hfSB™
hedge fund standards board

Bringing managers and investors together to set standards for the hedge fund industry

Annual Report 2016

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1. Foreword

The Hedge Fund Standards Board appreciates the ongoing support and commitment of its Signatories, Investor Chapter Members, Core Supporters and Founders to the Standards and continuous efforts to improve practices in the industry.

Since its inception in 2008, the HFSB, as the neutral standard-setter for the industry, has become an important part of the alternative investment industry. Its role in facilitating a dialogue between investors and managers benefits the whole industry and the wider economy. Today, the HFSB platform is widely supported and recognised by regulators for its ability promptly to address issues and concerns raised in the industry, such as conflicts of interest, cyber security, administrator transparency reporting for improving investor due diligence, understanding fees and expenses and many others.

Dame Amelia Fawcett, Chairman

The last 12 months have been ground-breaking for the HFSB in a number of areas, including content development, global events and regulatory interaction. The HFSB published the industry's first ever standardised Administrator Transparency Reporting (ATR) data structure as part of its Toolbox. In June 2016, the HFSB set up a new working group to explore the issue of fee terms and definitions. It also expanded its activities in the APAC region and established its APAC Committee, which was instrumental in the HFSB doubling the number of its signatories in the region. A similar committee will be set up in North America to help the HFSB's efforts in the US and Canada. The global events hosted by the HFSB reached new destinations, including Boston, San Francisco, Shanghai and Toronto, and next year the HFSB will take its institutional investor roundtable series to New Zealand for the first time.

Earlier this year, the HFSB added Open Protocol to its Toolbox and became Co-Chair of the Open Protocol Working Group, which includes managers, investment banks and other industry stakeholders. The Working Group maintains Open Protocol and consults publicly about amendments and additions to the protocol. Albourne Partners, who are represented on the SBAI Board of Trustees through its Chairman Simon Ruddick, have played a key role in spearheading the original and ongoing development of Open Protocol and bringing industry stakeholders together to support it. I would like to thank Simon for his long-standing support on the Board and his dedication in getting Open Protocol to where it is today, and I look forward to future collaboration on a wide variety of SBAI initiatives, including Open Protocol.

Regulatory engagement is a critical part of the HFSB's work, and this past year was no exception. We actively were engaged in discussions and consultations with senior regulators around the globe, sometimes publicly, often in private as a "trusted partner". Regulators take a strong interest in our work, from conflicts of interest to cyber security, and they view the HFSB as an important reference point, complementing their efforts in a number of areas. They understand that we are not a self-interest group or a lobbyist; they see us as a neutral standard-setter and an ally in driving better practices globally and in helping improve outcomes in markets in a cost-effective way.

I am pleased to report that over the course of the last year we added four new trustees to our Board. Each one already has made a significant contribution to our work: Clint Carlson of Carlson Capital, Luke Ellis of Man Group, Henry Kenner of Arrowgrass Capital Partners and Betty Tay of GIC (Singapore). Their wealth of experience, expertise and independent thinking will continue to add greatly to an already strong Board. I also am pleased to report that, with disciplined cost management and the increase in stakeholders, the HFSB again reported a small surplus for this past year, while increasing its relevance and reach. We will continue to focus on cost efficiency, at the same time as focusing on delivering highest impact for all of our stakeholders.

As I look ahead to the next 12 months, it is obvious that regulatory issues in relation to potential vulnerabilities in asset management will continue to loom large on the agenda for all of us, but we also see investors back in the driving seat, focussing the discussion on their priorities. The HFSB will continue its relentless efforts to get as many managers as possible around the globe to sign up to the Standards and to involve more investors in its activities through its Investor Chapter.

"Closer to home", we will be changing our name to reflect the evolution of the HFSB and the alternative investment industry since our founding in 2008. In the decade that the HFSB has been in existence, the alternative investment industry has grown and diversified, such that "hedge fund" no longer captures the range of strategies and vehicles managed by alternative investment managers. Managers offer their investment strategies through a variety of vehicle types beyond "hedge funds" – such as UCITS, '40 Act funds, co-investment vehicles, closed-ended funds, drawdown funds and managed accounts. Managers implement versions of their strategies in ways beyond pure "hedged" strategies – ranging from liquid long-biased or long-only portfolios to illiquid strategies that may include private investments. Similarly, many institutional investors do not use a “hedge fund” category, but instead categorise manager strategies in other ways, such as by underlying asset class traded, return profile, market exposure or liquidity. As a result, our Standards are now a set of globally applicable practices and principles that can be used across an alternative manager’s business. For example, the HFSB’s most recent update to the Standards, on conflicts of interest, sets principles on how managers should handle potential conflicts that may arise when managing an increasing variety of vehicles with different structures, objectives and liquidity profiles. These Standards are applicable across a wide range of asset managers and strategies. In the same vein, the HFSB’s “Toolbox”, which provides practical guidance to managers, contains important work on governance and cyber security, which has broader use across asset management. The substance of this name change, broadening our work across the alternative asset management industry, increasingly has been acknowledged and encouraged by global regulators. For example, Ashley Alder, CEO of Hong Kong’s Securities and Futures Commission, said at our Institutional Investor Roundtable in April 2017, “when the industry evolves its own robust conduct standards, particularly through an organisation like the HFSB, where funds and investors come together, laws and regulations we enforce are less likely to be breached. There is no reason why the Standards should only apply to hedge fund managers, and we would like to encourage the HFSB to explore widening its remit.” As I noted above, our work continues apace, and we continue to evolve to bring the value of our process to provide guidelines and approaches to new industry developments, whether it’s liquid alts or fee terms and definitions.

We are fortunate at the HFSB to have an exceptionally talented and dedicated team, both the executive and the Trustees. Their support, engagement and goodwill will continue to be the key to our ability to make an impact and a positive difference for the industry. I would like to take this opportunity to thank them all. In particular, I would like to thank Tom Dunn, Anthony Lim, Paul Marshall and Manny Roman, who retired from the Board in 2016/2017, for their many years of service as Trustees, in Manny’s and Paul’s case, as Founding Members of the HFSB. We have benefited tremendously from their extraordinary commitment and wise counsel over many years, and we will miss them all.

In closing I would like to pay special tribute to our Founders and Core Supporters who have been so steadfast in their support, both financially and with their time. We would not be here today without their foresight and dedication.

Dame Amelia Fawcett D.B.E.

September 2017

2. HFSB Mission

The Hedge Fund Standards initially were drawn-up and published in 2008 in response to G8 policy leaders' concerns over financial stability. They have been updated several times since then. The HFSB believes that responsible standards of practice strengthen the hedge fund industry, for the benefit of both investors and managers. Standards can improve how managers operate, increase transparency, provide solutions to industry issues, decrease the need for regulation and make the manager/investor relationship more predictable and efficient.

To this end, the HFSB seeks to:

- Bring managers and investors together as a joint force in the HFSB process to establish responsible standards of practice that meet investor requirements.
- Support the supervisory community by providing information on how the hedge fund industry operates and ensuring the Standards complement public policy.
- Maintain and improve the Standards through public consultations to keep them relevant, up-to-date and in line with the evolving industry practices and needs.
- Promote adoption of the Standards by managers, and the support of them by investors, to increase their effectiveness and improve how the hedge fund industry operates.

The Hedge Fund Standards address key issues related to hedge fund practices, covering the areas of:

- Disclosure
- Valuation
- Risk Management
- Fund Governance
- Shareholder Conduct.

Managers achieve conformity with the Standards on a "comply or explain" basis and make their disclosure statements available to existing and prospective investors upon request. More detailed information on the Standards is available in Appendix III of this Report.

3. The Hedge Fund Standards

The Hedge Fund Standards set levels of quality of 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 alternative investment 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 or specific local business model etc.

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[1] 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.

Why are the Standards important?

The Standards provide a powerful mechanism for creating a framework of transparency, integrity and good governance that maintains a high reputation for the industry, facilitates investor due diligence and minimises the need for restrictive regulation.

The Standards:

- Demonstrate the industry is willing to voluntarily establish responsible standards of practice.
- Result in the industry being defined by the responsible practices represented in the Standards, rather than by irresponsible actions of individual sub-par firms.
- Enable the industry to organise and take control of its future, rather than having that future dictated by regulators, the media and random events.

[1] The statement was made in 2008, when the FCA was known as the FSA

- Play major roles in industries (such as FASB, GIPS) and the HFSB is emerging to play that role with hedge funds.

The Standards expand the Investor Base:

- Well-established standards will enable the industry to grow by building investor confidence.
- The Standards establish common practices that make the investor/manager relationship more predictable and efficient – vs. discordant practices resulting from individual negotiations.
- The presence of investors as equal partners in the HFSB ensures that the Standards are meeting their needs.
- Investors are able to pre-identify managers who have committed to the Standards, which aids their selection and due diligence process.

The HFSB welcomes appropriate regulation of the industry. However, 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. For example, the majority of hedge fund assets under management (60%) in the UK/EU markets now adhere to the Standards, which is an increasing indication of the Standards becoming the "industry norm" in these important markets.

4. Overview of HFSB Activities in 2016/2017

The 2016/2017 fiscal year has been a critical year for the HFSB with significant developments in the areas of standard-setting, Toolbox content, increased activities in the APAC region and our work with senior regulators around the globe.

Key Highlights

Standard-setting

- In May 2016, the latest amendments to the Standards on mitigating conflicts of interest came into effect.
- In 2016, the HFSB launched a new project to analyse the explanations provided by signatories to see which standards trigger the most explanations, as well as to discover any trends. The details are given in the section on "Conformity with the Standards" (see pp 26-35).

