



Alternative Investment Summit 2009

***‘Generating alpha
through better risk
management and
more rigorous due
diligence’***

Industry **survey findings**

Contents

Executive Summary

Survey Methodology

Major Findings

Survey Respondents

Responses by industry profile

- Institutional Investors
- Asset Consultants
- Investment banks
- Asset/Fund Managers

Executive summary

Entering into our 4th year, the Alternative Investment Summit will bring together a distinguished panel of Superannuation Funds, Pension Funds and Asset Consultants together to strategise on how to generate alpha through stronger operational due diligence, liquidity and risk management.

Extensive research is put into interviewing global CEO and CIOs to ensure a top quality conference agenda. The content strives to be a reflection of the most critical issues that will impact the alternative investment industry in the next 18-24 months.

This survey aimed to **identify the most pertinent investment issues** facing the alternative investment industry.

Survey Methodology

This is the first Alternative Investment Summit Industry Survey that has been conducted, compiled and edited by Terrapinn Alternative Investment Summit team

In January 2009, we asked the global investment community to participate in the first Alternative Investment Summit Industry Survey. We received responses from more than 230 respondents

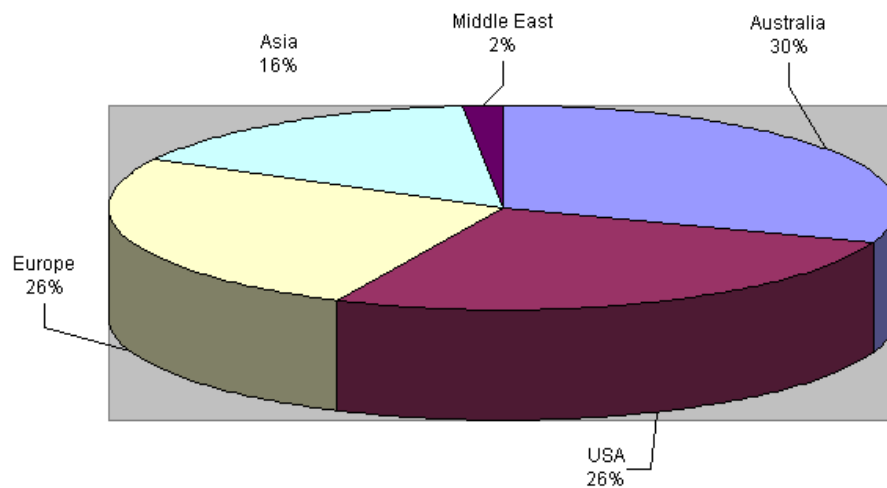
Major findings

- Of the respondents interviewed, the top market events likely to impact performance returns were - Uncertainty over full extent of global credit crisis and liquidity.
- Favorable asset classes over the next 1-2 years include Distressed Assets, Private Equity, Infrastructure and Hedge Funds.
- Majority of respondents would support increased regulation in guidelines on valuation methodologies, investor reporting standards and disclosure of financing arrangements

