Dr Ray Carroll
Neuberger Berman Breton Hill

Paul Sabourin
Polar Asset Management Partners

Dr Jane Buchan
PAAMCO, PAAMCO Prisma Holdings

Kenneth G. Tropin
Graham Capital Management

Robert S. Koenigsberger
Gramercy Funds Management

Dr Robert C. Merton
Massachusetts Institute of Technology

Dr Campbell Harvey
Duke University, National Bureau of Economic Research, Man Group

Luke Ellis
Man Group

Andrew McCaffery
Aberdeen Standard Investments

Stuart Roden
Lansdowne Partners

Sir Paul Marshall
Marshall Wace

Sir Michael Hintze
CQS

Dr Leda Braga
Systematica Investments

Fiona Frick
Unigestion

Seth Fischer
Oasis Capital

AIMA

PERSPECTIVES

INDUSTRY LEADERS ON THE FUTURE OF THE HEDGE FUND INDUSTRY

J. Kyle Bass
Hayman Capital Management

David C. Haley
HBK Capital Management

Philippe Jordan
Capital Fund Management

Danny Yong
Dymon Asia Capital

Anthony Kaiser
Kaiser Trading Group

Dr Jim Liew
John Hopkins Carey Business School

Dr Lasse H. Pedersen
New York University Stern School of Business, Copenhagen Business School, AQR Global Asset Allocation

Lee S. Ainslie
Maverick Capital

J. Tomilson Hill
Blackstone Alternative Asset Management, Blackstone

Omar Kodmani
EnTrustPermal

AberdeenStandard Investments

Dr Ray Carroll
Chief Investment Officer, Neuberger Berman Breton Hill

Paul Sabourin
Chairman, Chief Investment Officer and Portfolio Manager, Polar Asset Management Partners

Dr Robert C. Merton
School of Management Distinguished Professor of Finance, Massachusetts Institute of Technology

Kenneth G. Tropin
Founder and Chairman, Graham Capital Management

Robert S. Koenigsberger
Founder, Chief Investment Officer and Managing Partner, Gramercy Funds Management

Luke Ellis
Chief Executive Officer, Man Group

Andrew McCaffery
Global Head of Client-Driven and Multi-Manager Solutions, Aberdeen Standard Investments

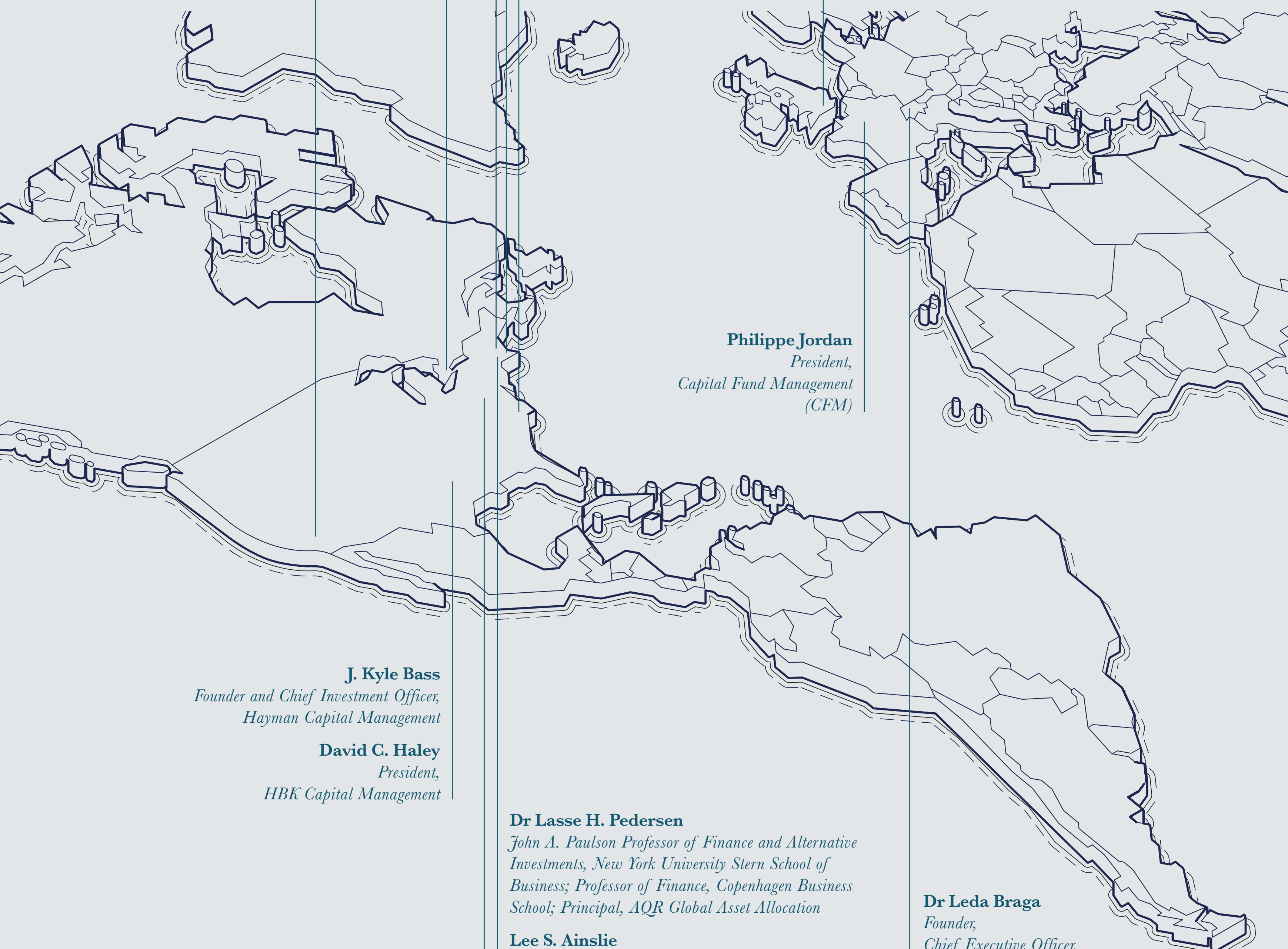
Stuart Roden
Chairman, Lansdowne Partners