HFSB Toolbox and other content

- In February 2016, the HFSB published the industry's first ever standardised Administrator Transparency Reporting (ATR) data structure as part of its Toolbox.
- In June 2016, the HFSB set up a new working group to explore the issue of fee terms and definitions. The working group is expected to publish its findings in September 2017.
- The HFSB added Open Protocol to its Toolbox and became Co-Chair of the Open Protocol Working Group.
- In the area of cyber security, the HFSB ran a series of cyber-attack simulation exercises and practical seminars in New York, Hong Kong, London and Singapore (2016 and 2017).
- The HFSB, alongside other HFSB stakeholders, participated in a working group led by the PRI to develop a due diligence questionnaire for hedge fund managers focussing on responsible investment.

Regulatory interaction

- The HFSB continues to contribute to the global regulatory process directly with regulators and through its Affiliate Membership at IOSCO. Areas of focus include cyber security, conflicts of interest, financial stability, definition of leverage, etc.
- In March 2016, the HFSB established a mutual observer relationship with the International Forum of Sovereign Wealth Funds.

APAC Region

In June 2016, the HFSB established its APAC Committee to help its efforts in the region and ensure that Asia-Pacific regional and local issues and needs are addressed as the HFSB develops standards and guidance.

Global events

- The HFSB hosted 15 global institutional investor roundtables worldwide, bringing together over 500 representatives from major investors and managers to discuss industry issues.

Stakeholder campaign

- 29 new managers signed up to the Standards and 9 investors joined the HFSB Investor Chapter.

Board of Trustees

- The HFSB welcomed four new Members to its Board of Trustees: Clint Carlson of Carlson Capital, Luke Ellis of Man Group plc, Henry Kenner of Arrowgrass Capital Partners, and Betty Tay of GIC.

Media interaction and Social Media

- HFSB representatives feature in many high profile trade publications on a range of relevant topics, including conflicts of interest, cyber security, role of standards, etc.
- The HFSB launched its new website and pages on LinkedIn and Twitter.

Consultation Paper CP4: Conflicts of Interest

The amendments to the Standards, following the HFSB's fourth consultation on the Standards, focusing on conflicts of interest, came into force on 2 May 2016. The consultation was launched after investors and managers raised their concerns about a particular firm's handling of such conflicts of interest, as well as broader industry concerns that such conflicts are not adequately disclosed to investors.

It is important to highlight that the standards developed by the HFSB are not just applicable to hedge fund managers; they equally are applicable to all asset managers who run parallel funds with similar strategies. The HFSB encourages all firms to assess their handling of such conflicts of interest and the relevant disclosures they make to investors.

More information, including the Consultation Paper CP4 and the final updated Standards, are available at http://www.hfsb.org/standards/consultations/.

HFSB Toolbox

In April 2014 the HFSB launched its Toolbox, which is intended to be an additional guide to complement the HFSB's standard-setting activities. The materials available through the HFSB Toolbox serve as practical guidance only and are not formally part of the Standards. Managers and investors alike have told us that the content in the Toolbox has become one of the most valuable parts of the HFSB's work.

In addition to the Standardised Board Agenda, Administrator Transparency Reporting Memo (ATR) and Cyber Security Memo, which were added in previous years, in 2016/2017 the HFSB added the ATR Template and two new topics to the Toolbox:

- ATR Template
- Fee terms and definitions
- Open Protocol

Administrator Transparency Reporting Template

Administrator transparency reports (ATRs) play an important role in investor due diligence and ongoing monitoring of managers. They provide independent confirmation by the administrator of fund assets and liabilities, and they also allow investors to evaluate a fund's pricing sources and to assess the diversification and quality of counterparties, as well as to assess shifts in the type of assets (Level I-III) included in a portfolio.

Following the publication of the Administrator Transparency Reporting Memo in 2015, the HFSB put together a working group comprising 11 major fund administrators. The working group developed a standardised ATR data structure template, which was published in February 2016.

Open Protocol

Better risk disclosure by investment funds has been a priority for both investors and regulators in recent years. Investors increasingly are seeking to aggregate risk information about their investments to improve overall portfolio risk management, while regulators have started to collect data to assess potential systemic risk concerns.

The Open Protocol (OP) template addresses this by standardising the collection, collation and representation of risk information of hedge funds and other types of investment funds. This provides a uniform framework with consistent data inputs, standard calculation methodologies and regular and timely reporting. Where available, OP use commonly accepted standards and protocols.

In 2017, the HFSB became Co-Chair of the Open Protocol Working Group. The Open Protocol template currently is used by funds with over $1 trillion in assets under management. In June 2017, the Insurance Open Protocol (IOP) was published, adding another dimension of risk reporting to the overall risk reporting framework.

All HFSB Toolbox Resources, including the ATR template and the Cyber Security Memo, are publicly available at www.hfsb.org/toolbox/**.**

APAC Committee

In June 2016, the HFSB established an Asia-Pacific (APAC) Committee. The Committee includes: APAC-based HFSB Trustees Chris Gradel of PAG (Chairman), David George of Future Fund and Betty Tay of GIC, as well as senior APAC-based industry executives Richard Johnston of Albourne Partners and Ted Lee of Canada Pension Plan Investment Board (CPPIB). In January 2017, the HFSB added George Long, Founder, Chairman & CIO of LIM Advisors and Danny Yong, Founding Partner and CIO of Dymon Asia Capital.

The APAC Committee helps the HFSB establish a dedicated effort in the region by assisting with the HFSB's dialogue and relationships with regulators, hedge fund managers and investors. It also ensures that Asia-Pacific regional and local issues and needs are addressed as the HFSB develops standards and guidance.

In 2016/2017, the APAC Committee supported a number of high profile events hosted by the HFSB across the APAC region, including Hong Kong (co-hosted by the Hong Kong Monetary Authority), Shanghai (in collaboration with the Lujiazui Financial City), Singapore (an Institutional Investor Roundtable and a Cyber Attack Simulation co-hosted by the Monetary Authority of Singapore (MAS), in Melbourne (co-hosted by Future Fund Australia) and Sydney (co-hosted by Bloomberg Australia).

In Q1 2017, the APAC Committee set up a working group to conduct a comparative analysis of the Hedge Fund Standards and Chinese regulation. The results will be presented later in 2017.

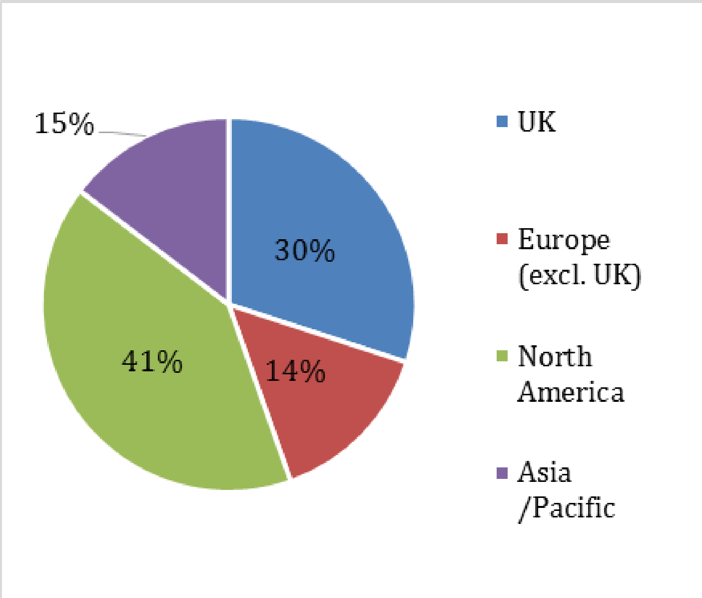
Stakeholder Campaign

The HFSB has continued its active engagement with the hedge fund manager and investor communities in North America, the Asia-Pacific region and Europe.

Signatory Progress

Since its inception, managers with over US$1tn in AUM have committed to the Hedge Fund Standards. By comparison, the assets of the global hedge fund industry are estimated at US$3.2tr[2]. The signatories from North America still have the largest share of our signatory base [52 signatories] - they account for 41% of all signatories. However, the share of our APAC signatories almost doubled since last year – an increase from 8% to 15%. In 2016-2017 we welcomed 29 new signatories from North America, Europe and Asia Pacific, but we also lost a few signatories due to closure, mergers and redemptions.

HFSB Signatories: 130 managers with over $1tn in AUM (as at August 2017)



New Signatories in 2016-2017

- 400 Capital Management
- Alyeska Investment Group
- Areta Capital Partners
- BCK Capital
- Bluebay Asset Management

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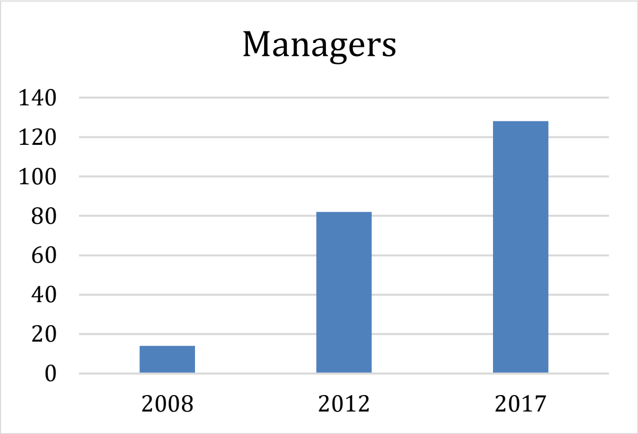
[2] As of 1st Quarter 2016 according to Barclay Hedge

- Carlson Capital
- China Alpha Fund Management
- Citadel
- Dymon Asia Capital
- Florin Court Capital
- Frontlight Capital
- Goldman Sachs Asset Management
- Graticule Asset Management Asia
- HealthCor Management
- Hiscox Re Insurance Linked Strategies
- Ivaldi Capital
- Jasper Capital International
- LIM Advisors
- Misaki Capital
- MKP Capital Management
- Myriad Asset Management
- Nezu Asset Management AB
- Nordkinn Asset Management
- Rockhampton Management Ltd
- ROW Asset Management
- Simplex Asset Management
- Springs Capital
- Talarium
- Trustbridge Partners

Evolution of Signatories



Attracting new signatories, particularly in North America, remains one of the HFSB's key priorities for the next 12 months. The HFSB recognises that the benefits the Standards bring to the industry – including strengthening manager practices, improving investor confidence and bringing greater efficiency to investor/manager relationships – all grow as adoption of the Standards increases.

