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CONTRIBUTING TO COMMUNITIES

A global review of charitable and philanthropic activities
by the hedge fund industry



Foreword

I am delighted to introduce *Contributing to Communities*, the first review of its kind of the charitable and philanthropic activities of the hedge fund industry worldwide.

The report has been produced by the Alternative Investment Management Association (AIMA), the global hedge fund industry association. One of our objectives traditionally has been to draw attention to the value the hedge fund industry brings to society as a whole, from the role that hedge funds play in stabilising financial markets to the benefits of capital preservation and diversification that they offer to their investors, the majority of whom today comprise socially-important institutions such as pension funds, endowments and, indeed, charitable foundations.

The industry has always engaged in charitable giving and philanthropy. In this report, we have focused just on those activities that are in the public domain (much charitable activity being private). We have chosen to eschew images of gala dinners, celebrity endorsements and presentation cheques so often associated with the industry's charitable activities.

Instead, our primary focus has been on where the money raised ultimately goes – whether a school in a deprived part of London, a much-loved public park in America, a facility in Britain for developing the next generation of scientists or a hospital for sick children in Asia, to name but a few.

We have not sought to judge whether the volume and scope of the industry's charitable and philanthropic activities are sufficient, or whether or not they compare well with other



industries. We should not forget that the hedge fund industry is itself a fairly small community. We have estimated that around 100,000 people are employed directly by managers in the industry worldwide, which, if it were a single company, would still fail to make Fortune's list of the 50 biggest corporations in terms of employees. Suffice to say, and given its size, the hedge fund industry does – and quite rightly – make a real contribution to communities.

We also recognise the limitations of charity and philanthropy itself. Altruistic gestures are features of compassionate societies. But they should not be a substitute for addressing the deeper causes of poverty and inequality. The charitable and philanthropic activities of the hedge fund industry matter, but they can only ever achieve so much.



Andrew Baker
CEO, AIMA

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Cover image. New York's Central Park received \$100 million from John Paulson in 2012 – the largest monetary gift ever given to a US public park.



01. A group of students from the Opportunity Network's OppNet Prep program, which introduces ninth graders from New York state schools to the importance of career networking. Donations from the hedge fund industry have helped the organisation expand from 10 students to 300.

Executive summary

Charitable and philanthropic activity in the global hedge fund industry is widespread. Hedge fund managers and staff are engaged with charities in a multitude of different ways.

These activities range from workplace giving programmes to personal foundations set up by a manager or group of managers to donate a portion of their wealth, to board membership or trusteeship of established charities.

Some of the largest individual contributions include George Soros' Open Society Foundation, which directed \$742 million towards charitable causes in 2010, the most recent available data¹; Paul Tudor Jones' Robin Hood Foundation, which receives donations from across the industry as well as public fundraising drives and which gave \$146 million in grants to dozens of poverty-fighting programmes in New York City in 2012²; Louis Bacon, the founder of Moore Capital Management, who has spent close to \$400 million on 202,000 acres of land in the US that are either already in conservation easements or soon will be³; and the Simons Foundation, which gave \$122 million in 2011, also the most recently available data⁴.

Hedge fund industry figures who have dedicated the majority of their wealth to philanthropy by signing the Giving Pledge, an initiative launched in 2010 by Warren Buffett and Bill and Melinda Gates, include Bill Ackman, John Arnold, Ray Dalio, Christopher Hohn, Julian Robertson, Jim Simons and Tom Steyer⁵.

But in terms of the charitable and philanthropic activities of the industry, even these examples may be only the tip of the iceberg. The report focuses only on activities in the public domain. It is worth noting that very often the industry's charitable and philanthropic activities are done in private, and

without publicity. The report also sets out the benefits accrued by the third sector and society more generally as a result of these activities.

Also outlined are some of the operational issues and challenges faced by hedge fund managers and staff in setting up charitable initiatives. Deciding on a funding model, selecting and monitoring beneficiaries, and marrying work and charitable commitments are some of the common issues raised by interviewees in reflecting on their experiences.

Above all, the report seeks to highlight the social benefits of the global hedge fund industry's charitable and philanthropic activities: from tangible gains such as the funding of new schools, medical equipment and housing to more intangible benefits including improvements to charities' strategic planning and financial operations.

The report's findings are based on interviews with individuals from the hedge fund industry who are active in the charity sector and representatives of charities, which were carried out during 2012 and 2013. Those responses are used in tandem with publicly available data on the financial and social activities of hedge fund charities to gain a detailed picture of global hedge fund charitable activity.

NOTE

¹ Open Society Foundations, 2012. 'Expenditures'. Available at www.opensocietyfoundations.org/about/expenditures

² The Robin Hood Foundation, 2011. 'Financials'. Available at www.robinhood.org/about/financials

³ Forbes magazine, January 2013. Available at www.forbes.com/sites/erincarlyle/2013/03/28/audubon-society-gala-honors-louis-bacon-bette-midler-sings-birdie-tunes

⁴ The Simons Foundation, 2011. 'Annual report'. Available at http://simonsfoundation.s3.amazonaws.com/share/2011_Annual_Report.pdf

⁵ The Giving Pledge, 2013. Available at <http://givingpledge.org/index.html>



02. ARK Globe Academy in Southwark, London is an 'all-through' academy for 1,200 students aged 4–18.



03. A Man Group employee helps a primary school student with her reading in London's East End, part of the workplace volunteering scheme funded by the firm's Charitable Trust.

Section 1

Overview of hedge fund charitable activities by region

Hedge fund charitable activity is widespread in the US, which is the largest jurisdiction globally where managers are based.

Philanthropy within the hedge fund industry is also rapidly spreading across national borders as the industry becomes more global, with new initiatives in Europe and Asia.

Many philanthropic initiatives from the hedge fund industry concentrate their funding on the developing world, particularly Africa.

This part of the report will examine the spread of hedge fund charitable contributions by region, looking at the important philanthropic players and causes being strongly supported by the industry in each financial centre.

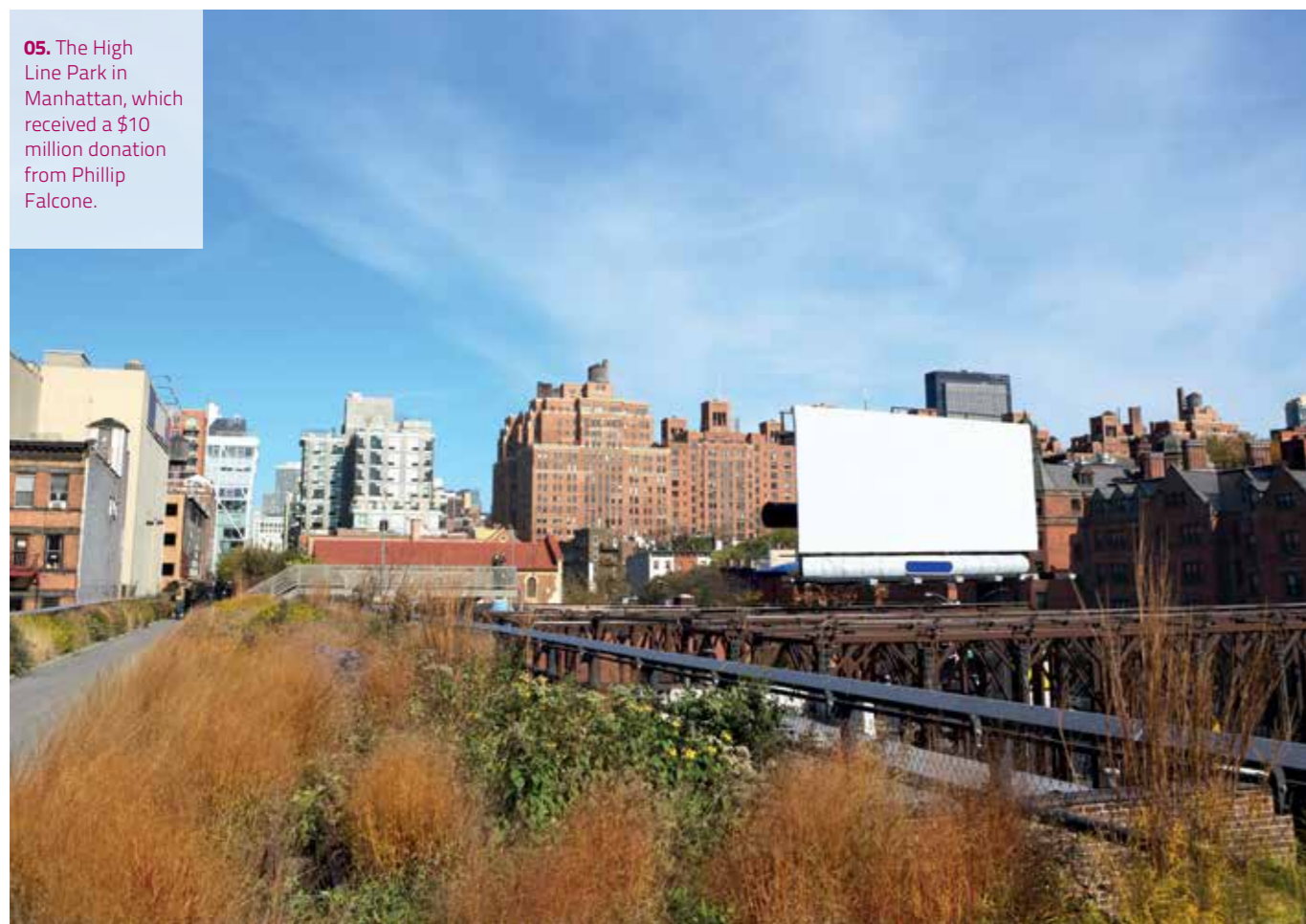
Across the global hedge fund industry, the concentration of managers are domiciled in either the US or UK, which means their charitable foundations are also, somewhat unsurprisingly, largely headquartered in these two countries, particularly within London and New York. But the development of the industry in Europe and in Asian markets has resulted in a similar spread in philanthropic activity across these areas, with firms in Europe and Asia forming co-operative foundations and partnerships with local charities.