Sir Paul Marshall
Chairman and Chief Investment Officer, Marshall Wace

Sir Michael Hintze
Founder, Chief Executive Officer and Senior Investment Officer, CQS

Dr Jane Buchan
Managing Director and Chief Executive Officer, PAAMCO; Co-Chief Executive Officer, PAAMCO Prisma Holdings

Dr Campbell Harvey
Professor of Finance, Fuqua School of Business, Duke University; Research Associate, National Bureau of Economic Research; Investment Strategy Advisor, Man Group



Philippe Jordan
President, Capital Fund Management (CFM)

J. Kyle Bass
Founder and Chief Investment Officer, Hayman Capital Management

David C. Haley
President, HBK Capital Management

Dr Lasse H. Pedersen
John A. Paulson Professor of Finance and Alternative Investments, New York University Stern School of Business; Professor of Finance, Copenhagen Business School; Principal, AQR Global Asset Allocation

Lee S. Ainslie
Founder, Managing Partner and Chief Executive Officer, Maverick Capital

J. Tomilson Hill
Chairman, Blackstone Alternative Asset Management; Vice Chairman, Blackstone

Omar Kodmani
Senior Executive Officer, EnTrustPermal

Dr Leda Braga
Founder, Chief Executive Officer, Systematica Investments

Fiona Frick
Chief Executive Officer, Unigestion

Dr Jim Liew
Assistant Professor of Finance, John Hopkins Carey Business School

Robert Koenigsberger

Founder, CIO and Managing Partner, Gramercy Funds Management

We pivot the conversation with investors around the types of fee structures we can offer to our investors. Some investors are more management-fee sensitive and some are less, so we tend to talk about a menu of fee options. The key to all of this is determining what the value-added is to the investor. This value is based on the question that we ask ourselves, namely did we meet or beat the client's expectations when we put up returns in normal and abnormal markets, and did we preserve their capital?

The point is that we are not rigid on our pricing; we have different fee buckets for investors to choose from. We don't want to be known for my management fees but rather my performance fees. We want to perform for our clients and get paid; that's why we want a disproportionate amount of income that the firm generates to come from performance. The industry needs to get back to being paid for performing rather than earning an asset management fee for gathering assets.

Robert Koenigsberger

Founder, CIO and Managing Partner, Gramercy Funds Management, on how best to retain and cultivate talent within a hedge fund

We view the development of our employees as akin to creating an investment firm that is a perpetuity in its nature rather than an annuity. Every day we are thinking about how we're going to perpetuate ourselves. And that means hiring the right people, retaining those people and giving them meaningful careers.

We have four tenets that support the ongoing development of our employees. First, we believe that everyone should get a base salary, and that should be sufficient to feed their family and not their neighbourhood. Number two, there should be some kind of bonus that can be a meaningful multiple of that base. Number three, it's about equity. Everybody at Gramercy owns equity, from the front door of this business to the back door. And the last tenet is to give people a meaningful career. We always have a three-year business plan for the firm, and we create a three-year plan for each member of staff to correspond with that. We say here's where we're going, what will you do to be a part of that growth?

Robert Koenigsberger

Founder, CIO and Managing Partner,
Gramercy Funds Management,
on how his firm plans for succession

When it comes to planning for succession for the business, we sat down and developed a plan for how we are going to handle it. The three risks we identified were first, friction with the estate in the case of an unplanned succession (in the event of the founder dying or becoming incapacitated and therefore unable to discharge his or her duties), second, retention of the firm's employees, and third, to make sure that we are doing the right thing by our clients.

We use large amounts of key-man insurance to defuse those three different areas. In the first instance, we communicate what we intend to do to our clients so that they're satisfied that we really are a perpetuity. Following that, we cut a deal with the estate of the founder so that some amount of the insurance will go to them and there can be no dispute. Finally we will offer our employees retention bonuses and a percentage of the stake to be shared among the firm's staff.

Robert Koenigsberger
Founder, CIO and Managing Partner,
Gramercy Funds Management

I'm very optimistic for the future. If you look at other industries, either you evolve or you die. The 2-and-20 hedge fund compensation is over, and I don't just mean the fee structure. Real industry leaders over long periods of time are adapting to market conditions. I love looking at companies that have done a really good job at adapting. Is Apple about computers? Because that's what it looked like in 2006. The iPhone's only been around for a decade. Or the design of consumer products: I love to look outside of the industry for failures, people who didn't adapt. Take for example, Blockbuster versus the guys who figured out online movie streaming. Or the railroads: Were they in the railroad business or the transportation business? They decided that they were in the railroad business and they died. But they were ahead of the curve in transportation. Our core offering is really in the business of providing risk-adjusted returns in emerging markets for our clients. It will evolve around structures and market conditions but I don't think the desire for good risk-adjusted returns from emerging markets or risk management is going away anytime soon.