



Alignment of Interests 2022 (Investor survey)

Examining the ways that investors align their interests with alternative investment fund managers

The following 17 questions seek to better understand how investors are working with alternative investment funds (for the purposes of this survey, these are hedge funds and private credit funds) to best align their interests. All data provided from this survey will be collated and retained by AIMA for the purposes of publishing our 2022 alignment of interests study. Unless permission is given to do so, data from this survey will only be presented or shared in the aggregate. Thank you for your support.

* 1. What is the total amount of capital that you invest in alternative investment funds? When describing alternative investment funds, for the purposes of this questionnaire we mean hedge funds and private credit funds.

- \$1m-\$100m
- \$101m-\$250m
- \$251m-\$500m
- \$501m-\$1bn
- \$1bn-\$2bn
- \$2bn +

* 2. How do you best describe how your firm currently aligns interests with alternative investment funds that it allocates to? Please check all that apply.

- Knowledge sharing with hedge fund(s) that it allocates to.
- Risk Management and Reporting tools
- Co-invests with hedge fund(s)
- All of the above
- Works with hedge fund(s) to build a more customised solution to address their risk and return appetite better
- Other (please specify)

* 3. From the list below, please check the ways how you believe alternative investment funds could better improve alignment of interest with their investors

- Greater transparency
- Preferential fee terms (i.e. hurdle rates, high watermark)
- Customised solutions
- Offer investors co-investment opportunities
- Other (please specify)
- Longer fee crystallisation periods
- Tiered management fees
- All the above

* 4. When allocating to alternative investment funds, do you ask for. Please check all that apply.

- a high watermark
- a hurdle rate
- clawback arrangement
- fund principals to have a personal investment in the fund
- Other (please specify)
- full transparency regarding all fees being charged by the fund
- is the fund a UNPRI signatory (and if so, share the annual PRI report)
- All of the above

* 5. Please select from one of the options below what is your preferred high watermark.

- Standard high watermark (i.e. the fund is losing money, then fund manager has to return fund to previous high AUM level before being paid any incentive)
- Modified high watermark (reset the high watermark to zero)
- Amortising high watermark (amortise any losses over time)
- Multi year rolling high watermark
- Benchmark high watermark
- No high watermark

* 6. From the list of preferential terms below, what do you consider most important when negotiating the management fee on any one or more of the alternative investment funds that you invest in? Please check all that apply.

- | | |
|---|--|
| <input type="checkbox"/> Founder share class pays a lower management fee | <input type="checkbox"/> Fund management fees are reduced in return for longer lock-up periods and/or notice periods. |
| <input type="checkbox"/> Fund offers a lower management fee with a higher performance fee | <input type="checkbox"/> Fund offers greater transparency of the portfolio in return for a higher management fee |
| <input type="checkbox"/> Fund provides tiered management fee rates | <input type="checkbox"/> Fund's management fees are aligned with the operating costs of the firm (research , operations, admin, trading costs) |
| <input type="checkbox"/> Fund offers lower fees to larger investors (through a specific share class, share rebate, MFN) | <input type="checkbox"/> All of the above |
| <input type="checkbox"/> Other (please specify) | |

* 7. When negotiating fees with alternative investment fund managers, are you more focused on reducing the performance fee or management fee? Please select from one of the options below.

- Performance fee
- Management fee
- Both the management fee and performance fee
- Neither focused on reducing the management fee nor the performance fee

* 8. Which of the following best describes your approach to Responsible Investing? From the list of responses below, please select all that apply.

- We invest in alternative investment funds that use ESG factors to evaluate investment opportunities
- We invest in alternative investment funds that negatively screen companies
- We invest in alternative investment funds that trade green bonds
- We invest in alternative investment funds that pursue impact investing
- We are not pursuing responsible investment mandates.
- We only select funds that are UNPRI signatories
- All of the above

* 9. Choose from one option below what best describes your firm's position regarding co-investment.

- We are co-investing with alternative investment funds
- We do not have any co-investment arrangements with alternative investment funds, but are actively pursuing opportunities
- We do not have any co-investment arrangements with alternative investment funds, but would consider this option
- We do not have any co-investment arrangements with alternative investment funds

10. What fee arrangements do you prefer for co-investment arrangements? Please select from one of the options below.

- Pay the fee for co-investment only
- Discounted management fee in exchange for co-investment.
- Co-invest in a certain ratio to your fund investment at a discounted fee
- Fee-free co-investment
- N/A (no co-investment)

* 11. How are returns typically allocated to you as investors? Please select the most appropriate response from the list provided below.

- American distribution waterfall (i.e. the GPs performance is evaluated against the hurdle rate on a deal by deal basis and the GP is paid interest on a day by day basis).
- European distribution waterfall (i.e. the GPs performance is measured against the hurdle rate at the fund level and is only paid carried interest once the return returns all capital contributions and the preferred return if any)
- Hybrid distribution waterfall (designates American waterfall model for certain types of income (e.g. for operating income) and European waterfall for different income (e.g. sale proceeds))
- Not relevant to my plan

* 12. What period(s) do you prefer for fund fee crystallisation (i.e. the frequency of the period during which the performance fee, if any becomes payable to the management company)? Please select one option from the list of responses below.

- N/A - there are no crystallisation of fees
- Quarterly or less
- Semi annual
- Other (please specify)
- Annual
- Rolling 3 years
- Greater than 3 years

13. What expenses do you typically see "pass through" to you as investors? From the list of options below, please select all that apply.

- Service provider costs (e.g. fund admin, custody costs)
- Fund Expenses (e.g. Director fees, Audit fees, publication costs)
- Operating Expenses (e.g. employee compensation, regulatory reporting costs, transfer agency fees)
- Organisational Costs (e.g. legal set up fees)
- Payment for research (i.e. broker research, expert networks)
- Placement Agents
- Alternative Data Sets
- None of the above

* 14. At what level do you typically cap any operating expense that you see passed through to the fund? Please select from one of the options below.

- 0-25bps
- 25-50bps
- 50-100bps
- 100bps or greater
- Prefer not to say/non applicable

* 15. What fee structure do you typically see on committed capital versus invested capital? Please select from one of the options below.

- Managers charge less fees on committed capital by 50% or more
- Managers charge less fees on committed capital by 25% to 50%
- Managers charge on committed fees is 25% or less
- Managers do not charge fees on committed capital
- Managers charge the same fees on committed and invested capital.
- N/A

* 16. What do you look for in a fund manager that you allocate to, when thinking about how they align with your expectations as an investor? Please select all that apply from the list of responses below.

- Full transparency regarding fees charged by the fund manager.
- Flexibility regarding fees being charged by the fund manager
- Fund manager is a UNPRI signatory
- Fund manager offers strategic relationships with its investors
- Other (please specify)

17. Do you have anything else that you would like to add which can help us better understand how alternative investment funds can better align interests with investors? If so, please include in comment box below.