

CASE STUDY OVERVIEW: *HEDGE FUND*
OPERATIONAL REVIEW OF CREDIT STRATEGIES;
COLLATERAL OPTIMIZATION AND INTERMEDIATION ANALYSIS

CLIENT:

- *Hedge Fund* manages over \$6 billion in assets and has over 35 funds with different strategies ranging from Fundamental Equity long/short to Credit strategies. Products traded are in all major categories including; domestic and international Equities, Bonds (Corporate & Sovereign debt), Forex, Equity Swaps, CDO, CDS, and listed futures and options markets.

CHALLENGES:

- *Hedge Fund* uses a variety of financing conduits including repo and prime brokerage lending (long & short) to finance its portfolios. *Hedge Fund* has seven Prime Brokers and 12 OTC counterparties.
- *Hedge Fund* was primarily an equities shop and current infrastructure not built for Credit strategies.
- Many of the processes handled by middle and back office staff were decentralized with no clear reporting lines.
- Limited tri-party reconciliations were performed.

DELIVERABLES:

Phase I

- Performed a comprehensive review of current infrastructure (front and middle office) for a new Portfolio Manager focusing on the credit markets.
- Performed analysis of cost and financing structures surrounding CDS financing and fixed income trading.
- Analyzed current cash and collateral management functions for potential optimization across all funds.

Phase II

- Recommended “future state” for the front and middle office in all categories above.
- Performed due diligence analysis on all service providers and vendor potentials and recommended appropriate courses of action.
- Managed the integration of the Service Providers selected.

RESOURCES:

- One Senior Project Manager.
- One Junior Project Manager.
- *Hedge Fund* Middle Office staff.

DURATION:

- Eight months.

For more information on HC services, please contact:

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