**Master Due Diligence Questionnaire Manager Due Diligence Questions**

**GENERAL INFORMATION**

Firm Name:

Principals:

Marketing Contact:

Address:

Phone Number:

Email:

Website:

**FIRM / FUND INFORMATION**

Inception Date:

Firm AUM ($mm):

• Onshore:

• Managed Accounts:

Fund Structure:

Strategy:

**LIST ALL FUNDS**

• Inception Date:

• Fund AUM:

• AUM at Inception:

• Domicile: U.S

• Capacity

• Targeted Return:

• Targeted Volatility:

• Benchmark:

**TERMS**

• Annual Fees:

• Incentive Fees:

• Hurdle Rate:

• High Water Mark:

• Minimum Investment:

• Lock-up (Hard / Soft):

• Early Redemption Fee:

• Redemption Frequency:

• Notice Period:

• Gates:

• Have redemptions ever been suspended?

**TEAM STRUCTURE & DETAILS**

Total Firm Employees:

Principal’s Biographies / Pedigree

**Business Team**

Is there any segregation between the business and investment teams?

State years with the company as well as professional experience for each professional on your team

**Future Hiring Plans (list order)**

* Chief Operating Officer
* Chief Compliance Officer
* Quantitative Finance Professionals

Succession Plan

Use of Consultants:

Strategic Use of Service Providers:

**ADDITIONAL QUESTIONS**

List of employees gained or lost in the past 5 years.

How long has the team worked together?

What is your team’s competitive advantage over other similar funds?

Describe difficult times faced as a team and how you overcame those challenges:

Is there outside ownership in the firm?

Do the Principals sit on any boards? Which ones?

How often do the principals meet to discuss business planning?

What is the compensation structure? Are there any retention plans? How do you plan to attract talent in the long-term?

**INVESTMENT PROCESS DETAILS**

• Describe Your Investment Philosophy

• Describe The Idea Generation Process You Employ

* Investment Universe
* Sourcing Ideas

• Describe Research Process

• Describe Investment Selection

* Criteria to Invest –
* Exit Criteria / Procedures

**Portfolio Construction**

• How do you determine position sizes and set price targets?

• Breakdown of geography and weight in portfolio

• Breakdown of sector and weight in Portfolio

**Sector Limits** – sector

Consumer Durables

Consumer Non Durables

Consumer Services

Energy

Finance

Health Care

Technology

Transportation

Public Utilities

Basic Industries

Capital Goods

Position Limits: Long / Short

**Top Holdings**

**LIQUIDITY ANALYSIS**

• Liquidity Restrictions - None

• Days to Liquidate (90%, 95%, 100% of the portfolio) - 1 day

**ADDITIONAL QUESTIONS**

• Describe analysts’ role (generalist or sector focused)

• Who is the investment decision maker (i.e. PM or lead analyst)

• What is the market opportunity for the strategy?

• What differentiates your fund from others?

• What are the strengths and weaknesses of your strategy?

• What market conditions are best for the strategy?

• Provide a trade example that highlights your investment process from idea generation to execution.

**RISK MANAGEMENT**

**Describe Risk Management Process**

• System / tools used to monitor risk

• How often are risk tools maintained (i.e. daily, monthly, and weekly)?

• Volatility Range

• How do you calculate correlation between each investment?

• VaR Calculation

• Types of instruments traded (Percentage Equity, ETF’s, Swaps, Options, etc.)

• Describe how you hedge the portfolio. Use of macro hedges to neutralize risk?

• Instruments used to hedge (ETF’s, Swaps, Forwards, Futures)

• Do you hedge currency?

• Describe stop loss policy.

• Do you have any side pockets? If yes, what percent of the portfolio and limit?

• Use of leverage

**STOP LIMITS**

• Longs

• Shorts

**EXPOSURE (Minimum, Maximum, Average, Current)**

**ADDITIONAL QUESTIONS**

• Who on the team is responsible for risk management?

• Is the portfolio stress tested? If yes, provide examples.

• How has the gross and net exposure moved over time?

• How do you adjust the risk capital allocation when there is an increase in equity due to trading profits or subscriptions?

• Have the events of 2008 changed the way you manage the portfolio?

• Discuss counterparty risk and any agreements in place.

• How often do you review your counterparties?

• How often do you review your risk procedures?

**DRAWDOWNS**

• List 5 maximum drawdowns in % of equity.

• How many daily drawdowns greater than 5% occurred in the last 12 months?

**TRADING**

• Average portfolio turnover

**Monthly**

• Trading systems

• Describe how you trade around positions and price targets.

• Who executes and supervises daily trades at the firm?

• Discuss trading policies and procedures.

• Describe the trade reconciliation process.

• Do you have policy in place to handle trade errors?

• How do you handle large trading losses?

• How are trades allocated between accounts?

**PRICING**

• Who prices the portfolio?

• Do you have a valuation policy? Describe.

• Who calculates the NAV?

• Frequency of administrator’s reconciliation.

• Have you ever had to revise the NAV once final?

**INVESTORS**

• Current investor base (provide percentage breakdown by type)

• Total number of investors -

• Types and frequency of investor reports

• Percentage of four largest investors

• Largest redemption (date, % of equity, and reason)

• Special terms

• Do you conduct due diligence on potential investors?

• Do you have steps in place to review investors for appropriateness?

**BUSINESS OPERATIONS**

**PRINCIPAL’S INFORMATION**

• Ownership Structure

• Principal’s Investment in Fund

• Affiliation with Outside Organizations

• Key-man issues (how are they addressed)

**COMPLIANCE**

• Who is responsible for compliance?

• Does the firm have any relationships that may affect trading flexibility (i.e. broker dealer)?

• Are there any criminal, civil or administrative lawsuits pending again the firm or principals? Have any occurred?

• How are employees’ personal investments / trading accounts monitored?

**INFRASTRUCTURE**

• Systems used in Front Office, Operations, and Accounting

• How will back office / front office operations be affected as assets grow?

• Disaster Recovery Plans

* Computer systems fail
* Incapacitated decision makers
* Technical failure at Prime Broker’s location
* Back-up systems
* Do you have in-house technology support?

**ADMINSTRATION**

• SEC or Other Registrations

• Soft Dollar Contracts

• Plans to Launch New Products

• Who has the authority to wire cash? Describe the procedure.

• Business Continuity Planning (BCP)

• Most recent audited financials

**SERVICE PROVIDERS**

(Contact Name, Address, Phone Number, and length of relationship)

• Prime Broker

• Custodian –

• Administrator –

• Auditor –

• Legal Counsel –

**MONTHLY TRANSPARENCY REPORTS**

• AUM: Firm / Fund

• Number of Employees

• Total Gross / Net Exposure (Delta / Beta-Adjusted)

• Long / Short Exposure by Geography, Sector, Market-cap

• Number of Positions Long and Short -

• Top 5 Long and Short Positions (as a percentage of AUM)

• Top 5 Gaining and Losing Positions

• Monthly and YTD Long / Short Attribution

**ADDITIONAL INFORMATION REQUESTED**

• All marketing material

• Offering Memorandum and Subscription Documents

• Historical Performance and AUM

• Historical Long / Short Attribution

• Snapshot of the Portfolio

• Firm Organizational Chart

• Risk Report Example

• Transparency Report

• List of all Service Providers and Contacts

• Audited Financials

• Valuation Policy

• Performance track records from previous funds managed (if available)

• References: Professional / Personal