04. A pupil in the library of the Burlington Danes Academy, the first of 18 academies opened by ARK Schools.

Americas

05. The High Line Park in Manhattan, which received a \$10 million donation from Phillip Falcone.



The US, where charitable foundations are relatively simple for those with the relevant expertise to set up, is the largest single contributor of hedge fund wealth to philanthropic causes.

As well as administrative simplicity afforded high net worth individuals and financial firms looking to set up private philanthropic foundations, it has also been argued that the prevailing culture and attitude toward charitable donations by the wealthy in the US has made large-scale charitable giving seem a more attractive and even necessary option for hedge fund professionals to engage in.⁸

“In the US, there is an expectation that people who come from money, or people who make a lot of money, will give back,” says Rob Mirsky, a partner at KPMG and founder of Hedge

Funds Care’s UK branch. “Almost every wealthy person I know in the US feels this compulsion, it’s a very endemic thing – I think it comes partly from the fact that you cannot rely on the state to provide funding for many important causes, except in the most extreme of circumstances. Also, people who make a lot of money and then give a lot of it away publicly in the US are applauded by society, whereas in the UK there might be a sense that people who openly show their wealth are being ostentatious.”

Many of the major co-operative foundations set up by hedge fund managers in the US have a significant public presence, and have arguably encouraged similar foundations to spring up in their place as the new generation of industry professionals look to become involved in philanthropic causes.

The prevalence of giving on this large scale within the industry has inspired the next generation of US hedge fund professionals to come together and engage in innovative new forms of philanthropy.

The Robin Hood Foundation was established by Tudor Investment Corporation’s Paul Tudor-Jones in 1988 to help alleviate poverty in New York City. One of its more recent events was the “12-12-12” fundraising concert for victims of Hurricane Sandy, which took place on 12 December 2012 at New York’s Madison Square Garden and featured the likes of the Rolling Stones, Sir Paul McCartney, Bruce Springsteen and The Who. Thanks to the proceeds from the concert and other donations, Robin Hood was able to allocate over \$70 million to nearly 400 organisations working through America’s tri-state area that are helping families and individuals recover from the storm.

Since Robin Hood’s establishment, numerous similarly-modelled foundations have sprung up as joint initiatives between hedge fund managers, each with its own unique focus – from the Tiger Foundation in 1989 (a co-operative between emerging managers of Julian Robertson’s Tiger Management), to child abuse charity Hedge Funds Care in 1998, to 100 Women in Hedge Funds – first formed for female professionals in the alternatives industry and now a multifaceted organisation of 10,000 male and female members dedicated to education, peer leverage and philanthropy – in 2001. These four foundations alone contributed over \$170 million to their chosen charitable causes in 2010, according to information available on their websites and financial filings.⁹

The prevalence of giving on this large scale within the industry has inspired the next generation of US hedge fund professionals to come together and engage in innovative new forms of philanthropy, as seen in emerging charitable organisations like A Leg to Stand On, the Opportunity Network and Portfolios with Purpose. A Leg to Stand On, founded by Octagon Asset Management’s Mead Welles, provides prostheses, physiotherapy and corrective surgery for people with physical deformities in Africa and South Asia, and raises around a quarter of a million dollars a year through auctions and music competitions.

The Opportunity Network, founded by former corporate marketing consultant Jessica Pliska and partly overseen by Jana Partners’ Scott Ostfeld, links leading figures of the hedge fund industry to gifted state school students through

career and college preparation workshops and financial services internships. Portfolios with Purpose, a new charity fundraiser launched by hedge fund marketing consultant Stacey Asher, encourages managers to combine their philanthropic tendencies with their investment know-how and select five long and short stocks over the course of a year, with the winning

investor able to donate the combined registration fees to their chosen charity. The High Water Women Foundation, which was founded in 2005 by senior women in the hedge fund industry, supports initiatives that provide mentoring and other skills including financial and computer literacy to women and young people in need. It has provided more than \$2 million in grants to date.

In the Americas, Hedge Funds Care also has affiliate organisations in Canada and Cayman. Hedge Funds Care Canada was founded in 2004, and through the support of local industry professionals has gone on to distribute over C\$960,000 through 35 grants to organisations that carry out the mission of Hedge Funds Care on a daily basis. Hedge Funds Care Cayman was founded in 2005. Since that time, it has distributed over \$1.6 million in 40 grants to agencies and organisations in Cayman that work to prevent and treat child abuse and neglect.

In Canada, the industry’s public charitable activities also include an annual charity golf tournament organised by AIMA Canada, which in 2012 raised \$20,000.

NOTE

⁶ Nichols, Michelle, 2012. ‘US charitable giving approaches \$300 billion in 2011’. Reuters, 19 June 2012. Available at www.reuters.com/article/2012/06/19/us-usa-charity-idUSBRE85105T20120619

⁷ National Council for Voluntary Organisations, 2011. ‘UK Giving 2011: an overview of charitable giving in the UK, 2010/11’. Available at www.ncvo-vol.org.uk/sites/default/files/clickable_UK_Giving_2011.pdf

⁸ See Bibliography for full references to individual financial filings

⁹ See Bibliography for full references to individual financial filings

Europe

The European hedge fund industry is the second biggest contributor to philanthropic causes after the US. One of the most successful is ARK, the international children's charity founded and overseen by a number of UK-based hedge fund managers including Arpad Busson of EIM, Ian Wace and Paul Marshall of Marshall Wace and Aurum Funds' Kevin Gundle. ARK runs high-achieving academy schools in deprived areas of three UK cities and runs education, healthcare and child-protection programmes in Sub-Saharan Africa, India and Eastern Europe.

Over 10 years ARK has raised £180 million and more than 430,000 children have benefited from its programmes. Its fund-raising dinners and other events have been attended by public figures from Bill Clinton, Tony Blair and the London Mayor Boris Johnson to the Duke and Duchess of Cambridge.

Supportive messages are displayed at its events from Nelson Mandela, Archbishop Desmond Tutu and Bill Gates.

100 Women in Hedge Funds' philanthropic partnership with Britain's royal family, which was born out of an unanticipated meeting, has also proved a success. "Representatives from our organisation were invited to a reception at the Guildhall in 2008 because of our role as the largest single fundraiser for that year's Lord Mayor of London's Appeal, for which Prince William was a patron," recalls Executive Director Amanda Pullinger. "There was a fire drill in the middle of dinner, and we ended up standing next to him and his private secretary as they were marshalling everybody outside, so we decided to have a chat to them about our mutual interest in charitable activities."¹⁰

After discovering similar philanthropic interests, the organisation committed to a three-year partnership with the Duke of Cambridge to align its charitable giving with his list of personal patronages. In turn, the Duke became Patron of 100 Women in Hedge Funds. The increase in publicity generated by Prince William's patronage proved beneficial for both the Duke and the organisation — the year he became Patron, £500,000 gross was raised for his nominated charity, Centrepoin; double the amount of the previous year's fundraising efforts¹¹. In 2011, gross funds raised at the 100WHF London gala, attended by the Duke and Duchess, increased again to £710,000.¹² 100 Women in Hedge Funds has recently signed the

Duke on for another three-year charitable partnership, this time including his wife The Duchess of Cambridge and Prince Harry as joint patrons, guaranteeing further public attention for their philanthropic causes.

One of 100WHF's grantees is SkillForce, which aims to inspire hard-to-reach young people to succeed by drawing on the skills and experiences of ex-Armed Forces personnel. The charity works with over 150 schools in England, Scotland and Wales and has helped over 50,000 young people prepare for next steps in education, work or training. The Duke

of Cambridge is SkillForce's Royal Patron. The partnership with 100WHF brought its members together for various events at inspiring locations. These included the Tower of London, onboard HMS Ocean, and at St James's Palace State Apartments where The Duke of Cambridge met fundraisers and supporters. The partnership also included visits to schools where SkillForce is inspiring young people

to succeed. More discreet forms of philanthropic donations are also popular. Regular donations are made through UK company payrolls, while dedicated foundations that take a portion of a firm's profits annually have been set up.

The Children's Investment Fund Management (TCI), for instance, has a comprehensive philanthropic donation arm built into its operations which has been receiving 0.5% of the firm's AUM since 2003, making it one of Britain's top 30 charities by income and the biggest charitable contributor from the local hedge fund industry¹³. The Children's Investment Fund Foundation (CIFF), which focuses on child poverty reduction in the developing world, made £27 million of grants in 2011, the most significant of which went to programs focusing on HIV treatment in Zimbabwe and education in Ghana¹⁴.

Large-scale private donations made through a family foundation, similar to the US legacy foundation model, are also popular. For example, CQS founder Michael Hintze's personal charitable foundation has made donations and commitments of approximately £25 million since inception in 2005¹⁵. Individual donations include: £2.5 million to the National Gallery; approximately £1.9 million to the Victoria & Albert Museum; £2.9 million to the Wandsworth Museum; and £2.9 million to the University of Sydney. The foundation has also funded a project to repair damaged frescoes at the Vatican.



