

SEC AMU SMALL ADVISERS AND FUNDS SUBCOMMITTEE

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TOPICS

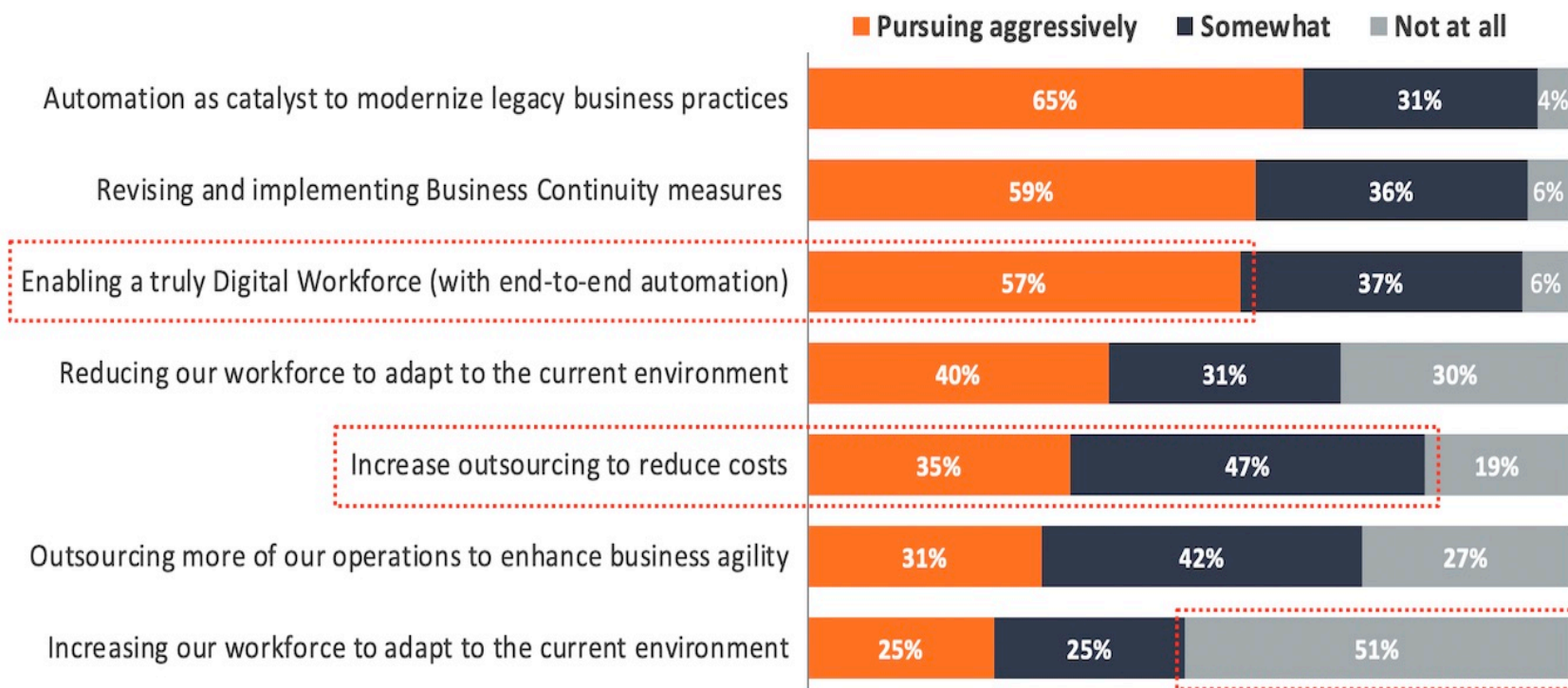
- Outsourcing Considerations
- Vendor Management
- Cross Border Distribution / Starting a UCITS

Outsourcing Considerations

- Ongoing trend towards outsourcing
 - More investment management firms are relying on outsourcing today. And the numbers are increasing.
 - The industry has witnessed a dramatic move towards outsourcing, predating the COVID-19 Pandemic.
 - The post-pandemic environment is causing firms to further reevaluate ways in which business is conducted, with outsourcing multiple functions a key consideration.

Pandemic Operational Strategies: Automate Legacy, Digitize Workers, Modernize and Outsource