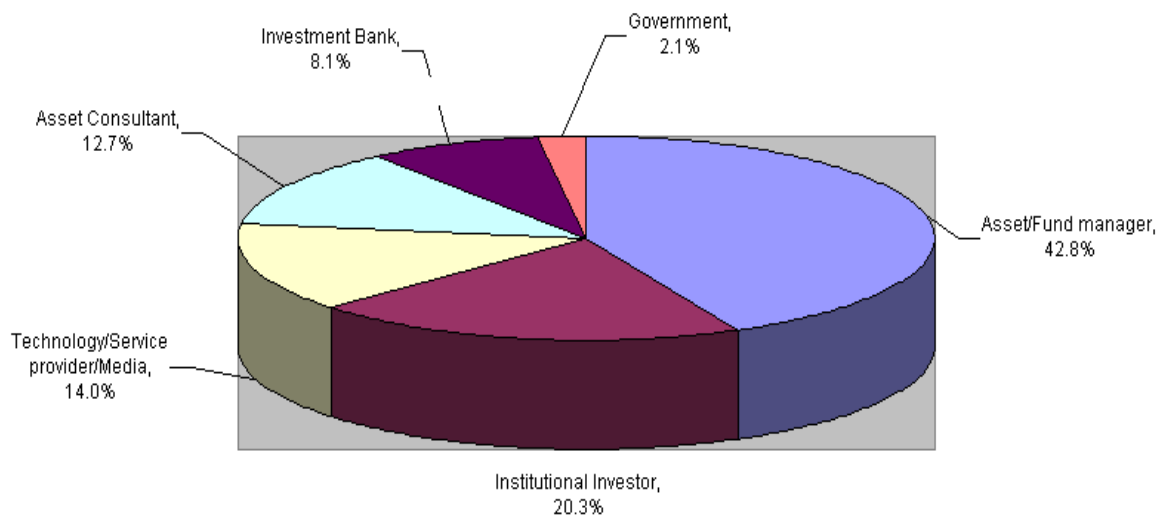
Survey Respondents

Over 250 senior level decision makers from the global institutional investor community have taken part in this survey.

Participants by region



Participants by Industry profile



INSTITUTIONAL INVESTORS

Major themes impacting institutional investors

- The top 3 market events likely to impact fund performance were uncertainty over full extent of the global credit crisis, liquidity and Member's shift to cash portfolio
- Investors were most interested in allocating to distressed assets, private equity, hedge funds and infrastructure
- They were least interested in allocating to fund of funds
- The top 3 attributes in selecting an investment manager were compliance/governance/risk management, performance and investment philosophy
- Investors were most satisfied with the transparency/governance/risk management of real estate, commodities and private equity
- They were most dissatisfied with hedge funds and fund of funds

Of the institutional investors who took part they belong to these types of organisations

Types of Institutional investors	Percent
Pension fund	26%
Superannuation fund	17%
Fund of fund	17%
Endowment	14%
Private bank / Wealth management firm / Family office	14%
Insurance	11%
Trust / Foundation	9%
Sovereign Wealth Fund / Government	0%

Which of the following market events will have the greatest impact on your fund's performance returns?

	Percent
Uncertainty over full extent of global credit crisis	81%
Liquidity	25%
Member's shift to cash portfolio	16%
Inflation	16%
Volatility	16%
Budget constraints in meeting increased regulation and compliance laws	9%
Fund switching	3%
Flow on effect of government bail outs	3%

What is your attitude towards allocating in alternative investments over the next 1-2 years?

	Not interested	Somewhat interested	Interested subject to rigorous due diligence
Direct infrastructure projects	53%	30%	17%
Infrastructure funds	23%	45%	32%
Commodities	24%	41%	35%
Distressed assets	13%	16%	72%
Hedge funds	36%	19%	45%
Private equity	19%	29%	52%
Property	30%	27%	43%
Fund of fund	57%	21%	21%

What is your average due diligence period before allocating a mandate?

6 Months	84.4%
12 Months	12.5%
>18 Months	3.1%

In your organisation, what role do asset consultants and auditors play in the investment decision process?

	Asset Consultant	Auditor
Identifying alternative asset classes	93.80%	6.30%
Performing operational due diligence on proposed investments	75.00%	30.00%
Investment manager selection	95.00%	5.00%
Risk management	64.70%	58.80%
Fund policy and governance	66.70%	52.40%
Monitoring of investment products for changes in liquidity	93.30%	26.70%

What are the top three attributes in selecting an investment manager?

	Percent
Compliance, governance and risk management procedures	69%
Performance	66%
Investment philosophy	63%
Transparency	43%
Quality and frequency of reporting	23%
Pedigree	17%
Size	9%

In which of the following areas are you dissatisfied with your current manager's transparency and reporting practices?

	Percent
Risk procedures	52%
Fees and commissions	48%
Leverage levels	41%
Valuation methodologies	33%
Investment strategy	22%
Frequency of reporting	22%

In which areas of business is your company satisfied with your operational due diligence and risk management procedures?