Investor Campaign

The HFSB process is supported by institutional investors, including pension and endowment funds, sovereign wealth funds, hedge funds of funds, private banks and family offices, and investors are equal partners in the HFSB process. The HFSB's Investor Chapter members manage US$2tn in assets and invest over US$ 600bn in hedge funds. Since the launch of the HFSB Investor Chapter in 2010, the HFSB actively has engaged with investors around the globe in a variety of initiatives, such as reviewing amendments to the Standards, participating in joint panels on investor expectations and contributing to working groups to develop HFSB Toolbox items. The HFSB's Investor Chapter members also actively have encouraged their peers to become involved in the HFSB and have played a critical role in encouraging managers to commit to the Standards.

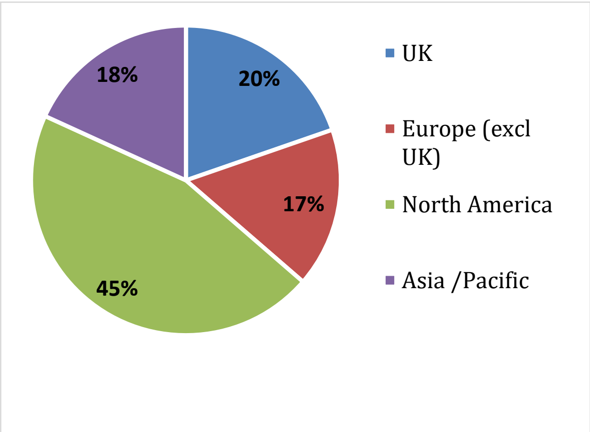
In 2016-2017 our Investor Chapter welcomed ten high profile institutional investors as members:

- Air Canada Pension Investments
- Alaska Permanent Fund Corporation
- CB Permtrust Asset Management
- Japan Post Bank

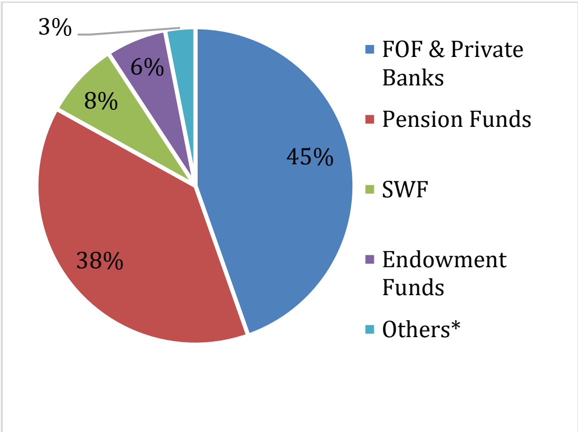
- New Jersey Division of Investment
- Morgan Stanley Investment Management
- New Zealand Superannuation Fund
- Pennsylvania Public Employees' Retirement System
- Telstra Super
- Victorian Funds Investment Corporation

HFSB Investor Chapter: 65 members with over $600bn invested in hedge funds (as at August 2017)

Investor Chapter Members by region

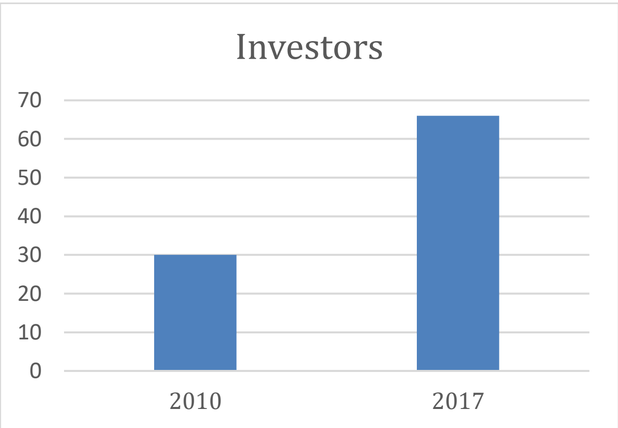


Investor Chapter Members by type



*Others - Family offices and other banks

Evolution of Investor Chapter Members



Core Supporters

In autumn 2010 the HFSB created a special group of stakeholders – Core Supporters – that are committed to making a significant contribution to the HFSB efforts. Today, there are 10 members in this critically important group:

- Aberdeen Asset Management
- Albourne Partners
- Arrowgrass
- Carlson Capital
- Ionic Capital Management
- PAAMCO
- PAG
- Reservoir Capital Group
- Unigestion

The Core Supporters are associated with HFSB thought leadership and actively are involved in the HFSB's efforts to improve the market and the industry's contribution to the wider community. Their logos are displayed on the HFSB website, and they interact with the HFSB Trustees and Founders through informal meetings, panels, and Board dinners and meetings with senior regulators in a wide variety of jurisdictions.

HFSB Global Institutional Investor Events

Starting in 2013, the HFSB has hosted small-scale, but highly effective, institutional investor roundtables, which bring together managers, investors and regulators to explore topics of the day through interactive discussions and practical case studies.

Annual General Assembly, London, Sep 2016

Today, the investor roundtables are very popular with HFSB stakeholders and other market participants.

In 2016/2017 these events included:

HFSB Events 2016	
March	• Cyber-Attack Simulation Exercise in New York
April	• Institutional Investor Roundtables in Melbourne & Sydney • Institutional Investor Roundtable in Los Angeles
May	• North American Stakeholder Annual Forum in New York
June	• Institutional Investor Roundtable in Hong Kong • Cyber-Attack Simulation Exercise in London
September	• Annual General Assembly in London • Institutional Investor Roundtable in Chicago • Institutional Investor Roundtable in Washington D.C.
October	• Institutional Investor Roundtables in Singapore • Institutional Investor Roundtable in Hong Kong
November	• Information Session for Hedge Fund Managers in New York • Institutional investor Roundtable in Montreal • Institutional Investor Roundtable in Shanghai

HFSB Events 2017	
January	• Institutional Investor Roundtable in Helsinki • Institutional Investor Roundtable in Geneva
March	• Institutional Investor Roundtable in Toronto • Roundtable for Japan Securities Dealers Association
April	• Institutional Investor Roundtable in Hong Kong • Cyber-Attack Simulation Exercise in Singapore • Institutional Investor Roundtable in San Francisco
May	• Institutional Investor Roundtables in Melbourne & Sydney
June	• North American Stakeholder Annual Forum in New York • Institutional Investor Roundtable in Boston

HFSB Institutional Investor Roundtable, Shanghai, Nov 2016

The roundtables attracted over 500 participants in aggregate, who gathered to discuss a wide variety of topics, including but not limited to:

Institutional investor priorities and perspectives:

- Evolving role of alternative investments
- "Portfolio spring clean": how to overhaul a portfolio?
- How to detect conflicts of interest?
- SWF/public fund priorities 2016-2017
- Current market environment: how can managers earn their keep?
- Alignment of interest/shape of fees: how do investors' in-house hurdle rates impact investment decisions?
- Commercial arrangements: longer lock up for lower fees (and vice versa) – do you buy it?
- Responsible investments: applicability to alternative investments and ESG due diligence

HFSB Information Session for Managers, Nov 2016

- **Manager priorities and perspectives:**
    - Building better partnerships with investors
    - Culture and tone from the top
    - Conflicts of interest that can arise in side car arrangements
    - Liquid alts: potential limitations and factor-based strategies
    - Search for alpha: artificial intelligence, machine learning, ‘arms race’ for big data
    - How to deal with hedge fund business issues (M&A, closure, etc.)
    - Responsible investments: applicability to alternative investments and ESG due diligence
    - Key APAC specific issues/input into HFSB process
    - Incorporating risk management in the investment process in macro strategies

HFSB Annual North American Stakeholder Forum, New York, May 2016

- **Cyber Security: Battling the unknown and how to respond to a cyber-incident?**
    - Exploration of dedicated attack scenarios, including theft of confidential information, crypto ransomware and financial infrastructure attack
    - Legal and regulatory considerations

- Cyber due diligence of managers and service providers
- Anatomy of a breach: understanding how and why breaches occur
- C-level perspective: managing cyber security risk
- How to meet regulatory expectations: mapping of regulatory requirements to different safeguards
- IT outsourcing - key requirements for providers

The HFSB would like to thank our hosts for these events, who included, Akin Gump Strauss Hauer & Feld LLP, Albourne, Bloomberg Australia, CAIA Asia, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, Future Fund Australia, Grosvenor GCM, Herbert Smith Freehills, Hong Kong Monetary Authority, Jones Day, KPMG Boston, Monetary Authority of Singapore, New Holland Capital, Shanghai Lujiazui Financial City Development Authority, Stroz Friedberg, Unigestion, Varma Mutual Pension Insurance Company, Winton Capital and Zhong Lun Law Firm.