06/07. Photos left and right © National Gallery, London.



08. SkillForce instructors use their skills and experience to engage hard-to-reach young people.

“Some people might feel an obligation to dance or to paint. I feel an obligation — and a desire — to give... I feel good when I can see that I make a difference,” said Michael Hintze in an interview published in *A Year of Doing Good: One Woman, One New Year's Resolution, 365 Good Deeds* by Judith O'Reilly (Penguin Books, 2013). He went on: “I'm not saying I have been poor without being able to eat or that I didn't have shoes on my feet, but I haven't been able to have everything or anything I wanted. Now I can have everything I want, and one of the things I want to do is give it away. I'd like to change the world for the better. I'd like to be helpful.”

Brevan Howard manager Alan Howard presides over a charitable trust which in 2009/10 donated over £3.7 million to Jewish organisations focusing on religious education and health.¹⁶ Brevan Howard meanwhile is to give £20.1 million over eight years to Imperial College Business School in London to set up a research centre in financial economics. The cash gift, announced in March 2013, is one of the largest ever pledged to a UK business school.¹⁷

Winton Capital's David Harding is another significant donor to educational causes through his family foundation — Harding has recently provided £1 million to Berlin's Max Planck Institute for Human Development to fund a scientific research centre focused on risk literacy, and he's also given Cambridge University's Cavendish Laboratory its largest ever donation, £20 million, to fund a physics research centre that looks into sustainable use of natural resources.¹⁸

The smaller concentration of locally domiciled hedge fund firms means the amount of charitable activity amongst European hedge funds is considerably smaller than that of the UK. Of the charitable organisations led by European hedge fund staff, most tend to be in their early stages of development, not having yet reached the scale of donations or activities seen by their more established US or UK counterparts.

The comparative difficulty of setting up a foundation from an administrative point of view also presents an obstacle. However, a growing interest in philanthropy amongst high net

worth individuals in Europe as a whole means those who take up the challenge to start their own foundation tend to be met with much enthusiasm. Marc de Kloe, Head of Alternatives and Funds at ABN Amro Private Banking in the Netherlands, set up his own Amsterdam-based philanthropic organisation, Alternatives 4 Children, with some colleagues from the hedge fund industry in 2010. “When we were starting up we had no idea what the feedback would be, so we just held a small cocktail reception as our first event,” he says. “But we found the take-up was really great, and we've had more and more people want to join in as we've grown.”¹⁹

As well as last month's fundraising gala that raised over 100,000 euros for children's charities in India, Africa and the Netherlands, de Kloe and his fellow founders have rounded up free legal, accounting and communications services from local firms, ensuring all administrative overheads are eliminated and funds raised can all go directly to their chosen beneficiaries. “It's amazing how much time and effort people will donate once you explain to them what you do and get them on board,” says de Kloe.

Niels Kaastrup-Larsen, CEO of Swiss CTA Rho Asset Management AG, has encountered the same generosity whilst setting up his own local charity, the KidsHeart Foundation, which seeks to prevent sudden and unexpected cardiac death in children and young adults. Kaastrup-Larsen and his wife founded the charity after their young son suffered a cardiac arrest whilst playing football at his school. Luckily he was one of only 5% who survives a cardiac arrest and this was only possible due to immediate basic life support by a first responder and access to a defibrillator within only a few minutes.

The mission of the KidsHeart Foundation is to provide defibrillators and life support training to schools in Switzerland. “We have found a lot

of people willing to donate their time and resources,” he says. “We're working with others in the investment industry who are providing us with legal, accounting and advisory services for free, and we also have a first-class advisory board consisting of leading paediatric doctors in Switzerland who are donating their time and expertise.”²⁰

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9. Great Ormond Street Hospital in London is a beneficiary of donations from Winton Capital.

10. Students at a school assembly at ARK Schools' Burlington Danes Academy, London.



NOTE

¹⁰ Interview with Amanda Pullinger, Executive Director, 100 Women in Hedge Funds, 7 November 2012

¹¹ 100 Women in Hedge Funds, 2012. 'Philanthropy recipients'. Available at www.100womeninhedgefunds.org/pages/beneficiaries.php

¹² 100 Women in Hedge Funds, 2012. 'Past fundraisers'. Available at http://www.100womeninhedgefunds.org/pages/past_fundraisers.php

¹³ Rogers, Simon, 2012. 'Britain's top 1,000 charities ranked by donations. Who raises the most money?' The Guardian, 24 April 2012. Available at www.guardian.co.uk/news/datablog/2012/apr/24/top-1000-charities-donations-britain

¹⁴ Based on 2011 audited accounts statement, obtained with permission from ClIFF, 10 October 2012

¹⁵ Information about the Hintze Family Charitable Foundation supplied by CQS

¹⁶ The Alan Howard Charitable Trust, 2010. 'Trustees' report and financial statements for the year ended April 2010'. Available at www.charitycommission.gov.uk/Accounts/Ends75%5C0001107075_ac_20100405_e_c.pdf

¹⁷ Financial Times, 2013. 'Brevan Howard gives £20m to Imperial College'. Published 11 March 2013. Available at www.ft.com/cms/s/2/cdaeac90-8a2d-11e2-9da4-00144feabdc0.html#axzz2NJI7cxvh

¹⁸ Information provided by Winton Capital Management, 11 December 2012

¹⁹ Interview with Marc de Kloe, co-founder, Alternatives 4 Children, 16 October 2012

²⁰ Interview with Niels Kaastrup-Larsen, founder, KidsHeart Foundation, 8 October 2012

Asia

There are significant hedge fund manager communities in multiple jurisdictions in Asia, including Hong Kong, Singapore, Australia, Japan, China and South Korea. As they become more established in the region, Asian hedge fund managers are showing more interest in finding local charitable causes to support.

“There are some [hedge fund managers] that work in emerging markets that would like to look at giving back to those communities,” says Rachel Findlay, Head of Funder Effectiveness at the charitable giving consultancy New Philanthropy Capital (NPC). “A lot of the people we’ve consulted with have been interested in international development charities.”

Co-operative fundraising partnerships between Asia-based hedge fund professionals have also begun to form, one of the most popular being the annual Hedge Fund Fight Nite benefit in Hong Kong, where managers and service providers from the industry battle it out in a series of one-on-one boxing matches. The 14 industry volunteers chosen for the fights train for five months in the lead-up to the event, which in

2012 raised HK\$500,000 for its two associated charities – Operation Smile, which funds surgery for children with facial deformities, and Operation Breakthrough, which combats crime and juvenile delinquency in low-income areas of Hong Kong²¹. Operating in Singapore, and more recently in Hong Kong, is the RICE fund, or Returns Invested in Children and Education, a co-operative foundation between hedge fund professionals in Asia. Funded by donations from firms and individuals in the industry, and overseen by volunteer committees who co-ordinate fundraising and grant allocation efforts, RICE has been contributing to children’s educational and welfare projects across developing areas of Asia like Cambodia and Nepal since 2006. Their advisor, Tessa Boudrie, specialises in social work in the Asian region and travels to grantee projects personally to source and monitor deserving projects.

In Australia, hedge fund professionals join together once a year to raise money for Cure Our Kids, a charity that provides support services for families whose children are being treated for cancer. Founded by a corporate event manager whose

son was diagnosed with cancer in 1999, the charity’s board consists of a number of local hedge fund industry executives, such as Aurora Funds Management CIO John Corr and Director of prime brokers Citi Global Markets, John Gregory.

“I believe the hedge fund industry is Cure Our Kids’ biggest supporter,” says Angela Ashton, ALMA Australia consultant and member of the organising committee for the Hedge Funds Rock benefit. The annual event, a hedge fund awards night and variety show, raised A\$130,000 for Cure Our Kids in 2012, and to date has amassed a total of A\$2.5 million to the cause.²²

Internationally-focused foundations

Although there is an obvious disparity in the concentration of hedge fund charities - both in terms of the number of charitable organisations and their respective incomes - in the UK and US compared to the rest of the world, when we examine the locations where this charitable income is distributed, the picture becomes considerably more even. Africa, for instance, receives around £100 million a year from the major hedge fund charitable foundations, chief among them CIFF and ARK, both based in the UK, and former hedge fund titan George Soros’s legacy foundation, the Open Society Foundations (OSF).²³

The OSF was founded in 1979 to advocate for democracy and human rights in his native Eastern Europe. The foundation has since expanded to fund advocacy and scholarship programs in education, health and democratic rights across the world, and in 2010 alone it donated \$131 million to projects in Africa and Asia. OSF is in fact the world’s largest hedge fund charity foundation, having donated \$8 billion to various causes internationally since its inception.²⁴

London-based CIFF and ARK are also significant contributors to African health and education projects. CIFF is pioneering new in vitro diagnostic testing equipment for HIV in Zimbabwe and strengthening anti-retroviral treatments with the goal of reducing HIV transmission from mother to child by 12%. ARK, meanwhile, pioneered anti-retroviral treatment for HIV/AIDS

CIFF is pioneering new in vitro diagnostic testing equipment for HIV in Zimbabwe and strengthening anti-retroviral treatments with the goal of reducing HIV transmission from mother to child by 12%.

in South Africa, eventually spinning off its HIV programme to local management. In a four-year programme in Mozambique, ARK piloted its own point-of-care HIV testing and secured funding for community health workers speeding up diagnosis and improving adherence to HIV treatment. Working with local partners in Zambia, it is rolling out the country’s first comprehensive anti-diarrhoea programme, securing and improving distribution of vaccinations, building a treatment centre and training health workers and securing two years of free vaccines from GlaxoSmithKline. In Uganda, ARK has drawn on its UK educational experience to open the first wave of a network of secondary schools, working with a local partner and supported by the Ugandan government.

