

Welcome to the SBAI Investor Chapter

Welcome to the SBAI Investor Chapter. We are delighted to have you as part of the SBAI community. At the SBAI we are dedicated to advancing responsible practices, partnerships, and knowledge in our mission to improve industry outcomes.

Make the Most of the SBAI Community

Community	Collaboration	Outcomes
<p>Attend SBAI Global Events with our community of asset managers and allocators.</p> <p>Join the SBAI Operational Leaders Community, a global peer network for Senior Operational Professionals.</p>	<p>Join our Working Groups and have a voice in discussions on industry topics with your peers and allocators.</p> <p>Work with us as we engage with the Global Regulatory Community to advocate for effective regulation for the alternative investment industry.</p>	<p>Provide input into our Toolbox. These memos provide practical guidance and help ensure effective conversations between asset managers and allocators.</p>

Value to my firm checklist:

- ✓ **Onboarding Call:**
If you haven't already done so, arrange an onboarding call to discuss how you and your team can get involved. We can talk you through upcoming events, working groups, and more. Email us at info@sbai.org and we'll get this set up for you.
- ✓ **Get Your Firm Involved:**
Make sure the relevant people in your organisation [create an account on our website](#) to add their areas of interest, make use of all our resources, sign up to Working Groups, receive our newsletter, and more. **See the Appendix A for an example email you can use within your organisation.**
- ✓ **Encourage External Managers to Sign up to the Alternative Investment Standards:**
Let your external asset managers know that you support adoption of the SBAI Alternative Investment Standards. **See Appendix B for an example email you can use.**
- ✓ **Add Questions on the Standards to your DDQ:**
The Alternative Investment Standards promote efficient and transparent investing in alternatives. Use your DDQ to make sure your external managers have robust controls and disclosures in place. **See Appendix C for examples of questions that can be used.**

Appendix A: Get Your Team Involved

Our community at the SBAI can act as an extension to your team. Through our events, working groups, and other activities we cover a variety of industry topics and different members of your organisation may benefit from these opportunities.

As an Investor Chapter Member your entire organisation is free to take advantage of the value we can offer, and we encourage you to socialise these opportunities within your firm. To help with this below is an email template that you can use within our organisation:

We have just signed up as an Investor Chapter Member with the Standards Board for Alternative Investments (SBAI).

The SBAI is a global active alliance of over 150 asset manager signatories and over 90 institutional investors dedicated to advancing responsible practices, partnership, and knowledge in their mission to improve industry outcomes.

As an Investor Chapter member our firm now has access to all the SBAI's resources and activities including:

- [Working Groups](#),
- [SBAI Communities \(peer networks\)](#),
- [Global Events](#),
- [Regulatory Engagement](#), and
- [SBAI Toolbox – Practical Guidance and Transparency Tools](#).

Please take a moment to create a free account on the SBAI website to be able to view resources, sign up for events, join working groups or communities, and be kept informed of the SBAI's activities.

[Click here to create your account.](#)

Appendix B: Encourage Asset Managers to Sign Up to the Alternative Investment Standards

Our mission to improve industry outcomes and make investing in alternatives more efficient and transparent can be helped significantly by our Investor Chapter members encouraging the external managers they invest in to adopt the SBAI Alternative Investment Standards.

You can help with this by reaching out to your managers encouraging them to consider becoming SBAI Signatories. To help with this below is an email template that you can use to send to the external asset managers you engage with:

We have just signed up as an Investor Chapter Member with the Standards Board for Alternative Investments (SBAI).

The SBAI is a global active alliance of over 150 asset manager signatories and over 90 institutional investors dedicated to advancing responsible practices, partnership, and knowledge in their mission to improve industry outcomes.

We would like to encourage you and your firm to consider signing up to the SBAI's Alternative Investment Standards (on a comply or explain basis) and becoming an SBAI Signatory.

As an SBAI Signatory you not only demonstrate a commitment to robust standards and practices, but also participate in the SBAI community including:

- [Working Groups](#),
- [SBAI Communities \(peer networks\)](#),
- [Global Events](#),
- [Regulatory Engagement](#), and
- [SBAI Toolbox – Practical Guidance and Transparency Tools](#).

