

Perspectives+

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

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The economics of outsourcing

As funds increasingly look to reduce costs, more and more are looking to outsource middle and back office functions

With growth in the hedge fund industry continuing to slow, many fund managers have begun to look inward for ways to control their costs and ensure they are well positioned to weather what has become a challenging environment. This renewed emphasis on cost efficiency - a recent study by KPMG found that 45 percent of management fees typically go to covering the cost of middle and back office support - has many managers asking whether or not it still makes economic sense to keep these functions in-house.

Today's hedge fund manager requires quality support for less, particularly for those funds with a predominantly institutional client base. Ac-

cording to KPMG's research, funds catering to institutional investors have significantly higher operational costs than funds who deal mainly with high net worth individuals. These funds spend an average of 19 percent of total management fee income directly on the cost of operational support, not including back office or other middle office functions. With an eye-opening 10 percent of firms unable to cover these costs with management fees, fund managers can be expected to turn with increasing frequency to outsourcing to providers like LaCrosse, which offers a full range of middle office and operational support as part of its *LaCrosseMBO+*™ service. *(continued on page three)*

Hedge Funds lend a helping hand

LaCrosse and Hedge Funds for Habitat - NYC hold second build day to raise money and build affordable homes in Brooklyn

Brooklyn, NY – As part of an ongoing fund-raising and awareness-building campaign, LaCrosse Global Fund Services joined forces with Habitat for Humanity – New York City to hold a second Hedge Funds for Habitat-NYC Build Day on Sept. 19 at Habitat-NYC's affordable residential complex in Brooklyn.

LaCrosse worked with Habitat-NYC to bring together more than 30 volunteers from the alternative investment community, who provided "a hand up, not a hand out" to 41 hard-working, low-income New York City families. Volunteer builders donated their time and money to help in construction, and built alongside their peers and the families who are in the process of becoming first-time home owners. The tax-deductible donations generated for the Build Day will help cover construction costs and enable Habitat-NYC to complete the project by September 2009. *(continued on page two)*



LaCrosse co-CEO Stuart Feffer (L) and Habitat for Humanity - NYC Executive Director Josh Lockwood help cut drywall.

...Hedge Funds for Habitat - NYC (continued from page 1)

"I can think of no better way to maximize our return on investment in human capital than by joining with Habitat for Humanity – New York City to build affordable homes for families in need," said Stuart Feffer, champion of Hedge Funds for Habitat-NYC and co-chief executive officer of LaCrosse Global Fund Services. "As the financial industry continues to experience its own set of challenges, it is essential to realize there are always those who need a 'hand up'," said Feffer.

"Our future homeowners join us in thanking the alternative investment community for giving both muscle and money in support of affordable homes," said Josh Lockwood, executive director of Habitat-NYC. "Supporters of Hedge Funds for Habitat-NYC understand how important it is to invest in the human capital of our city by ensuring that all New Yorkers have decent and affordable homes."

Jen Santanelli, who works in technology with Maverick Capital, was among the construction volunteers. "This is very inspiring, knowing that you're building a home—a haven—for someone."

Barry Lippe, a financial investment analyst with N.I.R. Group, put his day job aside to hang drywall and install insulation. "This is for a good cause, and you get to see the results of your work at the end of the day," he said.

Companies that participated in the build include LaCrosse Global Fund Services, Avenue Capital, Deloitte & Touche, Maverick Capital, N.I.R. Group, PW Partners and Wealth Management magazine.

Habitat-NYC's Atlantic Avenue complex is the largest multifamily Habitat project in the world, an innovative complex of affordable, environmentally-friendly condo homes. It will meet LEED green building certification.

To volunteer, or for more information on Hedge Funds for Habitat-NYC, call James Andrews at 212-991-4000 x 330, or e-mail jandrews@habitatnyc.org.

Read more about Hedge Funds for Habitat-NYC at <http://habitatnyc.org/hedgefundsforhabitatnyc/>.

