Rayner Gobran LLC

Make smarter allocations. Build better portfolios.

Hedge Fund Operational Due Diligence Toolkit

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Make smarter allocations. Build better portfolios.

- Sourcing hedge fund strategies.
- Portfolio construction.
- Quantitative analysis.
- Operational due diligence.
- Platform structuring.

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About the Authors

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Ian is the founder of Rayner Gobran LLC. He provides quantitative and qualitative hedge fund expertise to institutional allocators, family offices, and wealth managers. He works with clients on sourcing, analysis, due diligence, and portfolio construction.

Ian was Chief Operating Officer and Director of Research for The Bornhoft Group, an award-winning pioneer in multi-manager CTA funds. As COO he built and ran a managed account platform ensuring institutional quality operations throughout the firm. As Director of Research he developed statistical tools for delving deep into manager performance and building robust portfolios.

Our team placed hundreds of millions of dollars with hedge funds. We allocated capital to the biggest names and the smallest niche managers. We screened 1,000's, analyzed 100's, and completed operational due diligence on the best to construct our portfolios. Our fund was nominated for the Pinnacle Awards 5-Year Best Multi-Advisor Futures Fund, 2013 through 2015.

Ian has an MA and BA in Chemical Engineering from Cambridge University, and an MBA from The Wharton School, University of Pennsylvania where he graduated as a Palmer Scholar.

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Tom Ducrot

Tom is the Founder of Fides + Ratio LLC and Ratio Indices LLC. Tom works with hedge funds, institutions, and family offices on a variety of topics around portfolio construction, hedge fund investments, due diligence, and uncorrelated strategies.

Tom served as an Executive Director in Capital Introductions for Morgan Stanley from 2010 to 2016 where he concentrated on listed derivatives and systematic strategies. Prior to his tenure at Morgan Stanley, Tom worked for Newedge (now Société Générale) in capital introductions for futures managers and investors.

Before joining Newedge, he was Head of Research and Portfolio Management for Cedar Partners, a fund of funds with over $1 billion of invested assets. His work on the portfolio at Cedar Partners led to the sale of its fund of funds business to a leading European bank in 2007. Earlier in his career, Tom worked in venture capital.

Tom has a BS in Management from Dauphine University in Paris as well as an MS in Finance from ESCP School of Management in Paris. Tom is a native French speaker who is fluent in English and Spanish.

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Tom Ducrot and I have been working on innovative multi-manager funds for the last year or so. As a side project, I set out to write a comprehensive guide to hedge fund investing. I was thrilled that Tom was willing to contribute his considerable experience.

This toolkit is the first installment in a series of collaborations we hope will bring tremendous value to hedge fund investors.

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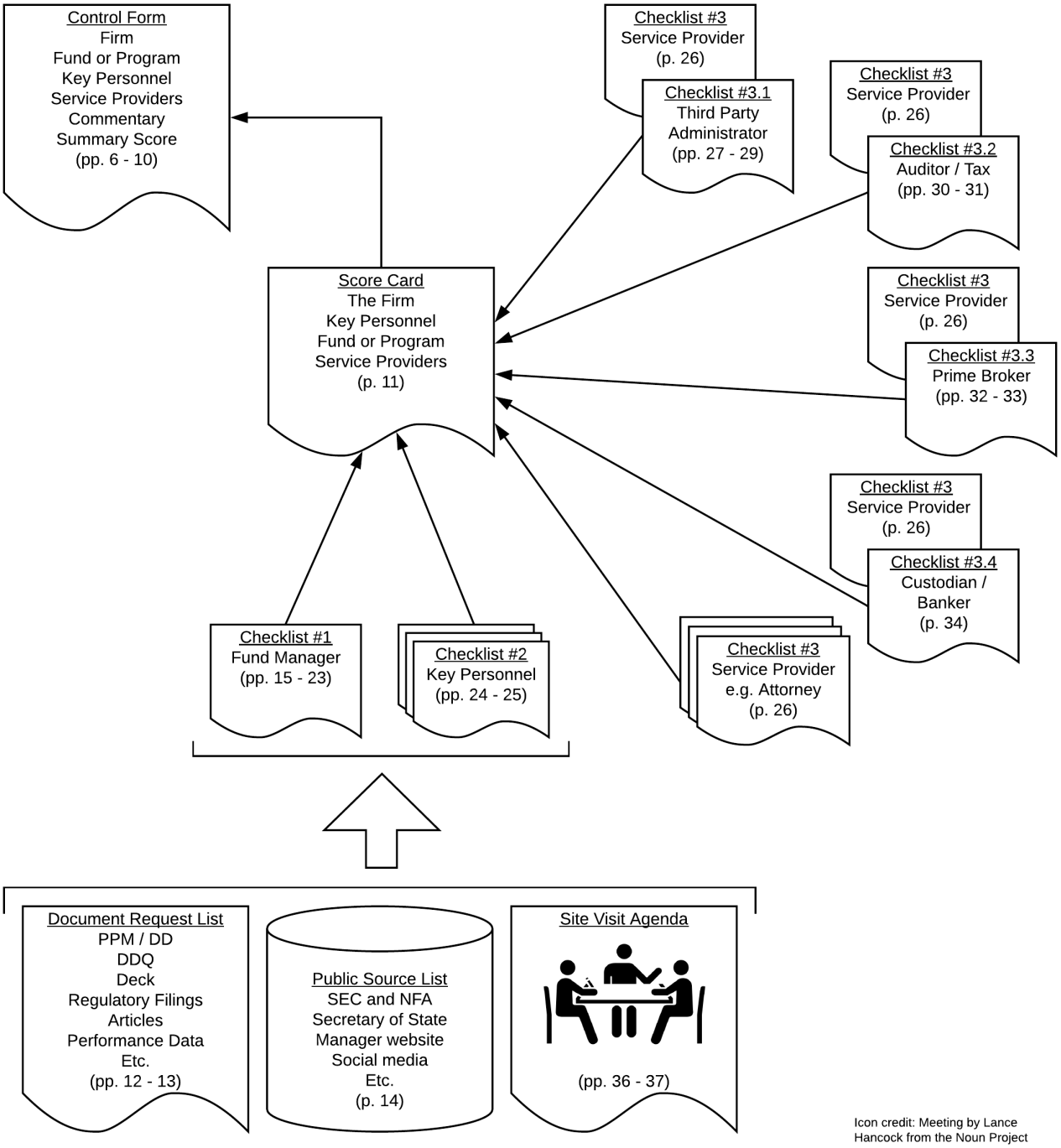
Operational Due Diligence Toolkit: A Map

(Numbers in parenthesis are page numbers.)



Icon credit: Meeting by Lance Hancock from the Noun Project

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Hedge Fund Operational Due Diligence Toolkit

Why We Created This Toolkit

We wanted to provide something that would be of great value to hedge fund investors. Instead of writing a book, we created a complete **Hedge Fund Operational Due Diligence Toolkit** that you can use right out of the box.

