

## Education Series- Evaluating Your Hedge Fund's Administrator

All hedge fund administrators are not created equal. Administrators can vary across a number of factors including types of services offered (i.e. – full NAV, NAV lite, shareholder services etc.) and the functions performed (i.e. – valuation agent, maintenance of official books and records etc.). Investors may find, if they invest in several hedge funds, that even two managers which utilize the same administrator may have completely different opinions and experiences. Such differences may not only relate to more patent investor concerns such as the time it take to cut the final monthly NAV figures, but the less obvious as well, including which fund has more senior personnel servicing their account. Investors who take care to understand the often overlooked specifics of a hedge fund's relationship with its administrator can often gain an informational advantage over those who do not – and ultimately reduce their overall operational risk exposures. Outlined below are some key questions investors may want to pose to both hedge fund manager(s) and their administrator(s) as part of the operational due diligence process:

### For the administrator:

- What is your experience in dealing with the hedge fund strategy of my manager?
- What are your total assets under administration both firm-wide and for this particular strategy?
- Do you perform any other services besides administration? (i.e. – sell software, custody, company secretarial, hedge fund audit etc.)
- How many individuals are dedicated solely to my hedge fund manager? How many are shared?
- What has been the annual rate of team turnover on the fund accounting side?
- How often does you hear from my hedge fund manager? Are they actively involved in the process?
- What pricing sources do you utilize and which instruments are priced via these sources?
- Is there anything in the portfolio that you as the administrator does not price independently?
- Do you have a dialogue with my hedge fund's auditor?
- How do you receive data from my hedge fund? Do you have direct access to their prime broker systems?
- Is this level of service you provide typical of all your clients?

### For the hedge fund manager:

- Have you ever visited your administrator's offshore office?
- Why did you select your current administrator? What other administrators did you consider?
- When did you last negotiate your administration contract?
- What are your administration fees? Do you feel these fees are competitive?
- Does you provide your administrator with copies of all relevant documentation related to pricing, cash movements etc.? (i.e. – copies of invoices to be paid, internally produced valuation memos)
- What are some things your administrator can improve upon?

### For More Information

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