Hedge Fund Standards Board

Annual Report 2010

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HFSB Mission

As guardian of the Standards drawn-up and published in 2008 in response to G8 policy leaders' concerns over financial stability, the HFSB's mission is to promote the Standards through engagement in the following areas:

- **Collaboration with managers and investors**: the HFSB brings together managers and investors as a joint force in the HFSB process to determine how the hedge fund industry should operate, as they are the best economic agents to embrace and endorse the improvements the HFSB seeks to achieve.
- **Supervisory engagement**: the HFSB actively engages with the supervisory community so that regulation reflects how the industry works and the Standards reflect the public policy requirements.
- **International dimension**: the hedge fund industry and its clients operate globally, therefore, the Standards have undergone a few amendments to be more internationally applicable. Many of the HFSB stakeholders are international with major investors representing North America and Asia.
- **Improving the Standards**: the Standards are regularly reviewed to ensure that they demonstrate a good industry standard, remain relevant and are in tune with legitimate public policy requirements just as they are with evolving industry practice.

The Hedge Fund Standards

The Standards set levels of quality in behaviour and working practice that complement the public policy framework, particularly in the areas of complex, diverse or more innovative practice. They are principle based, consistent with existing regulation in multiple jurisdictions and intended to benefit hedge fund managers from all jurisdictions.

The Standards are deliberately set at a challenging level so as to encourage high quality behaviour in the interest of securing support and respect from all stakeholders, including investors, regulators and counterparties. They can be a more efficient way of achieving regulatory objectives than detailed and rigid rules.

The Standards are based on a "comply or explain" regime catering for the entire breadth and diversity of the industry and allowing managers to "explain" where a specific standard is inconsistent with local law and regulation.

The signatory process requires that managers make a public commitment to investors. While conformity with the Standards is based on self-certification, failure to conform is a form of misrepresentation. In fact, the FSA stated that they "will take compliance with these [HFSB} standards into account when making supervisory judgements". In this sense, the Standards are binding and conformity with them can be verified by investors at any point.

What are the Standards important?

The Standards provide a powerful mechanism for creating a framework of transparency, integrity and good governance that maintain a high reputation for the industry, facilitate investor due diligence and minimise the need for restrictive regulation. The HFSB welcomes appropriate regulation of the industry, but, given the diversity of investment strategies, the speed of innovation, the complexity of many platforms and the global scope of the industry, traditional rules and regulations are not expected to meet all the needs of investors and managers.

The Standards are always likely to be more demanding, comprehensive and appropriate than the regime in any one country, because the Standards are defined by those with a strong vested interest in the success of the industry. Over time, the Standards are expected to become the generally accepted norm with all market participants adhering to them.

Overview of the HFSB Activities

Since its inception in 2008, the HFSB has focussed its endeavours on three major areas:

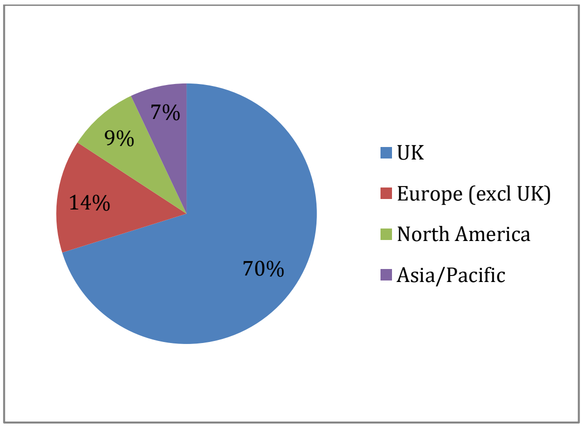
- Raising awareness among hedge fund managers to encourage them to sign up to the Standards (signatory process)
- Raising awareness among investors so that they encourage conformity (investor campaign) with the Standards
- Engaging with regulators and supervisors to help promote high standards in the industry and advise on regulatory initiatives (regulatory engagement)

As part of these endeavours to raise awareness over the past 12 months, the HFSB has actively participated in numerous international conferences, panels and official events in the UK and overseas as speakers and panellists.