10 years after Madoff you still have to be on your guard. ODD is not glamorous, but it may save your capital. You need to be thorough, organized, and keep great records; our toolkit makes it easy.

What is Hedge Fund Operational Due Diligence?

You have found the right hedge fund, completed your quantitative analysis and determined that you want to invest. The next step is operational due diligence. ODD ensures that the quality of the fund's operations matches the promise of the investment program.

The most important objective of operational due diligence is to minimize the exposure of your capital to operational risk including the potential for fraud. Neither you nor the manager can control the market, but you can take steps to control operational risk.

Another objective is to ensure that the information you are given is accurate and true. You do this by talking to other parties involved in arm's length transactions with the manager. Their answers to your questions will confirm or contradict what the manager has told you.

Madoff Fraud: $8bn Losses

Simple questions should have uncovered enough to scare any investor:

> "How can a one-man accounting firm audit one of the largest hedge funds in the world?"

> "How can we independently verify your trades when you are your own prime broker?"

You have the right to be nosey, you may be paying 100's of thousands of dollars in fees to the manager. By the same token, the manager may choose not to be forthcoming with you. Keep asking questions until you have clarity. It is up to you to synthesize the data and carefully observe the manager's reactions until you develop a gut feel about them.

If you are not satisfied after your operational due diligence, be prepared to walk away – there will always be other opportunities in a universe of 10,000 hedge funds.

Note: This ODD toolkit is geared to US based investors considering liquid hedge fund and managed futures strategies. However, the basic principles employed in this toolkit would apply anywhere, the details may differ. The toolkit does not cover analysis of the manager's investment program.

What Is in The Toolkit

This toolkit includes everything you need to complete effective hedge fund operational due diligence:

1. A **Plan of Action** that orders activities by escalating cost and effort. If you find a disqualifying issue, you will abandon your due diligence having incurred the least cost.
2. **Control Form**. This is the heart of the process. You can quickly find key information about the firm, its funds and programs, key personnel, and service providers. Here you record the firm's overall rating, and any concluding commentary.
3. **Score Card**. One look at the score card tells you how far along you are, and how well the hedge fund is doing in the operational due diligence process.
4. **Document Request List**. This is the first thing you send to the hedge fund manager when you begin the due diligence phase. You can quickly see which documents have been reviewed.
5. **Public Source List**. A list of places to look for publicly available data. Use the information to start filling in your checklists.
6. There are 7 different **Checklists** that help you gather information about the fund manager, funds and programs, key personnel, and service providers. A numbering system makes it easy to cross-reference your notes.
7. **Site Visit Agenda**. We suggest activities to complete, questions to ask, and the occasional surprise to spring while on site at the hedge fund manager's office.

How To Use The Toolkit

Hedge fund due diligence is about being thorough and organized, and keeping good records. There are topic areas you need to investigate. There are sources of data. Each source of data may shed light on multiple topics. This toolkit keeps you organized and generates great records – being thorough is on you!

It is important to complete a level of due diligence that is appropriate for the size of your investment and the sophistication of the manager. This toolkit aims to be as complete as possible. Use your judgement to choose which areas you can safely skim, and which areas require a deep dive.

The checklists in the toolkit cover four main areas:

- The hedge fund manager.
- The investment fund(s) or program(s).
- Key personnel.
- Service providers.

Due diligence is a bottom up process. You pull information from documents provided by the manager and from public sources. You arrange calls or visits with the manager's key personnel and professional service providers. Information flows from the data sources, through the checklists to the scorecard and, finally, into the control form. The fund manager will pass, fail, or pass contingent on some agreed

improvement. Take a look at **Operational Due Diligence Toolkit: A Map** (just after the table of contents) to get the idea.

When you have finished, you will have put the manager through a thorough operational due diligence process. You will be able to demonstrate that you have:

- Reviewed and understood potential sources of operational risk.
- Identified, investigated and resolved inconsistencies.
- Cross-checked information using multiple sources.

Bear in mind that the questions in the checklists are a starting point. The responses you get will dictate whether you move on to the next item or drill deeper. Make liberal use of follow-up questions: “how”, “why”, “when”. For example:

Manager:	“Jo joined us 18 months ago.”
You:	“Why was she hired? How were you filling that role previously?”

Don’t give up until you are fully satisfied with the answers you have received.

TIP: Print out or photocopy the **Control Form**, **Score Card**, **Document Request List**, **Public Sources List**, and **Checklists**. Lay them all out on your conference table using the map (just after the table of contents). It will help you see how they all work together.

Action Plan & Instructions

1. Kick off the due diligence process, setting up checklists and adding identifying information:
   - i. Complete as many fields in the **Control Form** as possible (sources: Deck, DDQ, PPM).
   - ii. Prepare a copy of the **Hedge Fund Manager** checklist (print it out if you plan on completing it by hand or create an electronic template).
   - iii. For each key person at the fund manager, set up a **Key Personnel** checklist and add their names to the table on the **Score Card**.
   - iv. For each service provider, prepare a **Generic Service Provider** checklist, and pair it with the checklist for each specific type of service provider (administrator, prime broker, etc.).
   - v. Assemble your due diligence team and assign areas of responsibility, adding each team member's name to appropriate areas of the **Control Form**.
   - vi. Review, refine, and submit a **Document Request List** to the hedge fund firm. Assign a team member to review each document.
   - vii. Review and refine the **Public Sources List** and assign a team member to be responsible for gathering data from each source.
2. Complete as much as possible of the **Hedge Fund Manager** and **Key Personnel** checklists using the **Public Sources List**. Look for and note inconsistencies (use the checklist number and question number as a cross-reference to your personal notes). Issues that need resolution but don't seem to fit anywhere else in the checklists should be included in the miscellaneous section.
3. Once the manager has responded to the **Document Request List**, the responsible team member reviews their assigned documents adding information to the **Hedge Fund Manager** and **Key Personnel** checklists. Issues that need resolution but don't seem to fit anywhere else in the checklists should be included in the miscellaneous section.
4. At this point you can filter out the checklist items where you have sufficient information. This depends on the scale of your investment and the sophistication of the hedge fund firm.
5. Complete phone interviews with the manager, each key person, and each service provider. Gather more information and resolve any inconsistencies you have found so far. Some issues may have to wait until you make a site visit. You are checking:
   - i. What you are told matches what is in the documents.
   - ii. Everyone is telling you a consistent story.
6. As each section of each checklist is completed, give the subject firm a rating for that topic area. A "0" means the firm is disqualified based on that topic. A "1" means that the firm will have to agree to some improvement to pass. A "2" is a satisfactory grade. If a firm receives a "0" score for any item, you will need to evaluate the costs and benefits of proceeding.
7. If appropriate, initiate background checks (criminal, civil litigation, bankruptcy, discharge of debts, divorce) and record the outcome on the **Key Personnel** checklists.

