

2019 Hedge Fund Alignment of Interests Questionnaire

**Alignment of Interests (general)**

**The 37 questions in this survey seek to explore the various set of arrangements that managers of hedge funds have to best align their interests with their clients (investors)**  
**All data provided from this survey will be collated and retained by AIMA for the purposes of publishing the 2019 Alignment of Interests research report, which will be made publicly available. Data from this survey will only be presented or shared in the aggregate. It will not be attributed, or attributable, to any specific firm or person. The survey should take no more than 10 minutes to complete. Thank you for your support.**

\* 1. What is the primary hedge fund strategy of your principal flagship fund? Please select one option from the list below.

- Long short equity
- Long short credit
- Relative value arbitrage (inc fixed income and convertible arbitrage)
- Other (please specify)
- Event driven (inc merger arbitrage, distressed and special situations)
- Equity market neutral quant'
- Global macro
- CTA/Managed Futures
- Multi-strategy
- Fund of funds

\* 2. What is the net asset value (in US\$) of the hedge fund assets under management of your firm?

- Less than \$100m
- \$100m - \$249m
- \$250m - \$499m
- \$500m - \$999m
- \$1bn - \$4.9bn
- \$5bn - \$9.9bn
- \$10bn - \$19.9bn
- \$20bn or greater

Please provide a response to each of the questions that follow. In each case, unless specified otherwise, the questions are addressed to the flagship/main share class of the fund.

\* 3. How do you best describe how your firm currently aligns interests with your investors? Please check all that apply

- Significant personal capital is invested in the fund.
- The fund offers a wide menu of differentiated fee terms for investors.
- Allow for investors to co-invest alongside the fund
- Customised solutions made available for investors (i.e. managed accounts, fund of one etc..)
- Set management fees to cover just fixed costs (with minimal margin)
- All of the above
- Other criteria that you consider (please specify)



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (general)

4. Other than performance, please rank in order of importance what is most important to you (1 being the most important, 4 being the least important) when you consider an alignment of interests between your firm and your investors.

⋮	<input type="text"/>	Knowledge sharing - to understand better how to interact with a particular investor and cater better to their needs
⋮	<input type="text"/>	Cross-selling opportunities for the fund - investors may be more open to investing in other products developed by the hedge fund manager.
⋮	<input type="text"/>	New product development - investors can help with the launch of any new products.
⋮	<input type="text"/>	Stickier ticket with investors - Investors are likely to be more loyal to managers who demonstrate a strong alignment of interests

\* 5. From the list below, please check the box on what terms hedge fund managers could offer investors in order to better improve their alignment of interest with them. Please check all that apply

- Greater transparency of the fund
- Preferential fee terms
- Customised solutions (i.e., managed accounts, fund of one etc...)
- Offer investors co-investment opportunities
- Longer fee crystallisation periods
- Tiered management fees - provision to adjust the management fee downward as the AUM of the fund(s) increase.
- Fund hurdle rates
- Enhanced performance fee structures
- All of the above
- Other (please specify)

\* 6. From the ranges below, please provide us with the closest estimate as to what are the standard management fees being charged by your fund?

- 0%-0.99%
- 1%-1.49%
- 1.5%-1.99%
- 2%-3%
- >3%

\* 7. From the ranges below, please provide us with the closest estimate as to what are the standard performance fees being charged by your fund?

- 0%-9.99%
- 10%-14.99%
- 15%-19.99%
- 20%-30%
- >30%

\* 8. From the ranges below, please provide us with the closest estimate regarding the liquidity terms that you offer in your fund.

- Daily
- Weekly
- Monthly
- Quarterly
- Semi-annually
- Annually
- Closed (i.e. investors can't divest until maturity unless a new investor want to buy their shares in the fund)

\* 9. From the ranges below, please provide us with the closest estimate regarding the redemption notice period that you offer in your fund.

- Daily
- Weekly
- Monthly
- Quarterly
- Other (please specify)



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (fee terms)

\* 10. To what extent has your principal fund's management fee changed over the past three years?

