over 900 companies under coverage. Cowen also offers its clients a suite of corporate access events, capital markets activities, as well as an integrated MiFID II and RPA solution through its sister company, Westminster Research Associates.

That ability to provide a wide range of capabilities is resonating well with clients, relative to other introducing brokers in the US, "to the point where we could arguably serve as a credible alternative to some of the bulge bracket primes," says Seibald. Although Cowen Prime Services offers prime brokerage services alongside the



**Jack Seibald, Global Co-Head
of Cowen Prime Services**

outsourced trading solution, many of its outsourced trading clients are large and more institutional in nature.

Mike Rosen, Global Co-Head of Cowen Prime Services, says the outsourced trading solution works well when "we are integrated with other prime brokers. We have over 20 different prime brokers and custodians integrated into our systems."

"We aren't trying to compete for prime brokerage business with the large primes," asserts Rosen, "but for emerging and mid-sized managers we are a credible alternative as we can give them a wider range of value-added services. These services are materially broader and deeper than some of our introducing broker competitors in the US; combining outsourced trading with a MiFID solution is a win-win for our clients and us."

"The full-service offering and the transparency that comes with that sets us apart, in my opinion."

Cowen has succeeded in working closely with the bulge bracket primes to give their clients additive services, such as outsourced trading. Over the years, this has helped to further deepen the level of trust with tier one primes (enhancing the overall client experience), as well as simultaneously provide its own full prime brokerage offering to emerging and mid-market managers who need an institutional, highly reputable alternative.

"From portfolio reporting to trade execution, margining, stock lending... we have the capability to provide these managers with a similar calibre of services they would expect of a tier one prime, and that's where we shine relative to other introducing brokers."

"By early next year we hope to be able to provide even more bespoke solutions, including custody and US swap capabilities," confirms Seibald. ■

Harneys

Best Offshore Law Firm

Harneys operates through 12 international locations and its global funds practice advises on all aspects of offshore investment funds, establishment, maintenance and restructuring both in distressed and planned scenarios. Harneys sees itself as a market disrupter in the offshore funds space; a law firm that always brings personality to the table with its clients.

This disruptive mindset marries well with the rising trend of another market disruption in the form of crypto strategies. Three or more years ago, Harneys took the collective decision that this could be a crucially important industry, despite its infancy at the time and something to embrace, as a forward-looking, progressive law firm. This led Harneys to develop a dedicated global FinTech practice that includes a wide number of partners in the Cayman Islands, the BVI, Vancouver and Hong Kong.

"We approach the offshore legal world from a slightly different angle and try to offer clients a fundamentally different service (compared to traditional law firms) and we all jumped at the chance to be active in the crypto space," explains Philip Graham, who heads up Harneys' BVI Investment Funds and Regulatory team. "The crypto/blockchain arena is absolutely aligned with our core values of entrepreneurial thinking and we wanted to be a key player in a new market as it evolves and matures."



Philip Graham, Partner at Harneys

This level of focus so early on helped to position Harneys as one of the main 'go-to' offshore law firms for ICOs and crypto-asset funds. Having partners such as Lewis Chong, who runs the Vancouver office, gives Harneys an ideal vantage point from which to keep track of new managers as well as new product innovations in the crypto space, given his West Coast location and remit.

"With some of the bigger institutional managers also now looking into this blossoming space, I'm delighted we decided to embrace this new asset class and it has allowed us to build up an unrivalled level of expertise" adds Graham.

Unsurprisingly, crypto and ICO mandates have been the dominant part of new instructions that Harneys has received over the last year. That said, there is always a degree of caution with respect to ICOs.

As Graham confirms: "We have been involved in a number of ICOs, including the world's largest ICO last year (at the time) which raised over USD1 billion, but we are trading enormously carefully with some fundamental checkpoints because the risk profile is still very high."