8 Use the **Site Visit Agenda** to plan the on-site phase of your due diligence. The key concept: "Show me!" This is your chance to get real evidence that everything is what it seems, and the manager does what he says. You also aim to resolve any outstanding issues. This is the opportunity to determine whether you trust this manager.

9 At this point all your checklists should be complete. There is a commentary section in which you can note any important issues and provide color. The only outstanding items should be "Not Applicable". Complete the **Score Card** by transferring the separate topic ratings to the corresponding section of the score card:

- i Any "0 – Disqualified" rating will result in an overall 0 rating.
- ii Any "1 – Contingent" rating results in an overall 1 rating.
- iii Otherwise note a rating of "2".
- iv Use the commentary section on the **Control Form** to note any important findings.
- v On the service providers section of the **Score Card**, the first partial row is for the rating from the **Hedge Fund Manager** checklist, Service Providers section (q. 218 - 222). The remaining rows are from the individual **Service Provider** checklists.

10 If there are any "Contingent" ratings:

- i Determine with your team the course of action necessary to improve to "Satisfactory" and a time frame for the manager to act.
- ii Discuss the issues with the manager and agree a course of action and timeframe. Document agreed actions under "Fund Manager Actions and Due Dates". Add the dates to your calendar for follow-up.
- iii If no remedial action can be determined, or agreed with the manager, then any "Contingent" ratings become "Disqualified" ratings.

11 Add a review date to your calendar before adding it to the form! This date refers to the next routine due diligence activity for this fund manager.

Control Form

Team Lead:

Fund Management Firm

Legal Name:
Address 1:
Address 2:
Phone:
Website:

Domicile:
Public / Private:
Regulator(s):
Registration(s):
Exemption(s):
(Include SEC CIK# and NFA ID, if available)

Placement Agent

Name:
Firm:
Phone:
Email:
Licensure:

Primary Contact

Name:
Title:
Phone:
Email:

Secondary Contact

Name:
Title:
Phone:
Email:

Team Members and Responsibilities:

Control Form – Concluding Commentary:

Final Due Diligence Score:

Ratings: 0 – Disqualified, 1 – Contingent, 2 – Satisfactory

Fund Manager Actions and Due Dates:

(Add to calendar for follow-up)

Team Lead Signature: Date:

Scheduled Date for Review:
(Add to calendar)

Control Form – Investment Program(s)

	Program 1	Program 2	Program 3
Name			
Legal Entity			
Role (GP, Feeder, etc.)			
Domicile			
Regulator(s)			
Exemptions(s)			
Security / series / class			

Commentary:

Control Form – Key personnel

Responsible team member:

	Key Person 1	Key Person 2	Key Person 3
Name			
Title			
Phone			
Email			
CIK# / NFA ID			

	Key Person 4	Key Person 5	Key Person 6
Name			
Title			
Phone			
Email			
CIK# / NFA ID			

	Key Person 7	Key Person 8	Key Person 9
Name			
Title			
Phone			
Email			
CIK# / NFA ID			

Commentary:

Control Form – Service Providers

Responsible team member:

Service Provider	Administrator	Auditor / Tax	Prime Broker
Firm			
Website			
Contact			
Title			
Phone			
Email			

Service Provider	Custodian / Banking	Attorney - Onshore	Attorney - Offshore
Firm			
Website			
Contact			
Title			
Phone			
Email			

Service Provider	Compliance	Prime Broker 2	Custodian 2
Firm			
Website			
Contact			
Title			
Phone			
Email			

Service Provider			
Firm			
Website			
Contact			
Title			
Phone			
Email			

Commentary:

Score Card

The Hedge Fund Management Firm	Hedge Fund Manager	Third Party Admin.	Auditor, Tax Provider	Prime Broker	Custodian / Banker	Prime Broker 2	Custodian / Banker (2)		
Ownership, Control, Governance									
Regulatory & Legal									
Investment in Fund, Conflicts of Interest									
Strategies, Firm Assets, Performance									
Organization, Staffing, Human Resources									
Infrastructure & Information Technology									
Compliance, Policies & Procedures, Cash Control									
Miscellaneous									

Key Personnel - Name									
Pass / Fail									

The Fund or Investment Program	Hedge Fund Manager	Third Party Admin.	Auditor, Tax Provider	Prime Broker	Custodian / Banker	Prime Broker 2	Custodian / Banker (2)		
Jurisdiction, Structure, Governance									
Transfer Agency, Cash Controls									
Liquidity									
Valuation, Fees, Expenses									
Fund Assets, Performance, Strategies									
Business Risk Management, Counter-Parties									
Miscellaneous									

Service Providers	Third Party Admin.	Auditor, Tax Provider	Prime Broker	Custodian / Banker	Prime Broker 2	Custodian / Banker (2)	Attorneys - onshore	Attorneys - offshore	Compliance Consultant
Firm's management of service providers									
Basic Due Diligence									
Service Provider-Specific									
Extended Due Diligence (if applicable)									

Ratings: 0 – Disqualified, 1 – Contingent, 2 – Satisfactory

Document Request List

Req. – Required; Who? – who will review; Done – initial when complete

Company Overview:	Req. (✓✗)	Who?	Done
Marketing Deck.			
Due Diligence Questionnaire (AIMA – if not available, ask them to complete it).			

Financial / Performance	Req. (✓✗)	Who?	Done
3 years Financial statements for the hedge fund firm (preferably audited).			
2 – 5 years audited financial statements (BOTH investible fund and master).			
Last 12 months' data sheets + last data sheet of the year for 2 – 5 years prior.			
24 months of monthly statements (usually signed by CFO).			
2 – 5 years firm-wide AUM (monthly) with breakdown by fund / program.			
Current monthly data sheets plus final data sheet of the year for 2 – 5 years prior for other programs offered by the manager (including programs no longer offered).			
Global Investment Performance Standard (GIPS) compliance audit.			
Auditor's governance / transparency review.			

Investible Fund (Feeder in Master – Feeder)	Req. (✓✗)	Who?	Done
Articles of Association (limited partnership agreement, incorporation documents, trust document, etc.).			
Private Placement Memorandum (PPM) including Forms of Subscription and Redemption. These documents should be less than 12 months old.			
If the investment is a commodity pool and the commodity pool operator has not claimed an exemption, request NFA's disclosure document acceptance letter.			
Trading Advisory / Investment Management Agreement (between the hedge fund firm and the investable fund).			
List of service providers and counter-parties.			
List of investor references (if available).			

Master Fund (in Master – Feeder)	Req. (✓✗)	Who?	Done
Articles of Association of the master fund (limited partnership agreement, incorporation documents, trust document, etc.).			
Offering Memorandum for Master Fund (less than 12 months old).			
Master Fund Trading Advisory / Investment Management Agreement (between the hedge fund manager and the master fund).			
List of service providers and counter-parties.			

