

The NED

Independent intelligence on fund director issues

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Uniformity of governance views from investors

The NED has completed its research with European institutional investors and their advisors on fund governance. European investors' views on many topics in the survey appear to be close to identical.

This is the first entirely independent and unbiased research study to have been done exclusively with investors on fund governance.

The NED decided to conduct this research because remarkably little is heard from the major institutions that allocate to alternative funds on the subject governance. Admittedly a small number of fund of fund organisations have been vocal on this topic but nothing has been heard from pension funds or other similar end user investors.

The NED has surveyed pension funds, pension fund consultants, banks and fund of fund managers outside the US. All of these are based in Europe other than one in Singapore and another in Australia.

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What should directors be paid?

Fund boards can be little more than corporate secretarial services, according to participants at a fund governance seminar hosted by The NED this September. This is a consequence of the low fees paid to directors, said attendees. The consensus was that few are willing to pay what is required to get the kind of people that could provide a real board supervisory role. What, if anything, can be done about this?

First, an outline of the problem that was discussed at The NED's seminar. A view that was expressed by a number of those that attended this event was that some directors are not paid enough to put in the time or effort to do more than the minimum that is required of them. And because they are earning relatively small sums for each board that they sit on they are required to take up large numbers of director appointments. As a result they cannot provide a meaningful supervisory role on behalf of the fund's investors, it was suggested.

For example, one of the investors told the seminar that he knows of a situation where a fund manager has put through huge expenses for technology, running into millions of dollars. Investors were given no choice other than to pay for this expenditure as the directors of the fund didn't want to intervene.

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