

# Fund of Funds in a Box™

---

## *Multi-Purpose Hedge Fund Platform*

## Earn Fees and Share Costs

A portfolio of hedge fund investments takes effort and expense. If you build the right infrastructure, and raise capital from co-investors, you can:

- Earn fee revenue from co-investors – even when your allocations are in draw-down.
- Spread the cost of your hedge fund investment infrastructure across more capital.
- Build highly diversified portfolios with a larger pool of capital.
- Access better programs on better terms, in safer and more flexible vehicles.
- Create an unlimited array of investible products quickly and at low cost.

The advantages to your co-investors include:

- Expert hedge fund selection and due diligence.
- On-going risk and performance monitoring.
- Simplified reporting and robust infrastructure.
- Same lower costs, diversification, and negotiating power as you.
- Bespoke portfolios if desired.

## What is a Platform?

An investment platform is:

- A collection of investible legal entities (onshore and offshore feeders, offshore master).
- A set of legal documents (contract templates, offering docs, etc.).
- Operational procedures and IT infrastructure.
- Contractual relationships with appropriate service providers.

## How Does it Work?

Review the accompanying diagram to understand the following notes.

### *Platform Sponsor*

This is you. You build the infrastructure and earn fees from any third-party investments in the feeder funds you establish. Expenses of operating the platform are spread across all investors, further reducing the direct cost of implementing your hedge fund strategy.

## *The Master Fund*

The master fund is the heart of the platform. This is where the investing and trading action takes place.

The master fund will be off-shore in a zero tax jurisdiction. This ensures investors only have to deal with taxing authorities in their own domicile.

Typically, the master fund will be a single entity that allows multiple ring-fenced “segregated portfolios” or “cells” to house each distinct investment. This eliminates cross-liability between the investment strategies. Such entities are available in the Cayman Islands (Segregated Portfolio Companies) and Jersey (Incorporated and Protected Cell Companies), amongst others.

Generally, there is no limit to the number of segregated portfolios (“SPs”), so the master fund is infinitely scalable. The biggest advantage of this structure is that you need only one contractual arrangement with certain key service providers (particularly the third-party administrator, the auditor, and the accounting / tax provider) and you can use template type agreements for other service providers (such as prime brokers).

The types of activities implemented in the segregated portfolios of the master fund include cash management, hedge fund investments, separately managed accounts, and swaps.

### **Separately Managed Accounts**

A separately managed account is the preferred vehicle for any allocation. It provides the most flexibility, transparency, and liquidity. However, a large allocation usually required. An account will be opened on behalf of the segregated portfolio with a prime broker. The hedge fund manager or CTA will be hired via a trading agreement to implement their trading or investment program.

### **Hedge Fund Investments**

Some programs are only available as a commingled fund. Some programs have a separately managed account minimum investment requirement that is larger than the preferred capital allocation. In these cases, the SP will invest in a commingled fund.

### **Total Return Swaps**

For some programs, the investment minimum even for a commingled fund product may be larger than needed. In this case accessing the program via a total return swap may be an option.

### **Cash Management**

Cash provided by investors but not required for investment is deployed to an appropriate cash management program such as custom time deposits, money market accounts, or liquid fixed income investment programs.

## *The Feeder Funds*

Feeder funds are the vehicles the clients of the platform will invest in. There will be on-shore and off-shore funds to suit each investor's tax situation. Ideally, an entity similar to the master fund will be used. It will be in the same jurisdiction and offer the same administrative efficiencies.

This is where the beauty of this structure becomes apparent. The feeder funds purchase securities issued by the SPs of the master fund. For each feeder fund, you are at liberty to mix and match the securities in whatever proportions you want to build a portfolio appropriate to each feeder fund's objectives.

## *Service Providers*

All major service providers (third-party administrators, registrars, transfer agents, auditors, accounting, tax-preparer, prime brokers, custodians, etc.) are familiar with segregated portfolio entities. The service providers are an integral part of the platform fulfilling the following roles:

- Third-party administrator: calculates performance and fees as an independent agent. Has joint control over account security and is party to all cash movements. Usually fulfills role of registrar and transfer agent as well
- Registrar: keeps records of ownership interests on both master and feeder funds.
- Transfer agent: receives and reviews subscription documents and completes know your customer and anti-money laundering activities.
- Auditor: oversees the activities of the third-party administrator and completes independent financial audits of all the entities for investors and regulators.
- Accounting and tax preparer: typically handled between the third-party administrator and the auditor. Often shadowed in-house.
- Prime broker: handles clearing of all trading transactions implemented by trading managers in separately managed accounts. Includes equities, futures, and foreign exchange. The trading manager usually selects their own preferred execution broker.
- Custodian: provides custody services for cash and assets.

## **Conclusion**

Building a multi-purpose hedge fund platform provides a great way to earn fee income and share the expense of your hedge fund investing activities. Not only that, it gives you access to hedge fund investing opportunities that are only possible with a larger pool of capital.

Our FoF in a Box™ makes it quick and easy – call us today +1 303 842 1669!



## Ian Rayner

I am Ian Rayner, founder of Rayner Gobran LLC. We partner with family offices, institutional allocators, and wealth managers who want more from their hedge funds. Understanding how your investments support your goals is where we start. From there, we work together to create your best hedge fund and managed futures portfolio.

I believe in the value of hedge fund strategies as diversifiers and risk-mitigators. My perspective is informed by 15 years' experience in alternatives, from developing trading systems to managing hedge fund operations and research.