About Hedge Funds for Habitat-NYC

Hedge Funds for Habitat-NYC is an effort to provide hardworking New York City families with a once-in-a-lifetime homeownership opportunity through Habitat for Humanity - New York City. Championed by Stuart Feffer, co-chief executive officer of LaCrosse Global Fund Services, Hedge Funds for Habitat-NYC reaches out to supporters from hedge funds and private equity firms who recognize there are hardworking families in New York City living in unsafe and overcrowded conditions whose lives can be transformed with a Habitat home. The organization raises funds to build Habitat homes in New York City.

About Habitat for Humanity - New York City

Habitat-NYC transforms lives and our city by uniting all New Yorkers around the cause of decent, affordable housing. With the help of an average of 10,000 volunteers every year, Habitat-NYC has built more than 180 affordable homes in the five boroughs of New York City. Habitat-NYC is the New York City affiliate of Habitat for Humanity International.



...Economics

(continued from page 1)

The Economics of Middle and Back Office Outsourcing

Many fund managers underestimate the total cost of supporting a high-quality operational environment inside a fund management company. In addition to the costs of finding, hiring and compensating quality people, there are costs associated with systems, occupancy and the management bandwidth required for supervision and decision-making. Although this is true for funds with relatively simple needs, it is especially relevant for funds that trade complex assets, make extensive use of over-the-counter derivatives or operate in multiple locations.

The institutional investor community is looking for their alternative investment managers to deliver high-quality operational support from day one and to ensure that operational risk and control issues never become obstacles to returns or liquidity. As institutionally oriented fund managers become more attune to these concerns, they are turning increasingly to providers like LaCrosse to enable their growth by providing a high-quality, highly scalable and highly capable middle-office and operations capability.

Operational Support for About Half the Cost of Doing it Yourself

Once the total cost of building, maintaining and operating an infrastructure is taken into account, LaCrosse can typically provide operational support to a new or existing fund manager for approximately half the cost of doing it itself, with both higher quality and greater reliability.

Take the simple case of a manager with \$100 million in assets under management. The fund will require daily and ongoing support of P&L, break resolutions, etc. In order to effectively support the fund, let's assume two full-time middle office and operational support staff. Including salaries, benefits, insurance, incremental real estate, etc, costs can exceed \$300,000 per year or 30 basis points of total assets under management. Larger, more complex organizations will require sophisticated computational systems and more experienced personnel, adding to the overall cost of support.

Institutional-Quality Support in About a Quarter of the Time

The LaCrosse operations and middle-office service can usually be set up and ready to go for a new launch in the same time it takes to finalize fund documents. No need to locate personnel, acquire systems, develop operational policies and procedures, or conduct time-consuming integration.

Costs Scale as Needs Scale

By using an operations and middle-office service like LaCrosse, fund managers can avoid the need to create a costly, fixed-price infrastructure that may be outgrown or that may need to be rebuilt or duplicated as the management company grows and diversifies. LaCrosse already has global support offices in the U.S., Europe, Asia and Latin America and is able to support portfolio managers operating in multiple geographies.

Management Company Expense or Fund Expense?

Depending on the circumstances, many fund managers are able to charge the cost of some middle-office and operations activities as a fund expense, rather than carrying as an expense of the management company. LaCrosse can work with the fund's auditors and counsel to ensure that billing supports the financial arrangements allowed by fund documents and that all appropriate costs are recovered from the funds.

To learn more about LaCrosse Global Fund Services, visit www.lacrosseglobal.com or call +1.212.510.2954

LaCrosse scores well in annual survey

LaCrosse follows up 2007 performance with a strong showing in Global Custodian's 2008 Hedge Fund Administration Survey

After an impressive debut in the 2007 edition of Global Custodian's Hedge Fund Administration Survey, LaCrosse Global Fund Services followed up in 2008 with another strong performance, achieving "Commended" status in a number of categories and earning strong scores all around. The survey, published annually, includes responses from nearly 1,200 clients of 56 hedge fund administrators around the globe. It is intended to measure service quality and value in 12 categories including client service, fund accounting and middle office services, across a full range of fund characteristics such as size, strategy and location. +

