

CASE STUDY OVERVIEW: *HEDGE FUND*

PORTFOLIO FINANCING ANALYSIS: SECURITIES LENDING/BORROWING & TREASURY MANAGEMENT

CLIENT:

- *Hedge Fund* with \$3.5 billion under management predominately in long/short and long only strategies with nine funds both onshore and offshore. Products traded include equities, equity swaps, OTC index and single name options.

CHALLENGES:

- Although both long assets were being lent and short selling was performed, there were limited securities lending processes.
- Expertise for securities lending was limited throughout the firm.
- Cash reinvestment was concentrated in only one product with limited oversight.
- Quantifying actual financing revenue paid to all counterparties including Prime Brokers, OTC Counterparties and Banks.

DELIVERABLES:

Phase I

- Conducted a comprehensive business analysis of the current financing of all assets, fees charged, interest earned or charged on balances, securities lending and borrowing in connection with the *Hedge Fund* family of funds.
- Identified cost savings, portfolio yield enhancement and full portfolio monetization in connection with the above analysis resulting in annualized savings of \$4.0 million.
- Performed comprehensive review of existing securities lending and borrowing functionalities and provided recommendations to increase efficiency, source and price stability, trading and query tools, and potential alternative structures and sources.
- Quantified all financing revenue paid to Prime Brokers, OTC Financing Counterparties, and Banks including “hard-to-borrow” versus General Collateral ratios by broker. Generated “hard-to-borrow” analytics that are utilized on an ongoing basis by the *Hedge Fund* today.
- Utilized HC’s Stock Loan Optimizer© to dynamically compare each position.

Phase II

- Conducted a comprehensive business analysis of all treasury functions for the *Hedge Fund* family of funds including cash and collateral management, wire transfer procedures, security movements and money market investments.
- Identified and recommended best practice solutions for all treasury functions.
- Identified and recommended appropriate terms (legal/credit/risk) in ISDA and Prime Brokerage documentation, as well as pricing uniformity for the financing of all securities within the portfolios.
- Performed in-house tutorials for staff to educate the firm on all functions above.

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CASE STUDY OVERVIEW: PORTFOLIO FINANCING ANALYSIS (continued)

RESOURCES:

- One Senior Project Manager (full time).
- One Senior Project Manager (part time).
- *Hedge Fund* Operations, Accounting and Trading staff.

DURATION:

- Six months.

For more information on HC services, please contact:



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