For further information please visit the [SBAI Website here](#) or reach out to the SBAI team on info@sbai.org.

Appendix C: Add Questions on the Standards to your DDQ

The [SBAI Alternative Investment Standards](#) cover disclosure, valuation, risk management, fund governance, and shareholder conduct. They were developed in collaboration with both asset managers and allocators. All SBAI Signatories sign up to these standards on a comply or explain basis.

We encourage you to ensure that questions based on the Alternative Investment Standards are included in your DDQ to encourage these practices across the industry. To aid with this we have provided the standards as DDQ style questions below which you are free to copy and paste into your own DDQ.

DDQ Questions based on the SBAI Alternative Investment Standards¹

- Are you a signatory to the SBAI Alternative Investment Standards, if not why?

Disclosure:

Investment Policy and Risk Disclosure

¹ Please note that these questions do not necessarily reflect the full text of the Alternative Investment Standards.

- Do you disclose the fund's investment policy and/or strategy and the associated risks in the fund's offering documents? (SBAI Standard 1.1)
- Do your marketing materials refer to the fund's offering document and make clear that investors should only rely on the offering documents when deciding to invest? (SBAI Standard 1.2)
- Are changes to the to the investment policy or strategy that are considered material by the fund's governing body only implemented following either investor consent or notification to investors with sufficient time to redeem without penalty? (SBAI Standard 1.3)
- Do you include a statement on how the fund has invested its assets in line with the investment policy in the fund's annual report? (SBAI Standard 1.4)
- Do you make periodic disclosures of material developments in the investment strategy, your business, and the fund's risk profile? (SBAI Standard 1.5)
- Do you disclose to investors any material litigation or formal regulatory enforcement proceedings? (SBAI Standard 1.6)

Commercial Terms Disclosure

- Do you prominently disclose the commercial terms of relevant interests in the fund in the fund's offering documents? (Standard 2.1)
- Are changes to fees and expenses or investor redemption rights only changed with either consent from investors or notification to investors with sufficient time to redeem without penalty? (Standard 2.2)
- Do you disclose the existence of side letters that contain material terms? (Standard 2.3)
- Do you disclose the following on request 1) existence of accounts or vehicles following the same or similar strategies, 2) any material adverse effects on investors from these accounts, 3) the aggregate AUM of these accounts, 4) the aggregate size of employee investments in the strategy, 5) the existence of any employee only accounts and their size? (SBAI Standard 2.4)
- Do you disclose all fees and expenses charged to the fund in the fund's audited financial statements? (SBAI Standard 2.5)
- Did you agree with the fund administrator the methodology for calculating fees payable to you in advance of the fund launch? (SBAI Standard 2.6)

Performance Measurement

- Where there is exposure to hard to value assets do you disclose any factors material to the robustness of the performance calculation in your marketing materials? (SBAI Standard 3.1)

Disclosure to Counterparties

- Do you encourage the fund administrator to provide agreed reporting to the fund's counterparties in a timely manner? (SBAI Standard 4.1)

Valuation

Segregation of Functions

- Do you have valuation arrangements in place to mitigate conflicts of interest? (SBAI Standard 5.1)
- Is your valuation function segregated from your portfolio management function? (SBAI Standard 5.2)
- Do you have a Valuation Policy in place covering all material aspects of the valuation process? (SBAI Standard 6.1)
- Do you disclose any involvement by the fund manager in the valuation process in your marketing materials and the fund's offering documents? (SBAI Standard 6.2)

Hard to Value Assets

- If you perform in-house valuations for hard to value assets does your Valuation Policy include procedures for ensuring a consistent approach to fair value? (SBAI Standard 7.1)
- If you use side pockets has the fund governing body been consulted on and consented to the circumstances where they may be used? (SBAI Standard 7.2)
- If you use side pockets, do you 1) describe the eligible assets in your Valuation Policy, 2) enter assets into the side pocket at the time the asset is purchased or on or about the time the asset becomes hard to value, 3) price the assets at cost, last available market price, a lower number, or zero, 4) disclose and adhere to any limits on the total assets that may be included in the side pocket, 5) charge management fee on the lower of cost or fair value, and 5) accrue performance fees for the duration of the side pocket and crystallise only when the asset can be disposed of or a liquid market price is available? (SBAI Standard 7.2)
- Do you disclose the portfolio of the fund's portfolio that falls into each of the three "levels" prescribed in ASC820, IFRS 7, or equivalent? (SBAI Standard 8.1)
- Do you notify investors of any material increase in the percentage of the fund's portfolio invested in hard to value assets? (SBAI Standard 8.2)
- Do you report the value of side pockets in the fund's audited annual accounts? (SBAI Standard 8.3)
- Do you discuss with the fund governing body and disclosure to investors any material issues relating to the valuation of hard to value assets? (SBAI Standard 8.4)