Apart from the humanitarian aspects of aiding with programs in the developing world, the greater efficiency with which funds can be used also makes projects in Africa and Asia attractive to philanthropists from the hedge fund industry from an investment point of view, like any business opportunity in an emerging market. “We wanted the impact of the money we raised to be more significant,” says Alternatives 4 Children’s de Kloe on choosing his organisation’s beneficiaries, two local schools in India and Mauritania and a charity that provides training and education to families in Mumbai slums.

NPC’s Findlay agrees that many of the hedge fund donors approaching her firm for consulting services also look overseas in order to donate their charitable funds in the most efficient way possible. “They use the analytical skills they put to their business when selecting a charity, so it appeals to their natural skill set,” she says.



11. RICE has been contributing to children’s educational and welfare projects across developing areas of Asia like Cambodia and Nepal since 2006.

NOTE

²¹ Hedgeweek, 2012. ‘Sixth Hedge Fund Fight Nite is knockout success’. Published 29 October 2012. Available at www.hedgeweek.com/2012/10/29/175452/sixth-hedge-fund-fight-nite-knockout-success

²² Email correspondence with Angela Ashton, organising committee member, Hedge Funds Rock, 18 October 2012.

²³ Based on calculations from financial filings of the 27 major hedge fund charitable foundations used in this report. See Bibliography for full details

²⁴ Open Society Foundations, 2012. ‘Expenditures’. Available at www.opensocietyfoundations.org/about/expenditures

Section 2

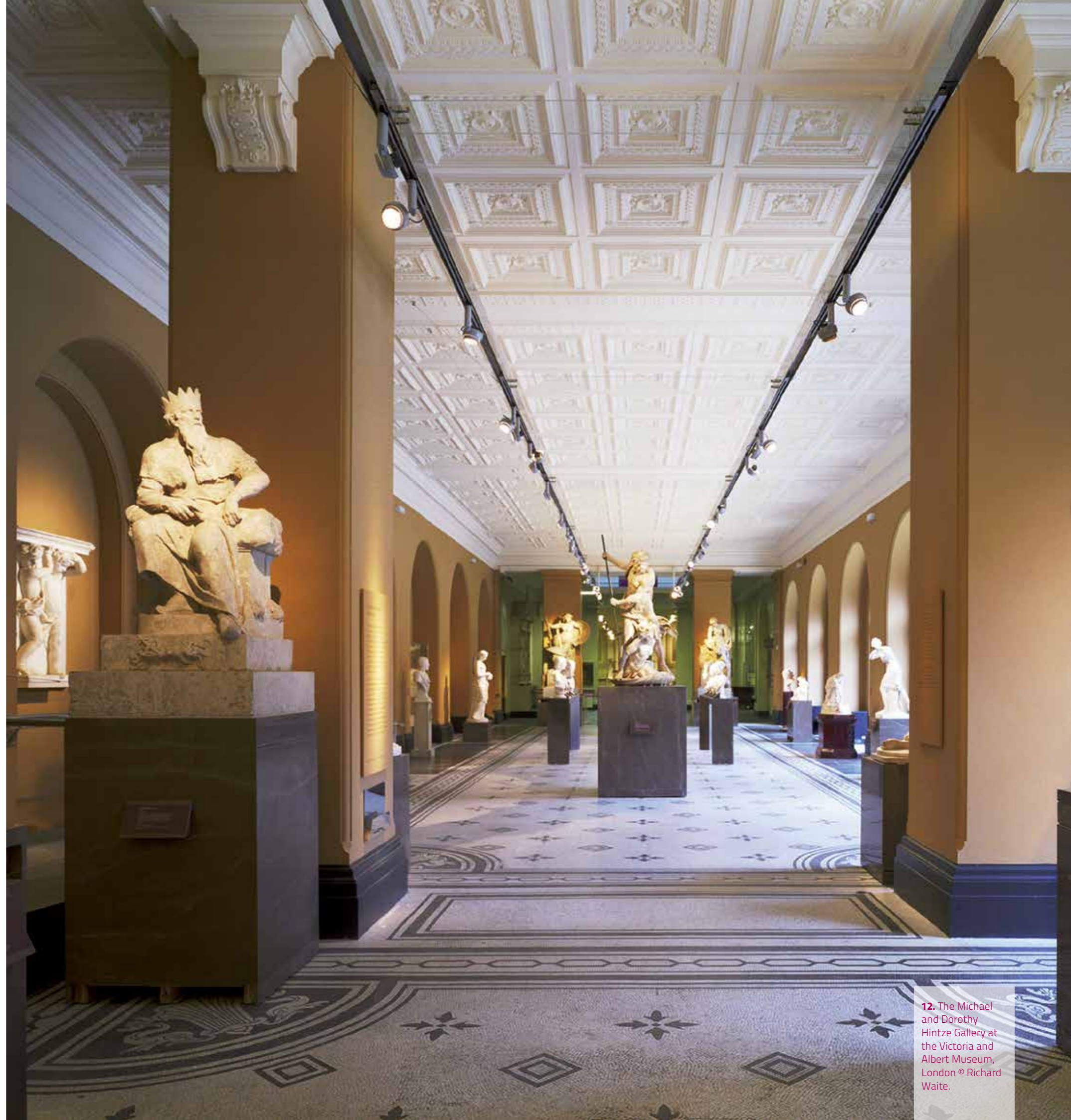
Benefits to communities and the third sector

The physical benefits of hedge fund industry charitable activities are mostly seen in the education and health industries, where they are funding schools, educational materials, and medical training and treatment initiatives.

Hedge fund managers also help charity directors to grow and develop their business, by connecting them with other significant donors and helping them better allocate their resources and plan for the future.

This section of the report will examine how charitable organisations and the public benefit from the involvement of managers and staff from the hedge fund industry in philanthropic causes. As well as contributing valuable donations that make important new projects and organisations across the world possible, and recruiting other donors who are able to contribute significant funds, hedge fund industry involvement in charities can also help in operational terms.

The most significant charitable industry in which hedge fund firms and managers have been active is education. In the developing world, they have been responsible for establishing schools in remote areas so that children may learn basic literacy and numeracy skills. London-based investment manager Aspect Capital has established schools in Tanzania and Ethiopia with the funds raised from their annual charitable activities, while TCI has developed an initiative with the Ghanaian Government to help improve the country's basic education levels by providing remedial teachers to struggling students.



12. The Michael and Dorothy Hintze Gallery at the Victoria and Albert Museum, London © Richard Waite.

In the industrialised world, where the emphasis lies more on students' progression to higher education and employment, hedge fund firms are helping to ensure that students at state schools have access to some of the non-core educational support and enrichment that their privately educated peers take for granted. 100 Women in Hedge Funds contributed its gross 2012 US fundraising proceeds to DonorsChoose.org, an online charity that connects donors to American classrooms in need of essentials — including books, art supplies, and other tools for enriching state school curricula. In addition, 100 Women in Hedge Funds and DonorsChoose.org, individually and respectively, raised additional funds to help replenish supplies and rebuild classrooms damaged by Hurricane Sandy. ARK Schools, ARK's rapidly expanding education division, runs 18 academies in London, Birmingham and Portsmouth in some of the country's most deprived inner-city neighbourhoods and plans to grow to a network of 50 high-achieving schools.

Hedge fund managers are also contributing significantly to advances in medical research and training, allowing better treatment of serious conditions whose causes are often underfunded and under-championed. KidsHeart, the charity founded by Rho Asset Management CEO Niels Kaastrup-Larsen, is aiming to provide 1,500 defibrillators to schools in Switzerland, as well as training staff to ensure rapid response in the event of child cardiac arrest. R Baby Foundation, overseen by Marathon Capital's Andrew Rabinowitz, has funded training and research programs at 10 different hospitals in the US to educate staff on how to better treat rare paediatric illnesses, in order to reduce sudden infant fatalities.



13. The Connection at St-Martin-in-the-Fields' street outreach team engages with rough sleepers on the streets of London and encourages them to access the organisation's services.

Hedge fund manager and finance professor Dr Andrew Lo's model for a cancer research fund has generated a huge amount of interest from governments, sovereign wealth funds and the investment industry as a whole, and Dr Lo plans to convene a conference in 2013 to begin to take the project forward. If successful, the fund will represent a \$30 billion investment in 150 different biomedical research projects, with the aim of finding new drugs to prevent and treat the disease.²⁵

Welfare projects have also been a significant benefactor of hedge fund philanthropy, particularly through Hedge Funds Care. "We are the only internationally operating charity that raises money for child abuse causes," says Executive Director Kathryn Conroy. In the 2010-11 financial year, 46,000 children were helped through the organisation's funding of child abuse education and intervention programs in the US, UK, Canada and the Cayman Islands.²⁶

In the UK, Man Group has also been a notable contributor to charitable organisations that assist the country's vulnerable. Over the past three years, its Charitable Trust has awarded £270,000 in grants to outreach organisation The Connection at St-Martin-in-the-Fields, which provides homeless people in central London with shelter, counselling support and employment through its corporate partners²⁷. The Trust is also co-funding an innovative new holistic care program for social services children under the UK's Fostering Network.

