

Perspectives+

a publication of LaCrosse Global Fund Services

September 2009

+ Bogotá + Buenos Aires + Caracas + Istanbul + London + Minneapolis + Moscow + New York + São Paulo + Singapore

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The benefits of outsourcing: How to establish investor confidence while cutting costs

Investor consciousness is affecting the structure of hedge funds and the industry that supports them

After a period marked by unprecedented declines in alternative assets under management, institutional and private investors are now scrutinizing funds' operational support infrastructures more closely than ever as they begin to return to the sector. Consequently, many fund managers are seeking out platforms that can provide institutional strength support to enhance their operational model. In doing so, many are deciding that fund administrators who can provide such a platform, such as LaCrosse, can also reduce costs and shift operations to a variable cost structure.

Investors are increasingly concerned with pricing transparency and independence. Distinct separation between individuals responsible

for valuation and the investment process has become a requirement for institutional investors. Valuation by independent administrators guarantees that investment making and pricing responsibilities are segregated. Even when pricing services are used, administrators can ensure that trades sent to independent valuation service providers are an accurate reflection of the fund's positions, a further comfort to investors.

Spreading the risk

One service offered by operating platforms like LaCrosse in particular is receiving attention: cash and collateral management. Fund managers are choosing to diminish counterparty risk by distributing positions and cash balances among several prime brokers. *(continued on page two)*

LaCrosse achieves "Top Rated" status in 2009 Global Custodian survey

Annual survey gives LaCrosse highest rating for funds over \$100 million in AUM

For the third consecutive year, LaCrosse Global Fund Services had an impressive showing in Global Custodian's Hedge Fund Administration Survey. In the 2009 edition, released last month, LaCrosse received "Top Rated" status for funds between \$100mm and \$1bn in AUM and for funds over \$1bn.

The accompanying write-up specifically praises LaCrosse's "extensive market and product knowledge." Client respondents also cited its ability to "cope with multiple asset classes and multiple geographies, including emerging markets," its "deep knowledge of multiple market nuances in Europe," and "ability to meet tight month-end deadlines."

When compared to the other firms LaCrosse competes with most directly - those that also offer full operations and middle-office services - LaCrosse not only scored significantly higher than these firms in the overall "Global" category but also scored significantly higher in three *(continued on page two)*

...Outsourcing (continued from page 1)

OTC derivative intermediary agreements are now much more difficult and expensive to obtain. Some platforms like LaCrosse can actively manage collateral balances and minimize excess collateral with OTC counterparties and prime brokers. This serves a dual benefit of reducing counterparty risk and ensuring investor capital is used for its chief purpose of financing additional transactions.

Daily reconciliations performed by administrators can also relax the resource burden of additional prime brokerage or counterparty relationships. Reconciliations ensure that a fund's trading information matches what is claimed by the market, that the books and records are correct, that P&L is not over- or under-stated and that settlement risk is reduced where possible. +

A quality operating platform can aggregate reconciled prime broker and counterparty reports into a single view. A fund manager only needs to look at one set of reports to review all traded positions, unconfirmed trades and daily collateral calls. The platform can play a multi-faceted role, acting as a single data storage centre and reducing operational risk. +

Changing Fund Structures

An uptick in demand for managed accounts and UCITs funds has been amplified by increased investor awareness. These structures are perceived by the investment community to command greater transparency than traditional hedge fund structures. Managed account structures often have unique operational requirements that a fund may not be resourced appropriately to accommodate. The specific requirements of a managed account structure should be captured during the boarding process and incorporated into any service level agreement. The day-to-day ongoing client servicing should be doubly focused around the needs of the investor and the investment manager. For more information on managed accounts, click [here](#). +

Investor consciousness is affecting the structure of the hedge fund industry as well as the support infrastructure. Independent administrators with strong global services like LaCrosse have the ability to help mid-sized fund managers achieve economies of scale for a large range of asset classes, while also supplying high levels of operational expertise in specialist areas. These kinds of services can help a fund manager to cut costs and develop a robust infrastructure capable of evolving with dynamic industry changes, all while standing up to the most rigorous investor's due diligence.

...Global Custodian (continued from page 1)

key service areas: "fund accounting", "investor services", and "middle office services". LaCrosse also ranks much higher than these competitors in both "client services" and "value."

LaCrosse would like to thank its clients for their continued support and promises to continue to improve on its offerings and services. In addition, LaCrosse commits to its prospective clients - and those in the hedge fund community who provide referrals - that they will never be disappointed in their decision to select or recommend LaCrosse for any operations or administration services.

Please visit our website at www.lacrosseglobal.com for more information.

LaCrosse in the News

A roundup of news stories and press coverage on LaCrosse Global Fund Services. Click on the links below to open the articles in your web browser.

- + + Sept. 25, 2009 **International Custody and Fund Administration** "Premium Reporting" Co-CEO Chris Kundro comments on the valuation process and the need for independent administration.
- + + Sept. 18, 2009 **Ignites Europe** Co-CEO Stuart Feffer discusses the benefits of choosing a boutique administrator over a larger firm.
- + + Sept. 15, 2009 **MarketsMedia.com** "Bank Debt: Operational Challenges in a Profitable Market" Written by Margaret Qamoos, Senior Analyst, Operations, this article looks at the operational issues and challenges unique to the secondary loan market.
- + + Sept. 1, 2009 **Hedge Funds Review** "Finding the right partner" Diamond Notch CFO Steve DiNunzio discusses the factors that went into selecting LaCrosse.
- + + Aug. 10, 2009 **The Hedge Fund Journal** LaCrosse Global Fund Services Completes SAS 70 Type I Certification.
- + + July 14, 2009 **FINalternatives** LaCrosse Global Fund Services to Provide Fund Administration Services to Noctua Asset Management's Alto Global Fund, Ltd.
- + + July 2, 2009 **Press Release** LaCrosse Global Fund Services to Provide Fund Administration Services to Tahan Capital Management Pte Ltd. (pdf)

About LaCrosse Global Fund Services

LaCrosse Global Fund Services is an independently managed subsidiary of Cargill, one of the largest privately held companies serving customers worldwide. With 10 global offices, LaCrosse can work closely with a fund's prime brokers and custodians to meet all of its operational and administrative needs. LaCrosse provides support for a wide range of strategies run by global portfolio managers, covering fixed income, distressed debt, structured credit, equities, currencies, commodities and a full range of related derivatives.

LaCrosse began as a spinout of the middle- and back-office operations that had supported Black River Asset Management and, prior to that, Cargill Global Capital Markets. Today it is an independently managed subsidiary of Cargill providing services to the alternative investment industry. For more information, visit www.lacrosseglobal.com.

To see a complete list of asset classes supported by LaCrosse Global Fund Services, please click [here](#).