Risk Management

Risk Framework

- Do you have a risk framework in place setting out the governance structure, reporting lines, responsibilities, and controls to ensure risk remains within tolerance? (SBAI Standard 9.1)
- Does the risk framework cover all relevant risk categories including portfolio, operational, and outsourcing risks? (SBAI Standard 9.2)
- Do you explain to your risk framework to the fund governing body and disclose it to the appropriate extend in the fund's offering documents? (SBAI Standard 10.1)

Portfolio Risk

- Do you have appropriate risk management processes and resources in place that are well understood by portfolio managers, traders, risk managers, senior staff, and the fund's governing body? (SBAI Standard 11.1)
- Is the risk management function segregated from the portfolio management function to mitigate conflicts of interest? (SBAI Standard 11.2)
- Are risk monitoring reports provided to the person or body with ultimate responsibility for risk management? (SBAI Standard 11.3)
- Do you have a Risk Policy Document in place that has been supplied to the fund's governing body? (SBAI Standard 11.4)
- Do you have a liquidity management framework in place to ensure alignment between the liquidity profile of the fund and the assets? (SBAI Standard 12.1)
- Do you conduct regular stress tests and scenario analysis of the fund's liquidity position? (SBAI Standard 12.2)
- Have you developed measures involving multiple techniques to identify market risk in the fund's portfolio? (SBAI Standard 13.1)
- Do you conduct regular stress testing and scenario analysis to assess the impact of extreme market occurrences on the value of the portfolio? (SBAI Standard 13.2)

- Do you account for valuation sensitivities under stressed conditions in your risk measurement? (SBAI Standard 13.3)
- Do you take timely management action based on the results of this analysis of market risks? (SBAI Standard 13.4)
- Do you have a process for setting up trading relationships on behalf of the fund including assessing creditworthiness and setting risk limits? (Standard 14.1)
- Do you monitor the creditworthiness of the fund's trading counterparties periodically? (SBAI Standard 14.2)
- Do you track adherence to your stated investment objectives, investment policy or strategy, and investment restrictions? (SBAI Standard 15.1)
- Do you disclose your investment and risk management approach in your marketing materials and to the appropriate extent in the fund's offering documents? (SBAI Standard 16.1)
- Does your management report submitted with the audited annual accounts of the fund include disclosures on the actual risk profile of the fund? (SBAI Standard 16.2)

Operational Risk

- Do you clearly segregate functions such as valuation, risk management, and compliance from the portfolio management function to mitigate conflicts of interest? (SBAI Standard 17a.1)
- Do you ensure that your remuneration process avoid false incentives such as linking the compensation of the valuation team directly to fund performance? (SBAI Standard 17a.2)
- Do you ensure material aspects of your operational process are adequately documented and training is provided to staff? (SBAI Standard 17a.3)
- Have you appointed one or more independent third parties to be responsible for safekeeping of the property of the fund? (SBAI Standard 17a.4)
- Is an independent third party appointed for fund administration? (SBAI Standard 17a.5)
- Are all operational risk structures and governance arrangements disclosed? (SBAI Standard 17a.6)
- Do you have effective trading and counterparty procedures in place to prevent trading and execution failures? (SBAI Standard 17b.1)
- Are you confident you understand the relevant laws and regulations in place and have effective controls to identify, assess, monitor, and manage the risk of being used to further financial crimes? (SBAI Standard 17c.1)
- Have you appointed a compliance officer who is independent of the portfolio management function? (SBAI Standard 17c.2)
- Where client money is held, do you have strict internal controls in place to avoid misappropriation? (SBAI Standard 17c.3)
- Do you have a disaster recovery policy in place that has been agreed by the executive committee and where relevant notified to the fund governing body? (SBAI Standard 17d.1)
- If relevant, do you assess model risk annually or as dictated by market events? (SBAI Standard 17e.1)
- Do you ensure security and integrity of systems and data? (SBAI Standard 17f.1)
- Do you ensure to understand local conduct of business rules and regulations for both the firm and the securities traded? (SBAI Standard 17g.1)
- Do you have a PA trading policy in place which is tested by compliance? (SBAI Standard 17h.1)
- Do you have a trade allocation policy in place that is disclosed to investors on request? (SBAI Standards 17i.1 and 17i.2)

