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**We cherish our clients** – In Bermuda and Australia, The ISIS Group of businesses specialise as private placement agents, consultants, law firm and fund administrators. We look after our clients from the beginning to end of transactions, and we look after them well.

**We cherish destitute kids** – The ISIS Group was founded to create funds for The ISIS Foundation, our charity which helps thousands of kids and their families in Nepal and Uganda.

*“When business and charity decide to collaborate and share their expertise, miracles happen. It sounds corny, but it’s true.”*

Ede Conyers  
CEO, ISIS Fund Services, Bermuda



The ISIS Group – *not just your ordinary finance group.*



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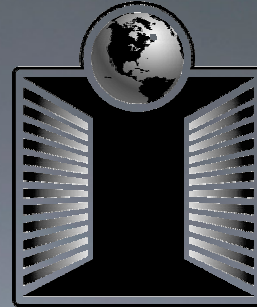
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# Tailored Hedge Fund Administration Services



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## **Chapter Three: Servicing the Investment Management Industry with Excellence: A Personal Perspective**

*Edith G. Conyers,  
ISIS Fund Services Ltd, Bermuda*

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There is no single formula for successfully matching the right fund with the right administrator, but there are a number of components that must be considered when an investment manager chooses an administrator for their fund products. This can be a difficult and time consuming process if done properly, as the needs of a manager and his products can vary greatly so must be carefully looked at against the functionality and capabilities of the potential administrator. A prerequisite to getting this right is that both sides have a good understanding of each other's businesses. Too many managers 'follow the herd' and opt for an administrator they've heard of, and assume they can do the job and do it well because 'everyone else uses them'. This is often not the case, and a large number of investment managers and their investors end up unhappy with their choices. The unfortunate thing about this is that, to some extent, they are trapped as they become suspicious of all administrators and certainly don't want to go through the time and effort and expense of switching to a new administrator without some assurance that the experience will be that much better. To compound this, it often doesn't reflect well on the fund or the manager when switching service providers, and may cause the investors to lose confidence in the manager's abilities to get things right the first time.

In the 20 plus years I have been in this business, I have always found that as an administrator, the business is yours to lose as it takes a lot for funds/managers to make a move. They have to be really unhappy and fed up with the status quo. The downside for us, in our experience, is that these situations are reflected in the books and records of the companies we take on, as they are often in bad shape (be it corporate governance records, shareholder records or accounting records) and we're the ones that get to put everything back into good order. This is no easy task and causes a great drain on resources trying to fix things.

## **Bermuda as the Hedge Fund Jurisdiction of Choice**

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A manager's experience with a fund administrator should be a positive one, where the administrator is adding value to the process in each functional area. The most basic form of fund administration includes fund accounting and shareholder services. This may or may not include portfolio valuation services or comprehensive anti-money laundering services (AML), depending on your administrator and where they are based. To me, the core functionality should cover portfolio valuation (most administrators have developed particular expertise in certain areas over others), general ledger accounting, net asset value (NAV) calculations, performance and management fee calculations, equalisation and series accounting, registrar and transfer agency services including extensive AML and know your customer (KYC), accounts payable and cash administration, and last but not least, corporate secretarial services promoting good corporate governance.

In my view, your administrator should add value from the moment they get involved with your fund until the ultimate dissolution of the fund, should that occur. This requires intimate knowledge and interaction during the establishment process and throughout the ongoing operations of the fund with the manager, the auditors, the prime broker/custodian and the lawyers, among others. The right administrator will often provide the balance and protection necessary to ensure the proper set-up of a fund within each function from an operational perspective, which means that the offering document and constitutive documents, the administrator's operating bible, actually work when the fund goes live. Administrators can have a wealth of knowledge and experience that should be drawn upon to get things right from the get go.

What does all this boil down to? If I had to choose one key component it would unquestionably come down to the people and their experience and expertise, because no matter how far advanced the technology, procedures and controls are, if you aren't working with the right people, chances are it will be an unsuccessful experience from everyone's perspective and, in the worst case scenario, the manager stands to lose its relationships with investors. The domicile where your administrator is based can, therefore, be a key indicator as to the profile and depth of your administrator. Being in an established, recognised jurisdiction can mean a much greater chance that the manager will be working with more experienced people, not only in management, but also at the administrative level. Experience and training is critical throughout the organisation.

Bermuda is a good example of a well established jurisdiction where 'financial services offered from within (Bermuda) remain among the world's best. With more than 2,000 funds registered in Bermuda, and thousands more managed by highly qualified, licensed fund administrators, Bermuda has firmly established itself as a centre of excellence for the fund administration industry. All fund administrators in Bermuda represent internationally-recognized companies with extensively trained, qualified staff and the most advanced systems. In addition, administrators are at the forefront of all advisory processes, with their adaptation to the ongoing changes to the global standards in accounting and current industry practices. Consequently, the reputation of our fund administrators ensures that the level of administration services provided in Bermuda continues to be amongst the highest quality available in any financial jurisdiction.'<sup>1</sup>

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1 See Bermuda International Business Association website ([www.biba.org](http://www.biba.org)).

## **Servicing the Investment Management Industry with Excellence**

There is no question that the other factors to be considered when choosing an administrator are the administrator's technology (are they working offline or in an automated fashion), infrastructure including controls and procedures, expertise, fee structure, disaster recovery programme and *come with good references*, among other things. Whether or not they have global presence can also be important to managers who launch products in multiple jurisdictions. When you get it right, everyone can look forward to a long and mutually beneficial relationship.

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