	Percent
Selection of external investment managers, auditors and accountants	72%
Accounting	55%
Fraud and money laundering	48%
Valuation methodologies	48%
Information Technology and Security	38%
Stress testing	24%
VaR model	10%

How satisfied are you with the transparency, risk management and governance standards of the following alternative investments?

	Very Dissatisfied	Dissatisfied	Satisfied	Very Satisfied
Direct infrastructure projects	7%	40%	53%	0%
Infrastructure funds	5%	42%	47%	5%
Commodities	0%	29%	62%	10%
Distressed assets	5%	35%	50%	10%
Hedge funds	22%	44%	30%	4%
Private equity	9%	27%	55%	9%
Property	5%	25%	65%	5%
Fund of fund	35%	39%	22%	4%

Would you support increased regulation in?

	Percent
Investor reporting standards	60%
Guidelines on valuation methodologies	60%
Disclosure of financing arrangements	53%
Guidelines on leverage ratios	43%
Guidelines for manager fees and commissions	40%
Formal disclosure to ratings agencies and regulatory bodies	37%

ASSET CONSULTANTS

Major themes impacting asset consultants

- The top 3 market events likely to impact fund performance were uncertainty over full extent of the global credit crisis, liquidity and flow on effect of government bail outs
- Asset consultants were most interested in allocating to hedge funds, distressed assets and private equity
- They were least interested in allocating to direct infrastructure and real estate
- The top 3 attributes in selecting an investment manager were transparency, performance and compliance/governance/risk management
- Asset consultants were most satisfied with the transparency/governance/risk management of commodities, hedge funds and fund of funds. It is interesting to note the satisfaction discrepancy in the latter asset classes between asset consultants and their institutional investor clients
- Asset consultants were most dissatisfied with private equity

Which of the following investors do you currently advise?

	Percent
Private bank / wealth management firm / Family office	50%
Pension fund	39%
Trust / Foundation	39%
Fund of fund	39%
Superannuation fund	28%
Endowment	28%
Insurance	22%
Sovereign Wealth Fund / Government	17%

Which of the following market events will have the greatest impact on performance returns for investors?

	Percent
Uncertainty over full extent of global credit crisis	84%
Liquidity	42%
Flow on effect of government bail outs	32%
Budget constraints in meeting increased regulation and compliance laws	16%
Member's shift to cash portfolio	16%
Volatility	16%
Inflation	11%
Fund switching	5%

How do you currently assist your institutional investor clients?

	Percent
Investment manager selection	74%
Performing operational due diligence on proposed investments	63%
Identifying alternative asset classes	47%
Risk management	42%
Monitoring investment products for changes in liquidity	32%
Fund policy and governance	26%

What is your attitude towards allocating in alternative investments over the next 1-2 years?

	Interested subject to rigorous due diligence	Interested	Not interested
Direct infrastructure projects	41.70%	16.70%	41.70%
Infrastructure funds	30.00%	30.00%	40.00%
Commodities	41.70%	41.70%	16.70%
Distressed assets	61.50%	30.80%	7.70%
Hedge funds	62.50%	25.00%	12.50%
Private equity	41.70%	33.30%	25.00%
Property	20.00%	30.00%	50.00%
Fund of fund	30.80%	46.20%	23.10%

What is your average due diligence period before allocating a mandate?

6 Months	68%
12 Months	18.8%
> 12 Months	12.5%

What are the top three attributes in selecting an investment manager?

	Percent
Performance	82%
Transparency	82%
Compliance, governance and risk management procedures	71%
Investment philosophy	47%
Quality and frequency of reporting	12%
Pedigree	6%
Size	6%

In which of the following areas are you dissatisfied with your current manager's transparency and reporting practices?

	Percent
Risk procedures	53%
Valuation methodologies	47%
Investment strategy	41%
Leverage levels	41%
Frequency of reporting	18%
Fees and commissions	12%

In which areas of business is your company satisfied with your operational due diligence and risk management procedures?