Institutional Investor Roundtable in Shanghai, Nov 2016

Regulatory Engagement in 2016/2017

Pursuant to its mission to participate in the regulatory debate, the HFSB actively engages with the global supervisory community through meetings with senior officials and smaller HFSB workshops bringing regulators together with managers and investors on important issues of mutual interest. The below table shows the regulators we interacted with over the year.

Overview of Regulatory Interaction

Australia	**EU (ex UK)**	**UK**
- Australia Prudential Regulation Authority (APRA) - Australian Securities & Investments Commission (ASIC) **Canada**	- AMF (France) - Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) - European Securities and Markets Authority (ESMA - Ministry of Finance of Finland	- Bank of England - Financial Conduct Authority (FCA) - HM Treasury - Prudential Regulatory Authority (PRA) **US**

- Autorité des marchés financiers (Québec) - Canadian Securities Administrators (CSA) - Ontario Securities Commission (OSC) **China** - Alternative Management Association of China (AMAC) - China Securities Regulatory Commission (CSRC) - Shanghai Lujiazui Financial City Development Authority	**Hong Kong** - Hong Kong Monetary Authority - Securities and Futures Commission (SFC) **Singapore** - Monetary Authority of Singapore (MAS) **Switzerland** FINMA	- FBI Cyber Branch (New York) - Federal Reserve Bank of Dallas - Securities and Exchange Commission (SEC) - US Attorney's Office, Eastern District of New York **International Organisations** - International Organization of Securities Commissions (IOSCO) - International Forum of Sovereign Wealth Fund (IFSWF) Financial Stability Board (FSB)

In April 2016, IOSCO published its report on cyber security efforts, where the HFSB was quoted and referenced several times. The HFSB also participated in IOSCO's cyber security survey in collaboration with the Affiliated Members Consultative Committee (AMCC) and ICI Global (HFSB is an AMCC member). In September 2016, the HFSB participated in a cyber security panel during IOSCO's mid-year conference in Chicago.

IOSCO also regularly distributes the materials published by the HFSB to their membership of global regulators, further broadening the HFSB's influence and impact. For example, the Administrator Transparency Reporting documentation, which was published as a result of the working group put together by the HFSB, was shared and distributed widely by IOSCO.

There is little doubt that regulators value the HFSB's contribution to promoting better practices in the industry, as they have noted many times over the years. We will continue to do all we can to add real value to the process of developing constructive and effective standards. Below are some of the quotes provided by various regulators since the inception of the HFSB.

Quotes on the HFSB by Regulators

Gerard Fitzpatrick, Senior Leader, Investment Managers and Superannuation, Australian Securities and Investment Commission (ASIC), May 2017: "I commend the HFSB for identifying the importance of adequate risk disclosure and its ongoing transparency initiatives, including the launch of the standardised Administrator Transparency Report last year and the Open Protocol risk reporting standard later this month. These initiatives are not just relevant to hedge fund managers but to all alternative investment funds and beyond."

Ashley Alder, CEO of the Securities and Futures Commission of Hong Kong, April 2017: "When the industry evolves its own robust conduct standards, particularly through an organisation like the HFSB, where funds and investors come

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hedge fund standards board

together, laws and regulations we enforce are less likely to be breached. There is no reason why the Standards should only apply to hedge fund managers, and we would like to encourage the HFSB to explore widening its remit."

Tan Yeow Seng, Director & Head of the Technology Risk and Payments Department of the Monetary Authority of Singapore, April 2017: "I commend the HFSB's efforts to improve cyber security practices in the asset management industry. The cyber-attack scenarios explored during the event were useful in raising awareness of the participants about different safeguards and actions to consider when responding to a cyber-attack incident."

Ashley Alder, CEO of the Securities and Futures Commission of Hong Kong and the new Chairman of IOSCO, June 2016:

"I would like to recognise the fact that in its short existence, the HFSB has, in my view, broken new ground in the way in which industry associations can operate as standard setters.

The HFSB is one of the first of a new brand of industry associations, which bridges the gap between the old self-regulatory organisation model and conduct regulation by the likes of the SFC. It is significant that the HFSB was the model for the FICC Markets Standards Board set up in the UK last year as a result of the Fair and Effective Markets Review recommendations.

And when the industry evolves its own robust conduct standards, particularly through an organisation like the HFSB where funds and investors come together, the chances are that the laws and rules we enforce are less likely to be breached. This is of obvious value to members as well as the regulators.

At the same time, we are not normally in a position to formally endorse industry standards as part of our formal framework of regulation. For one thing, we cannot do so when rules have not gone through the usual legislative or consultative process. **But more importantly, we should not fetter or formalise the HFSB's own freedom to develop its standards without too much interference from us."**

Gerard Fitzpatrick, Senior Leader of Australian Securities and Investment Commission (ASIC), May 2016:

"I commend the HFSB for identifying the importance of the cyber-attack risk and am glad to see the initiative of running the cyber-attack simulation exercises in London and New York. I also commend the publication of the HFSB Cyber Security Toolbox Memo, which identifies key risks with their possible impacts, as well as strategies to mitigate these threats."

Drew Weilbacher, US SEC's Office of Compliance Inspections and Examinations, September 2015:

"I welcome investors and managers collaborating to improve industry standards, and the HFSB has created an important framework to allow such collaboration to occur."

Michel Noel, Head of Investment Funds, Finance & Markets Global Practice, World Bank, September 2015:

"As part of its support to the development of financial markets in emerging markets and developing countries (EMDEs), the World Bank places a great emphasis on the development of broad and well-regulated capital markets…

It welcomes the work done by the HFSB and looks forward to collaborating with the HFSB to contribute to the development of transparent capital markets across EMDEs."

Andrew Bailey, Deputy Governor, Bank of England and CEO, Prudential Regulatory Authority, May 2015:

"The trend towards greater market-based finance should be welcomed, but it is important that accompanying risks to financial stability are well understood and managed. The HFSB provides a powerful platform for the market participants, specifically institutional investors and managers, to contribute to this effort to strengthen the resilience of capital markets."

Rob Taylor, Head of the FCA's Investment Management Department May 2015: "it is encouraging to see the hedge fund industry being proactive in addressing topical issues through the HFSB process, which complements the FCA's efforts".

Tang JinXi, Vice Chairman, Asset Management Association of China (AMAC), the self-regulatory organisation for the mutual fund industry, April 2015:

"The Hedge Fund Standards can help the Chinese hedge fund industry improve risk management, investor disclosure and governance."

James Shipton, Exec Director, Member of the Securities and Futures Commission of Hong Kong, March 2015:

"Improvements in culture cannot be achieved through rules alone, and that the industry needs to take a proactive approach in addressing emerging issues. This is why what the HFSB does is so important."

Drew Bowden, US SEC's Office of Compliance Inspections and Examinations, September 2014:

"Investors play a critical role in improving the industry, and the HFSB has created a helpful platform for collaboration between managers and investors."

Arminio Fraga, former Governor of the Central Bank of Brazil, September 2014:

"The work of the HFSB is incredibly important at a time when we see the limitations of conventional regulation."

David Wright, Secretary General of IOSCO, July 2014:

"We are pleased to welcome the Hedge Fund Standards Board as an affiliate member of IOSCO. There is an important role for industry standards to play alongside statutory regulation in promoting transparency and good governance in the financial markets. The HFSB can play a valuable role working with regulators and supervisors."

Mathieu Simard, Director, Investment Funds Dept of Quebec's Autorité des marchés financiers, June 2014:

"The application of industry standards that are aligned with the securities regulatory framework and IOSCO principles are encouraged".

Esther Wandel, Head of Investment Funds Policy, UK FCA, May 2014:

"The FCA encourages the asset management industry to challenge itself constantly. We need a change of culture, not just a change of rules or systems. Initiatives like the Hedge Fund Standards Board can be an important driver for that."

Hector Sants, Former CEO, FSA, October 2008:

"FSA sees the HFSB Standards as a very constructive addition to the wider regulatory architecture. It should be noted that the FSA will take compliance with these standards into account when making supervisory judgements..."

5. Report on Conformity with the Standards

The Hedge Fund Standards are based on the "comply or explain" approach. This approach takes into account the dynamic nature of the industry and caters for its diversity without requiring constant changes to the Standards. It provides signatories to the Standards with flexibility to "explain" in the event that any action required by the Standards is not consistent with their local law, regulation or specific business model. This approach enables the Hedge Fund Standards framework to cover various circumstances of firms, while recognising their idiosyncrasies. It rests on disclosure and needs only minimum prescription. When the Standards were developed in 2008, a "comply only" regime was rejected, as it would make the Standards lengthy, far more prescriptive and more difficult to accommodate current and future signatories.

In line with the HFSB's mandate to keep the hedge industry informed of the progress in achieving conformity with the Standards, in February 2017 we started an in-depth analysis of the disclosure statements received from our signatories.