Prior to founding Rayner Gobran, I was Chief Operating Officer and Director of Research for The Bornhoft Group, an award-winning pioneer in multi-manager CTA funds. As COO I built and ran our managed account platform ensuring institutional quality operations throughout our firm. As Director of Research I

developed statistical tools for delving deep into manager performance and building robust portfolios.

Our team placed billions of dollars with hedge funds. We allocated capital to the biggest names and the smallest niche managers. The Bornhoft Group won the 2012 InvestHedge Best 5 Year Managed Futures Fund and was nominated for the Pinnacle Awards 5-Year Best Multi-Advisor Futures Fund for 2013, 2014, and 2015.

Prior to TBG, I designed trading systems and developed a suite of tools for trading system evaluation. I built a statistical toolkit including cluster analysis, detection of change algorithms, and non-linear optimization techniques.

I currently serve as Chairman of the advisory boards of Cortana Capital and Taaffeite Capital Management.

- BA & MA, Chemical Engineering, Queens' College, Cambridge University
- MBA, The Wharton School, University of Pennsylvania, Palmer Scholar
- FINRA Series 3
- UK / US Citizen

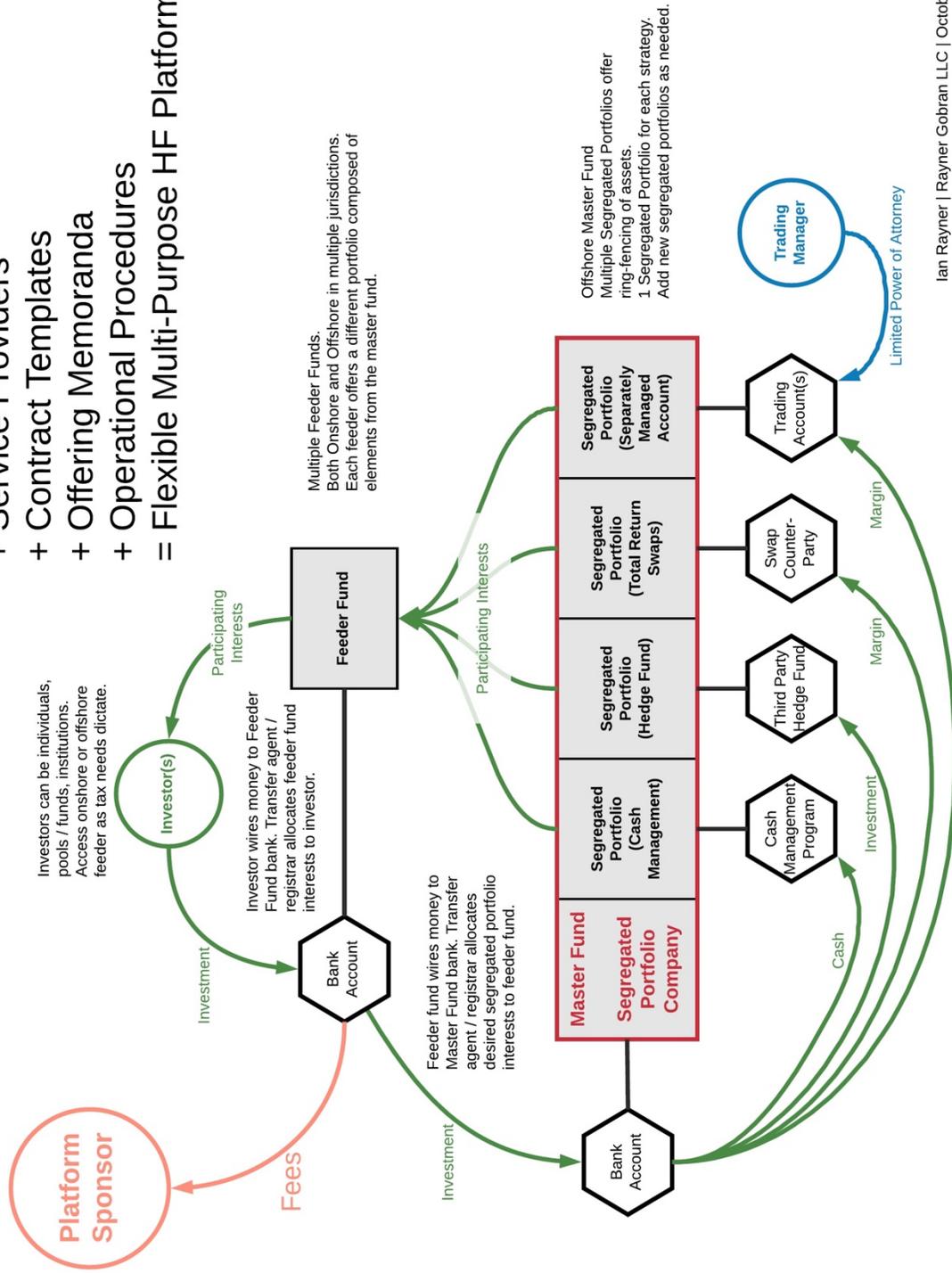
## Contact

To explore whether a FoF platform is right for you, call us today!

- Cell: +1 303 842 1669
- Email: [ian.rayner@raynergobran.com](mailto:ian.rayner@raynergobran.com)
- Website: [www.raynergobran.com](http://www.raynergobran.com)

# Multi-Purpose Hedge Fund Platform

- + Service Providers
- + Contract Templates
- + Offering Memoranda
- + Operational Procedures
- = Flexible Multi-Purpose HF Platform



Ian Rayner | Rayner Gobran LLC | October, 2018