"We absolutely look to work with token/coin issuers that are seeking to use the very highest AML/KYC standards and with more and more service providers coming into the market who can offer a high level of verification work, this is undoubtedly seeing a sophistication in the ICO market already, making them a much more feasible proposition," says Graham.

One reason for explaining Harneys' willingness to embrace the new is partly down to the partners all being relatively young and of a broadly similar age.

"What is great about being part of a law firm like this is that it is always open to new ideas. The progressiveness of Harneys is something that I think defines who we are and how we work. I can confidently say that our FinTech group is a market leader in the offshore space and this is standing us in good stead," remarks Graham. ■

Harneys' Nicole Pineda & Jonathan Bernstein pick up the award





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Eze Castle Integration

Best North American Cloud Services Provider

Supporting more than 400 investment management firms and thousands of global users on its cloud platform, it's easy to recognise the impact that Eze Castle Integration's cloud solutions have made in recent years.

"Our Eze Cloud Solutions, which encompass private, public and hybrid cloud delivery models, continue to experience strong market demand across the hedge fund and alternative investment industry," confirms Mary Beth Hamilton, Vice President of Marketing. "In years past, private cloud was the only option for security minded firms, but today we can take the best of each cloud model to deliver a secure IT solution tailored to a firm's needs."

The Eze Cloud is supported by robust and redundant security layers, including next-generation firewalls and intrusion detection and prevention capabilities. Eze also has a team that constantly monitors the cloud 24/7 to ensure the infrastructure is protected at all times; this is especially important in today's climate of increasingly sophisticated cyber threats.

"Additionally, we've incorporated a number of in-demand security features to protect and support the end user. We utilise a tool called Duo for multi-factor authentication that is delivered to a client's mobile device to log securely into the cloud. We also provide secure file sharing capabilities using an enterprise-grade tool, which is just as convenient as a tool like Dropbox, but provides more security and control of files," explains Hamilton.

Hamilton believes Eze Castle Integration's global reach, solution breadth and outstanding client service set it apart in the industry; one that is becoming increasingly more competitive and complex as hedge funds look to optimise the way they combine private and public cloud offerings to best suit their businesses.



Mary Beth Hamilton, Vice President of Marketing at Eze Castle Integration

Eze Castle Integration's approach to hybrid cloud solutions centres on taking the best cloud technology elements across the industry and packaging them into a solution that answers the unique needs of its clients.

"This blending of cloud technologies to create right fit solutions is the future for managed cloud packages," comments Hamilton, who notes that finding the right solution is challenging because firms are faced with more technology and feature set options than ever before. And beyond selecting a solution, firms must ensure everything works together and users have a positive experience.

"This is where Eze Castle Integration shines," she says. "Our cloud solutions encompass best-of-breed solutions from top tier providers to deliver a flexible, secure, feature-rich and user friendly experience for the modern world."

One of the most important impacts that cloud technology has had on the hedge funds industry is that it affords start-up and emerging managers a superior IT environment in which to run their funds, at an affordable cost point. In doing so, they can boast a similar level of sophistication to the largest hedge funds; something that was inconceivable a decade ago.

"Emerging managers typically follow a cloud-first strategy to technology selection. These managers understand that cloud services will give them access to institutional-quality technology and predictable capital expenditure," says Hamilton, who, on winning this year's award, concludes: "Receiving the *Hedgeweek* award is fantastic recognition that our teams' hard work does not go unnoticed by clients and the industry as a whole. We look forward to continuing to innovate in the cloud technology space and take client service expectations to event higher levels." ■

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Best North American Cybersecurity Services Provider

In the past year, Align has been able to successfully transform its offerings by combining its robust Managed IT and Cloud Services solutions with a pioneering and comprehensive Cybersecurity Risk Management Solution.

"2018 has been an explosive year for Align due to our unprecedented approach to delivering Cybersecurity Advisory Services," explains Vinod Paul, chief operating officer of Align. "The cybersecurity offering is a powerful and elegant complement to our Managed IT Services solution. Align uses a multidisciplinary approach that addresses the regulatory, technology and day-to-day operational challenges to building a model cybersecurity programme. These solutions are symbiotic and in some cases, our clients are engaging us to be their managed services provider because of the stand-alone cybersecurity services that we offer."

