

HFM WEEK

SPECIAL
REPORT

HEDGEFUNDMANAGER

BERMUDA 2008

A time for change

Bermuda's ability to adapt sets the standard in an uncertain market



Apex | Attride-Stirling & Woloniecki | The Bank of New York Mellon | BES | Bermuda Monetary Authority
| Bermuda Stock Exchange | BIBA | Citi | Ernst & Young | Equinox | ISIS Fund Services | JPMorgan

The hedge fund industry is changing, and investment managers need the administrative know-how to move with the times, says **Jason Bibb** of ISIS Fund Services

Adapting to the new environment

The changing demands of investors have been a significant talking point in recent years, with changes in the way hedge funds operate, such as increased transparency and higher operational standards, being implemented with more seriousness.

In response to the evolving market, ISIS Funds Services – a joint venture with the ISIS Group – has been established with the aims of meeting the hedge fund industry's increasingly specialist demands. Jason Bibb, the company's managing director, shares his thoughts on the changing face of hedge funds and why this new venture is so necessary.

HFMWeek (HFM): How has the funds industry changed in the last few years?

Jason Bibb (JB): The easy answer is – significantly. The demand for alternative investments, such as hedge funds, has increased dramatically. Both retail and institutional investors are attracted to the investment opportunities offered by hedge funds and the prospects of higher returns, responding in part to the lackluster performance of global equity markets. As a result, global hedge fund assets under management and the number of hedge funds have grown on double digit multiples year-on-year. With hedge funds representing approximately 30-40% of stock trading volumes in the top three stock exchanges in the world, they will continue to have an enormous impact on the world's securities markets.

We have seen some unfavorable events – significant stock market volatility, sub-prime mortgage failures, liquidity freezes and one of the largest global investment banks going bust. It is becoming ever harder for hedge fund managers to generate alpha from traditional mandates. Therefore, there has been a shift of investment focus to global OTC derivatives markets and both private equity and

real estate investment in BRIC countries.

HFM: Why was ISIS Funds Services established? In what way does the modern funds industry require its services?

JB: To give the market what it wants. From our experience, investment managers repeatedly mention recurring themes concerning their administrators – poor service quality, untailored product offering, high turnover of staff, the lack of experience and high costs. This is not a global epidemic, but large and small administration businesses alike have these issues. Added to this was the significant consolidation activity that has taken place in the last few years.

The decisions to enter or grow in the administration space can be limited to a number of factors: asset generation, expanding product range, technology advances or obtaining experienced staff allowing capacity. But not all participants have been successful and the investment manager and their investors always suffer.

Our team offers the stability, professionalism and expertise of a large organisation combined with the flexibility, autonomy and character of a small boutique. As a boutique, we deliver a broad spectrum of hedge fund services, in a manner which adds value to the investment manager. Many talk of adding this value, but very few can 'walk the walk'.

HFM: Do you stand by your timing of the venture, bearing in mind the dramatic shift the global market has experienced in the last 12 months? Did the financial climate, in fact, assist the decision?

JB: The best way to answer this is by facts. The business began operations 1 October 2007. In seven months of trading, we have amassed approximately US\$2.5bn in assets under administration and developed a significant corporate secretarial



Jason Bibb is an executive director and managing director of ISIS Fund Services, a specialist hedge fund administration company. He has over 14 years onshore and offshore fund investment management and hedge fund administration experience in developed and emerging economies.

business providing standalone services.

Similar to other administrators, we have been very vigilant of our clients' assets during the cycle of volatile markets, none of which were exposed to the sub-prime debacle. The majority have robust investment processes, ensuring they have been unaffected.

We believe that our analysis and segmentation of the market, and subsequent launch, was perfect timing. Historically, there have been very few new ventures that have achieved so much so quickly and our success is testament to our experience and professionalism.

HFM: What are your reasons for remaining in Bermuda?

JB: Choosing Bermuda was easy. The executive have all lived and worked in Bermuda for many years and have strong ties with the island's investment and service industry. Our joint venture partner, the ISIS Group, and their recently established law firm, ISIS Law, are all present in Bermuda, enabling us to offer clients much more than traditional hedge fund services.

Furthermore, Bermuda has an infrastructure to service the investment management community which is largely unrivalled. With its tax neutral status; location and language; robust, effective regulation; people and expertise; system of law and government; and the ease of doing business with the best third-party service providers, Bermuda is a domicile of choice and has established itself as the offshore centre for fund administration.

With a satellite office already established by the ISIS Group in Australia, and with Canada and Ireland planned for 2008/9, our Bermuda office will define our operational platform overseas ensuring unification of procedures and controls across all jurisdictions.

HFM: What does ISIS Funds Services offer that was previously unavailable?

JB: Comparing and contrasting large and boutique administrators is pointless. Some boutiques offer domestic and offshore hedge fund services, some

either/or; some have well-developed technology platforms, some to a lesser extent. Larger administrators or banks offer a plethora of other services but can sacrifice quality of service in order to maintain the controls to manage a large operation across multiple functions.

How do you compare one to another, in the absence of brand value? Easy – delivery and service. We create competitive advantages for our clients through innovative and comprehensive delivery of services that meet their needs. This allows them to focus on managing money, safeguarded by the fact that the operations of their businesses are being properly managed.