	Percent
Accounting	55%
Valuation methodologies	55%
Selection of external investment managers, auditors and accountants	55%
Information Technology and Security	46%
Fraud and money laundering	36%
VaR model	18%
Stress testing	9%

In which areas of business is your company satisfied with your operational due diligence and risk management procedures?

	Percent
Accounting	55%
Valuation methodologies	55%
Selection of external investment managers, auditors and accountants	55%
Information Technology and Security	46%
Fraud and money laundering	36%
VaR model	18%
Stress testing	9%

How satisfied are you with the transparency, risk management and governance standards of the following alternative investments?

	Very Dissatisfied	Dissatisfied	Satisfied	Very Satisfied
Direct infrastructure projects	0.00%	50.00%	50.00%	0.00%
Infrastructure funds	0.00%	50.00%	50.00%	0.00%
Commodities	0.00%	16.70%	83.30%	0.00%
Distressed assets	8.30%	33.30%	58.30%	0.00%
Hedge funds	6.30%	31.30%	62.50%	0.00%
Private equity	0.00%	46.20%	53.80%	0.00%
Property	9.10%	45.50%	45.50%	0.00%
Fund of fund	6.30%	43.80%	50.00%	0.00%

Would you support increased regulation in?

	Percent
Guidelines on valuation methodologies	69%
Disclosure of financing arrangements	56%
Guidelines on leverage ratios	44%
Investor reporting standards	31%
Guidelines for manager fees and commissions	25%
Formal disclosure to ratings agencies and regulatory bodies	19%

INVESTMENT BANKS

Major themes impacting investment banks

- The top 3 market events likely to impact performance were uncertainty over full extent of the global credit crisis, liquidity and budget constraints in meeting increased regulation and compliance laws
- Investment banks see most opportunities in allocating to distressed assets, hedge funds and private equity
- They were least interested in allocating to fund of funds
- Investment banks were most satisfied with the transparency/governance/risk management of commodities
- They were most dissatisfied with private equity, hedge funds and distressed assets

What area within investment banking do you belong?

	Percent
M&A	27%
Investment Strategy	18%
Product development	18%
Business development	18%
Institutional sales	18%
Prime brokerage	18%

Which of the following market events will have the greatest impact on your organisation's performance returns?

	Percent
Uncertainty over full extent of global credit crisis	69%
Liquidity	31%
Budget constraints in meeting increased regulation and compliance laws	23%
Member's shift to cash portfolio	15%
Volatility	8%
Fund switching	0%
Flow on effect of government bail outs	0%
Inflation	0%

Over the next 1-2 years which alternative asset classes would you identify as potential opportunities for institutional investors?

	Percent
Distressed assets	69%
Hedge funds	46%
Private equity	39%
Direct infrastructure projects	31%
Infrastructure funds	31%
Property	31%
Commodities	23%
Fund of fund	0%

What is your average due diligence period before the investment decision?

6 Months	66.7%
12 Months	33.3%
> 12 Months	11.1%

In which of the following areas are you satisfied with your transparency, reporting and risk management procedures?

	Percent
Investment strategy	60%
Fees and commissions	50%
Leverage levels	50%
Risk procedures	50%
Accounting	50%
Fraud and money laundering	50%
Stress testing	50%
Valuation methodologies	40%
VaR model	40%
Information Technology and Security	20%

In which of the following areas are you satisfied with your transparency, reporting and risk management procedures?

	Percent
Fees and commissions	50%
Investment strategy	75%
Leverage levels	38%
Risk procedures	38%
Valuation methodologies	38%
Accounting	25%
Fraud and money laundering	38%
Information Technology and Security	38%
Stress testing	38%
VaR model	25%

How satisfied are you with the transparency, risk management and governance standards of the following alternative investments?

	Very Dissatisfied	Dissatisfied	Satisfied	Very Satisfied
Direct infrastructure projects	14.30%	42.90%	28.60%	14.30%
Infrastructure funds	14.30%	57.10%	14.30%	14.30%
Commodities	0.00%	14.30%	85.70%	0.00%
Distressed assets	25.00%	37.50%	37.50%	0.00%
Hedge funds	0.00%	62.50%	37.50%	0.00%
Private equity	25.00%	37.50%	37.50%	0.00%
Property	11.10%	55.60%	33.30%	0.00%
Fund of fund	14.30%	42.90%	42.90%	0.00%

Would you support increased regulation in?