Many of the recreational and cultural institutions enjoyed by the public in London and New York are also often co-funded by government and hedge fund philanthropic donations. Lansdowne Partners' Sir Paul Ruddock's 10-year period of service on the board of London's V&A arts museum has seen significant refurbishments that have been funded in the majority by hedge fund industry figures and are now accessible for free to the gallery's visitors: The Dorothy and Michael Hintze Sculpture Gallery features 16th–20th century European sculptures from the likes of Bernini and Canova, while the Medieval and Renaissance Galleries were funded in chief by Sir Paul himself. In New York, the High Line — a new public park built on a disused rail line above Manhattan's west side, that derives 90% of its operating budget from charitable contributions — benefited from a \$10 million donation from Harbinger Capital's Phillip Falcone in 2009.²⁸

For most charitable organisations, donations of this level are few and far between, which is why hedge fund managers and employees are such vital contributors to the philanthropic income that countless charitable organisations covet year after year. For the lucky beneficiaries of these high net worth donors, the level of economic security they can enjoy, and the

amount of new projects and business expansions they can invest in, is comparatively higher than their third sector contemporaries.

"The hedge fund world is extremely philanthropic, and access to that world is paramount," says the Opportunity Network's Jessica Pliska. "My board goes to bat for us with their friends and colleagues. We earned that, of course, but it doesn't make it any less generous when these folks open their Rolodexes wide and spend a lot of time fundraising".

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If a charity can cultivate a relationship with an individual in the hedge fund industry, it's likely that not only that individual's philanthropic budget, but also those of their colleagues in the industry, will go towards that chosen charity, leading to a circle of influence that can be an extremely powerful income generator for a third-sector organisation. "Everything happens through introductions and relationships," says Pliska.

Reserve Aid, the American military charity whose board is made up of a number of individuals from hedge funds and hedge fund service providers, has also been a beneficiary of the industry's networking-friendly approach to philanthropy.

"They [the alternative investment industry] have been our major donors from the beginning," says Executive Director Polly Weidenkopf.²⁹ Through founder Lucas Detor's connections at Morgan Stanley, the charity also receives funds from other benefits organised by hedge fund and investment industry groups, such as Wall Street Rocks, where bands formed from hedge fund and banking staff come together in an annual battle of the bands.

In 2011, the event raised over \$250,000, the majority of which went to Reserve Aid³⁰ — combined with the \$400,000 raised by the group's own New York gala

in October, this represents a significant proportion of the \$65,000 per month the organisation spends on short-term grants to veterans, and will allow them to move to more sustainable forms of support for grantees in future.³¹

The hedge fund industry can also offer strategic as well as practical and financial improvements to a charity's operations — the involvement of hedge fund managers on the board of a charitable organisation, or in a co-operative foundation overseen by third-sector workers, often enables the organisation to be governed in a more strategic manner than charities entirely overseen by those with third sector-only experience. Several charity directors spoken to for this report underlined the extent to which forward planning was often key for hedge fund professionals overseeing charities, a factor that had been missing from their previous experiences with volunteer organisations.

NOTE

²⁵ Knight, Rebecca, 2012. 'School proposes megafund to battle cancer'. Financial Times, 29 October 2012. Available at www.ft.com/cms/s/2/7a28a860-0c73-11e2-a73c-00144feabdc0.html#axzz2DWBqtoNJ

²⁶ Hedge Funds Care, 2012. 'Our cause: impact'. Available at www.hedgefundscare.org/content.asp?pageID=23

²⁷ Information provided by Lisa Clarke, Grants Manager, Man Charitable Trust, 18 October 2012

²⁸ Pogrebin, Robin, 2009. 'Philanthropist with a sense of timing raises her profile'. New York Times, 29 June 2009. Available at www.nytimes.com/2009/06/30/arts/30falcone.html?pagewanted=all&_r=0

²⁹ Interview with Polly Weidenkopf, Executive Director, Reserve Aid, 19 October 2012

³⁰ Information provided by Leslie Kirby, co-founder, Wall Street Rocks, 18 October 2012

³¹ Reserve Aid, 2012. 'Our cause'. Available at <http://reserveaid.org/sample-page/>



14. David Harding has given Cambridge University £20 million to fund a physics research centre.

“There’s no chance for strategy or business development [in the third sector] because all your energy is expended on trying to raise money rather than actually thinking about what you’re going to do with it,” says Hedge Funds Care’s Kathryn Conroy. The Opportunity Network’s Jessica Pliska also admits that, as the founder of a non-profit, she’d rarely been used to thinking about business planning before Scott Ostfeld and other professionals from the hedge fund community joined her board.

“Many of these people evaluate, buy and advise companies in their day job, so they have an expertise I don’t,” she says. “Everything I learned about strategy, I learned from my board.” Because of the reliability of funding that comes from having the patronage of a hedge fund manager, charitable organisation staff often find themselves free to focus more clearly on future development, innovation, and joint ventures with similar organisations, which hedge funds can also assist with.

“One of the UK charities that we support, Centrepoint, wanted help setting up a mentoring service,” recalls 100 Women in Hedge Funds’ Amanda Pullinger. “We connected them with Big Brothers Big Sisters in the US (who we have

also supported philanthropically) and they were able to offer them really valuable advice on what their program should look like. One thing we don’t think the philanthropic sector is particularly good at is linking up with other organisations — we don’t think it’s due to a lack of interest in collaborating, but rather because most non-profits don’t have time to stop and think about who they can collaborate with because they’re so busy trying to raise funds. With Centrepoint we saw an aspect of the organisation that would benefit from the expertise of another non-profit, and we made the connection. We were well-suited to offer advice, given our membership’s broad professional background, and were happy to assist. And, because this collaboration effort was a success, we will continue to seek out opportunities to connect

In his financial model for a cancer fund, Dr Andrew Lo also spoke of the importance of investors with a long-term outlook in taking the pressure off biomedical researchers.

other organisations in this fashion.” In his financial model for a cancer fund, Dr Andrew Lo also spoke of the importance of investors with a long-term outlook in taking the pressure off biomedical researchers.

“In biotech and pharma companies there is enormous pressure to achieve milestones, so they go for the low-hanging fruit — the ‘me too’ drugs instead of the innovative pathways,” Lo told the Financial Times. “[Long-term investments] relieve the pressure of short-term performance milestones.” The same emphasis on strategic thinking and collaboration is seen in the UK-based hedge fund charity ARK’s health and education programs, which have an outstanding record of achieving their targets.

In Zambia, ARK has embarked on a programme to reduce child deaths from diarrhoea in the Lusaka province by 50% in three years, collaborating with many knowledgeable organisations

ARK Schools runs regular network-wide professional development programmes within each school and as a network together. Good practice and success is widely shared and problems tackled together.

on the ground including the Zambian government, the Centre for Infectious Disease Research in Zambia and the Global Alliance for Vaccines (GAVI) to ensure maximum efficiencies in funding, monitoring and service delivery in an area with which they are less familiar than their native UK. As a result of the success of the collaborative project, GAVI has committed to funding the roll-out of the rotavirus vaccine across the whole country in 2013.³² ARK’s UK Schools division is implementing a similar strategic approach to results improvement to great success. Teachers at its academies receive twice the national average of training days a year, with some flown as far as

Singapore and the US to better understand innovative new education strategies they can implement to raise attainment in their own schools. ARK Schools runs regular network-wide professional development programmes within each school and as a network together. Good practice and success is widely shared and problems tackled together.

Local businesses are engaged to give pupils real-world problem solving exercises, so that the curriculum is as relevant as possible to students’ future goals. ARK runs its schools as a series of hubs or clusters, initially in London and Birmingham, which means teachers and students within the ARK ‘family’ can connect with each other and share experiences and resources, while the support team at the centre of the network can monitor each school’s progress and work closely with head teachers on improvement programmes.

Pupils at ARK’s academies make exceptional progress, especially given their on average lower prior attainment on entry. The “value added” score — the measure that best reflects the progress students make between their expectations at age 11 and their achievement at 16 — for ARK’s St Alban’s Academy in Birmingham is one of the highest in the country³³, despite 82% of pupils having been eligible for free school meals and 73% not having English as their first

language³⁴. In London, the foundation’s first school to open, Burlington Danes Academy in Hammersmith, had its first sixth form cohort graduate last year, over two-thirds of whom were accepted to their first choice university, while two of its other London academies, King Solomon and Ark, have been rated ‘outstanding’ by national schools inspectorate Ofsted³⁵. Kevin Gundle, ARK co-founder and senior executive at London-based Aurum Funds, told InvestHedge in September 2012 that he credits the success of the organisation to “a huge amount of energy, and recognition that you succeed through collaboration”. The UK Secretary of State for Education, the

NOTE

³² InvestHedge, 2012. ‘ARK: heart-shaped absolute return.’ September 2012 issue, pp 37-39

³³ DFE performance tables January 2013 <http://www.education.gov.uk/cgi-bin/schools/performance/school.pl?urn=135970>

³⁴ Cook, Chris, 2012. ‘Birmingham school outperforms peers’. Financial Times, 26 September 2012

³⁵ Information provided by Lesley Smith, Director of Communications, ARK Schools, 12 December 2012

³⁶ Chris Cook, Financial Times, 7/1/2013. <http://blogs.ft.com/ftdata/2013/01/07/academy-performanc/>

Rt Hon Michael Gove MP, says: “It is a genuine pleasure to walk into ARK schools and see the difference they are now making for thousands of young people.”