Q. To what extent is your leadership pursuing the following operational strategies in this environment?

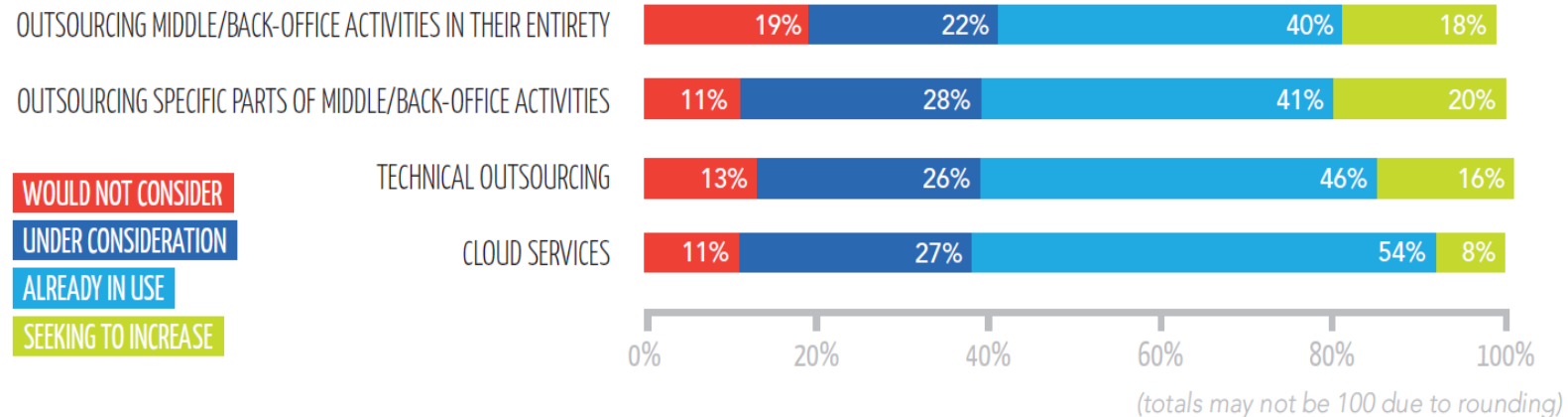


Sample: 400 Executives across Global 2000 Enterprises
Source: HFS Research, 2021

“SWELLING SUPPORT” FOR OUTSOURCING MIDDLE/BACK-OFFICE ACTIVITIES DUE TO COST, CLIENT EXPERIENCE AND RESILIENCE CONCERNS

EXHIBIT 24

Openness to operational innovation



SOURCE, SS&C-ADVENT, ET AL. “TECH & OPS TRENDS IN WEALTH MANAGEMENT 2021: KEY DEVELOPMENTS EXPLAINED BY TOP INDUSTRY EXPERTS”

Outsourcing Considerations

- BEFORE: “We should own everything.”
- NOW: “What should we outsource?”
 - Operations/Compliance/HR/Marketing and Distribution/Client Service/Cybersecurity and IT/ Trading/Investing
- Cost Considerations
 - Fee Compression
 - Former IM Division Director Blass: “[The downward trend in fees] may mean investors end up with less access to small and mid-sized advisers, who do not have the scale of larger advisers.” (March 2018).
 - Challenges Raising/Retaining Assets → Leads to Consolidation
 - E&Y June 2021: “It will be hard for many asset managers – especially small and medium firms... to survive in their current form.”
 - Scale
- Technology Considerations

Outsourcing Considerations

- Oversight and Responsibility
 - Board Involvement and Support
 - Use of Outside Consultants
 - Conflicts of Interest
- Due Diligence
 - Initial
 - Ongoing
 - Appropriate Techniques
- Risk

Vendor Management

- Selection Process
- “Partnership” vs Service Provider
- Duty of Care
- Oversight Responsibility
 - SLAs
 - Reporting Requirements
- Term, Termination and Renewals
- Hidden Costs
- Cybersecurity
- Reinvestment into the Business
 - Technology

Moving into Foreign Markets

■ Considerations

■ Economic Considerations

- “Chicken versus the Egg”

■ Where to Domicile?

■ Governance and Structure

- Vehicle
- Regulatory
- Management / Oversight
- Physical Presence

■ Distribution – “Passport”

- So Many Markets...

Moving into Foreign Markets

- UCITS
 - European continent move toward a single market
 - More than \$11 Trillion in European UCITS
- European Appetite for US Managers
- Opportunity to Raise New Assets
- Broad Distribution Capabilities
- Directives, Guidance, Regulatory Requirements
 - CBI
 - Consulting Papers
 - “Dear CEO” Letters

Domicile Considerations

Preexisting
Relationship and
Reputation of
Regulator

Reputation of
Domicile in the
Industry

Distribution
Strategy and
Location of
Potential Investors

Service Provider
Considerations

- Current US Service Providers?

Native Language(s)
Spoken in
Domicile

Political,
Economic and
Social Stability

Legal
Environment and
Taxation Regime

Convenience

UCITS Structure

- Self Managed Company v Management Company
 - Former is Losing Favor
- Board of Directors
 - Ultimately Responsible for Operations
 - Delegate Responsibility
- Depositary Bank
 - Similar to US Mutual Fund Custodian

Governance

■ CP-86

- Rationale for Board Composition
- Directors' Time Commitments
- Organizational Effectiveness
- Managerial Functions
 - (1) Investment Management, (2) Distribution, (3) Risk Management, (4) Operational Risk Management, (5) Regulatory Compliance, and (6) Capital Management
- Delegate Oversight
- Operational Issues and Resolution
- Procedural Matters

Distribution

■ Key Documents

- Prospectus
- Supplement
- Key Investor Information Document (“KIID”)
 - Synthetic Risk and Reward Indicator (“SRRI”)
 - 1 → 7

■ Passport Feature

- Allows Sales of Same Fund in Multiple Jurisdictions
- Requirements
 - Will Vary (Paying Agent, Translation Requirements, Fees)