

# The NED

For non executive directors of funds

Issue 1 September 2011

## Welcome to The NED

It was once said by a very prominent Cayman lawyer that all independent fund directors were either “retired or retarded”. That comment was made back in the middle of the last decade, in other words just as the hedge fund boom was reaching its peak. Back then hardly anyone spent much time on fund director related issues. As result this business, if that is what it is, did become populated by too many people who simply were not up for the job.

Whilst there are widely varying opinions on a broad range of topics in the fund director business there is at least one thing that everyone agrees upon: the role of those that represent investors on fund boards has become immeasurably more important than it was a few years ago. The market crisis, Madoff and other related horrors have at least ensured that the job of a non executive fund director is being taken seriously at last. That was true before Weaving case but the judgement handed out by the Hon Mr Andrew Jones QC on August 26 in Cayman has dispelled any remaining doubts that this business has changed out of all recognition since the days when independent fund directors could be called “retired or retarded.”

The purpose of The NED is to keep investors, fund managers, industry service providers – as well as of course non executive directors – informed of director related developments around the world. Much of the material in The NED will be based upon survey findings from IFI Global’s research department. We will be surveying investors and managers (as well as directors) on a large number of NED related topics and we welcome subscribers’ views on what we should prioritise here.

As well as this monthly publication The NED is building a database of non exec fund directors to help managers make the right choices for their boards. It will also host numerous events each year to educate investors and managers on NED related topics. Many of these events will be webcast and we look forward to hosting debates on various contentious but important topics for the investment industry at large. Welcome again to The NED. We hope you agree that the need for a publication like this was well overdue. ■

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Valiance Special Opportunities

## Investors say they will pay more for top directors

### First investor survey on NEDs suggests that independent directors are critical to allocators' fund selection decisions

According to research conducted by IFI Global for the launch of The NED major institutional investors now pay much more attention to independent director related issues than was the prior to the market crisis, Madoff and other related recent industry problems. Other results show that the majority

**“It has become much more important than we ever thought it would be”**

*one of Europe's largest institutional hedge fund allocators*

of interviewees think that NEDs sit on too many boards and that not enough of them have real investment management experience.

Who should represent investor interests on a fund's board is on

course to becoming the most critical part in an allocator's fund selection decision making process, outside performance related issues. The overwhelming majority of respondents to IFI Global's research said they will not invest if don't like the independent directors. “It has become much more important than we ever thought it would be,” said one of Europe's largest institutional allocators.

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## Shockwaves from the Weaving judgement

### Impact being felt by NEDs worldwide

The judgement handed out by the Hon Mr Andrew Jones QC on August 26 in the Grand Court of the Cayman Islands is a seminal moment in the development of the growing independent director industry. The impact of the judgment has not just been felt in Cayman but also in Ireland, Luxembourg and all other locations that do business with hedge funds based in this Caribbean location. The judgement has gained much attention throughout the hedge fund industry worldwide.

Stefan Peterson and Hans Ekstrom, directors of the Weaving Macro Fixed Income Fund, were found to be guilty of "willful neglect or default" in exercising their supervisory powers as directors of this fund. They have been fined \$111 million. The Weaving Macro Fixed Income Fund, managed by Magnus Peterson, was founded in 2003 and went into liquidation in 2009.



**“Cayman directors have been living under a misconception that they can delegate their responsibilities away,”**

*one of Europe's largest institutional hedge fund allocators*

In particular, the judgment said that the management structure of the fund was “entirely conventional, except in respect of the composition of the board of directors.” Stefan Peterson is Magnus Peterson's younger brother and Hans Ekstrom is his stepfather (and aged 85 when he gave evidence to the court).

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## The NED Subscription Form

### With your NED subscription:

- 12 issues of the publication.
- Attendance at all NED events – in person or via the accompanying webcast. (The NED will host at least 10 events a year.)
- Receipt of all NED research. The NED is developing a proprietary databank of information on investor and manager views on board composition, practise and preferred director qualifications.
- The NED Directory. Subscribers will be included on the NED Directory of independent fund directors that it is developing (should they wish to be so).

This form can be completed in Acrobat Reader and sent electronically

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IFI Global Ltd.  
10 Arthur Street  
London EC4R 9AY

If you would like additional information please contact Tamara Sims at [sims@ifiglobal.com](mailto:sims@ifiglobal.com)  
IFI Global Ltd, 10 Arthur Street, London EC4R 9AY Tel: +44 (0) 207 220 9077

The NED is published by IFI Global Ltd, 10 Arthur Street,  
London EC4R 9AY Tel: 44 207 220 907

Editorial & research enquiries:  
**Simon Osborn** e-mail: [osborn@ifiglobal.com](mailto:osborn@ifiglobal.com)

Directory & event enquiries:  
**Tamara Sims** e-mail: [sims@ifiglobal.com](mailto:sims@ifiglobal.com)  
Subscription enquiries:  
**Alan Hallett** e-mail: [hallett@ifiglobal.com](mailto:hallett@ifiglobal.com)