Align Cybersecurity is an autonomous team of subject matter experts that provide advanced Cybersecurity Advisory Services and Align itself has been around for 30 years and has a thriving outsourced managed services/IT business.

"We are easy to work with because typically a client will need to develop a working relationship between its current MSP on the one hand and its cyber advisor on the other hand; however with Align, they can keep everything under one roof, given that both IT and cyber functions are inextricably linked," comments John Araneo, managing director, Align Cybersecurity, and general counsel.

It doesn't help that there are no strict guidelines for fund managers to follow to right-size their cybersecurity programme relative to the size of their business. The SEC's approach to cybersecurity has been very principals-based and as Araneo says: "They have not provided investment advisors with any sort of checklist or bright-line



Vinod Paul, chief operating officer at Align



John Araneo, managing director of Align Cybersecurity

rules of what constitutes an unimpeachable cybersecurity programme.

"However, having worked with start-ups through to multi-billion dollar managers, we have a good barometer as to what constitutes an appropriate best cybersecurity programme. We can help our clients demonstrate they are engaged in the process and are taking a methodical, rational approach to building a cybersecurity programme."

Although there is no silver bullet approach to cybersecurity, Align has been successful in engaging with its clients to help them navigate the changing landscape in terms of understanding what the latest threats are.

"The human is the first line of defence. One way to do this cost-effectively is by having a robust educational system in place," says Paul.

"We've put together a proprietary, secure cybersecurity portal for each client that centralises all the output that is generated in a cybersecurity programme i.e. reports on employee training, reports on monitoring network traffic, penetration tests and vulnerability scans and so on."

The benefit to this is that if the client has an SEC examination or an ODD request they can point to the portal and demonstrate the full anatomy of their cybersecurity programme, and show the investor or regulator what they are doing on a daily basis.

"The portal is a great metaphor for what our differentiator is in the market because it centralises all the otherwise dislocated functions and disparate data pools that must be brought together to determine your cybersecurity posture. As the only cybersecurity firm that has expert teams in all three areas of IT/technology; legal, regulatory and compliance; and security, we are able to deal with any sort of cybersecurity issue for our clients," concludes Araneo. ■

Agecroft Partners

Best North American Third Party Marketing Firm

Agecroft Partners was founded by Don Steinbrugge, who has 34 years of experience in the institutional investment management industry, including previously serving as the head of sales for one of the world's largest hedge funds and institutional investment management firms.

"Agecroft has changed the model of hedge fund third party marketing," says Steinbrugge. "Most third party marketing models are based on leveraging personal relationships and doing extensive entertaining. Ours has been to build a global brand with a reputation as an industry thought leader, strong institutional investment knowledge and representing high quality managers"

Agecroft Partners has been a prolific writer of industry thought pieces and white papers, having written or appeared in more than 500 articles in the last few years. Often asked to share their thoughts with the media on the hedge fund industry, they have also been a regular guest on Bloomberg Television and CNBC.

"This has helped us to attract some of the highest quality hedge fund managers to represent and has also allowed us to access many institutional investors that other third party marketers have difficulty accessing," states Steinbrugge.

Last year was a good one for Agecroft, which saw it bring in around USD1.4 billion in assets for its clients with Steinbrugge confirming: "We were able to raise money from a number of prominent pension funds, family offices, consultants and endowments. We're very happy with how 2017 played out and pleased that we had a number of hedge funds that performed well and were in demand.

Some of these included CTAs, reinsurance, loan and fixed income strategies that were able to provide diversified, uncorrelated returns compared to the broader market.

According to Preqin, some USD49.5



Don Steinbrugge, founder of Agecroft Partners

billion in net new assets came into the global hedge fund industry but the reality is, much of that capital is going to the biggest managers with the best brand names.