Separately Managed Accounts	Req. (✓✗)	Who?	Done
Disclosure Document (less than 12 months old) and trading advisory / investment management agreement (separately managed account).			
If the SMA is offered by a commodity trading advisor who has not claimed an exemption, request the NFA's acceptance letter of their Disclosure Document.			
Trading Advisory Agreement (between the hedge fund manager and the investor).			
List of service providers and counter-parties.			
List of investor references (if available).			

Operations Documentation (If not included in items above)	Req. (✓✗)	Who?	Done
Compliance Manual.			
Organization chart.			
Biographies of key personnel.			
Cash control policy (for fund assets).			
Client On-Boarding Procedure.			
Daily Trade Procedure.			
Valuation Policy.			
Trade Allocation Procedure.			
Business Continuity & Disaster Recovery Plan.			
Ethics Training Policy.			
Corrective Action Policy.			
Vendor On-Boarding Procedure.			

Additional Documents	Req. (✓✗)	Who?	Done

Public Source List

Responsible Person:

SEC (If registered)	Done
Investment Advisor Public Disclosure (https://www.adviserinfo.sec.gov/IAPD/default.aspx)	
Related firms and any connected issues based on “Firm Search”.	
Predecessor firms and any connected issues based on “Firm Search”.	
Download and archive Forms ADV Parts I and II of each firm.	
Disclosure information (Part 1A Item 11 and DRPs).	
Check identifying information, registration, and form of organization (Items 1 - 3).	
Review ownership structure and control persons (Schedules A & B, Item 10 Schedule D).	
Summarize employee count, client profile, and AUM (Item 5 and Schedule D).	
Review and summarize private funds including governance, regulators, structure, type, AUM, sub-advisors, and service providers (Item 7 Schedule D).	
Repeat the above steps for other companies of interest.	
EDGAR (https://www.sec.gov/edgar/searchedgar/companysearch.html)	
Verify Form D filed for each fund exempt from registration under Regulation D. Note exemption.	

NFA BASIC (if registered) (https://www.nfa.futures.org/basicnet/)	Done
Verify firm is registered and a member of NFA.	
Identify and investigate related firms found via name search.	
Exemptions and no-actions claimed at firm level.	
Regulatory actions.	
Arbitration decisions.	
CFTC reparations cases.	
Listed principals match key personnel list.	
Pool exemptions and no-actions.	

Secretary of State or Equivalent	Done
Verify domicile and good standing for each entity (including the funds themselves).	
UCC search.	
Litigation search.	

Miscellaneous	Done

Checklist #1 – Hedge Fund Manager

Hedge Fund Management Firm

Ownership, Control, Governance – Scorecard Rating:

1 ☐ List related operating entities, and consider for each:
2 ☐ Relationship to subject hedge fund firm.
3 ☐ Regulatory issues.
4 ☐ Bankruptcy history.
5 ☐ Review list of key personnel and consider:
6 ☐ Arrivals and departures over last 5 years. Circumstances.
7 ☐ Get contact information for verification.
8 ☐ Verified.
9 ☐ Verify academic, work reference, and criminal background checks completed.
10 ☐ Similarly, for personnel promoted to key positions.
11 ☐ Review and discuss business continuity plan:
12 ☐ Anticipated key personnel departures and planned response.
13 ☐ Any known material information impacting key personnel and ability to perform?
14 ☐ Discuss experience of key personnel “events” in the past.
15 ☐ Outside directors or trustees of the firm? If so:
16 ☐ Contact information.
17 ☐ Confirm membership.
18 ☐ Attendance, meeting frequency, and minutes.
19 ☐ Review LinkedIn biographies.
20 ☐ Any recent changes?
21 ☐ Resolve issues arising from the auditor’s governance / transparency audit.

Regulatory & Legal – Scorecard Rating:

22 ☐ Date of most recent SEC / state securities audit:
23 ☐ Date of most recent NFA audit:
24 ☐ Discuss corrective actions arising from regulatory audits.
25 ☐ Are there any undisclosed pending regulatory issues?
26 ☐ Are there any undisclosed pending civil issues?
27 ☐ Review circumstances of any bankruptcy on the part of the firm or its affiliates.
28 ☐ Review circumstances of any material debts discharged (firm and affiliates).
29 ☐ Are there any pending criminal issues?

Investment in Fund, Conflicts of Interest – Scorecard Rating:

30 ☐ Investment in fund by key personnel:
31 ☐ Current level of investment.
32 ☐ How is investment funded?
33 ☐ Is investment dependent upon performance of other fund(s) / program(s)?
34 ☐ Will this change over time?
35 ☐ Do key personnel have other responsibilities beyond the fund?
36 ☐ Explore conflicts of interest between programs arising from:
37 ☐ Trade ideas.
38 ☐ Trade allocations.
39 ☐ Expense allocations.
40 ☐ Resource allocation.
41 ☐ Are there conflicts of interest arising from personal trading?
42 ☐ Explore impact of the firm's other business lines.
43 ☐ Recent and anticipated changes.

Strategies, Firm Assets, Performance – Scorecard Rating:

44 ☐ Get overview of additional strategies offered by the firm.
45 ☐ What is history of firm-wide assets?
46 ☐ What is distribution of assets around strategies?
47 ☐ How is the performance of other strategies?
48 ☐ Is there anything anomalous?
49 ☐ Is there a GIPS compliance report available?
50 ☐ Assess distraction potential of multiple programs.
51 ☐ How important is your program to the manager vs. others?
52 ☐ Review financial strength of the firm:
53 ☐ Profitability of the firm.
54 ☐ Debt levels of the firm relative to revenues.
55 ☐ Type of debt.
56 ☐ Security for debt.
57 ☐ Dependence on a particular fund or investor.
58 ☐ Tolerance for client redemptions.
59 ☐ What would the plan be in the event of some kind of run on the fund(s)?
60 ☐ Does the firm have a strong marketing program?
61 ☐ Recent and anticipated changes.

Organization, Staffing, Human Resources – Scorecard Rating:

62 ☐ How is the firm organized (e.g. functional, product, etc.)?
63 ☐ Does there seem to be enough staff?
64 ☐ Are the staff sufficiently skilled?
65 ☐ Review employee on-boarding procedure.
66 ☐ Review employee off-boarding procedure.
67 ☐ How much has staff turned over during last 5 years?
68 ☐ Is there compulsory time off for trading decision-makers?
69 ☐ How are staff absences covered?
70 ☐ Recent and anticipated changes.