We have subject matter experts with experience of hedge fund administration, all of whom were with organisations considered among the best in their industry. This allows us to anticipate our clients' needs unprompted, and advise accordingly.

We approach our clients' business requirements with expertise and skill, and are always solution oriented. We offer flexibility in our approach, to ensure clients leverage best-of-breed capabilities and optimise their infrastructure. This is what makes us different.

HFM: What role does technology play? How does ISIS differentiate itself in terms of the tools it offers to clients?

JB: The challenge of maintaining leading-edge technology is a real one, which creates a continual drain on an administrator's resources. All administrators usually have a technology solution at their core, including portfolio accounting, valuation and share-registration systems. Technology is a significant factor in the delivery of a premium hedge fund administration platform. Without it, administrators would not be able to provide a comprehensive service to clients.

However, with an increase in differing investment mandates significantly changing the market, administrators are required to deal with the changing complexities of instruments by moving away from the plain vanilla.

FAS 157 brings more challenges too.

With the need to add more functionality, to be able to report and value new investment instruments, come additional operational overheads and the need for in-house technology experts to develop or enhance system specifications.

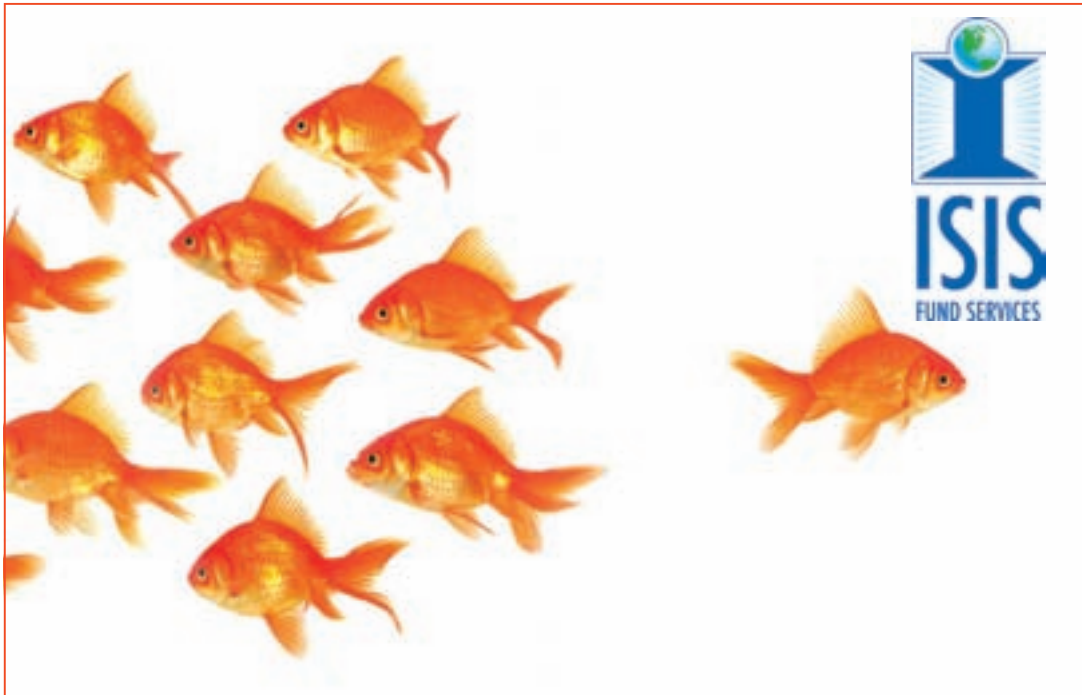
In some cases, administrators who have sought aggressive growth models in the past have agreed to administer certain types of OTC mandates that their current technology platforms were not designed for. This too leads to challenges; whether through people or technology, administrators will have to remain nimble to tackle increasingly complex securities and the ever-changing market.

ISIS Fund Services employs a fully integrated technology platform, which includes business and operational management, fund accounting, valuation, shareholder services, legal and compliance and corporate secretarial administration. Our technology and infrastructure enables us to support a variety of investment strategies and structures.

HFM: What does the future hold for the funds industry and how will ISIS Fund Services adapt to support it?

JB: In the funds industry, there will be winners and losers, but one consistent theme will prevail – hedge funds are here to stay. That said, alternatives will need to adapt: to the currently difficult investing environment; to increased competition; to new compliance regulations; and to increased, more demanding, institutional investors.

Our independence allows us to act as one team, with the flexibility to adapt to changing factors. Our company is our people and our independence enables us to attract and retain a strong and dedicated team of the highest calibre, providing our clients with professional expertise and knowledge. We are committed to an innovative approach to customising a platform that meets the needs of our clients, and of the evolving hedge fund industry. We also strive to develop long-term partnerships with our clients. By combining these factors, ISIS Fund Services will be able to adapt to any situation.



Taking A Different Approach

ISIS Fund Services approaches your hedge fund administration needs with expertise and skill, and are always solution orientated. We offer flexibility in our approach to ensure you leverage best of breed capabilities and optimize your infrastructure.

To experience the real benefits of a different approach, contact:
Jason Bibb | +1 441 295 8282 | jasonb@isisfunds.bm

www.isisfunds.bm
Bermuda | Australia

Offshore and Onshore Fund Accounting | Investor Servicing | Corporate Administration | Directorial Services