- Revised upward
- Revised downward
- Remained the same

\* 11. Does your fund offer preferential terms for the management fee that it charges to investors?

- Yes
- No



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (fee terms)

\* 12. From the list of preferential terms provided to investors below, what do you consider most important to you when negotiating the management fee on any one or more funds that you offer. Please check all that apply

- Founder share classes pay a lower management fee
- Fund offers a lower management fee with a higher performance fee
- Fund provides tiered (declining) management fee rates.
- Fund offers lower fees to larger investors (through a specific share class, share rebate, MFN).
- Fund management fees are reduced in return for longer lock-up periods and/or notice periods
- Fund offers greater transparency of the portfolio in return for a higher management fee
- Fund's management fees are aligned with the operating costs of the firm (research, operations, administration, trading) rather than in line with AUM.
- All the above
- Other (please specify)

\* 13. Are your management fees on the fund tiered in any way? For example, do you offer a discount on the management fee charged as the AUM of the fund increases

- Yes
- No

Where the fee structure is tiered, please provide a brief description of the tier(s) and relevant fee(s)

2019 Hedge Fund Alignment of Interests Questionnaire

**Alignment of Interests (fee terms)**

\* 14. To what extent would you be prepared to forego all management fees via a specific share class in return for a higher performance fee?

- Yes, I would do this.
- Yes, but I would pass through more expenses to the fund.
- No, this would not be feasible
- I would reduce, but not fully forego the entire management fee
- I'm prepared to consider this option.

\* 15. Does your fund include

	Yes	No
a high watermark	<input type="radio"/>	<input type="radio"/>
a clawback arrangement	<input type="radio"/>	<input type="radio"/>

\* 16. Do you use hurdle rates in the design of the fund's performance fee?

- Yes
- No

2019 Hedge Fund Alignment of Interests Questionnaire

**Alignment of Interests (hurdle rates)**

\* 17. What do you use as your benchmark for your fund's hurdle rate?

- A fixed based percentage
- An index based percentage
- Pre-agreed alpha hurdle set between manager and investor.



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (hurdle rates)

\* 18. From the list of choices below, what index based percentage do you use as your hurdle rate benchmark?

- Libor only
- Libor plus spread
- Other index only
- Other index plus spread



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (hurdle rates)

\* 19. From the list of choices below, what fixed percentage do you use as your hurdle rate benchmark?

- 0-1.0%
- 1.01%-1.5%
- 1.51%-2%
- 2.01%-3%
- >3%

\* 20. How has your fund's hurdle rate changed over the past three years?

- Increased
- Decreased
- Stayed the same



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (fee crystallisation, expenses)

\* 21. What is your fund's fee crystallisation period?

- N/A - there are no crystallization of fees
- Daily
- Weekly
- Monthly
- Quarterly
- Semi-Annual
- Annual
- Greater than 1 year



\* 22. What model do you deploy in paying for expenses on the main/flagship fund that you offer?

	Expense fully charged to the fund	Expense charged to the fund on a capped or fixed fee basis	Expense not charged to the fund
Service Provider Costs (e.g., fund administration, custody)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fund Expenses (e.g., director fees, audit fees, publication costs)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Operating Expenses (e.g., employee compensation, regulatory reporting costs)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Payment for research (i.e. broker research, expert networks)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Alternative data sets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



2019 Hedge Fund Alignment of Interests Questionnaire

**Alignment of Interests (own investment)**

\* 23. Do your principals and employees invest in the fund?

- Yes - they are required to.
- No.
- Option is available for principals and employees if they want to invest or not.



2019 Hedge Fund Alignment of Interests Questionnaire

**Alignment of Interests (own investment)**

\* 24. To what extent are your principals and employees invested in the fund?

- 1%-5% of the fund's AUM
- 5.01% -10% of the fund's AUM
- 10.01%-15% of the fund's AUM
- Greater than 15% of the fund's AUM



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (co-investment)

\* 25. Does you fund(s) offer co-investment opportunities to your investors? Choose from one option that best describes your approach below.