Infrastructure & Information Technology – Scorecard Rating:

71 ☐ Conduct a thorough review of IT infrastructure.
72 ☐ Assess resilience of IT infrastructure:
73 ☐ Are servers and backup devices on-site or off-site?
74 ☐ Are the vendors / service providers high quality?
75 ☐ Is data backup and retention policy adequate?
76 ☐ Is the disaster recovery plan effective?
77 ☐ How is disaster recovery plan tested? Ask for evidence.
78 ☐ What malware, intrusion, phishing protection is in place?
79 ☐ Is there testing and training? Ask for evidence.
80 ☐ Assess how customer data is protected:
81 ☐ Review and discuss the firm's privacy policy.
82 ☐ Are there office policies to prevent unauthorized access?
83 ☐ Do staff working with customer data seem aware of access issues?
84 ☐ Assess how intellectual property is protected:
85 ☐ Are there office policies to prevent unauthorized access?
86 ☐ Do staff working with IP seem aware of access issues?
87 ☐ Is in-house software used for management of funds? If so:
88 ☐ Who is responsible for in-house software?
89 ☐ How is software documented and maintained?
90 ☐ Is software easy to use (e.g. adding new investor)?
91 ☐ What off-the-shelf software is key to the business operation?
92 ☐ Who is responsible for selection and testing?
93 ☐ How is training handled?
94 ☐ What happens if the vendor goes under?
95 ☐ Do investors have online access to data? What granularity?
96 ☐ Recent and anticipated changes.

Compliance, Policies & Procedures, Cash Controls – Scorecard Rating:

97 ☐ Understand compliance responsibility, awareness, and training.
98 ☐ Who provides external compliance support (complete a **Service Provider** checklist).
99 ☐ Discuss issues arising from compliance manual review:
100 ☐ Ethics training policy.
101 ☐ Conflict of interest policy.
102 ☐ Personal trading policy.
103 ☐ Corrective action procedure.
104 ☐ Review the firm's internal cash control policy.
105 ☐ Review client on-boarding procedure.
106 ☐ Discuss daily trade cycle.
107 ☐ Recent and anticipated changes.
(Discussed elsewhere: valuation policy, trade allocation policy, business continuity plan, disaster recovery plan.)

Miscellaneous – Scorecard Rating:

108 ☐ Issues raised as a result of public sources review not covered elsewhere.
109 ☐ Issues raised as a result of document review not covered elsewhere.

Commentary:

Responsible Person: Date:

The Fund or Investment Program

Complete the following for each involved fund entity (e.g. master and feeder).

Fund / Program Name:

Jurisdiction, Structure, Governance – Scorecard Rating:

110 ☐ List claimed domiciles, registrations, and exemptions and check them with authorities.
111 ☐ List SEC and NFA Pool ID numbers of each private fund or pool and verify existence.
112 ☐ Contact info. for non-employee members of any boards of directors or trustees.
113 ☐ Confirmed membership with non-employee members.
114 ☐ Any recent or anticipated changes.
115 ☐ Has the auditor ever issued a qualified opinion for this fund or any other funds managed by the fund manager? Provide details.
116 ☐ Is there a third party acting as registrar for the fund? Who? (complete a **Service Provider** checklist).
117 ☐ Any recent or anticipated changes.
118 ☐ What routine / ad hoc communication with investors (Annual meeting, quarterly calls, etc.) can be expected?
119 ☐ What access to information and key personnel can be expected?
120 ☐ Are there any ex-employees of the firm or relatives of key personnel working at any of the following (and vice versa)?
121 ☐ Third party administrator.
122 ☐ Auditor.
123 ☐ Prime broker.
124 ☐ Custodian.
125 ☐ Attorneys.
126 ☐ If so, how are potential conflicts of interest handled?

Transfer Agency, Cash Controls – Scorecard Rating:

127 ☐ Is there a third party responsible for transfer agency?
128 ☐ Confirm they have responsibility for anti-money laundering.
129 ☐ Custodial / Bank account cash control policy:
130 ☐ How is account security controlled?
131 ☐ How are cash transfers controlled?
132 ☐ What is the fund's policy for managing funds at custodian?
133 ☐ Prime Broker account cash / asset control policy:
134 ☐ How is account security controlled?
135 ☐ Describe cash transfer arrangements in and out of trading accounts:

136 ☐ How are cash / asset movements between accounts controlled?
137 ☐ Discuss group margining and ring-fencing of accounts / sub-accounts.
138 ☐ Is margin subject to haircuts?
139 ☐ What is fund's policy for managing margin?
140 ☐ Any recent or anticipated changes.

Liquidity – Scorecard Rating:

141 ☐ Review PPM / DD, compare to marketing materials and DDQ, resolve discrepancies around any of the following?
142 ☐ Redemption frequency.
143 ☐ Notice period.
144 ☐ Hold-backs.
145 ☐ Payment in kind.
146 ☐ Lock-up.
147 ☐ Early redemption penalty.
148 ☐ Gate.
149 ☐ Preferential liquidity.
150 ☐ Investor concentration. What happens if a large investor redeems?

Valuation, Fees, Expenses – Scorecard Rating:

151 ☐ Review valuation policy with manager, cross-check with PPM / DD, marketing materials, DDQ, audited financials:
152 ☐ What are the sources of valuation data used to determine NAV?
153 ☐ Proportion of Levels 1, 2, and 3 assets (FASB ASC 820).
154 ☐ Confirm data goes direct to the administrator.
155 ☐ Is there any portfolio manager / trader input to valuation?
156 ☐ Clarify fee calculations with manager, cross-check with PPM / DD, review different scenarios:
157 ☐ Are there different fee options?
158 ☐ Is there a choice over management plus incentive vs. management or incentive?
159 ☐ Is there an option to have a hurdle rate or fees on alpha only?
160 ☐ How does the highwater mark work?
161 ☐ What is the impact on future fees of investing during a high vs. a draw-down?
162 ☐ What negotiating flexibility is there?
163 ☐ Are there rebates on fees available?
164 ☐ Are there any side pockets, and are similar arrangements available to us?
165 ☐ Are there provisions for gates and how would that work?
166 ☐ Are there provisions for in-kind distributions, and how would that work?
167 ☐ Expenses manager intends to pass on to the fund (PPM / DD, DDQ, audited financials):

168 ☐ Transaction fees and spreads.
169 ☐ Administrator fees.
170 ☐ Fund audit and tax preparation costs.
171 ☐ Fund direct legal costs.
172 ☐ Anything else? How do you justify charging those expenses to the fund?
173 ☐ Are expenses capped at fixed % of AUM? How is that implemented?
174 ☐ How are organization expenses handled? Are early investors subsidizing later investors?
175 ☐ Are there soft dollar expenses? Why?
176 ☐ Mechanics of expenses:
177 ☐ How are invoices routed? They should go direct to the administrator.
178 ☐ Review invoice confirmation procedure.
179 ☐ How are invoices from related parties handled?
180 ☐ How are expenses allocated between programs?
181 ☐ Explain any disagreements with the administrator or the auditor over valuation, fees, or expenses.
182 ☐ What is the procedure for resolving such disagreements?
183 ☐ Have the valuation policy, fee calculations, or expense policy changed recently?
184 ☐ If so, explain the impact on performance and AUM.