In 2013 the Financial Times analysed the relative performance of different academy groups in raising the attainment of children with low, middle and high prior attainment when starting secondary school. The FT concluded that ARK academies had the greatest success of any academy group in raising the attainment of the pupils who started secondary school furthest behind, observing that: “All in all, it appears that among the multi-school academy chains, ARK is the best.”³⁶

An added advantage that hedge fund professionals possess in their attitude towards philanthropic investment is their ability to fully assess a particular area of charitable activity from a business perspective, identifying the opportunities for growth and value and allocating charitable funds in a market-efficient manner. NPC’s Rachel Findlay finds this is the best way to engage charitable contributors from the hedge fund industry — by playing to their strengths and encouraging them to think of philanthropy as they would any other investment, both they and the community will benefit from the experience.

“We encourage funders to focus on one specific area, so they can do their research and understand the landscape of issues,” Findlay explains. “The number of funders already operating in an area, who the big players are and what the funding gaps are.”

Conroy, in particular, who describes the difference between working with hedge fund managers and ordinary third sector organisations as “stark”, has found her volunteer committees are particularly adept at this type of research due to their experience in the business world.

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avoiding ‘crowded’ funding areas in the local third sector.

The Trust has helped foster a new organisation to London’s charity sector, becoming a Founding Partner in City Year London — a charity which brings together young people from varying backgrounds for a year-long volunteering program in inner-city schools. The program, which originated in the US, might have struggled to attract funding, but the fact that the Trust’s board was able to perceive its long-term prospects led to the Trust designating City Year as a valuable investment opportunity, and it’s now been running for three years.

Sustainability in investment is another key aspect that hedge fund employees can help charity directors learn to incorporate and identify. In choosing where to allocate their group’s charitable funds, Alternatives 4 Children’s Marc de Kloe says he and his colleagues from the Dutch hedge fund industry looked for projects they could help to stand on their own two feet. “We had no idea about the longevity of the project, but we wanted to make sustainable investments that meant we could give up to three years’ support and then build up the organisations to work autonomously after that point,”

“What I’ve found with working with the hedge fund industry is that business decisions are extremely quick and efficient,” she says. “If we identify an issue that we think needs funding, we get the research done and make a quick decision as to whether it is worth investing in it. There’s no hesitation like in academia or the third sector, which tend to run on a different timetable.”

Hedge fund philanthropic organisations can help staff to develop a niche understanding of a particular charitable area, so they’re more easily able to size up opportunities for growth. The Man Charitable Trust’s strategy has focused on London-based charities that target disadvantaged youth and vulnerable populations,

he says. “We also wanted to focus on helping them get to the next level as a business so they could better attract funding from other bodies in the future.”

De Kloe, like many other interviewees contacted for this report, spoke of a rigorous process of due diligence before selecting charitable beneficiaries that “asked the same questions we would for investments in a hedge fund” — that is, the ambitions and potential of the organisation to grow, the sound financial behaviours and conduct of the organisation, and a concrete plan as to the direction of the funds. Larger organisations like Hedge Funds Care, 100 Women in Hedge Funds’ philanthropic arm and Man Charitable Trust use a similar robust due diligence procedure before selecting their beneficiaries. Charities in the financial centres are therefore becoming more interested in engaging hedge fund professionals as both regular donors and board members — or even simply for a few hours’ volunteering, which is often all it takes for a hedge fund employee to decide they want to commit to supporting a charitable organisation in a long-term sense.

“They care about this stuff,” says the Opportunity Network’s Jessica Pliska. “We have a good track record of converting volunteers to donors — people are hooked once they see our students in action. “Man Group’s Lisa Clarke has also seen firsthand how employees from the firm are keen to contribute to the growth of the Trust’s associated charities once they have seen the value of their work firsthand. “Some of the employees that have volunteered through ManKind have gone on to become trustees of the charities we support,” she says. “We’re really glad when we can foster that sort of involvement.”

The business of hedge fund philanthropy can therefore be seen to occur in a circular motion, with employees often starting out by volunteering or donating, then increasing their involvement to board membership or perhaps founding their

own organisation to benefit the vulnerable populations they have observed through their previous experiences. Donations are often just the first, most basic step on the ladder of charitable involvement for hedge fund managers, and are not necessarily the most valuable asset they can offer a charitable organisation.

“We’re great money managers, and what we can do is take that skill set and help charities run better, and understand whether the people they are giving money to are actually capable of using that money efficiently”, says Hedge Funds Care’s Rob Mirsky. “Given our specialist skills, we are better placed than anybody to do that”.

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Dr Andrew Lo agrees that by combining business experience and social capital, hedge fund managers can be uniquely valuable to the improvement of charitable organisations. “The investment industry has so much power to channel private sector funds towards important social causes, but also the know-how to structure those causes as profitable opportunities,” he says.³⁷

Charitable organisations founded or overseen by individuals from the hedge fund industry have been responsible for significant investments in education, medical treatment and welfare support for those who need it the most, from North America to Europe and Africa.

NOTE

³⁷ Interview with Dr Andrew Lo, Professor of Finance, MIT Sloan School of Management, 15 November 2012

Section 3

Types of charitable activity by hedge fund firms and managers

Hedge fund firms and managers usually choose to give to charity by establishing an in-house donation program, a dedicated charitable foundation or simply giving one-off targeted donations to a cause personally important to them.

More established managers tend to favour charitable donation through personal legacy foundations, while younger employees are establishing start-up philanthropic organisations as co-operatives with colleagues.

This section of the report focuses on identifying the different forms and levels of engagement hedge fund firms and managers have chosen to use for their personal and corporate philanthropy policies. Types of charitable activities performed by hedge fund firms and managers range from in-house programs that promote charitable giving and engagement, to personal or co-operative foundations set up by managers outside of the work place to raise funds from within the industry, to regular partnerships or associations with particular charities in the form of fundraising benefits or board membership, to legacy foundations set up by former managers to distribute their resulting wealth to charitable organisations.

Hedge fund firms will sometimes choose to set up a charitable activities program within their workplace, with a certain budget set aside annually as well as, in some cases, a percentage of management fees. The budget will fund annual donations to causes that are both nominated by employees or chosen due to an ongoing association with the firm, but it can also be used for more innovative ad-hoc programs of employee engagement.



15. Fifth graders from Virginia try out their new listening center, paid for with donations from DonorsChoose.org.

London-based investment manager Aspect Capital has designed an annual program of charitable giving options for their firm that includes payroll give-as-you-earn, fundraising events like employee cycling races, and grant systems where employees can apply for funds to be used on charities that they are personally interested or involved in.

“Larger grants are given to nominees where the employee or close family members are directly involved in the charity, the aim being to encourage charitable activity,” says Ted Frith, head of Aspect’s Charities Committee. “For example, we have a colleague who travels to the Dominican Republic once a year to assist in water-related projects, and Aspect supplies the materials.”

Winton Capital conducts a similar employee grant matching scheme for charities. Subject to due diligence on their chosen organisation, workers at the firm are eligible to receive up to £10,000 a year to fund a charity that interests them.³⁸

“Since 2007, Winton has matched approximately £500,000 to a range of charities including Helen & Douglas House Children’s Hospice, the National Autistic Society and Great Ormond Street Hospital,” says Robin Eggar, Winton’s Head of Communications and Public Affairs.

The firm’s dedicated charitable arm, the Winton Charitable Foundation, also provides targeted donations to causes the company has had long associations with, chief among them the endowment of a Professorship for the Public Understanding of Risk at Cambridge University – founder Harding is a gifted and passionate mathematician, Cambridge being his alma mater.

One of the most comprehensive in-house charitable schemes set up by a hedge fund firm has been that of Man Group. The UK-based firm, which is one of the world’s largest independent alternative asset managers, founded the Man Charitable Trust almost 35 years ago. The Trust awards grants to UK charities focusing on underserved areas like homelessness or youths not in employment, education or training (NEET), and funds volunteering leave for Man employees of up to two days a year to get involved.

“We try to get the [volunteer] groups outside doing things that are productive and that both sides will enjoy, like painting, repairing or gardening,” says the Trust’s Grants Manager, Lisa Clarke. “We also encourage our employees to get involved in mentoring programs and run employability skills workshops, particularly with sixth formers and the homeless.”

A popular option amongst the new generation of hedge fund workers is to set up a co-operative foundation outside of their firm, which can encompass many philanthropically-minded individuals across different firms and thus rely on multiple sources of donation income. The largest of these on an income scale is the Robin Hood Foundation.

In 2011 the foundation gave over \$146 million to 200 different charitable organisations in New York City focused on children’s welfare and the alleviation of poverty.³⁹ These were funded concurrently by injections of cash from its board – which

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comprises Tudor-Jones and other high net worth individuals from the hedge fund, banking and entertainment industries – and money raised through public fundraising. The foundation guarantees 100% of money donated from the public goes directly towards charitable programs, with the administrative costs of running the charity met exclusively by the board.

Since Robin Hood’s inception in 1988 many professionals from the hedge fund industry have followed its lead, gathering together fellow would-be philanthropists from across the hedge fund community to form charitable foundations that take a co-operative approach to both fundraising and grant allocation. Hedge Funds Care, founded by Concept Capital Markets’ Rob Davis in 1998 in New York, has since grown to encompass hedge fund professionals across six different US regions and three other countries internationally. Each chapter of the foundation has two separate committees formed of volunteer hedge fund workers – one focused on fundraising in their city, one on grant-making – that meet several times annually and together have directed \$29 million of funds towards anti-child abuse organisations in the last 14 years.

“We have an academic consultant in each city who is always attached to a graduate school of social work, and a core staff of eight in New York who enforce the quality control of our operations,” says Executive Director Kathryn Conroy, herself a former director of fieldwork at Columbia University’s School of Social Work. “But all the practical decisions in each city, like finding venues for fundraising events, getting people

to donate auction items, staffing the benefits – is all down to the volunteers.”

As well as the large, established co-operatives like Robin Hood, Hedge Funds Care, ARK and 100 Women in Hedge Funds, smaller-scale, informal models can also be effective in generating charitable contributions. Alternatives 4 Children’s Marc de Kloe says his organisation came to fruition simply through casual drinks with colleagues.

“We started talking about getting together to raise money for charity back at a drinks event in 2010, because we felt there really wasn’t any charitable organisation set up amongst the hedge fund community in the Netherlands yet,” says de Kloe.

The group held impromptu meetings at each others’ apartments after work to organise fundraising and select beneficiaries, and procured pro bono support from local service providers. “We shopped around to get the best prices on catering and venue hire, and we don’t have any overheads,” explains de Kloe. “All the administrative side is run from the directors’ houses and we have people doing our web hosting, accounting and legal services for free.”

Hedge fund managers might also choose to help existing charitable organisations by becoming a trustee or member of their board, using their business acumen and valuable

Hedge fund managers might also choose to help existing charitable organisations by becoming a trustee or member of their board, using their business acumen and valuable contacts to help strengthen the charity’s strategies for the future and attract philanthropic support. Sir Paul Ruddock, co-founder of the London-based Lansdowne Partners who was knighted for his services to philanthropy, has been board chairman of the city’s iconic V&A arts museum for five years.

contacts to help strengthen the charity’s strategies for the future and attract philanthropic support. Sir Paul Ruddock, co-founder of the London-based Lansdowne Partners who was recently knighted for his services to philanthropy, has been board chairman of the city’s V&A arts museum for five years.

Sir Paul personally co-funded a renovation of the museum’s Renaissance gallery as well as leading a £120 million fundraising drive, donations often attracted from colleagues in the industry including CQS’s Michael Hintze⁴⁰. He has also helped streamline the museum’s fundraising strategies to better attract donations from high net worth individuals.

Scott Ostfeld, a partner at the New York-based hedge fund firm Jana Partners, serves a similar function in his role



16. An ensemble of Imagination Theater actors prepares for a show.

NOTE

³⁸ Information supplied by Winton Capital Management, 9 October 2012

³⁹ The Robin Hood Foundation, 2011. ‘Financials’. Available at www.robinhood.org/about/financials

⁴⁰ Nayeri, Farah, 2011. ‘Hedge fund chief Ruddock gives millions to V&A, shuns spotlight’. Bloomberg News, 27 July 2011. Available at www.bloomberg.com/news/2011-07-26/hedge-fund-chief-ruddock-gives-millions-to-charity-shuns-spotlight-at-v-a.html

as a member of the board at the Opportunity Network, a charitable organisation that helps gifted New York City state school students learn about leveraging networks and the social aspects of preparing for college and career. As well as trying to recruit funders for the organisation, which works with over 70 local high schools and has a 100% rate of college acceptance for its students, Ostfeld and his fellow board members - which include partners from big four accountancy firms and corporate lawyers for hedge fund clients - provide valuable strategy advice to allow the business to grow and serve more students.⁴¹

“A key contribution is help with strategy and strategic planning,” says Jessica Pliska, the organisation’s Founder and Executive Director.

“Scott has a knack for listening to a 30-minute strategy discussion and summarising the take-away in one sentence.”

Reserve Aid, a Texas charity that provides emergency grants for the families of retired or wounded military personnel, also benefits from the assistance of the hedge fund industry. Founded by Lucas Detor, an ex-

army soldier turned executive of Morgan Stanley’s distressed debt department, the organisation’s board includes managers from the hedge funds Highland Capital and Brigade Capital Management, who have been instrumental in expanding the funding and operations base of the charity.

Highland donated office space for free five years ago so that Reserve Aid could take on permanent staff, and many other hedge fund executives have been persuaded to form amateur rock bands and participate in the annual Wall Street Rocks benefit, in partnership with the charity. “[The board members] have all helped with the fundraising effort — they have raised \$7.1 million over the past seven years,” says Executive Director Polly Weidenkopf.

More established managers of major firms will also often choose to set up a charitable foundation in their own name, a phenomenon particularly popular in the US because of the tax-exempt status of foundations since the post-War period. Former CEO of Renaissance Technologies, James

Simons, whose Medallion Fund is one of the most successful hedge funds of all time, established the Simons Foundation for mathematic and scientific research, with a particular emphasis on causes and treatments of autism, in 1994. In 2011 it awarded more than \$120 million in grants to research teams across the US, UK, South America and Asia, including \$50 million to fund 35 new professorships at Simons’ alma mater, Stony Brook University, and continuing support for the Simons Simplex Collection, a database of genetic information from families across the US who have autistic children.⁴²

Former Tiger Management CEO Julian Robertson also presides over a significant personal charitable foundation focusing on educational organisations. Robertson — who, although

personally retired still invests largely in funds run by his former ‘Tiger cub’ protégées — gave \$88 million of his fortune away in grants through the Robertson Foundation in 2010.⁴³

Major grant recipients of the foundation include Teach for America, an organisation that funds two-year placements for education graduates in struggling urban schools,

and the Robertson Scholars Program, an initiative set up by Robertson himself to sponsor volunteer projects abroad for students at his sons’ former universities.

The arts-focused foundation of Caxton Associates founder Bruce Kovner supports major theatre, music and dance institutions in New York and beyond. The foundation, which donated over \$11 million in 2010, regularly supports the Juilliard School of Music, of which Kovner is Chairman, and the city’s famous Lincoln Centre for the Performing Arts, whose major expansion he has partially funded. The Kovner Foundation also made a \$370,000 donation to the UK’s Royal Shakespeare Company.⁴⁴ The final, and perhaps most commonly reported manner in which hedge fund managers will often make charitable contributions, is by a one-off large donation to a particular cause. This eliminates the administrative red tape and time commitments of setting up a dedicated foundation and allows the donation to be given directly to the chosen beneficiary, free to be used as they see fit. The most publicised recent example of this is the

\$100 million charitable donation given to New York’s Central Park by John Paulson⁴⁵. The donation, made to the park’s philanthropic foundation, the Central Park Conservancy — which contributes 80% of the annual budget needed to for the park’s upkeep — is the largest monetary gift ever given to a public park in US history.

Michael Tennenbaum, manager of the Santa Monica-based Tennenbaum Capital Partners, made a similarly large-scale gift to marine biology research this month. Tennenbaum’s \$10 million donation to the Smithsonian Institution, of which he is also a board member, will fund marine research sites off the coast of Maryland, Florida, Panama and Belize, with the aim of creating a global database for scientists studying the ocean’s coastal ecosystems.⁴⁶ Moore Capital’s Louis Bacon was similarly generous towards America’s natural environment earlier this year, when he pledged to donate 90,000 acres of his Trinchera Ranch estate in Colorado to conservation, helping to preserve the area’s varied species of fish and wildlife.⁴⁷

Through both examining publicly available data on large-scale donations and foundations co-ordinated by hedge fund workers, and qualitative interviews conducted with charitable organisation staff and volunteers from the hedge fund industry, two forms of charitable engagement emerge

as currently popular with hedge fund professionals — the co-operative foundation, most popular with emerging managers and service providers at early stages in their career in the industry; and the personal legacy foundation, popular with established, successful, often retired managers who have amassed large personal fortunes as a result of their high earnings in the industry.

Finally, despite issues of increasing wealth disparity and lack of trickle-down effect becoming hot political and media topics of discussion in relation to the financial services industry, there seems also to be an increasing interest amongst younger, emerging hedge fund professionals in setting up grassroots fundraising efforts and developing personal philanthropic strategies. “We have seen increasing demand from hedge funds for consulting work recently,” says NPC’s Rachel Findlay. “We’re also working with about four or five individuals from the industry who are donating on a private basis.” Amanda Pullinger, Executive Director of 100 Women in Hedge Funds, has seen a similar growing enthusiasm for philanthropic activities amongst her organisation’s newer locations. “In every city where we started by hosting industry educational events, we typically hear from our local members that they would like to give back philanthropically to the local community.”

NOTE

⁴¹ Interview with Jessica Pliska, Founder, the Opportunity Network, 9 October 2012

⁴² The Simons Foundation, 2011. ‘Annual report’. Available at http://simonsfoundation.s3.amazonaws.com/share/2011_Annual_Report.pdf

⁴³ The Robertson Foundation, November 2010, Form 990-PF (filed October 17 2011). Available at http://dynamodata.fdncenter.org/990pf_pdf_archive/137/137068398/137068398_201011_990PF.pdf

⁴⁴ The Kovner Foundation, December 2010, Form 990-PF (filed Nov 23, 2011). Available at http://dynamodata.fdncenter.org/990pf_pdf_archive/223/223468030/223468030_201012_990PF.pdf

⁴⁵ De la Merced, Michael, 2012. ‘Central Park draws a huge gift from a fan in high finance’. New York Times, 23 October 2012. Available at <http://dealbook.nytimes.com/2012/10/23/central-park-draws-another-gift-from-a-fan-in-high-finance/>

⁴⁶ Green, Stephanie, 2012. ‘Tennenbaums’ \$10 million aids Smithsonian sea plan’. Bloomberg News, 25 October 2012. Available at www.bloomberg.com/news/2012-10-25/tennebaums-10-million-aids-smithsonian-sea-plan-scene.html

⁴⁷ Williamson, Christine, 2012. ‘Moore Capital founder to protect more land’. Pensions & Investments, July 23. Available at www.pionline.com/article/20120723/PRINTSUB/307239981

Section 4

Operational issues and challenges

Hedge fund managers and staff face operational issues around funding, beneficiary selection and monitoring, and time management when deciding to start their own charitable foundation or workplace giving scheme.