	Percent
Guidelines on valuation methodologies	70%
Disclosure of financing arrangements	60%
Guidelines for manager fees and commissions	60%
Guidelines on leverage ratios	60%
Investor reporting standards	50%
Formal disclosure to ratings agencies and regulatory bodies	40%

ASSET/FUND MANAGER

Major themes impacting asset/fund managers

- The top 3 market events likely to impact fund performance were uncertainty over full extent of the global credit crisis, liquidity and volatility
- Asset managers see most opportunities in allocating to distressed assets, hedge funds and private equity
- They were least interested in allocating to fund of funds and commodities
- Asset managers were most satisfied with the transparency/governance/risk management of infrastructure, commodities and real estate
- They were most dissatisfied with hedge funds, fund of funds and distressed assets

Please tell us a little about yourself

	Percent
Asset manager	42%
Multi-manager / FOF	38%
Hedge fund	22%
Private equity	19%
Property trust	6%

Which of the following market events will have the greatest impact on your organisation's performance returns?

	Percent
Uncertainty over full extent of global credit crisis	67%
Liquidity	48%
Volatility	29%
Member's shift to cash portfolio	19%
Inflation	7%
Flow on effect of government bail outs	4%
Budget constraints in meeting increased regulation and compliance laws	1%

Over the next 1-2 years which alternative asset classes would you identify as potential opportunities for institutional investors?

	Percent
Distressed assets	60%
Hedge funds	34%
Private equity	28%
Infrastructure funds	25%
Direct infrastructure projects	23%
Property	23%
Fund of fund	20%
Commodities	19%

What is your average due diligence period before the investment decision?

6 months	81.4%
12 months	16.9%
>18 months	1.7%

In which of the following areas are you satisfied with your transparency, reporting and risk management procedures?

	Percent
Investment strategy	84%
Fees and commissions	75%
Fraud and money laundering	73%
Accounting	69%
Leverage levels	60%
Risk procedures	58%
Valuation methodologies	55%
Information Technology and Security	42%
Stress testing	22%
VaR model	15%

How satisfied are you with the transparency, risk management and governance standards of the following alternative investments?

	Very Dissatisfied	Dissatisfied	Satisfied	Very Satisfied
Direct infrastructure projects	12.80%	28.20%	48.70%	10.30%
Infrastructure funds	12.50%	30.00%	47.50%	10.00%
Commodities	0.00%	23.30%	62.80%	14.00%
Distressed assets	12.50%	47.90%	35.40%	4.20%
Hedge funds	36.50%	38.50%	23.10%	1.90%
Private equity	19.60%	32.60%	45.70%	2.20%
Property	16.70%	35.70%	33.30%	14.30%
Fund of fund	30.40%	32.60%	30.40%	6.50%

Would you support increased regulation in?

	Percent
Guidelines on valuation methodologies	60%
Investor reporting standards	55%
Disclosure of financing arrangements	55%
Guidelines on leverage ratios	40%
All of the above	37%
Formal disclosure to ratings agencies and regulatory bodies	33%
Guidelines for manager fees and commissions	32%

Contact us

Assistance with conference registration or further information:

Stephanie Catto

Tel: +61 2 9021 8849

Fax: +61 2 9281 5517

Stephanie.Catto@terrapinn.com

Sponsorship and exhibition opportunities:

Deepak Khemchandani

Tel: +61 2 9021 8840

Fax: +61 2 9281 3950

deepak.khemchandani@terrapinn.com

Marketing opportunities and press relations:

John Burgher

Tel: +61 2 9021 8826

Fax: +61 2 9281 3950

john.burgher@terrapinn.com

Conference programme and speaking opportunities:

Andrew Worner

Tel: +61 2 9021 8859

Fax: +61 2 9281 3950

andrew.worner@terrapinn.com

terrapinn

use your brain

