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Assessing Hedge Fund Risks: A View from the Trenches

Moderator:

Christopher Holt, AllAboutAlpha.com / CAIA

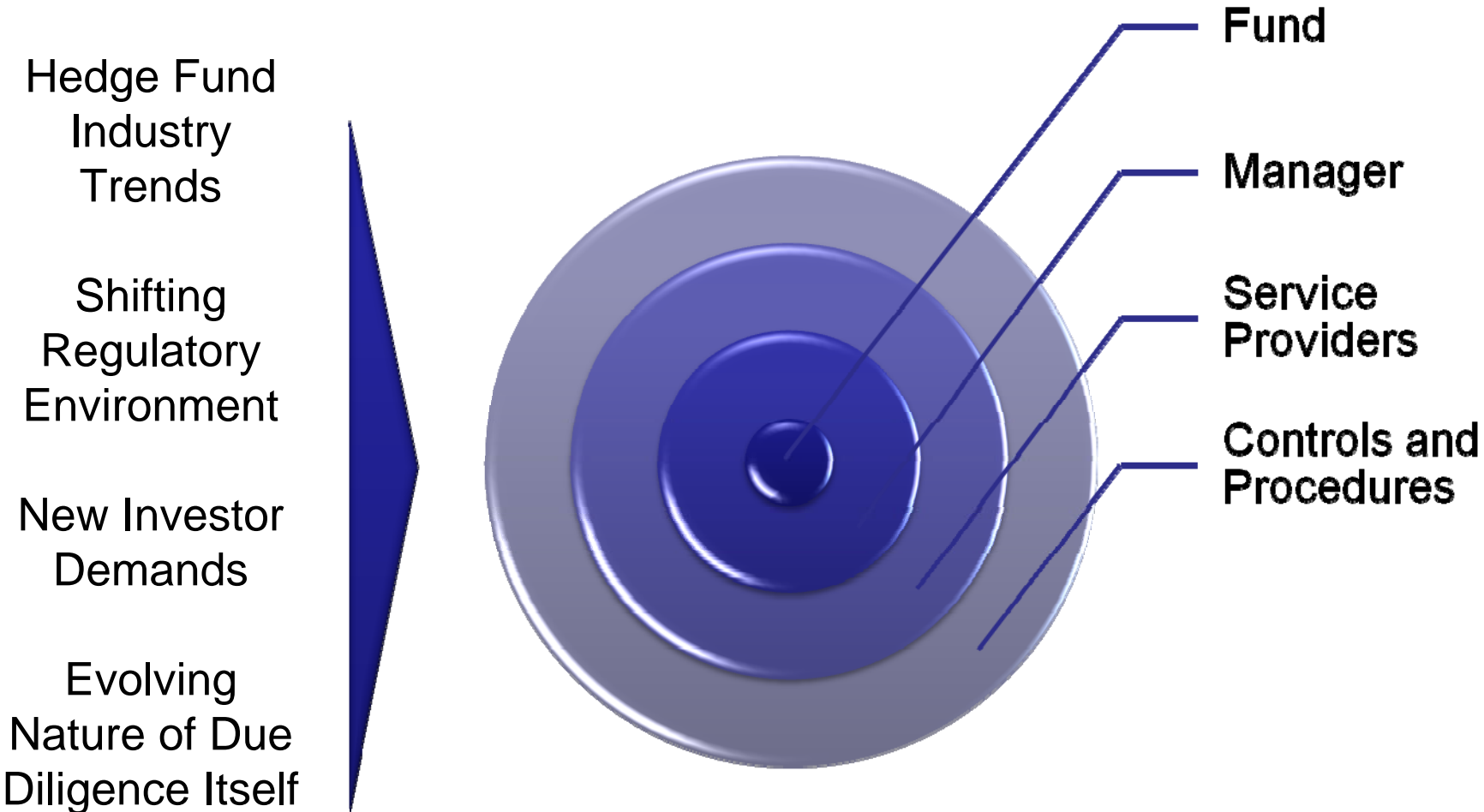
Panelists:

Mark Hannoush CA CFA, Ontario Teachers' Pension Plan

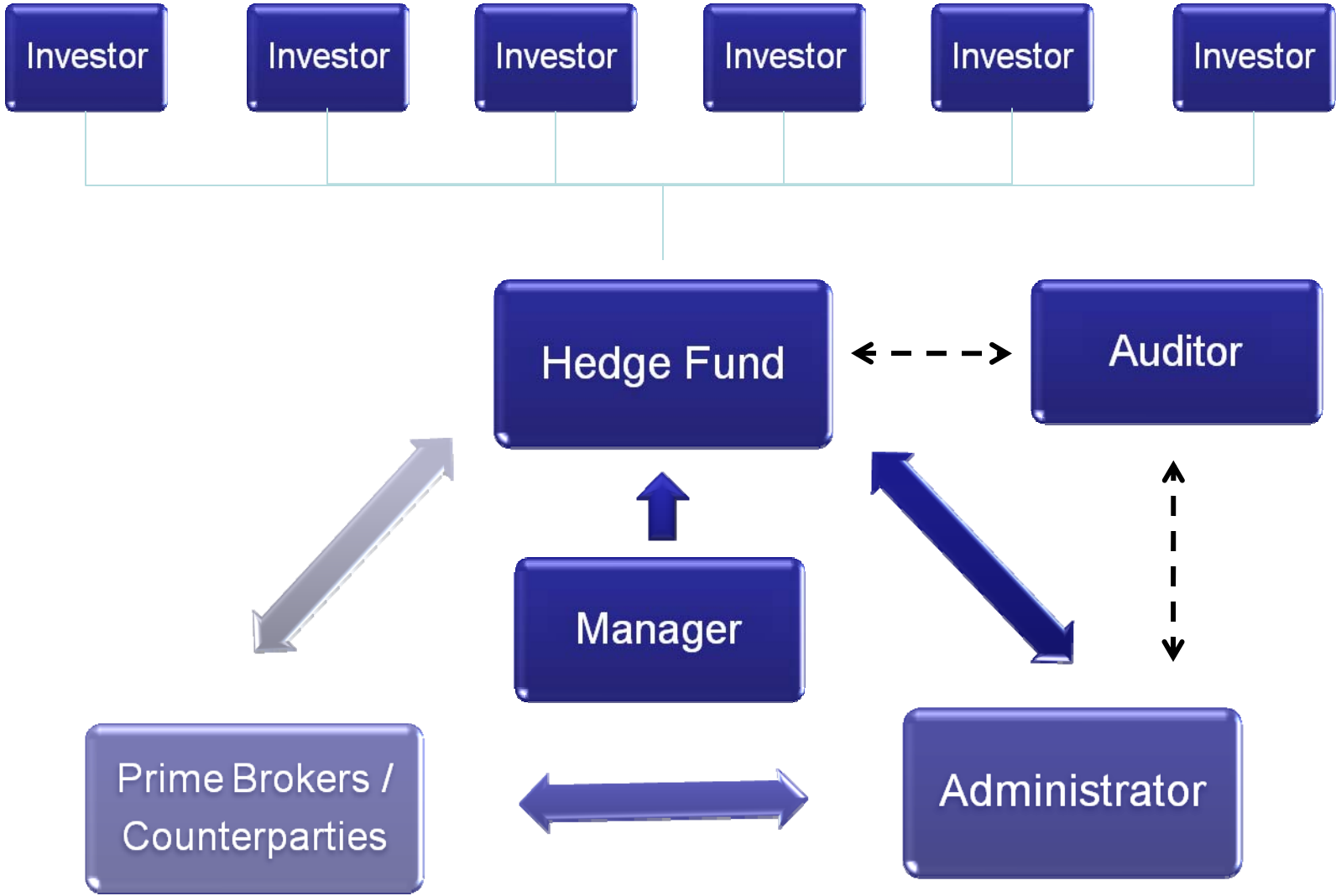
Christopher Addy CA CFA, Castle Hall Alternatives