Fund Assets, Performance, Strategies – Scorecard Rating:

185 ☐ Review history and current state of assets in the fund or program.
186 ☐ Confirm accuracy of most recent figures for AUM.
187 ☐ Seek explanation of any dramatic changes in fund AUM.
188 ☐ AUM confirmation from the investor references provided by manager.
189 ☐ Discuss concentration of investor AUM.
190 ☐ Are there anticipated large additions to AUM not reflected in current figures?
191 ☐ Are there anticipated large redemptions not reflected in current figures?
192 ☐ Review history of performance of the fund or program up to the current time:
193 ☐ Get estimate for periods not yet reported.
194 ☐ Seek explanation of any dramatic performance periods good and bad.
195 ☐ Any recent changes that may impact volatility?
196 ☐ Detailed discussion of the strategy implemented by the fund or program cross-check with PPM / DD, marketing materials, and DDQ, including evidence:
197 ☐ What is the foundation of the program?
198 ☐ What instruments are traded?
199 ☐ Are there limitations on instruments traded?
200 ☐ What is the portfolio velocity (turnover), or holding period?
201 ☐ How is position sizing handled?
202 ☐ How is risk controlled?
203 ☐ How is research documented?

204 ☐ Is there a trading plan and trade management procedure?
205 ☐ Is the program capacity constrained?
206 ☐ What do you plan to do if you approach the capacity constraint?
207 ☐ Is there any flexibility to constrain the program (e.g. exclude particular sectors)?

Business Risk Management, Counter-Parties – Scorecard Rating:

208 ☐ Who are the counter-parties?
209 ☐ What kinds of risk do they pose to the assets of the fund?
210 ☐ Are there acceptable ISDAs in place?
211 ☐ Assess liquidity risk associated with instruments traded.
212 ☐ Impact of instrument liquidity on liquidity of fund or strategy.

Miscellaneous – Scorecard Rating:

213 ☐ Issues raised as a result of public sources review not covered elsewhere:
214 ☐ Issues raised as a result of document review not covered elsewhere:

Commentary:

Responsible Person: Date:

Service Providers – Scorecard Rating:

215 ☐ For each service provider:
216 ☐ Scope of work:
217 ☐ Rationale for selection:
218 ☐ Describe key vendor on-boarding procedure.
219 ☐ Show evidence that on-boarding procedure is followed.
220 ☐ Assess risk to the firm and / or the fund from this service provider.
221 ☐ Is there on-going monitoring of service provider business risk?
222 ☐ Provide evidence of monitoring.
223 ☐ History of problems with this vendor or previous vendors providing these services:
224 ☐ Recent changes and explanation:

Commentary:

Responsible Person: Date:

Checklist #2 – Key Personnel

Name:
Title / Location: Title when hired (date / tenure):
Phone:
Email:

1 ☐ Biography:
(LinkedIn / PPM / DDQ)

2 ☐ Academic history:

3 ☐ Work history:

4 ☐ Professional qualifications and registrations:
(https://www.adviserinfo.sec.gov/IAPD/IAPDSearch.aspx. Include SEC CIK Numbers and NFA IDs if possible)

5 ☐ Litigation history:
6 ☐ Bankruptcy history:
7 ☐ Debts discharged out of bankruptcy:
8 ☐ Divorce:
9 ☐ Criminal record:

10 ☐ FINRA BrokerCheck:
(https://brokercheck.finra.org/)

11 ☐ SEC Action Lookup:
(https://www.sec.gov/litigations/sec-action-look-up)

12 ☐ NFA BASIC Lookup:
(https://www.nfa.futures.org/basicnet/)

13 ☐ Current status:
14 ☐ Does biography and NFA history match?
15 ☐ Regulatory actions:
16 ☐ Arbitration decisions:
17 ☐ CFTC reparations cases:

18 ☐ Social media footprint:
19 ☐ LinkedIn:
20 ☐ Facebook:
21 ☐ Twitter:
22 ☐ Google search:

23 ☐ Interview questions:
24 ☐ Role in the subject fund / program:
25 ☐ Role in other funds / programs:
26 ☐ Time allocation:
27 ☐ Commitment to the firm:
28 ☐ Conditions impacting ability to serve the firm or the fund:
29 ☐ Outside commitments (directorships, boards, charities, etc.):
30 ☐ Approximate monthly time allocation:
31 ☐ Discussion of any items raised above:

Miscellaneous items:

Commentary: *Pass / Fail*

Responsible Person: Date:

Checklist #3 – Generic Service Provider

Service Provider:
Physical Address:
Web Address:

Primary Contact:
Direct dial:
Email:

Site visit or extended due diligence required:

Basic Due Diligence – Scorecard Rating:

Documents / Publicly Available Sources

1 ☐ Is service provider listed in PPM / DD?
2 ☐ Is service provider listed on Form ADV?
3 ☐ If appropriate, list of key personnel and backgrounds:
4 ☐ Are key personnel appropriately qualified?
5 ☐ Any history of regulatory violations?
6 ☐ Reference list (both provided by service provider and internally sourced):
7 ☐ References contacted? Any issues raised?

General

8 ☐ Confirm engagement with service provider.
9 ☐ Have them describe scope of work. Does it match expectations?
10 ☐ Proof (e.g. contract, engagement letter)?
11 ☐ Appropriate registration for scope?
12 ☐ How is service provider qualified to deliver on scope?
13 ☐ Does service provider have adequate client on-boarding procedure?
14 ☐ Can they demonstrate on-boarding procedure was completed?
15 ☐ Does service provider assume multiple roles?
16 ☐ Does service provider service other related entities?
17 ☐ If multiple entities and roles, explore potential conflicts, billing issues, etc.
18 ☐ Does this service provider interact with other service providers?
19 ☐ What is their experience with the other service providers?
20 ☐ Are any staff related to key personnel at, or previously employed by, the fund firm?
21 ☐ How are potential conflicts of interest avoided?

Extended Due Diligence (if applicable) – Scorecard Rating:

Responsible Person: Date:

Checklist #3.1 – Third Party Administrator

Third Party Administrator

Infrastructure & Information Technology – Scorecard Rating:

1 ☐ Get an overview of the administrator's IT infrastructure.
2 ☐ Assess resilience of IT infrastructure (data backup and retention, disaster recovery plan).
3 ☐ Assess how investor and client (i.e. fund manager and funds) data is protected.
4 ☐ Review in-house software used for management of funds.
5 ☐ If the administrator provides investor access to information, request a demo.

Compliance, Policies & Procedures, Cash Controls – Scorecard Rating:

6 ☐ Evaluate the administrator's compliance requirements and infrastructure.

The Fund Manager

Investment in Fund, Conflicts of Interest – Scorecard Rating:

7 ☐ Confirm that the fund firm's key personnel have the claimed investment in fund.

Strategies, Firm Assets, Performance – Scorecard Rating:

8 ☐ Confirm information provided on firm-wide assets is accurate.
9 ☐ Confirm performance information of firm's other funds / programs is accurate.