- Yes
- Not currently - but we are actively pursuing how to do this.
- Not currently but would consider this option.
- No



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (co-investments)

\* 26. When offering co-investment opportunities, do you think it is important to. Please check all that apply

- offer the opportunity to all clients/fund investors
- disclose the existence of co-investment vehicles to other clients
- disclose the terms of co-investment vehicles to other clients
- have a co-investment allocation policy
- ensure, prior to launch, that the co-investment opportunity does not have a materially adverse impact on the liquidity of other clients
- All the above
- Other (please specify)



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (fee negotiation)

\* 27. When negotiating fees with your investors, are they more focused on reducing the fund's performance fees or management fees?

- Performance fees
- Management fees
- Both management and performance fees
- Investors are not focussed on reducing either management or performance fees

\* 28. Which fee structure, if any, are you most likely to reduce on any one or more funds that you offer?

- Fund's performance fee
- Fund's management fee
- Both the fund's management fee and performance fee
- Neither the fund's management fee nor performance fee

\* 29. Have any of your investors negotiated their fund fee structure downwards over the past year?

- Yes
- No
- Other (please specify)

## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (fee negotiation)

\* 30. From the list below, what was the most persuasive argument investors have used for having the fee structure lowered on any one or more of the funds that you offer. Please check all that apply.

- Investor willing to have capital locked up for long period in exchange for lower fee
- Day 1/ Seed investor
- Strategic Importance of the investor
- Downward pressure from the regulator
- Fund was deemed to have too strong a beta element/competition from a long-only fund or ETF deploying similar strategy at a more competitive cost
- Fund's risk exposure was too low
- Size of investment
- Period of underperformance reported by the fund.
- All the above
- Other (please specify)

## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (Responsible Investment)

\* 31. Over the past 12 months, have you seen an increase in interest around your firm's responsible investment capabilities from current or prospective investors?

- Yes.
- No



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (Responsible Investments)

\* 32. Which of the following best describes your firm's approach to responsible investing? Please check all that apply.

- N/A - Presently we have no ESG or RI policy.
- Using ESG factors to evaluate investment opportunities
- Negative screening of companies
- Green Bonds
- Direct engagement with companies on ESG issues
- Impact Investing.
- Other (please specify)

\* 33. Where relevant, at what stage of adoption are you regarding the use of responsible investment at your firm? Please check all that apply.

- We are a UNPRI signatory
- We have developed an internal responsible investment policy
- We have implemented ESG/RI in the funds that we offer.
- Promote active proxy voting
- All of the above
- Other (please specify)



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (new fund launches).

**The responses put forward to the questions that follow seek to understand better some of the market trends relating to new fund launches.**

\* 34. Have you launched a new fund over the past 12 months?

- Yes
- No



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (new fund launches)

\* 35. From the ranges below, please provide us with the closest estimate as to what are the standard management fees being charged by your fund?

- 0%-0.99%
- 1%-1.49%
- 1.5%-1.99%
- 2%-3%
- >3%

\* 36. From the ranges below, please provide us with the closest estimate as to what are the standard performance fees being charged by your fund:

- 0%-9.99%
- 10%-14.99%
- 15%-19.99%
- 20%-30%
- >30%



2019 Hedge Fund Alignment of Interests Questionnaire

Investor demographic

37. How much of your hedge fund AUM do the various investor types listed below account for?

	0%	1% - 10%	11% - 20%	21% - 40%	41% - 60%	61% - 80%	>80%
Pension Plans/funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Endowments/foundations/charities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sovereign wealth funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insurers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Private banks (including bank platforms)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other financial institutions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Family offices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fund of hedge funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
High net worth individuals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
General government	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wealth management platforms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Non-financial corporations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Key employees of the investment manager	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



## 2019 Hedge Fund Alignment of Interests Questionnaire

### Alignment of Interests (Contact information)

38. Contact information (Optional, for follow-up/feedback purposes)

Name

Company

Email Address

Thank you very much for your participation in our survey. If you have completed your response please click on submit below. If you have any questions please email [tkehoe@aima.org](mailto:tkehoe@aima.org)