Overview

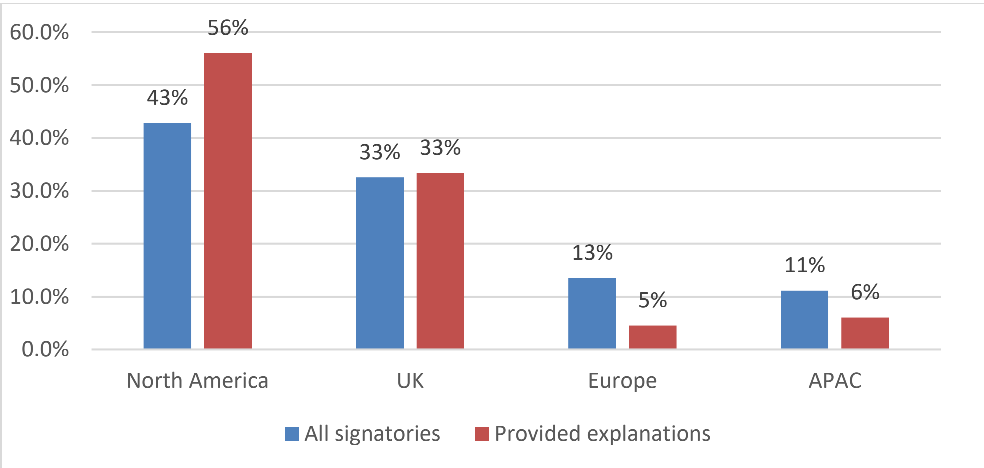
- Of the 106 signatories, 36% provided disclosure statements with explanations and the rest without explanations, i.e. they complied with all the standards
- Of the 36% who provided explanations: 26% did so on a comply-***and***-explain basis, 27% on a comply-***or***-explain basis and the remaining 47% a combination of both
- The Valuation section triggered proportionally more explanations, even though it has only 10 standards. This appears to reflect higher complexity and large variety of approaches used by the signatories. Risk Management represents the largest section, with 48 standards, but triggered proportionally fewer explanations, perhaps reflecting its more qualitative and principle (concept)-based character. [see Illustration below]

Ratio of Comply & Explain* vs Explain**

Section	No. of sub-sections	No of Explain	No of Comply & Explain	Ratios (Explain / Comply & Explain)
Disclosure	14	33	95	2.4 / 6.8
Valuation	10	54	91	5.4 / 9.1
Risk Management	48	65	321	1.4 / 6.7
Fund Governance	9	19	61	2.1 / 6.8
Shareholder Conduct	19	27	35	1.4 / 1.8

* Calculated as number of Explain/number of Sub-sections
** Calculated as number of Comply & Explain/number of Sub-sections

- North American signatories represent the largest segment of signatories (56%) who provided disclosure statements with explanations, followed by the UK (33%)



- A comply-***and***-explain approach is more common among the North American signatories, even though the HFSB mechanism recommends comply-***or***-explain only.
- There is a significant variation across firms on the way explanations are provided. Some signatories provided an explanation on one standard, others on several or all standards. The

level of detail in each explanation ranges from one sentence to large paragraphs where the signatory describes and lists all the procedures.

Please see below the analysis of each section of the Standards.

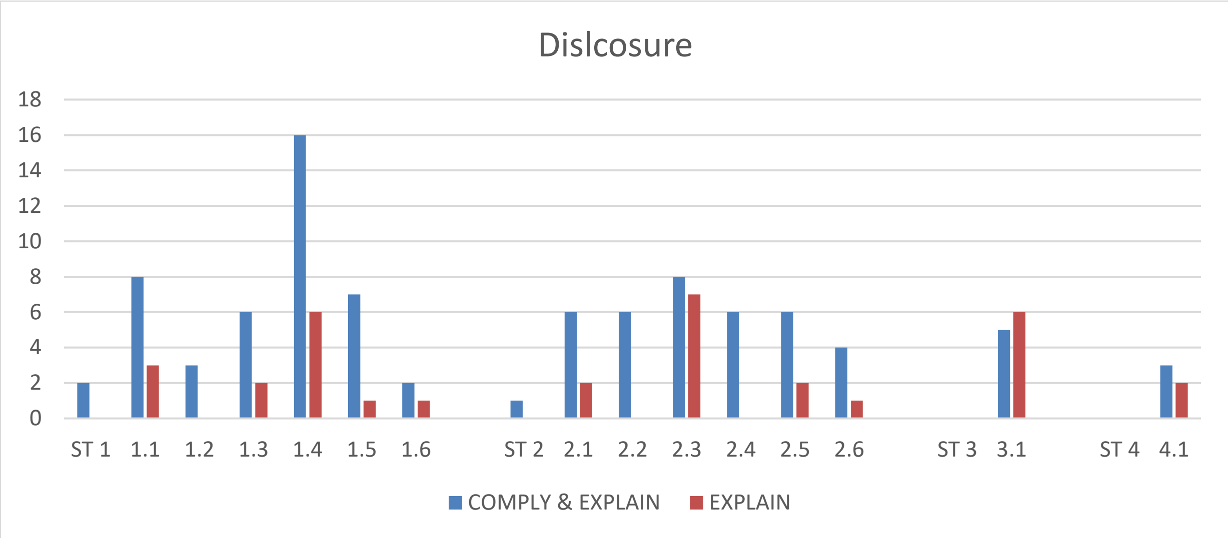
Disclosure

In the Disclosure section, the Standards recommend that the manager should disclose in their fund's offering documents their investment policy, strategy and associated risks. All the signatories comply with these Standards, though some signatories indicated that they do not disclose in the fund's offering documents the details of any investment restrictions or guidelines and the procedures the manager will follow in respect of any breaches. They stated that these details, which are also covered by the Disclosure Standards, are incorporated in separate agreements with the client. Material changes in the investment policy/strategy should be disclosed periodically so that investors have sufficient time to redeem without penalty prior to the effective date of the changes. Here all signatories state that they regularly communicate with their investors on any change in the policy or strategy and give them advance notice to allow them to redeem. The Standards also recommend that the manager should disclose the existence of side letters which contain "material terms" and the nature of such terms. The explanations in this area fall into three categories:

- The existence of such side letters and the nature of the terms are disclosed via the fund's offering documents, prospectus or confidentiality agreements etc.
- The existence of side letters is disclosed but not the terms, due to the confidential nature of these side letters. However, fund directors will ensure that shareholders are not materially disadvantaged in connection with their redemption rights.
- The manager does not enter into side letters, therefore these Standards do not apply to them.

The topic of side letters is frequently discussed at HFSB Institutional Investor Roundtables. In situations where side letters address shortcomings or inconsistencies in the fund's offering documents, it is good practice to adjust the offering documents for the benefit of investors.

Frequency of explanations by Standards (Disclosure section)



Valuation

The explanations in this area vary from signatory to signatory and can be divided into the following groups:

- The Signatory wishes to explain in more detail how it achieved conformity with a standard(s).
- The Signatory wishes to explain what other procedures and arrangements it has in place in addition to what was recommended in the Standards.
- The Signatory chooses not to comply because a particular standard is deemed irrelevant to the firm.
- The Signatory chooses not to comply because a particular policy or a procedure recommended in the Standards has not been adopted by the Signatory yet or it has implemented it differently from what is recommended in the Standards.

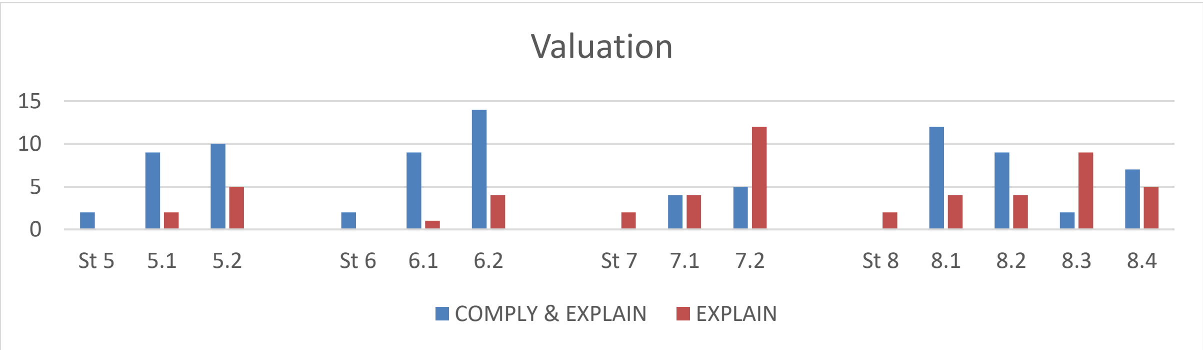
The Valuation section triggered proportionally more explanations, which appears to reflect the high complexity of, and large variety of approaches in, this area.

An area of particular interest is conflicts of interest when performing asset valuation. The Standards in this section recommend that valuation arrangements should be put in place that mitigate conflicts of interest in relation to asset valuation. The explanations provided by the Signatories in this section fall into four categories:

- Valuation is performed by 3rd party service providers only.
- Valuation is performed partially by 3rd party service providers, as the fund administrator may not have the required expertise to value certain types of securities.
- Valuation is performed in-house only because the securities that the firm's funds trade are generally OTC securities and require market specific knowledge, BUT, the firm obtains as many 3rd party prices on a security as possible to ensure that a security is fairly marked.
- Valuation is performed both by 3rd party service providers and in-house for comparison purposes. In addition, Level I & II assets are valued in-house due to size, structure of funds and costs. However, it should be noted that all of the above explanations are disclosed by the signatories to their investors via the disclosure statements.

The Standards also recommend that another way of mitigating conflicts of interest in asset valuation (whether by performing valuations in-house or providing final prices to a valuation service provider) is segregation of the valuation function from portfolio management. The methods used by the signatories here range from complete segregation of the valuation function from portfolio management to partial segregation and full involvement of the portfolio management function in the asset valuation process. Again, in every case variations from the Standards are disclosed to investors with appropriate details and reasoning.