Highlights of this year's results include LaCrosse's achievement of "Commended" status in the \$1 billion-plus, Multi-Strategy and Fund of Funds categories in its first year of eligibility. These rankings are even more impressive given that had it not been for Global Custodian's long standing rule preventing a shift of more than one rating per year, LaCrosse would have achieved "Top Rated" status in these categories. LaCrosse also scored very well in both Client Service and Investor Services, where it received its highest scores. This is a testament to LaCrosse's commitment to provide a "high-touch" service to clients and a real alternative to the rigid, "one-size-fits-all" approach offered by the rest of the industry. Scores were also strong in the Middle Office Services, Compliance and Taxation, and Corporate Administration categories. +

One other highlight of note was LaCrosse's main North American processing and client service hub, located in Minneapolis. This location (one of LaCrosse's 10 offices around the globe) also achieved "Commended" status in the Locations Ratings category in its first year of eligibility (again, "Top Rated" if not for Global Custodian's rule). +

LaCrosse Global Fund Services is looking forward to 2009 and the opportunity to build upon these scores, and would like to recognize those at LaCrosse who have worked so diligently to deliver these scores and build the business around the globe.



Save the date.



9th Annual Builder Awards November 11, 2008

On November 11, 2008, Habitat for Humanity - NYC is hosting its annual Builders Award Gala in Manhattan to raise funds for this worthy cause.

Hedge Funds for Habitat - NYC, a coalition of firms and individuals in the alternative space, is supporting Habitat for Humanity - NYC as it provides "a hand up, not a hand out" to low-income families in need.

The honorary chair for the evening is Susan Sarandon, and honorees include JPMorgan and a family partner of the year. Hedge Funds for Habitat - NYC encourages you to attend this remarkable event, and help make this Habitat for Humanity - NYC's biggest night ever!

The 9th Annual Builder Awards
Tuesday, November 11, 2008
Capitale
130 Bowery at Grand Street

For more information or to RSVP, call 212.991.4000 ext. 330 or email jandrews@habitatnyc.org.

Click [here](#) to view the invitation.
Click [here](#) to view the response card.

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.

- + Oct. 1, 2008 **AltAssets.net** "Will your fund be ready when (distressed) opportunity knocks?" By Renee Kessler, Senior Manager, Investor Reporting for LaCrosse on AltAssets.net.
- + Sept. 26, 2008 **HedgeFund.net** "Habitat Attracts Hedge Fund Builders" A look at the September 19, Hedge Funds for Habitat - NYC build day held in Brooklyn
- + Sept. 24, 2008 **AltAssets.net** "Till death do us part?" By Don Murphy, Head of Global Client Service for LaCrosse on AltAssets.net.
- + Sept. 18, 2008 **Global Custodian** LaCrosse follows up 2007 performance with a strong showing in Global Custodian's 2008 Hedge Fund Administration Survey (pdf) .
- + Sept. 9, 2008 **The Latin Business Chronicle** "LatAm: Starting a Hedge Fund " Article by Gustavo Rodriguez Ponti, head of LaCrosse's Latin American operations for the Latin Business Chronicle.
- + Sept. 3, 2008 **Press Release** Hedge Funds for Habitat-NYC to build affordable homes for low-income NYC families (pdf).
- + July/Aug, 2008 **The Hedge Fund Journal** "LaCrosse Global Fund Services" A profile of LaCrosse and co-CEO's Stuart Feffer and Chris Kundro
- + July 22, 2008 **Global Custodian** "The Hedge Fund Low" LaCrosse co-CEO Stuart Feffer explains the current hedge fund environment and discusses the markets future for Global Custodian.
- + July 16, 2008 **CNBC Europe** LaCrosse Global Fund Services co-CEO Stuart Feffer discusses the pace of global hedge fund launches on CNBC

About LaCrosse Global Fund Services

LaCrosse Global Fund Services is a provider of operations, middle-office and administration services to managers of complex hedge funds globally. The firm has more than 300 employees in 10 global office locations: Bogota, Buenos Aires, Caracas, Istanbul, London, Minneapolis, Moscow, New York, Sao Paulo and Singapore.

Current assets under administration and supported operationally are in excess of USD \$15 billion, encompassing strategies traded by global portfolio managers who cover global equities, fixed income, commodities, currencies, emerging markets and 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 LaCrosse at www.lacrosseglobal.com.

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