June 24, 2009

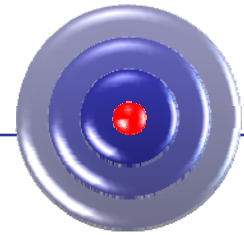
Due Diligence Framework



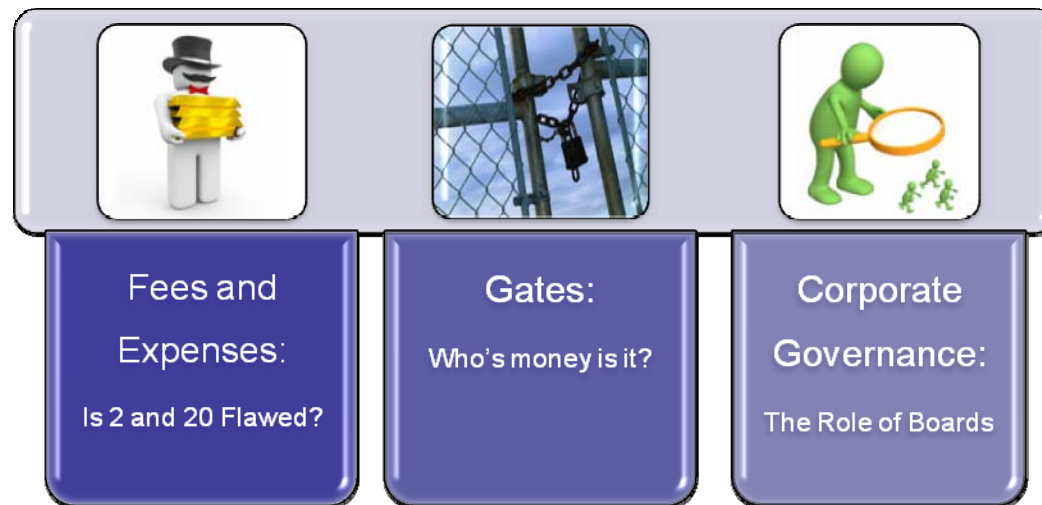
Typical Hedge Fund Structure



Fund



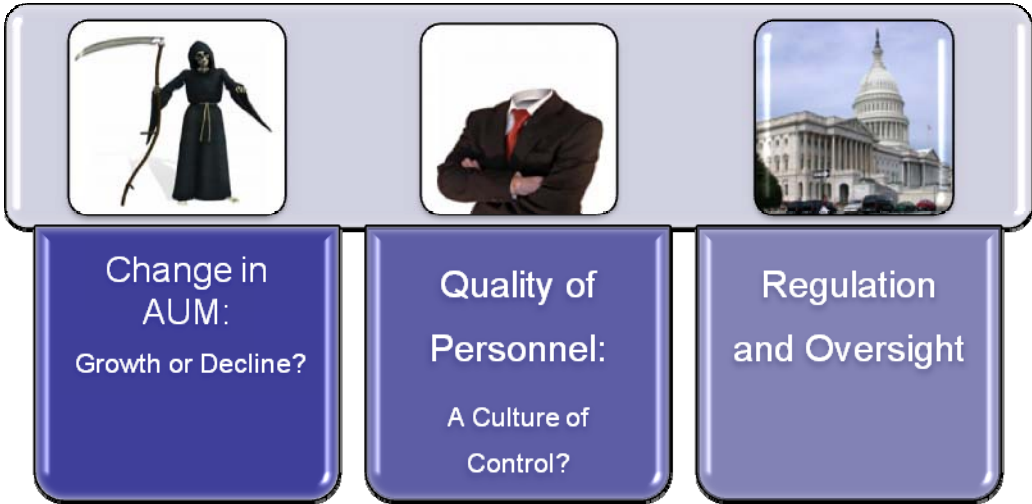
Key Issues



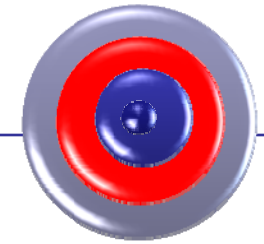
Manager



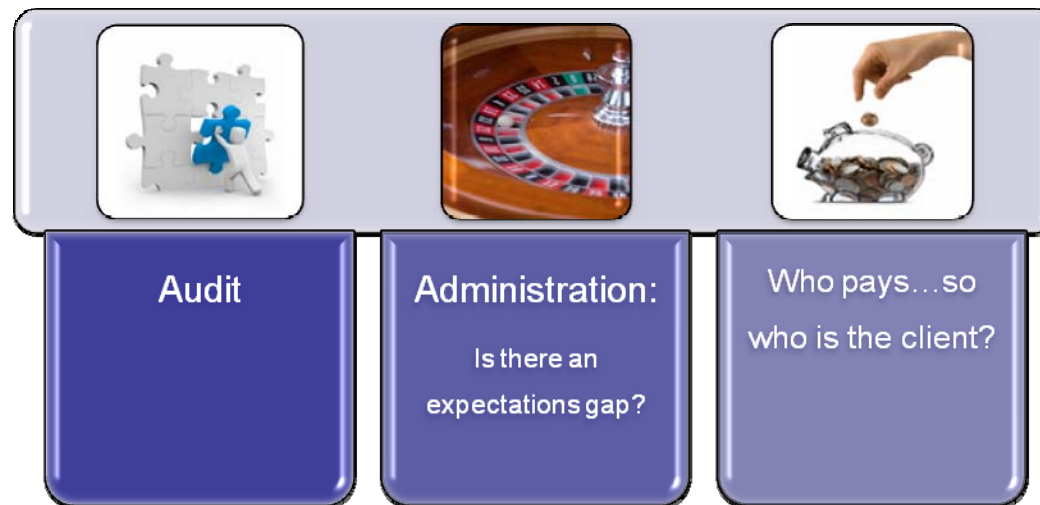
Key Issues



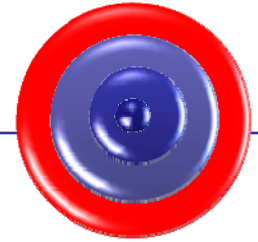
Service Providers



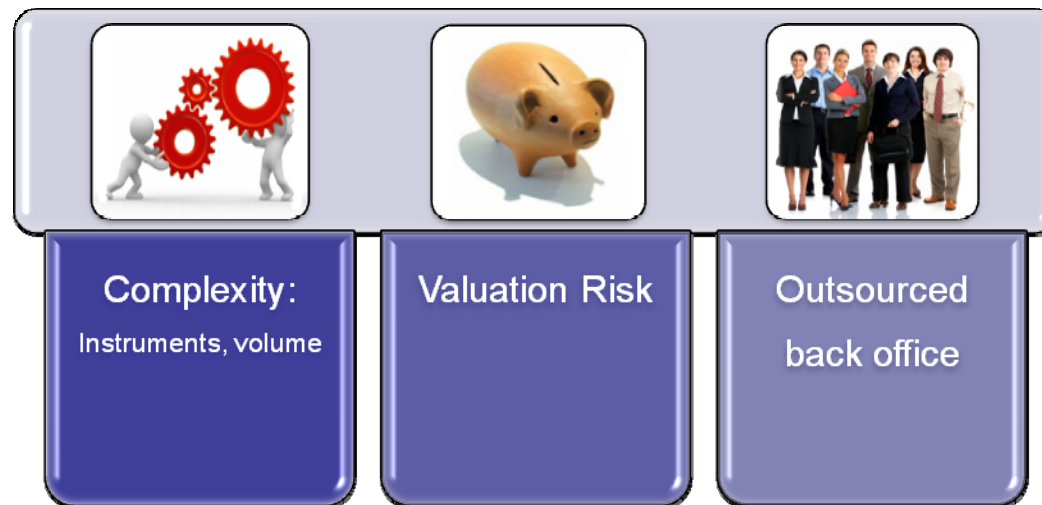