Frequency of explanations by Standards (Valuation section)



Risk Management

Risk management, while being the largest section by the number of Standards, triggered proportionally fewer explanations compared to smaller sections, such as Valuation or Disclosure. This perhaps reflects a more qualitative and principle (concept)-based character of the areas covered by the Risk Management section. It should be noted that 83% of the explanations provided on Risk Management were done on a comply-***and***-explain basis, while the standard HFSB approach is comply-***or***-explain. The Risk Management section focuses on risk framework, portfolio risk, liquidity risk management, control processes, operational risk and outsourcing risk. The Standards recommend that a manager should put in place a risk framework, which sets out its approach to risk management and the governance structure for its risk management activities. Some signatories explain that they do not have a single risk framework but, rather, use various approaches to different types of risk.

Within the same group of Standards on risk framework, it is recommended that a hedge fund manager should explain its approach to managing risk (its risk framework) to the fund governing body. Such risk framework should be explained, to the appropriate extent, in the fund's offering documents. The signatories here use a variety of approaches to disclosing their risk framework. While some of the signatories follow the recommendations of the Standards and disclose it via the fund's offering documents, others choose to disclose via their DDQs, general risk management presentations, transparency reports, risk reports, risk management summaries included in confidential memos etc. There was also a very small group of signatories who chose not to disclose their risk framework in the fund's offering documents due to confidentiality and proprietary reasons.

The Standards require managers to create a written Risk Policy Document, which sets out the responsibilities and procedures to be employed by the hedge fund manager's risk monitoring function. The explanations in this area indicate that there is no single approach to dealing with risk policy documents. The list below includes some of the approaches used by signatories:

- A comprehensive risk framework in place
- No single comprehensive risk policy document but provision of risk reports by the risk management committee
- Risk-related information is distributed via an operational framework to portfolio managers and operational staff
- No central risk policy document, but the firm's risk management framework and logic are hardcoded in their systematised investment process
- No formal written policy document, but "Informal" procedures are followed, including a financial risk management subcommittee

- Risk management procedures are provided in appropriate offering memoranda, prospectuses, supplements and disclosure documents.

A particularly important area worth noting is liquidity risk management, where the Standards recommend that a hedge fund manager should develop a liquidity management framework, the primary role of which is to limit the risk that the liquidity profile of the fund's investments does not align with the fund's obligations. Here the signatories' approaches are:

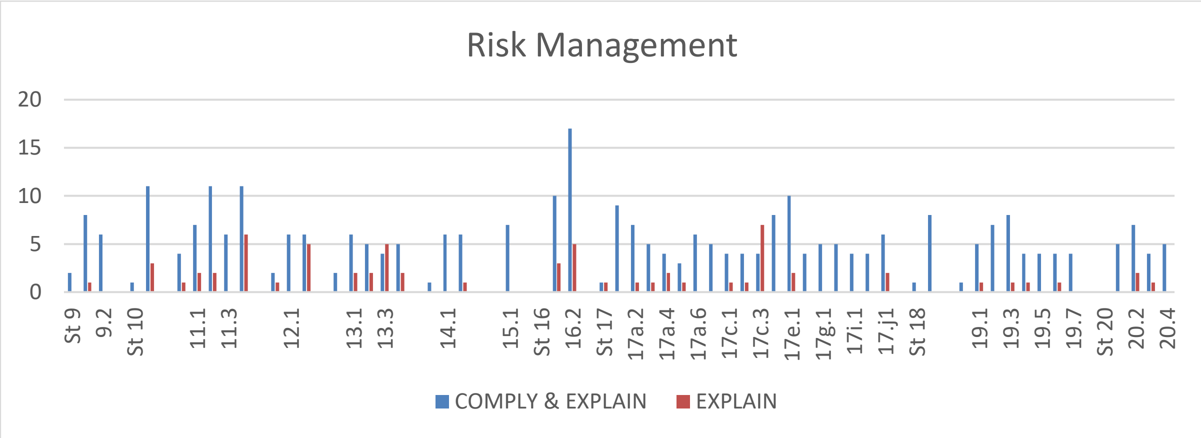
- Liquidity risk is monitored on a position-by-position basis
- No liquidity risk framework exists because the signatory generally invests in (highly) liquid products
- The signatory established liquidity pools to cover a substantial portion of the fund's net asset value in order to provide liquidity in the event of a severe market dislocation.

A fair number of signatories explained in great detail how they manage their liquidity.

The same Standard also recommends that a hedge fund manager regularly should conduct stress-testing and scenario analysis of the fund's liquidity position. Most of the signatories conduct regular stress- testing; however, examples for explanations provided in this area are:

- Weekly analysis of liquidity but no systematic operational liquidity stress tests with respect to collateral management or cancellation of credit lines
- Daily margin reports, weekly fund flows reports, portfolio & stress testing reports for the Risk Committee meeting
- Reasons for not conducting regular liquidity stress tests include (a) fund does not trade illiquid or hard-to-value assets and all assets held are Level I and anticipated to be liquidated in one day; (b) limited use of leverage and use of multiple credit sources; (c) funds' liquidity pools provide adequate liquidity to meet the fund's obligations even in the event of a severe market dislocation.
- The signatory monitors any allocation to less liquid investment products and limits the size of this portfolio.

Frequency of explanations by Standards (Risk Management section)



Fund Governance

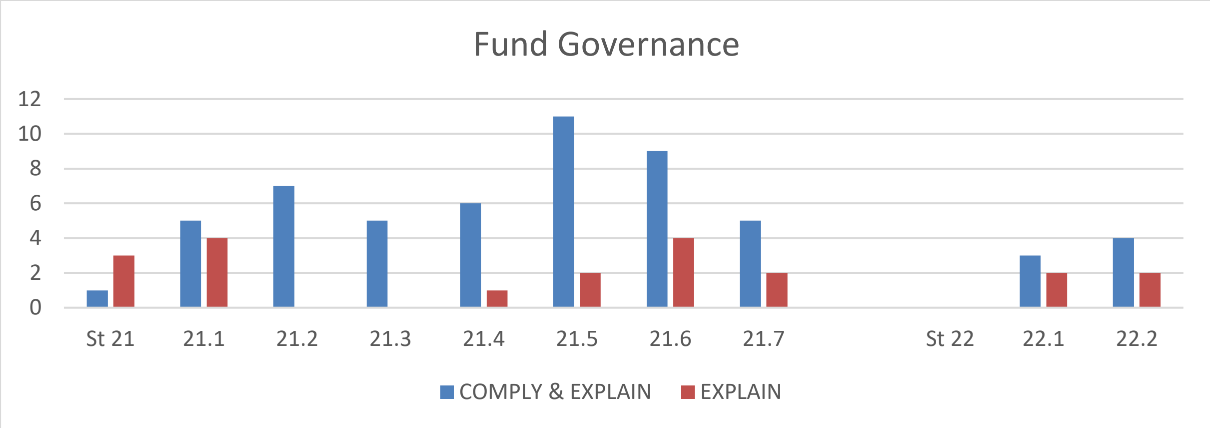
The Fund Governance section of the Standards focuses on putting in place a suitable fund governance structure to deal with potential conflicts of interest. Most of the signatories complied with these Standards; however, a small portion of the signatories provided the following explanations:

- some funds are limited partnerships and do not have a fund governing body;
- no board was created due to the size of the fund; and
- the firm organises its funds in a master-feeder structure, where offshore funds invest in a Cayman island company, US investors invest in an LLC. Each of the Cayman companies is overseen by an independent board of directors.

The signatories also all comply with the recommendation that in those cases where a majority of the individual members of the fund governing body are not independent of the manager or where there is no fund governing body, actions such as material adverse changes to the fees and expenses or the redemption rights available to investors, should only be taken with investor consent or if advance notice is provided sufficient for investors to redeem.

The final standards of this section recommend that the details of the fund governance structure and the existence of any class of shares which are held only by the manager and which carry voting rights affecting any aspect of decision-making in respect of the fund should be disclosed in the fund’s offering documents. Most signatories disclose the above in their fund's offering documents with the biographies of each director included in the prospectus.

Frequency of explanations by Standards (Fund Governance section)



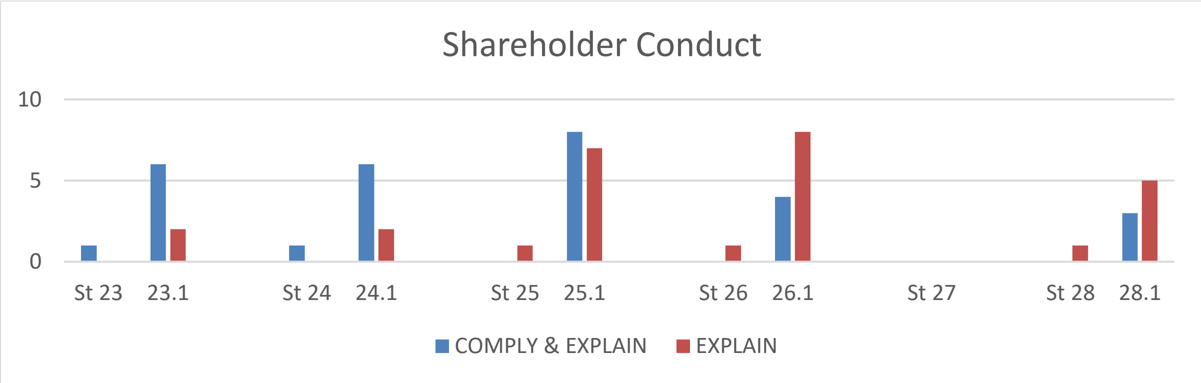
Shareholder Conduct

The Shareholder Conduct section focuses on promoting behaviours and practices that contribute to market integrity and shareholder engagement. Specifically, the section covers prevention of market abuse, proxy voting and borrowing stock (to vote). All signatories comply with the standards where they are expected to have internal compliance arrangements in place to detect and prevent breaches of market abuse laws and regulations. As for proxy voting, where the manager is expected to have a proxy voting policy which allows investors to evaluate the general approach the manager takes towards proxy voting, some signatories provided the following explanations:

- These standards are not relevant to them because they do not invest in equities.
- A proxy voting process will be put in place when asset levels allow it to be outsourced to a specialist service provider.
- Proxy voting policy is included in the compliance manual.
- Have the policy but have not made available to investee companies.
- Do not have a formal proxy voting policy document outlining their policies in respect of shareholder conduct and proxy voting. Also do not generally participate in voting.