The Fund / Investment Program

Jurisdiction, Structure, Governance – Scorecard Rating:

10 ☐ Confirm the administrator is the registrar.
11 ☐ Verify ownership structure of fund is as specified in PPM.
12 ☐ Do statements and investor communications go directly from the administrator to investors?

Transfer Agency, Cash Controls – Scorecard Rating:

13 ☐ Confirm the administrator acts as the transfer agent.
14 ☐ Are investor subscription documents received direct from investor?
15 ☐ What is the procedure if investor sends documents direct to manager?
16 ☐ Is cash received into fund's bank rather than the fund manager's?

17 ☐ Is the administrator responsible for anti-money laundering procedures?
18 ☐ How is AML implemented?
19 ☐ Role in bank / custodial account security:
20 ☐ Role in cash movement in / out of bank / custodial accounts:
21 ☐ Role in prime broker account security:
22 ☐ Role in cash movement in / out of prime brokerage accounts:

Liquidity – Scorecard Rating:

23 ☐ Confirm how redemptions are managed and compare to what manager has told you:
24 ☐ Redemption frequency:
25 ☐ Notice period:
26 ☐ Hold-backs:
27 ☐ Payment in kind:
28 ☐ Lock-up:
29 ☐ Early redemption penalty:
30 ☐ Gate:
31 ☐ Preferential liquidity:
32 ☐ Investor concentration:

Valuation, Fees, Expenses – Scorecard Rating:

33 ☐ Review valuation policy with the administrator:
34 ☐ What are the sources of valuation data used to determine NAV?
35 ☐ Proportion of Levels 1, 2, and 3 assets:
36 ☐ Confirm data goes direct to the administrator.
37 ☐ Is there any portfolio manager / trader input to valuation?
38 ☐ Confirm fee calculations with the administrator, paying attention to:
39 ☐ Are there different fee options?
40 ☐ Is there a choice over management plus incentive vs. management or incentive?
41 ☐ Is there an option to have a hurdle rate or fees on alpha only?
42 ☐ How does the highwater mark work?
43 ☐ What is the impact on future fees of investing at a high vs. during a draw-down?
44 ☐ Are there rebates on fees available?
45 ☐ Are there any side pockets, and are similar arrangements available to us?
46 ☐ Are there provisions for gates and how would that work?
47 ☐ Are there provisions for in-kind distributions, and how would that work?
48 ☐ Confirm handling of expenses with the administrator:
49 ☐ Transaction fees and spreads.
50 ☐ Administrator fees.
51 ☐ Fund audit and tax preparation costs.

52 ☐ Fund direct legal costs.
53 ☐ Anything else charged directly to fund?
54 ☐ Are expenses capped at fixed % of AUM? How is that implemented?
55 ☐ How are organization expenses handled?
56 ☐ Are there soft dollar expenses?
57 ☐ Mechanics of expenses:
58 ☐ How are invoices routed? They should go direct to the administrator.
59 ☐ Review invoice confirmation procedure.
60 ☐ How are invoices from related parties handled?
61 ☐ How are expenses allocated between programs?
62 ☐ Explain any disagreements with the fund manager or the auditor over valuation, fees, or expenses.
63 ☐ What is the procedure for resolving such disagreements?
64 ☐ Have the valuation policy, fee calculations, or expense policy changed recently?
65 ☐ If so, explain the impact on performance and AUM.

Fund Assets, Performance, Strategies – Scorecard Rating:

66 ☐ Review history and current state of assets in the fund or program:
67 ☐ Confirm accuracy of most recent figures for AUM.
68 ☐ Confirm concentration of investor AUM.
69 ☐ Are there anticipated large additions to AUM not reflected in current figures?
70 ☐ Are there anticipated large redemptions not reflected in current figures?
71 ☐ Review history of performance of the fund or program up to the current time.
72 ☐ Confirm estimates for periods not yet reported.
73 ☐ Confirm evidence for the strategy:
74 ☐ Instruments traded.
75 ☐ Velocity (turnover).

Commentary:

Responsible Person: Date:

Checklist #3.2 – Auditor, Tax Provider

The Auditor

Infrastructure & Information Technology – Scorecard Rating:

1 ☐ Get an overview of the auditor's IT infrastructure.
2 ☐ Assess resilience of IT infrastructure (data backup and retention, disaster recovery plan).
3 ☐ Assess how client (i.e. fund manager and funds) data is protected.
4 ☐ Review in-house software used for auditing and compliance.

Compliance, Policies & Procedures, Cash Controls – Scorecard Rating:

5 ☐ Get an overview of the auditor's compliance infrastructure.

The Fund Manager

Ownership, Control, Governance – Scorecard Rating:

6 ☐ Discuss issues arising from the auditor's governance / transparency audit.
7 ☐ If the fund manager is subject to audit, has the auditor ever issued a qualified opinion in respect of the firm's audited financial statements?

Investment in Fund, Conflicts of Interest – Scorecard Rating:

8 ☐ Confirm that the fund firm's key personnel have the claimed investment in fund.

Strategies, Firm Assets, Performance – Scorecard Rating:

9 ☐ Confirm the following information provided to you by the manger:
10 ☐ Firm-wide asset history.
11 ☐ Firm-wide performance history.
12 ☐ Is there a GIPS compliance report available?
13 ☐ Resolve any issues.

The Fund / Investment Program

Jurisdiction, Structure, Governance – Scorecard Rating:

14 ☐ Has the auditor ever issued a qualified opinion for this fund or any other funds managed by the fund manager? Provide details.

Transfer Agency, Cash Controls – Scorecard Rating:

15 ☐ Get the auditor's opinion on the sufficiency of fund's cash control system.

Valuation, Fees, Expenses – Scorecard Rating:

16 ☐ Review valuation policy with the auditor:
17 ☐ What are the sources of valuation data used to determine NAV?
18 ☐ Proportion of Levels 1, 2, and 3 assets.
19 ☐ Is there any portfolio manager / trader input to valuation?
20 ☐ Has the valuation policy changed recently?
21 ☐ If so, explain the impact on performance and AUM.
22 ☐ Confirm fee calculations with the auditor:
23 ☐ What level of oversight and frequency of review does the auditor impose?
24 ☐ Fee calculation specification:
25 ☐ Confirm with the auditor what you have been told by the fund manager and the administrator with respect to expenses:
26 ☐ What level of oversight and frequency of review does the auditor impose?
27 ☐ Review of invoicing / expense allocation procedures:
28 ☐ Explain any disagreements with the fund manager or the administrator over valuation, fees, or expenses.
29 ☐ What is the procedure for resolving such disagreements?
30 ☐ Have the valuation policy, fee calculations, or expense policy changed recently?
31 ☐ If so, explain the impact on performance and AUM.

Fund Assets, Performance, Strategies – Scorecard Rating:

32 ☐ Confirm satisfactory audit of fund assets and asset history.
33 ☐ Confirm satisfactory audit of fund performance and history.

