

The NED

Independent intelligence on fund director issues

Issue 13 • September 2012

Survey shows divergent views on critical governance issues

Fund of funds want reforms but pension funds and other institutional investors seem less committed

Over the months of May, June and July IFI Global, the owners of The NED, in collaboration with ManagementPlus Group, who sponsored the research and drafted the survey questions, conducted what may be the most extensive survey of fund governance yet done in the hedge fund industry.

The results show that there is no settled view on the role or purpose of corporate governance in the hedge fund industry. It also demonstrates that there are a wide variety of views from investors on how much they should become involved in the governance process. The vast majority of investors interviewed say that corporate fund governance issues have become more important to them over the last few years. What is less clear is how many of them will want to assume the responsibility of doing something about it.

Many of the largest alternative fund allocators and managers in Asia, Europe and North America participated in this research project. Law firms and other major hedge fund industry service providers also contributed. The main survey questionnaire was deliberately exhaustive, covering 15 different areas of inquiry. 100 different organisations responded either to the full questionnaire or an abbreviated and more qualitative one that was put together principally for certain investors whose knowledge of governance issues is less detailed than those who were happy to complete the full survey.

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Harbinger: a tale of fund governance incompetence?

Last June, the SEC filed securities fraud charges against Philip Falcone and his firm, Harbinger Capital Partners. The SEC alleges that Falcone, with the help of his COO, borrowed more than \$113 million from one of his funds to pay a personal tax liability without getting the necessary approvals and then hiding it from investors. The SEC also alleges that Falcone and Harbinger struck deals with three large investors to give them preferential liquidity rights in exchange for their support to further restrict the liquidity of other shareholders.

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Companies and Associations mentioned in this issue:

AIMA	Helvetic
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Castle Hall	Lightsquared
Centaur	ManagementPlus
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Harbinger	

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