Signatory Process

Since its inception, managers with over US$215bn in AUM have committed to the Hedge Fund Standards. By comparison, the assets of the global hedge fund industry are estimated at US$1,500bn, and the UK hedge fund industry assets amount to approximately US$300bn. The majority of the HFSB signatories are Europe-based, with an increasing percentage of Asian and US firms committing to the Standards.

HFSB Signatories: 57 managers with over $215bn in AUM



Attracting new signatories remains one of the HFSB's key priorities for the next 12 months. In the light of the regulatory initiatives in Europe and the US, the HFSB believes more strongly than ever that it is important for the industry to commit to high standards and take responsibility for its good standing in the market.

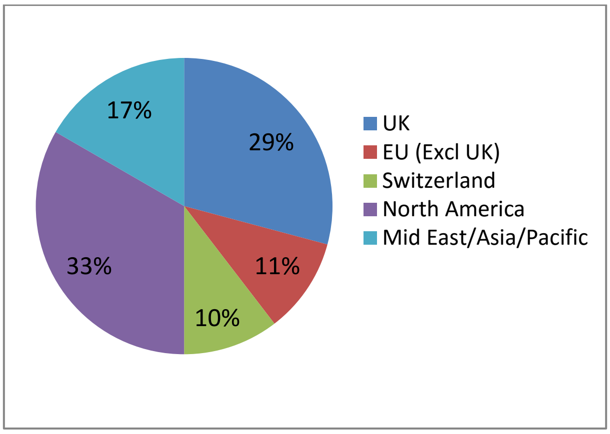
Investor Campaign

Fully appreciating and understanding the role investors can play in the HFSB's success, the HFSB successfully launched its Investor Chapter (IC) in November 2010 with 30 top investors, including pension and endowment funds, sovereign wealth funds and funds of funds joining the initiative. Since then more investors joined the IC bringing the total to 49. The IC held its first series of meeting/conference calls in January and February 2011. The IC members will be invited (October/November 2011) to take part in a special session to discuss the feedback on the latest consultation paper on Amendments to the Standards. The HFSB is also planning to hold an end of the year series of meetings with the IC members.

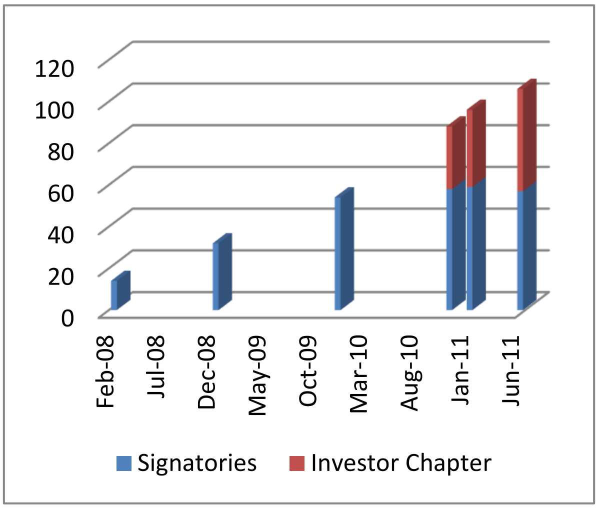
The HFSB has held numerous one-to-one meetings with major investors and has regularly interacted with the industry associations representing investors, such as pension funds and insurance companies. In autumn 2010, the HFSB assisted in producing the latest edition of the *Hedge Fund Made Simple* guide, which was published by the National Association of Pension Funds (NAPF) in March 2011.

The HFSB remains committed to continuing its endeavours to engage investors in driving the conformity process in 2011.

HFSB Investor Chapter: 49 members with over $210bn invested in hedge funds



HFSB Stakeholder Evolution



Core Supporters

In autumn 2010 the HFSB created a special group of stakeholders – Core Supporters- that are committed to make a significant contribution to the HFSB endeavours. This Group includes, Albourne Partners, Aon Hewitt, Arrowgrass, The Blackstone Group, Corbin Capital Partners, PAAMCO, RCM (Allianz Global Investors), Spinnaker Capital and Unigestion.

The key Core Supporter benefit includes:

- Association with thought leadership of the HFSB
- Public recognition as a good capital market citizen
- Their logos are displayed on the HFSB website
- They are issued an HFSB Core Supporter logo which can be used for their general marketing material and website
- Direct interaction with the HFSB Trustees and Founders through Board dinners

Regulatory Engagement

Pursuant to its mission, the HFSB also actively engages with the supervisory community. Over the last 12 months, the HFSB has participated in numerous official consultations:

- ESMA Consultation: draft technical advice to the European Commission on possible implementing measures of the Alternative Investment Fund Managers Directive (07/2011)

- IOSCO Consultation Report CR01/11 on Principles of Redemptions in Collective Investment Schemes

- CFA Institute's Consultation**:** GIPS: Guidance Statement on Alternative Investment Strategies and Structures (06/2011)

- European Commission's proposal on regulating short selling (08/2010)

The HFSB has also proactively engaged with regulators and policymakers on regulation of short selling (e.g. FSA, CESR, IOSCO) to ensure that such regulation would not unduly restrict this activity and cause market distortions due to asymmetric disclosure requirements for long and short positions. The HFSB has developed substantial expertise and experience in this area.

Strengthening the Standards

Pursuant to its mandate as guardian of the Standards, the Hedge Fund Standards Board is also responsible for updating them in light of changes in the environment, while responding to the needs of managers, reflecting the expectations of investors and meeting to the requirements of public policy makers.

Since its last consultation (CP1/2009 – Redemptions & CP2/2009 – Administration & Safeguarding), the HFSB has engaged in a series of discussions with its signatories and Investor Chapter members which revealed new areas that required further consideration and which could benefit all the participants of the market. As a result of this natural evolutionary process, new amendments were proposed for public consultation.

The proposed amendments to the Standards cover a wide array of topics and are driven by multiple considerations, including lessons from the financial crisis and international applicability of the Standards:

1. Internationalisation of the Standards
2. Review of legal wording ("manager should do what it reasonably can to encourage and enable…")
3. Strengthening Investor Disclosure
4. Consistency in valuation
5. Strengthening Governance
6. Other amendments to the Standards

The latest consultation of Amendments to the Standards was launched on 4 August 2011 and the generated feedback will be analysed by the end of 2011. After the Amendments are agreed and approved, the HFSB signatories will be given sufficient time to implement them.

Strategy 2011

For 2011, the HFSB will continue its three-pronged approach, focussing on attracting new signatories, particularly in the US and Asia, gaining more investor support and maintaining regulatory engagement.

Increasing the number of signatories remains the key objective for 2011. The overall upturn in the industry as well as increasing clarity on the future regulatory architecture should help convince those managers who were hesitant to commit to the Standards in 2010.

As part of the investor strategy, the HFSB intends to continue working closely with the Investor Chapter investors to continue the dialogue between investors and managers.

Within the regulatory engagement activities, the HFSB will continue contributing proactively to the regulatory process, including the AIFM Directive and market wide issues such as short selling regulations.

Appendix 1: HFSB Board of Trustees

Dame Amelia Fawcett, DBE

Chairman, HFSB

Dame Amelia Fawcett was appointed Chairman of the Hedge Fund Standards Board on 1 July 2011. She is also Non-Executive Chairman of the Guardian Media Group plc, a Non-Executive Director of State Street Corporation in Boston (Chairman of its Risk & Capital Committee) and a Non-Executive Director of Investment AB Kinnevik in Stockholm. Between 2007 and 2010, she was Non-Executive Chairman of Pensions First LLP and before that she spent nearly 20 years at Morgan Stanley International Limited in London, becoming Vice Chairman and Chief Operating Officer of European operations in 2002 and Senior Advisor in 2006. Prior to joining Morgan Stanley, she was an attorney (in New York and Paris) at the New York-based law firm of Sullivan & Cromwell.

From June 2004 to 2009, Dame Amelia was a member of the Court of Directors of the Bank of England and Chairman of its Audit Committee. In 2002 she was awarded a CBE and in 2010 she was awarded a DBE, in both instances for services to the finance industry. In addition, she received His Royal Highness The Prince of Wales's Ambassador Award in 2004.

She is also a Governor of the London Business School, a Fulbright Commissioner and a Trustee of Project HOPE (UK). Dame Amelia received a BA degree from Wellesley College, a JD degree from the University of Virginia and an honorary degree from the American University in London (Richmond). She holds dual American and British citizenship.

Tom Dunn

Managing Principal

New Holland Capital

Tom launched New Holland Capital, the hedge fund advisory company, in 2006. It focuses exclusively on the absolute return funds of ABP, the $280bn Dutch civil servants pension fund. Before that Tom had worked at ABP since 2002, managing the Hedge Fund Group within ABP Investments US and helping ABP evolve from an emphasis on fund of funds to a wide variety of hedge fund-like alternative investments. Tom co-managed (1995-2000) the fixed income business at Lazard Asset Management. Prior to that Tom was a Sr. Portfolio Manager at Goldman Sachs Asset Management where he directed the quantitative fixed income portfolios. In his 9 years at Goldman Sachs, he also pursued a broad range of investment projects involving global asset allocation, currency trading, commodity futures and synthetic equity products. Tom also spent 3 years in corporate finance at First Boston. He holds two degrees from University of Chicago: an MBA in Finance (1986) and a BA in English Literature (1981).

Christopher Fawcett
Senior Partner
Fauchier Partners

Christopher co-founded Fauchier Partners in 1994. Previously, he worked at Euris SA, a French investment holding company with substantial investments in private equity and hedge funds. He gained experience in the securities industry with Morgan Grenfell, Industrial Technology Securities, a venture capital company of which he was co-founder, and at the Duménil Group. He is an appointed member of the Council of the Alternative Investment Management Association (AIMA), a Director of the CFA Society of the UK and a Director of Mirabaud Gestion SA. Christopher has an MA in Law from Oxford University, an MBA with distinction from INSEAD, and is a qualified Chartered Accountant.

Kathryn Graham
Director of Liabilities
BTPSM

Kathryn joined BT Pension Scheme Management Limited (BTPSM) in 2004 to help establish a new team mandated to invest up to 5% of the BT Pension Scheme (BTPS) in hedge funds. In 2007, she became Manager Selection across the BTPS before moving in 2008 to set up a new team to look at liability risk. She joined Hermes from Progressive Alternative Investments Limited, where she was a Director and managed portfolios of hedge funds since 1999. Kathryn joined SG Warburg in 1994 and worked on the Global Structured Products team. Subsequent to the acquisition of SG Warburg by Swiss Bank Corporation, she moved to the Fixed Income Derivatives department, where she was an Associate Director and analyst on the hedge fund team. She is a board member of the UNPRI and a board Director of a number of BTPS offshore vehicles. She holds an MA (Hons.) in Economics and Mathematics from the University of Edinburgh.

Michael Hintze
CEO, CQS

Michael is CQS's Founder (1999), Chief Executive and Senior Investment Officer. He is also Chairman of the CQS Exec Committee. CQS is a global diversified asset management group focusing on convertibles, credit and asset backed securities and manages a family of hedge funds, loan portfolios and long only products. Prior to that, Michael was MD in the Leveraged Funds Group at CSFB where he developed the strategy and management team for the CSFB Convertible & Quantitative Strategies Fund. Before this Michael was MD and European Head of Convertibles at CSFB from 1996, responsible for flow and proprietary trading, sales and research. Michael also worked at Goldman Sachs for 12 years in a variety of roles including; Executive Director and Head of UK Trading and Head of European Emerging Markets Trading. Prior to that Michael worked for Salomon Brothers, in New York, as a Fixed Income Trader trading Yankee Bonds after having completed the firm's Graduate Training Program in 1982. Michael speaks fluent Russian. He holds a BSc in Physics and Pure Mathematics and a BEng in Electrical Engineering from the University of Sydney. He also holds an MSc in Acoustics from the University of New South Wales and an MBA from Harvard Business School.

Anthony Lim
MD, GIC

Anthony was appointed President (Americas) of GIC, the company that manages Singapore's foreign reserves, in 2009, and is based in the GIC New York Office. From 1998 to 2009, Anthony worked in the GIC's London office and was President (London Office). He is also the adviser to the External Managers Department. Prior to that Anthony was a Senior MD at Bankers Trust Company (1987-1998). He held various management and trading positions in the Global Markets division. Anthony worked in Singapore and London during his time at Bankers Trust. He joined Bankers Trust from the Monetary Authority of Singapore, where he had worked from 1983, and included a stint from 1984 to 1986 in the MAS New York office. His last position at the MAS was as Head of the Foreign Exchange, Gold, and Liquidity Division. Anthony is a graduate of the National University of Singapore.

Paul Marshall
Chairman and CIO
Marshall Wace LLP

Marshall Wace LLP, is one of Europe's leading hedge fund groups and manages a number of award-winning funds including the Eureka Fund. Paul is a founding member of the Hedge Fund Standards Board. In January 2009, he appeared before the UK Treasury Select Committee Review on the role of hedge funds in the financial crisis. He is a member of HM Treasury Asset Management Working Group.

David Neal
CIO, Future Fund

The Future Fund Board of Guardians and the Future Fund Management Agency are responsible for investing the assets of the Future Fund, the Building Australia Fund, the Education Investment Fund and the Health and Hospitals Fund. David joined the Future Fund from Watson Wyatt Australia where he was Head of Investment Consulting. At 30 June 2009 the Future Fund Board had AUS-$81.9bn in assets. David started his career with Watson Wyatt in the UK and led the establishment of the firm's investment consulting business in Australia. He is a graduate of Oxford University.

Russell Read
CIO and Deputy CEO
Gulf Investment
Corporation

Russell serves as CIO and Deputy CEO at the Kuwait City-based GIC, which focuses on natural resources-based, Shariah-compliant, and regional (GCC and MENA) opportunities in the public and private markets. Prior to GIC, Russell founded C Change Investments, focusing on private markets investments capable of transforming the production, distribution, and consumption of the world's natural resources. He served as CIO for CalPERS, at which time he was also Chairman of the Investors' Committee for the PWG on Financial Markets. Prior to that served as Deputy CIO for Scudder Investments and Deutsche (Bank) Asset Management (Americas) and Head of Quantitative Investing, Product Design, Risk Management, and Commodities Investing at Oppenheimer Funds. Russell is a founding member of the P8 Group of the world's eighth largest pension systems. He holds a B.A. in Statistics and M.B.A. in Finance/International Business from the University of Chicago and an M.A. in Economics and Ph.D. in Political Economy from Stanford University. He is also a CFA and a Governor of the New York Academy of Sciences (NYAS).

George Robinson
Partner, CFO and
Head of Research
Sloane Robinson

George co-founded Sloane Robinson in December 1993. He is also Head of Research, CFO, and Manager of the SR Phoenicia Fund. Between 1979 and 1985 George worked for John Swire & Sons in Hong Kong, UK, Philippines and Korea. In 1985 he joined WI Carr and established their investment offices in both Seoul and Bangkok, before moving to Hong Kong as regional director of research. George graduated from Oxford University with a degree in Engineering Science.

Emmanuel Roman
Co-CEO, GLG Partners
COO, Man Group

Emmanuel Roman received an M.B.A. in Finance and Econometrics from the University of Chicago in 1987 and a bachelor's degree from the University of Paris in 1985. Emmanuel joined Goldman Sachs in 1987 where over the years he worked in the fixed income, investment banking and capital markets areas and in 1991 he become the co-head of Worldwide Equity Derivatives. In 1998 he was elected to partnership. In 2001 he was appointed co-head of Worldwide Global Securities Services and in 2003 he also became co-head of the European Equities Division. In September 2005, after 18 years at Goldman Sachs, Emmanuel joined GLG Partners LP as co-CEO where he was responsible primarily for expanding the business, marketing, risk management, operations, technology and compliance. In October 2010, on completion of the acquisition of GLG by MAN, Emmanuel also became the COO of MAN, a group-wide role with prime responsibility for integrating the GLG acquisition. He is also the key link between the sales, investment, product development and operational sides of the combined business. He joined the Board of MAN in May 2011.

Simon Ruddick
MD & Co-Founder
Albourne Partners

Albourne Partners is the world's largest hedge fund advisory firm, which he co-founded in March 1994. Albourne's 150+ clients have over $200 billion invested in hedge funds. Albourne was awarded the Queen's Award for Enterprise in 2006 and again in 2009. Village.albourne.com, the not-for-profit website, has over 65,000 residents and has led to Simon Ruddick twice appearing in the Institutional Investor's Top 40 Online Entrepreneurs. Albourne has also hosted Hedgestock, featuring a performance by The Who, in 2006 to raise money for Teenage Cancer Trust. As well as appearing on Bloomberg TV, Ruddick's appearances on CNBC have included hosting its Squawk Box programme.

Mario Therrien
Senior VP, Fund of Hedge Funds, Caisse de dépôt et placement du Québec

Mario was appointed Senior VP, Fund of Hedge Funds, with the Private Equity group on June 15, 2009. He manages the teams responsible for investments in external private equity funds, including venture capital funds in the information technology and life sciences sectors, leveraged buyout funds and hedge funds. He joined the Caisse's Alternative Tactical Investments team in 1992 as a financial analyst and was successively promoted to Assistant Manager and Manager. He was then assigned to the position of VP of Varan Tactical Asset Management, a fund specialising in global tactical investments, until 2002. Prior to that, he was VP of Funds of Hedge Funds, Absolute Return, and oversaw the team in charge of developing investment strategies using hedge funds on an international scale. Mario has a bachelor's degree in economics and a master's degree in finance from Université de Sherbrooke. He has also completed the securities course given by the Canadian Securities Institute and holds the chartered financial analyst designation from the CFA Institute. He is a member of the Montréal CFA Society.

Antonio Borges (*), Peter Clarke (**) and Nicolas Moreau (***) left the Board in 2010

* Antonio Borges moved to Washington D.C. to take over as Director of the European Department of the International Monetary Fund

**Due to the acquisition of GLG Partners by Man Group, it was agreed that one representative would be sufficient to be represented on the Board (both Man Group and GLG had been Trustees from the HFSB's inception), therefore Peter Clarke left the Board.

***Nicolas Moreau was promoted to the position of CEO of AXA France. He resigned from the Board due to his promotion and relocation to France.

Appendix 2: Overview of the HFSB Accounts

	Year to 31 Jan 2011	Year to 31 Jan 2010
		£
TURNOVER	**784,465**	**898,167**
Administrative expenses	**(956,671)**	**(829,487)**
LOSS/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**(172,206)**	**68,713**
Tax on profit on ordinary activities	**15,102**	**(14,516)**
PROFIT FOR FINANCIAL YEAR	**(157,104)**	**54,197**

The company has no recognised gains or losses other than the profits shown in the profit and loss account for the period ended 31 January 2011.

All activities derive from the continuing operations.