Key Risks



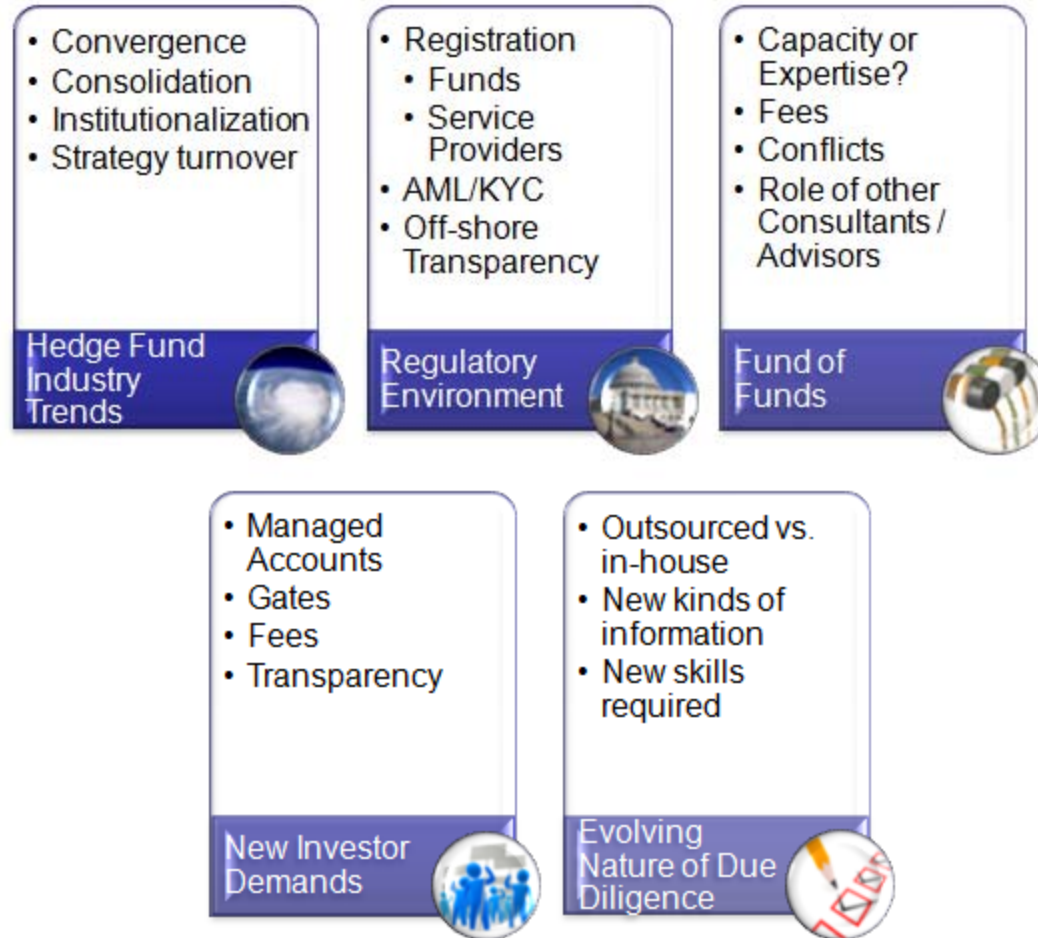
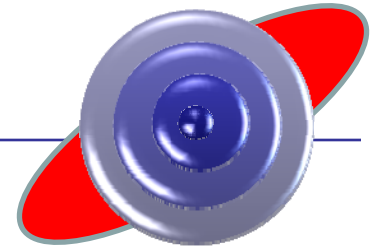
Controls and Procedures



Key Risks



External Forces



Top 10 Rules of Due Diligence

#10 Operational Due Diligence is about more than operations

#9 Due diligence must be consistent and comprehensive

#8 Due diligence requires judgement, not a scorecard

#7 Due diligence is just as important on the biggest and the best

#6 Ongoing due diligence is vital



Top 10 Rules of Due Diligence (cont)

#5 Remember that the administrator, directors and law firm are paid by the investor...but hired and fired by the manager

#4 Beware of conflicts of interest

#3 Be prepared to ask tough questions – even when making money

#2 If it looks too good to be true...it probably is

#1 Be prepared to say no!