In terms of borrowing stock to vote, where the standards recommend that the manager should not borrow stock in order to vote, the signatories explained that they neither borrowed stock to vote nor is it in their mandate to do so.

Frequency of explanations by Standards (Shareholder Conduction section)



Conclusions

The analysis above highlights the diversity of practices in the industry, reflecting the wide variety of strategies managers pursue in different jurisdictions and demonstrating that there is often no "uniform" way of doing things. This analysis also shows the suitability of the "comply or explain" mechanism that crystallises relevant disclosures and allows investors to make well-informed investment decision.

The HFSB will continue collecting data for this project to see how the trends are changing among the signatories. This analysis also will enable an understanding of which standards need to be revisited and updated.

6. What's Next

A key priority of the HFSB is to increase the adoption of the Standards among managers and support for the Standards among investors, particularly in the US and Asia Pacific regions, since the positive impact of the Standards increases as the level of adoption grows. The Board, as well as signatories and Investor Chapter members, are committed to this critical initiative and expect to see strong continued progress in this area.

We also will focus on a number of other important initiatives:

- HFSB Toolbox Guidance: working group to explore how the Standards can apply to liquid alts (initially) and across a wider range of alternative managers and strategies in due course
- Expansion of the HFSB Institutional Investor Roundtable Series to new financial centres, including Tokyo and Seoul
- Enhanced collaboration with securities regulators via IOSCO: dedicated workshops on topics such as cyber security, liquidity risk management, conflicts of interest and leverage.

Appendix I: HFSB Board of Trustees

Dame Amelia Fawcett, D.B.E.

Chairman, HFSB

Dame Amelia Fawcett was appointed Chairman of the Hedge Fund Standards Board on 1 July 2011. Dame Amelia is also Deputy Chairman of Kinnevik AB in Stockholm; a Non-Executive Director of State Street Corporation in Boston, Massachusetts, where she chairs the Risk Committee and a Non-Executive Director of HM Treasury (the UK's Ministry of Finance). Dame Amelia was Chairman of the Guardian Media Group plc from 2009 – 2013 (and a Non-Executive Director from 2007 – 2009). Between 2007 and 2010, she was Chairman of Pensions First, a financial services and systems solutions business, which she helped set up. From 1987 – 2007 she worked for Morgan Stanley, first as an executive and then in a non-executive role. She started her career at the US law firm of Sullivan and Cromwell, first in New York then in Paris. She joined Morgan Stanley in London in 1987, taking on a wide range of roles over many years. In 2002 she was appointed Vice Chairman and Chief Operating Officer and was a member of the European Management Committee and the Board of Directors of the Firm’s major European operating companies.

Dame Amelia is a Governor of London Business School, Chairman of The Prince of Wales’s Charitable Foundation and a Trustee of Project HOPE UK.

Dame Amelia was appointed a Dame Commander of the British Empire in the 2010 Queen’s Birthday Honours List for services to the financial services industry, in addition to being awarded the CBE in 2002, also for services to the financial industry. She received The Prince of Wales’s Ambassador Award in 2004. Dame Amelia, a British and American citizen, has a degree in History from Wellesley (BA 1978) and a law degree from the University of Virginia (JD 1983). She was admitted to the New York Bar in 1984.

Jane Buchan

CEO, PAAMCO

Jane is CEO at Pacific Alternative Asset Management Company, an investment management firm based in Irvine, CA with offices in London and Singapore. As CEO, Jane is responsible for overall business strategy and firm direction. She began her career at J.P. Morgan Investment Management in the Capital Markets Group. She has also been an Assistant Professor of Finance at the Amos Tuck School of Business at Dartmouth.

Jane currently serves as Director as well as Chairwoman of the Board for the Chartered Alternative Investment Analyst Association (CAIA). She also serves as a Director and Chair of Governance and Nominating for the Torchmark Corporation (TMK). Jane serves as a Trustee for Reed College in Portland, Oregon as well as the University of California Irvine Foundation. She is a member of the Investment Committees for both organizations. She is also a member of the Advisory Board for the Master of Financial Engineering Program at University of California Los Angeles Anderson School of Management. Additionally she serves as an Associate Editor for the Journal of Alternative Investments. Jane is a founding Angel for 100 Women in Hedge Funds.

Jane is a guest on CNBC and Bloomberg television as well as a regular contributor to both the business and investment press. She participates in many industry conferences as a moderator, panellist and keynote speaker. Jane holds both a PhD and an MA in Business Economics (Finance) from Harvard University. She earned a BA in Economics from Yale University.

Jane and her husband, Jim Driscoll, reside in Corona del Mar California.

Clint Carlson[3]

President & CIO, Carlson Capital

Mr. Carlson founded Carlson Capital in 1993. For five years prior, he was head of risk arbitrage for the investment arm of the Bass Brothers organization. Before joining the Bass organization, Mr. Carlson co-managed a risk arbitrage fund for Maxxam Group and affiliated companies. Mr. Carlson received a B.A. and an M.B.A. from Rice University and a law degree from the University of Houston. He is a Board Member of the Rice Management Company and a member of the Board of Overseers for the Jones School of Business at Rice University.

Bruce H. Cundick

Chief Investment Officer, Utah Retirement Systems

[3] Elected to the Board on 19 April 2016

Bruce H. Cundick is the Utah Retirement Systems' Chief Investment Officer. He is responsible for directing the overall operations of the Investment Department. He manages all aspects of investment functions for all plans. The Utah Retirement Systems is a $27 billion state pension fund.

Bruce graduated Magna cum laude from the University of Utah with a Bachelor of Arts degree in Accounting and Master of Business Administration Degree. Bruce is a Chartered Financial Analyst (CFA) and a Certified Public Accountant (CPA).

He has been with the Utah Retirement Systems for fourteen years. During the previous fourteen years, Bruce was the Chief Financial Officer and Chief Investment Officer at Beneficial Life Insurance Company where he directed $2 billion portfolio of fixed income, mortgage-backed and equity securities. Prior to that, he held the position of President and Chief Executive Officer at Deseret Federal Savings and Loan.

He has also taught at the University of Utah for over 30 years. He was an adjunct professor and has taught part-time as an associate instructor of Business Finance and Investments in the University's Masters of Science and Technology program.

He has held Board positions in trucking, mortgage banking, real estate development, savings & loan and property and casualty insurance companies. He currently sits on the Benefits Finance Committee of the Board of Directors for Intermountain Health Care and the Investment Advisory Committee for the University of Utah Endowment.

Luke Ellis[4]

Chief Executive Officer, Man Group plc

Luke Ellis is CEO of Man Group plc ("Man") based in London. Luke was previously President of Man, having joined the firm in 2010, and had been a member of the Executive Committee. Before joining Man, he was Non-Executive Chairman of GLG's Multi-Manager activities. Prior to this, he was Managing Director of FRM from 1998 to 2008 and one of two partners running the business. Before joining FRM, he was a Managing Director at JPMorgan in London, and as Global Head was responsible for building the firm's Global Equity Derivatives and Equity Proprietary trading business. Mr. Ellis holds a BSc (Hons) in Mathematics and Economics from Bristol University.

[4] Elected to the Board on 8 September 2016

David George

Head of Debt & Alternatives, Future Fund Australia

David George is the Head of Debt & Alternatives at the Future Fund, based in Melbourne, Australia. David joined the Future Fund in April 2008 and leads a team responsible for strategy development and implementation of the debt, cash and public market alternative investment programs for the Future Fund, Medical Research Future Fund, Disability Care Australia Fund, Building Australia Fund and Education Investment Fund. David is a member of the firm Investment Committee as well as the Manager Review Committee.

Prior to joining the Future Fund, David was a Principal at Mercer Investment Consulting in Sydney focused on researching managers in the fixed income and alternatives areas. Previously he has held management and analytical roles at Mercer in Toronto, the Royal Bank of Canada and Integra Capital Management. David sits on the Board of the CAIA Association. David earned a BA in Economics from Western University and is a CFA and CAIA charter holder.

Chris Gradel

Founder, PAG

Chris Gradel is the Founder of PAG, one of Asia's largest alternative investment firms with over USD11 billion under management. At PAG he acts as CIO of its absolute return strategies, which includes managing PAG's multi-strategy hedge fund, as well as a number of credit funds.

Chris has spent 19 years in the Asia Pacific region. Prior to founding PAG in 2002, he led several investments in China for the Marmon Group. This included the buy-out and turnaround of a Chinese State-owned manufacturing company in 1996. Chris also worked as an Engagement Manager for McKinsey and Company, working with clients across the Asia Pacific region.