"Many investors get contacted by thousands of hedge fund managers a year, of which they might interact with a few hundred, organise follow-up meetings with 50 or so, and hire two.

"Anyone can be successful at raising money if they have three things: a high quality product, a high quality marketing message and strong distribution.

"The managers that we work with rely on the Agecroft brand to help them. Our job is to make sure managers articulate what their differential advantages are in a way that closes the gap between perception and reality," comments Steinbrugge.

A major issue for the hedge fund industry is that even though there are a lot of great managers, many of them do a bad job of communicating what they do and as a consequence, perception falls below reality.

"If you can close that gap and identify people who are particularly interested in that manager's investment strategy, it can enhance the closure rate," says Steinbrugge. "You have to give people a reason to want to meet with you. Not being pushy, maintaining a high level of integrity, being very knowledgeable about the industry: these are all important traits if you are hoping to meet the right people."

As Steinbrugge points out, this business is driven by brand. Most of the assets are going to the largest hedge fund managers.

To that end, Steinbrugge says "we take our brand very seriously. If we add a manager to our platform, it is important they rank well across each of the evaluation factors that we use."

On winning this year's US award, Steinbrugge remarks: "We are immensely proud to have been recognised by our peers." ■

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Peaks Strategies

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Like alternative investments themselves, Peaks Strategies evolves to meet the changes and challenges of today's marketplace. Investment managers are constantly changing their approach to take advantage of new market trends. In the same way, Peaks is nimble, adaptive, and constantly changing to meet the challenges our clients face. In the past year, Peaks has brought on new talent, taken on mandates outside the US, embraced AI, and added the new alternatives – crypto currency & blockchain and the latest wave of FinTech clients.

Tom Walek is a pioneer in hedge fund PR and communications, having established his first firm, Walek & Associates in 1998. Following the sale of that firm, Walek unveiled a new strategic communications firm, Peaks Strategies, in April 2016, for public and private market companies in capital markets, traditional and alternative asset managers, FinTech firms and financial and professional services.

Over the last two decades, Walek has been a driving force behind substantial change in hedge fund PR and communications.

"When I started Walek, I talked about the need for managers to build a brand, and to manage that brand," says Walek. "I talked about running a hedge fund as a business and the need to think about smart ways to use marketing and communications. I lit that torch and carried that torch."

Just as the marketplace has changed, so too has Walek, regarding the establishment of Peaks Strategies as the next exciting chapter of his career. "Today, I'm working with fund managers to define their brands, and then articulate those brands through traditional media, social media, video, content/thought leadership, targeted events and other tools. I continue to embrace the boutique professional service



Tom Walek, founder of Peaks Strategies

model and believe that it offers by far the best knowledge, service and results for the client."

"There are many more channels of communication open to hedge fund managers today and Peaks Strategies brings deep experience to the table, extensive contacts, a long-term perspective and senior level service. That's what's getting me excited," says Walek.

Whereas there was reticence among managers 15 years ago, they have, in recent years, become far more open to expressing themselves. In part, regulations have opened up many more communications options for hedge funds.

And in today's marketplace, managers have little choice. Given the sheer volume of funds out there, being able to stand out and get noticed has become much more competitive. Fund managers, especially the next generation of Millennial managers, understand the power of brand building.

"We are working with managers in the USD500 million to USD1 billion AUM range, as well as next generation managers," confirms Walek, adding that the typical conversation with a new client often begins with, "We want to raise our visibility so that when potential investors do a search for us, they like what they find."

"We work with each client to decide upon the best strategy to make that happen. Whatever the strategy, how can we differentiate who you are and what you do? That's where it all starts; what are you doing that is interesting and different from other managers in your peer group?"

On winning this year's award, Walek concludes: "It's an honour to once again receive this *Hedgeweek* award. We see exciting times ahead as the changes, challenges and innovation that drives our firm and the hedge fund industry shows no signs of slowing down." ■