

# NCTR 90<sup>th</sup> Annual Convention

## Hedge Fund-of-Funds vs Direct Investing

### Hedge Fund-of-Funds

#### Benefits

- Single, diversified strategy
- Outsourced due diligence and manager selection
- Potential to access "closed" managers
- Consolidated fund reporting

#### Key Consideration

- Double layer of fees

### Direct Hedge Fund Investments

#### Benefits

- Ability to customize hedge fund allocation within overall portfolio
- Fund level transparency
- Direct relationship with hedge fund managers
- No layering of fees

#### Key Consideration

- Internal staff requirements for sourcing/monitoring multiple hedge funds

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## How is the Hedge Fund Industry Changing?

### Trend

Fees



- Lower market return expectations
- Recent hedge fund performance
- Challenging capital raising environment
- Resurgence in seed capital

Due Diligence



- The bar is higher post-2008 in every aspect of due diligence
- Greater demand for transparency
- Operational and investment due diligence equally important
- Implications for plan sponsors – more staff, use of consultants

Customization



- Increase in "Fund-of-One" structures
- Solutions-based approach – offering strategies to meet specific client needs
- Socially responsible investing



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