Commentary:

Responsible Person: Date:

Checklist #3.3 – Prime Broker

The Prime Broker

Infrastructure & Information Technology – Scorecard Rating:

1 ☐ Get an overview of the prime broker's IT infrastructure.
2 ☐ Assess resilience of IT infrastructure (data backup and retention, disaster recovery plan).
3 ☐ Assess how client (i.e. fund manager and funds) data is protected.
4 ☐ Review in-house software used for auditing and compliance.

Compliance, Policies & Procedures, Cash Controls – Scorecard Rating:

5 ☐ Get an overview of the prime broker's compliance infrastructure.

The Fund or Investment Program

Transfer Agency, Cash Controls – Scorecard Rating:

6 ☐ How is account security controlled?
7 ☐ Describe cash transfer arrangements in and out of trading accounts.
8 ☐ How are cash / asset movements between accounts controlled?
9 ☐ Discuss group margining and ring-fencing of accounts / sub-accounts.
10 ☐ Is margin subject to haircuts?
11 ☐ What is the fund manager's apparent margin management policy?
12 ☐ History of margin calls:

Liquidity – Scorecard Rating:

13 ☐ Provide an overview of the liquidity of instruments traded.

Valuation, Fees, Expenses – Scorecard Rating:

14 ☐ What access does the administrator have to account information?
15 ☐ Are pricing data and account statements sent direct to the administrator?
16 ☐ How are trade discrepancies resolved?

Fund Assets, Performance, Strategies – Scorecard Rating:

17 ☐ Is there trading evidence for the strategy implemented by the fund or program:
18 ☐ Instruments traded:
19 ☐ Limitations on instruments:
20 ☐ Velocity (turnover):

Business Risk Management, Counter-Parties – Scorecard Rating:

21 ☐ Credit rating of the prime broker:
22 ☐ Provide an overview of counter-parties:

Commentary:

Responsible Person: Date:

Checklist #3.4 – Custodian / Banker

The Custodian

Infrastructure & Information Technology – Scorecard Rating:

1 ☐ Get an overview of the custodian's IT infrastructure.
2 ☐ Assess resilience of IT infrastructure (data backup and retention, disaster recovery plan).
3 ☐ Assess how client (i.e. fund manager and funds) data is protected.

Compliance, Policies & Procedures, Cash Controls – Scorecard Rating:

4 ☐ Get an overview of the custodian's compliance infrastructure.

The Fund or Investment Program

Transfer Agency, Cash Controls – Scorecard Rating:

5 ☐ How is account security controlled?
6 ☐ Describe cash transfer arrangements in and out of accounts.
7 ☐ How are assets currently deployed in custodial accounts?
8 ☐ How are cash / asset movements between accounts controlled?
9 ☐ Discuss ring-fencing of assets in master account / sub-account structure.

Liquidity – Scorecard Rating:

10 ☐ Evaluate liquidity of assets in cash management program.

Valuation, Fees, Expenses – Scorecard Rating:

11 ☐ How are assets in cash management program valued?

Business Risk Management, Counter-Parties – Scorecard Rating:

12 ☐ Credit rating of the custodian / banker:
13 ☐ Provide an overview of counter-parties in cash management program.

Commentary:

Responsible Person: Date:

Site Visit Agenda

You may find yourself in a fancy Wall St. office or a WeWork, or even a basement. Any of these may be OK depending upon the circumstances of the manager and how they operate. As always, adjust your judgment and expectations to match the situation! This is the “Show me!” part of ODD.

How much time should you commit to on-site ODD? Trade off the cost vs. the investment risk you plan on taking. One half day is the minimum. Try to agree a provisional agenda in advance. Your agenda should include some or all of the following:

1. Group meeting to kick off and finalize the agenda for the visit.
2. Office tour to include, as appropriate:
   i. Front office / trading desk.
   ii. Research.
   iii. Back office.
   iv. IT and server room.
   v. Introductions to key personnel.

   Objectives: Get an overall impression of the office, especially morale. Does the office seem like it has the staff you expected? Observe the level of security (Key passes in use? Offices open or closed? Desks clear or cluttered? What’s on the white board? Are computer monitors in sleep mode? Is there controlled access to on-site server room?). Are departments appropriately segregated?
3. Meet with the chief investment officer and / or director of research to review how research is conducted, documented, protected, and implemented. This is a great chance to resolve any final questions you have about the investment program.

   Objectives: Ensure that research is conducted in an organized and effective manner, with good record keeping. Especially in a systematic environment, there should be careful control of versioning and release of new product. Ask about the most recent project (don’t expect proprietary details) and ask to glance at documentation. In a less technical program, ask about a recent trade idea and ask to glance at the trade plan.
4. If there is a trading desk and/or a trade-entry and management system, have a trader demonstrate it. Ask how position limits and any trading prohibitions are handled. Ask how the information flows through the system. If there is mandatory leave, ask the trader when he last took it and what the rules are.
5. Meet with the chief financial officer and go over everything to do with control of movement of cash and assets for the fund or program.

   Objectives: You want to see documentation. Request a demonstration of how security and transactions work on various accounts. You need to examine these issues for the bank, prime broker / trading, and custodial accounts. Get a walk-through of back-office systems and the interaction with various service providers.

6 Meet with the chief operating officer or equivalent to review:

i Business Continuity Plan.
ii Disaster Recovery Plan.
iii Employee on / off-boarding procedures.
iv Corrective action procedure, if one exists.

Objective: Evidence of testing and awareness of items i and ii. Ask to see on / off-boarding records for the most recent senior hire. Were academic records, business references, and criminal background checked? Ask to see records for the most recent corrective action.

7 Meet with the chief technology officer or equivalent to review:

i IT infrastructure.
ii Data protection and backup.
iii Proprietary software (talk to lead developer).

Objectives: Satisfy yourself that infrastructure is robust and well-managed. Ask for evidence of periodic testing of backups and see if there are any training records to help protect data. Ask for a demonstration that accessing investor data without authorization is hard. If there is in-house proprietary software, ask for a demo. Ask to glance at software documentation – how is it managed? Is there a user manual? Ask to see it.

8 Meet with the chief compliance officer to gauge quality of compliance program.

Objectives: Have the CCO give you a tour of the compliance manual. Ask to see concluding letters arising from SEC / NFA audits, and documentation of corrective actions arising. Is there evidence of staff compliance training? Ask to see location of master compliance manual and copies. Is there awareness of its existence on the part of the staff?

9 Conduct a wrap-up meeting. Don't forget to thank your hosts and their staff – this is a very stressful part of the hedge fund business!

10 If at all possible, eat a meal with the senior person or the team. People loosen up over food and tend to be more candid. If you are visiting 2 firms in one day, have lunch with one and dinner with the other. Who pays? This will depend upon your employer, sometimes there is an absolute prohibition on accepting gifts including meals. More generally, offer, but don't be embarrassed to have the fund manager pay.

Responsible Person: Date: