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COURSE BROCHURE

# Hedge Fund Manager Selection and Operational Due Diligence Training Course

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# Hedge Fund Manager Selection and Operational Due Diligence Training Course

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Hedge Fund Manager Selection and Operational Due Diligence is a 1-week training course for investment analysts and allocators who place capital with external managers, and it builds a manager approval memo ready for an investment committee. Allocators now face more strategies, more complex fund terms and closer scrutiny of how managers run their back offices. Jupiter Prime Training sets hedge fund manager selection inside wider portfolio decisions.

## Why Hedge Fund Manager Selection and Operational Due Diligence Matters Now

Three forces shape manager selection today. Pension schemes, insurers and family offices expect alternative strategies to earn a defined role rather than fill a gap. Fund terms have grown more layered, with gates, side pockets, side letters and hurdle structures that change what an investor actually owns. Operational failures, from weak valuation of hard-to-price positions to thin administrator oversight, now sink funds as often as poor trading. An allocator who reads these signals well protects capital and fee budgets; one who does not inherits losses no return forecast predicted.

## Who Gains Most from Hedge Fund Manager Selection and Operational Due Diligence

- Analysts who screen external managers and build the first long list
- Allocators who size positions in alternative strategies within a multi-asset book
- Operational review staff who test fund administration, custody and valuation controls
- Risk staff who monitor liquidity, leverage and concentration across fund holdings

An investment office that sends its analysts, operational reviewers and risk staff together gains most, because each weighs the same manager differently.

## Hedge Fund Manager Selection and Operational Due Diligence Capabilities

Participants test whether a manager's edge, terms and back office hold up together.

- Classify a manager's strategy by return source, liquidity and crowding risk — strategy fit within the portfolio
- Assess fee terms, hurdles, high-water marks and crystallisation frequency — net return to the investor
- Test redemption gates, lock-ups and side pockets against cash needs — liquidity planning for the fund holder
- Specify an operational review covering administrator, custodian, auditor and valuation policy — the investment committee
- Weigh qualitative findings on people, process and alignment of interest — the final approval decision

- Design a monitoring routine with watch-list triggers — continued holding or redemption

## Key Hedge Fund Manager Selection and Operational Due Diligence Terms

- Operational due diligence — A review of a fund's administration, valuation, custody, controls and service providers.
- High-water mark — A rule that the manager earns a performance fee only once the fund value exceeds its previous peak.
- Redemption gate — A limit on the share of fund capital investors may withdraw on one dealing date.
- Side pocket — A separate account holding illiquid positions that investors cannot redeem until those assets are realised.
- Side letter — A private agreement giving one investor terms different from those in the offering documents.
- Style drift — A gradual move by a manager away from the strategy and risks described when capital was committed.

## Hedge Fund Manager Selection and Operational Due Diligence Day by Day

### Day 1: The Role of Hedge Funds in a Portfolio

- Strategy Families and Return Sources — Where Each Strategy Fits
- Correlation and Drawdown Profiles — Diversifying Versus Return-Seeking Allocations
- Fund Structures, Master-Feeder and Managed Accounts — Choosing the Investment Vehicle
- Investor Universe and Capacity Constraints — Access to Closed Managers
- Allocation Objectives Statement — Setting the Role Before Screening

### Day 2: Screening and Investment Due Diligence

- Manager Database Screening and Long Lists — Narrowing the Candidate Set
- Track Record Reconstruction and Survivorship Checks — Trusting Reported Returns
- Manager Interviews and Portfolio Walk-Throughs — Testing the Claimed Edge
- Leverage, Concentration and Exposure Reports — Sizing Hidden Risk
- Style Drift Indicators — Holding the Manager to Its Mandate

### Day 3: Fees, Terms and Investor Protections

- Management and Performance Fee Mechanics — Net Return After Costs
- Hurdles, High-Water Marks and Crystallisation — Fairness of Incentive Fees
- Lock-Ups, Gates and Side Pockets — Matching Fund Liquidity to Investor Needs
- Side Letters and Most-Favoured-Nation Clauses — Negotiating Investor Rights
- Offering Document Red Flags — Escalating Terms Before Commitment

## Day 4: Operational Due Diligence

- Administrator, Custodian and Auditor Checks — Independence of Service Providers
- Valuation Policy for Hard-To-Price Positions — Reliability of Reported Net Asset Value
- Trade Flow, Cash Controls and Segregation of Duties — Fraud and Error Exposure
- Compliance, Personal Trading and Business Continuity — Firm Resilience
- On-Site Visit Questionnaire — Turning Observations Into Graded Findings

## Day 5: Practising the Manager Approval Memo

- Strategy Fit Scoring From the Allocation Objectives — Ranking Shortlisted Managers
- Fee and Liquidity Terms Comparison — Selecting the Share Class
- Operational Findings Grading — Conditions Attached to Approval
- Watch-List Triggers and Monitoring Calendar — Ongoing Oversight After Funding
- Manager Approval Memo — Committee Recommendation and Conditions

## Applying Hedge Fund Manager Selection and Operational Due Diligence After the Course

- Re-grade one current fund holding against the operational review questionnaire.
- Compare the fee and liquidity terms of two held funds and propose share class or side letter changes.

## Hedge Fund Manager Selection and Operational Due Diligence Questions FAQ

### What is hedge fund manager selection and operational due diligence, and why does it matter now?

It is the discipline of choosing external managers and checking how their funds are run. It matters now because layered fund terms and operational failures can erase returns.

### Which roles gain most from hedge fund manager selection and operational due diligence?

Analysts and allocators who place capital with external funds gain most. Operational reviewers and risk staff also benefit, especially when they attend together.

### How does hedge fund manager selection and operational due diligence differ from a hedge fund strategy course?

It looks at funds from the investor's side. A strategy course studies how managers earn returns; this one studies how allocators choose and oversee them.

## What do you bring back from hedge fund manager selection and operational due diligence?

You bring back a manager approval memo built on a real or sample fund. It combines strategy fit, terms, graded operational findings and monitoring triggers.

## Hedge Fund Manager Selection and Operational Due Diligence: The Way Forward

The manager approval memo first informs whether a shortlisted fund receives capital and on what conditions. Allocators and committee members use it to compare shortlisted candidates on equal, documented terms. After its first use, the weighting between investment and operational findings is worth revisiting as reliance on alternative strategies grows.