- Do you have internal arrangements in place to manage and mitigate conflicts of interest including documented compliance policies and procedures? (SBAI Standard 17j.1)
- Do you make a summary of your operational risk procedures and controls available to investors and creditors? (SBAI Standard 18.1)

Outsourcing Risk

- Do you conduct due diligence on third party service providers prior to recommending them to the fund governing body? (SBAI Standard 19.1)
- Do you regularly review third party service providers? (SBAI Standard 19.2)
- Do you have Service Level Agreements in place with relevant service providers? (SBAI Standard 19.3)
- Are the services provided reviewed and monitored against contractual and other agreed standards? (SBAI Standard 19.4)
- Do you report any concerns about service levels to the fund's governing body? (SBAI Standard 19.5)
- Have you considered whether it is appropriate for the fund to appoint more than one prime broker? (SBAI Standard 19.6)
- Is the fund's appointed auditor considered reputable? (SBAI Standard 19.7)
- Do you disclose the names of the principal third party service provider in due diligence documents or on request? (SBAI Standard 20.1)
- Do you provide information on the fund's committed funding or financing arrangements to investors in due diligence documents or on request? (SBAI Standard 20.2)
- Do you disclose the nature of special commercial terms with service providers that may result in potential conflicts of interest? (SBAI Standard 20.3)
- Do you disclose monitoring procedures related to third party service providers in due diligence documents or on request? (SBAI Standard 20.4)

Fund Governance

- Prior to the fund launch did you assess the level of fund governance required and ensure the structure was suitable? (SBAI Standard 21.1)
- Where the fund governing body is not majority independent from the manager or does not exist, do you ensure certain actions such as changes to fees or redemption rights, or changes to the investment strategy or legal structure are only undertaken with investor consent or investor notification with sufficient time to redeem without penalty? (SBAI Standard 21.2)
- Do the members of the fund governing body have suitable experience and integrity? (SBAI Standard 21.3)
- Do you monitor the composition of the fund governing body and the governance processes in place to ensure they remain appropriate throughout the life of the fund? (SBAI Standard 21.4)
- Does the fund governing body meet regularly and conduct meetings in a way that safeguards the intended legal, regulatory, and tax status of the fund? (SBAI Standard 21.5)
- Has the fund governing body given careful consideration to adopting all or parts of established codes of corporate conduct or other director guidance? (SBAI Standard 21.6)
- Does the fund administrator regularly report to the fund governing body on compliance with laws and regulations including those on anti-money laundering? (SBAI Standard 21.7)

- Does the fund's governing documents include details of the fund governance structure that is in place? (SBAI Standard 22.1)
- Are details of any class of shares held only by the manager and carrying voting rights that may affect decision making for the fund disclosed in the fund's offering documents? (SBAI Standard 22.2)

Shareholder Conduct

Prevention of Market Abuse

- Do you have internal compliance arrangements in place to identify, detect, and prevent breaches of market abuse laws and regulations? (SBAI Standard 23.1)
- Do you have a policy in place to prevent market abuse that is made available to investors upon request? (SBAI Standard 24.1)

Proxy Voting

- Do you have a proxy voting policy in place? (SBAI Standard 25.1)
- Is your proxy voting policy available to investors on request and are cases where the policy has not been followed reported to the fund governing body? (Standard 26.1)

Borrowing Stock to Vote

- Do you prohibit borrowing stock to vote? (SBAI Standard 28.1)