

Opportunity crossroads

By Gerry Brady

After a turbulent two years for global hedge funds, Ireland is now at the crossroads of opportunity as the industry moves to capitalise on new investor trends. Market events and today's fragile global operating environment have created four compelling investor concerns: asset control, liquidity management, transparency and counterparty exposure.

These concerns are driving various trends in the industry, including deeper and more frequent reporting as well as investor interest in more regulated fund products such as Ucits (Undertakings for Collective Investment in Transferable Securities) III hedge fund vehicles and separately managed accounts. Uncertainty surrounding the EU's proposed Alternative Investment Fund Managers Directive has added to the appeal of the Ucits III solution.

Ireland is ideally positioned to support this convergence of traditional and alternative investments as both a domicile and servicing jurisdiction of choice. It has a well-established reputation in the Ucits landscape and is the administration centre for about 40 per cent of global hedge fund assets.

As one of Ireland's leading fund administrators with experience in both traditional and alternative sectors, Northern Trust is actively supporting these trends and building out a range of product solutions for the industry. We see considerable interest from hedge fund managers looking to capture the mood shift of institutional investors. While still looking to invest in hedge funds, institutions are seeking enhanced protection and more transparent investment restrictions, which Ucits III can provide.

Northern Trust in Ireland has been assisting hedge fund managers with a range of Ucits III solutions, spanning launch and redomiciliation management; support for risk management requirements; asset safekeeping framework; and integrated services across fund accounting, transfer agency, enhanced custody, banking, trustee



Gerry Brady is country head of Northern Trust Ireland

and corporate reporting. We also have a suite of services for separately managed accounts and funds of Ucits hedge funds.

The Irish-domiciled Northern Trust Common Contractual Fund platform, announced in June, allows investment managers, including hedge fund managers, to offer tax-transparent cross-border pooling Ucits funds. Interest is already evident from hedge fund managers, whom the platform will help to access the European market through a Ucits fund offering appropriate transparency and protection to institutional investors.

Investors are challenging the industry to provide a far broader and more timely range of reporting information. New developments to Northern Trust's online portfolio management solution, Hedge Fund Monitor, which provides access to a wide range of data from underlying hedge funds, include a compliance module to support the unique demands of funds of Ucits hedge funds.

Clearly the Ucits model will not suit all hedge fund managers. Interest continues for products such as Ireland's Qualifying Investor Fund as a suitable vehicle for some of the more exotic of the many strategies that we accommodate as administrator.

Following the Lehman Brothers collapse, asset segregation is a key consideration for prime brokers and their hedge fund manager clients, who are examining how long-only assets can be segregated and held away from the prime broker by a global custodian, such as Northern Trust.

Over the past six months, Northern Trust has worked with leading prime brokers to develop three models that help meet this requirement for both regulated funds (including Ucits) and non-regulated funds, which we are now introducing to the prime brokerage community.

Northern Trust's Ireland operations are highly focused on supporting the wider hedge fund community to realise the opportunities from changes within their investor base. ■