Chris graduated from New College, Oxford, with an MEng in Engineering, Economics and Management.

Kathryn Graham

Head of Strategy Coordination, Universities Superannuation Scheme Ltd (USS)

Kathryn is Head of Strategy Coordination at Universities Superannuation Scheme Ltd (USS), which operates one of the largest pension schemes in the UK, with total fund assets of over £40 billion. She is a former Director and Head of Special Projects at BT Pension Scheme Management Limited (BTPSM), the pensions advisory arm of the BT Pension Scheme, one of the largest in the UK.

Kathryn spent nine years at BTPSM establishing a new team mandated to invest directly into single manager hedge funds before taking responsibility for Manager Selection across the BT Scheme. Latterly she worked for the BTPSM CEO, setting up a team tasked with managing liability risk and undertaking various projects related to scheme strategy.

Kathryn's career began at SG Warburg in 1994 in fixed income derivatives and she has also worked at UBS and Progressive Alternative Investments before joining BTPSM. She was educated at Edinburgh University, where she was awarded an MA in Economics and Mathematics. Kathryn is a Trustee of the Hedge Fund Standards Board and a member of the London Board of 100 Women in Hedge Funds.

Henry Kenner[5]

Founding Partner & CEO, Arrowgrass Capital Partners LLP

Henry Kenner is a Founding Partner & CEO of Arrowgrass Capital Partners LLP. Prior to founding Arrowgrass, Mr. Kenner served as a Managing Director at Deutsche Bank where he worked latterly in the Proprietary Trading Team having previously been a member of the convertible bond trading team. He has also worked as a Managing Director at Swiss Re Capital Management and was previously Managing Director and Co-Head of equity derivatives at ABN Amro.

George Robinson

Co-Founder, 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.

[5] Elected to the Board on 8 September 2016

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 250+ clients have over $350 billion invested in alternatives. Albourne received the Queen's Award for Enterprise in 2006 and 2009. Simon Ruddick received Lifetime Achievement Awards from Global Custodian in 2010 and from HFR in 2012, along with the International Leadership Award from the American Red Cross. Also in 2012, Albourne was ranked 1st in HFM Week's Investor Power 30.

Simon Ruddick previously managed a hedge fund and worked at Bankers Trust, Morgan Grenfell and Daiwa Securities. Simon Ruddick holds an MA in PPE from Trinity College, Oxford.

Dan H. Stern

Co-Founder and Co-CEO, Reservoir Capital Group

Dan Stern co-founded Reservoir Capital Group in 1998. Prior to founding Reservoir, Mr. Stern co-founded and was President of Ziff Brothers Investments, and served as a Managing Director of William A.M. Burden & Co., and an Associate at Bass Brothers Enterprises in Fort Worth, Texas. Mr. Stern has participated in the formation and development of numerous investment management entities, including HBK Investments, Och-Ziff Capital Management, Starwood Capital, Ellington Capital Management, and Anchorage Advisors, among others. He is the President of the Lincoln Center Film Society and serves as a Trustee of Lincoln Center, the Mt. Sinai Medical Center, and the Educational Broadcasting Corporation (PBS Channel 13 New York). Mr. Stern received an A.B. from Harvard College and an M.B.A. from Harvard Graduate School of Business.

Betty Tay[6]

MD, Head of External Managers Department, GIC Private Limited

Betty is Managing Director, Head of External Managers Department in GIC. In her current capacity, Betty oversees the day-to-day activities of the External Managers Department, including portfolio

[6] Elected to the Board on 19 April 2016

management for all of GIC's public market external managers programs, manager selection and monitoring, operations and administration for the department. In addition, Betty is a member of GIC's Business Continuity Plan Steering Committee.

Betty joined GIC in July 1999 as a Senior Portfolio Manager. She served as a Portfolio Manager within the Emerging Markets Group from 1999 to 2002. In this capacity, Betty was posted to GIC's London office, and was instrumental in developing portfolio management expertise in non-Asia emerging markets. In 2002, Betty joined the External Managers Group.

Betty has over 20 years of experience in international financial markets including trading functions across various products in local and international financial institutions. She began her career as a proprietary trader with the Development Bank of Singapore (DBS). Prior to joining GIC, Betty spent 6 years as a Principal at Bankers Trust Company (Singapore). She served as the Head of the Foreign Exchange Forwards Division and managed the firm's balance sheet in Singapore.

Betty graduated from the National University of Singapore in 1991 with a BSc in Mathematics. She also holds both Chartered Financial Analyst (CFA) and Chartered Alternative Investment Analyst (CAIA) designations. She completed the Stanford Executive Program in August 2014. Betty is a member of the Investment Advisory Committee for the Lee Kuan Yew Fund for Bilingualism Limited.

Mario Therrien

Senior VP, External Portfolio Management, Public Markets, Caisse de dépôt et placement du Québec

Mario Therrien manages the team responsible for investments in hedge funds and external funds in public markets. 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 Vice-President of Varan Tactical Asset Management, a fund specializing in global tactical investments, until 2002. Prior to his latest appointment, he served successively as Vice-President, Fund of Hedge Funds, Absolute Return, and as Senior Vice-President, Fund Management, Private Equity, in charge of investing in venture capital, information technology and life science funds, leveraged buyout funds and hedge funds.

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.

Dale West

Senior Managing Director, Teacher Retirement System of Texas

Dale West is the Senior Managing Director of External Public Markets at the Teacher Retirement System of Texas in Austin, Texas. TRS is a $130 billion pension system serving 1.4 million active and retired educators and their families. Dale's team oversees the Trust's $39 billion portfolio of externally managed public market assets, including $27 billion in traditional long-oriented equities and $11 billion in hedge funds. Dale serves on the TRS Internal Investment Committee and Management Committee. He is a member and past board member of the Texas Hedge Fund Association.

Prior to joining TRS, Dale was based in London with the emerging markets equity team of T. Rowe Price International, where he covered telecoms and emerging markets. He also served in the U.S. Foreign Service, including a three-year posting to the American embassy in Bucharest, Romania.

Dale received an MBA from Stanford University, and is a graduate of the Plan II Honors Program at the University of Texas at Austin.

Poul Winslow

MDF, Head of Thematic Investing and External Portfolio Management,

Canada Pension Plan Investment Board

At CPPIB, Poul Winslow leads the team responsible for selecting and managing relationships with external managers across a wide range of active mandates. He has more than 25 years of experience in the financial services industry. Prior to joining the CPPIB, Poul had several management and investment roles at Nordea Investment Management. He was also Chief Investment Officer of Andra AP-fonden (AP2) within Sweden's national pension plan system.

Poul obtained his undergraduate and Master’s degree in Economics and Management from Aarhus University in Denmark.

Sir Andrew Large

Advisor to the HFSB

Sir Andrew Large was Deputy Governor of the Bank of England from 2002 to 2006. He now acts independently for central banks and governments in relation to financial stability and crisis prevention issues. He is also Chairman of the Senior Advisory Board of Oliver Wyman; Senior Adviser to Hedge Fund Standards Board; Chairman of the Advisory Committee of Marshall Wace, and Chairman of the Board Risk Committee of Axis, Bermuda.

Sir Andrew's career has covered a wide range of senior positions in the world of global finance, within both the private and public sectors. Sir Andrew spent twenty years in capital markets and investment banking, first with Orion Bank and then with Swiss Bank Corporation, on its Management Board from 1987-1989. Prior to his time at the Bank of England he chaired the Securities and Investments Board (precursor of the FSA) 1992-1997 and Deputy Chairman of Barclays Group from 1998-2002.When at Barclays, Sir Andrew was Chairman of Euroclear in Brussels. Concurrently he served on the Managing Director of the IMF's Capital Markets Consultative Group 1999-2002, and chaired for the Group of 30 a global report into strengthening the global financial infrastructure for clearing and settlement. Sir Andrew chaired the Hedge Fund Working Group, that created the original standards and was the first Chairman Of the Hedge Fund Standards Board.

Sir Andrew has a keen interest in education; he is the Chairman of the INSEAD Advisory Council and was a member of the INSEAD Board 1998-2010.

Anthony Lim resigned as a Trustee in July 2016

Manny Roman resigned as a Trustee in August 2016

Sir Paul Marshall resigned as a Trustee in October 2016

Tom Dunn resigned as a Trustee in February 2017

Appendix II: Overview of HFSB Accounts

	Year to 31 Jan 2017 £	Year to 31 Jan 2016 £	Year to 31 Jan 2015 £	Year to 31 Jan 2014 £	Year to 31 Jan 2013 £	Year to 31 Jan 2012 £	Year to 31 Jan 2011 £	Year to 31 Jan 2010 £	Year to 31 Jan 2009 £
TURNOVER	1,142,172	1,190,717	1,142,605	1,041,897	905,075	862,113	784,645	898,167	602,509
Admin expenses	(1,126,307)	(1,103,384)	(1,075,186)	(997,242)	(886,120)	(845,170)	(956,465)	(829,487)	(602,365)
LOSS/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	15,865	87,348	67,419	44,655	18,955	16,943	(172,206)	68,680	144
Tax on loss/profit on ordinary activities	(4,425)	(19,322)	(15,825)	(3,262)	13	-	15,102	(14,516)	(599)
LOSS/PROFIT FOR THE FINANCIAL YEAR	11,491	68,026	51,594	41,393	18,968	16,943	(157,104)	54,197	909

All activities derive from continuing operations.

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