Managers can apply many of the same strategies used to start up their firm when establishing a charitable foundation, such as using joint ventures to share risks and costs, and implementing a stringent due diligence process for grantees.

This section of the report examines some of the common operational issues encountered by hedge fund firms and staff in the course of setting up their own charitable foundation or engaging in regular philanthropic activities. The issues most commonly raised by interviewees contacted for this paper centre around sourcing and managing donations, selecting worthy and appropriate beneficiaries, scheduling time for charitable activity around a demanding work schedule, and determining the appropriate way to monitor the activities of beneficiaries once funding has been given.

Funding is obviously the chief concern for any charitable organisation in its early stages, and though the significant profits historically associated with the hedge fund industry would seem to provide ample regular income for philanthropic activities, decisions must be made as to what type of funding model would provide a charitable foundation with the most security and efficiency in its operations. One common approach is to set aside a regular amount for a company charitable arm, plus a percentage of the firm's performance fees for the year — this has been used to success at many London hedge fund manager firms in particular, such as TCI, Man Group and Aspect Capital.



17. Second graders from California enjoy their new classroom drum, paid for with donations from DonorsChoose.org.

The challenging aspect of this model of charitable foundation for Man Charitable Trust Grants Manager Lisa Clarke has been an occasional degree of uncertainty over funding levels from year to year, as the Trust's income is derived solely from performance fees. Given the large amounts of funding donated during the boom years, however, the foundation has managed to build its reserves to create a buffer through which they can ride out leaner years.

Given the smaller amounts of performance fees being collected by the industry in general following the financial crisis, it would seem that - setting aside those established foundations like the Man Charitable Trust that already have a significant cash reserve - co-operative funding may be a more efficient way to raise donations in a post-2008 world. The majority of the charitable initiatives that have been set up by hedge fund industry professionals in the past four years since the crisis - and there are many, interestingly given the pressure to cut costs across the global financial services industry as a whole - have drawn together many donors rather than a single source, allowing a more modest donation from each which still adds up to a significant contribution overall.

Co-operative funding may be a more efficient way to raise donations in a post-2008 world.

Stacey Asher's Portfolios with Purpose project, for instance, allows participation from 'novice' level - a \$100 entrance fee and no experience in financial services needed - to 'master' level - those professional investors specially invited by the board for a \$10,000 entrance fee.

The model gives scope for members of the public, hedge fund service providers and managers alike to donate funds, and for many firms at once to come on board and share the burden of funding costs, while also improving their own corporate responsibility.

"If you go and talk to these big firms they are always really interested to know about new philanthropic activities that are going on, both professionally and personally," says Asher.⁴⁸ "People from big service provider firms like Deloitte have donated their time willingly to help me set this foundation up."

Marc de Kloe's Alternatives 4 Children has also seen a large surge in fundraising since he and his colleagues set the foundation up two years ago - their first benefit made 10,000 euros, while their latest, in October, raised 100,000 euros. "It has become a bit harder to sell corporate packages to our events as the crisis has worsened in Europe, but interestingly we now get a lot more people buying individual tickets because they want to support the charity personally," he says.

A co-operative foundation also helps in comparing best practice ideas when it comes to selecting beneficiaries. In Hedge Funds Care's model, for instance, a committee of volunteer hedge fund professionals meets twice a year in each city to go over grant applications from the child abuse charities looking for the organisation's support, creating a joint decision-making process between the hedge fund community and the third sector, by way of an academic consultant based in the area who has considerable practical experience in social work and selects a short list of beneficiaries.

In the case of HFC, of course, the area of interest for philanthropic activity has already been determined, due to founder Rob Davis's own experience and interest in preventing child abuse through his past career as a teacher; but for many firms and foundations, establishing a direction and mission for their philanthropic activity that will benefit the most worthy recipients and engage their funders is a prime concern. While larger, established charitable organisations present less risk and will perhaps lend more obvious credibility to the corporate image of a firm, donating to a smaller cause that is just starting out could make more of a practical difference to that organisation's operations.

"Generally those who are investing their individual wealth tend to be more open to the smaller projects with more risk," says NPC's Findlay of the hedge fund professionals she has consulted with on charitable giving. "They can see that the funding they will give could possibly make a big difference down the line if they can get them up and running, and if not then it's only their personal money they've lost. If someone is investing on a corporate basis, they tend to be more conservative, as they're accountable to other partners and employees."

Like Hedge Funds Care's focus on child abuse, philanthropic organisations established or patronised by hedge fund managers will often tend to specialise in a cause which is personally important to the manager involved, giving them more motivation to contribute and a passion for their subject that will hopefully inspire others in their circle to do so as well. Sir Paul's chairmanship of the V&A board came about from a fervent childhood interest in art history, as he explained in an interview with Bloomberg in 2011.⁴⁹

"I remember looking through a chink in the plywood, seeing Trajan's Column, and just being blown away," he said, recalling a walk past a disused room at the museum when he was eight years old. His personal interest in art has also given the board valuable insight into the minds of other collectors, and helped them to target high-income donors for funding by finding out their particular artistic passions.

The history behind the R Baby Foundation, overseen by Marathon Asset Management partner Andrew Rabinowitz and his wife Phyllis, is rooted in a similar, but more tragic personal experience. The couple lost a newborn baby to a rare infection in 2006, and founded a charitable organisation dedicated to better training doctors and emergency staff about paediatric illnesses the following year. The foundation, which awards grants to outstanding research and training programs in hospitals and medical schools, has received strong support from many parents from the financial service industry and beyond who have been similarly affected by infant illness and death - its personal approach to engaging funders has proved a significant success.

For the same reason Man Group, whose Charitable Trust usually focuses on less well served areas of the third sector, nominates an 'employees choice' charity each year. This is often a charity focusing on medical research for diseases that have affected employees'

friends or family, to which the Trust has historically donated £100,000 of their annual charitable budget on top of what employees raise themselves.⁵⁰

"We don't usually support charities that receive more than £15 million in donations a year or are related to medical conditions, because that is where most of the public money often goes already," says the Trust's Lisa Clarke. "While the £15 million rule still applies for the annual charity, employees can nominate a medical charity though because we want them to raise decent amounts, and if they are personally involved there's more motivation."

The philosophy behind the Trust's grants policy however is the flipside of the personal interest argument - that the charities the public has the least interest in contributing to are often the most in need of consideration. Hospices, which receive a low proportion of state funding despite arguably falling under the banner of essential services, are also a popular target of hedge fund charitable contributions for this reason.

Winton Capital is a particularly active donor in this area, having awarded a £25,000 donation to Helen and Douglas House Children's Hospice in 2009, as well as matching

considerable employee contributions to the same institution since 2007.⁵¹ However, choice of beneficiary is not the only factor that will determine the extent to which funders engage with a charitable organisation. An element of practicality in the way that events and funding opportunities are structured will also help to attract the business-minded donor - 100 Women in Hedge Funds has had particular success with combining industry education, networking and philanthropy at their events. "We deliberately frame our

Gala fundraising evenings as events that industry colleagues would want to attend for the opportunity to spend an evening with other senior industry professionals, and where they

Philanthropic organisations established or patronised by hedge fund managers will often tend to specialise in a cause which is personally important to the manager involved.

NOTE

⁴⁸ Interview with Stacey Asher, Founder, Portfolios with Purpose, 25 October 2012

⁴⁹ 'Hedge-Fund Chief Ruddock Gives Millions to V&A, Shuns Spotlight'. Bloomberg, 27 June 2011. Available at www.bloomberg.com/news/2011-07-26/hedge-fund-chief-ruddock-gives-millions-to-charity-shuns-spotlight-at-v-a.html

⁵⁰ Interview with Lisa Clarke, Man Group Charitable Trust Grants Manager, 17 October 2012

⁵¹ Information supplied by Winton Capital, 9 October 2012

can bring clients — and all for a good cause,” says Executive Director Amanda Pullinger.

Dr Andrew Lo, hedge fund manager and finance professor at MIT’s Sloan School of Management, has recently adapted the concept of combining business opportunities and charity on a mass scale, with his ‘megafund’ investment model for biomedical research into cancer cures. The proposed fund uses diversification into 150 different research projects to estimate a 7-11% return, a technique Lo says will ensure investors are kept happy whilst chances of discovering a cure are maximised. “Mention ‘social impact’ and investors’ eyes glaze over,” Lo told the Financial Times in October 2012.

“They associate it with lower returns. These simulations not only yielded attractive returns, they also implied many new drugs would be successfully brought to market. To get \$30 billion [to start the fund], we have to make money for people.”

Another issue of contention around hedge fund charitable initiatives is the extent to which workers are able to volunteer their time for all the administration and co-ordination needed to set up a foundation or charitable partnership. Given the already demanding office hours of a typical hedge fund firm, one might assume that fitting in the

extra commitment of charitable involvement would present a significant challenge for managers and staff. The interviewees contacted for this report agree it is important to pick a cause that is personally resonant and will make the task of extraneous work seem worth it. “Setting up your own charity is very similar to setting up your own company in terms of the skills you need,” says KidsHeart’s Niels Kaastrup-Larsen. “It takes time and effort and you have to be passionate about your cause.” “I think if you have a true interest in what you are doing, it doesn’t feel too much like extra work,” agrees Portfolios with Purpose’s Stacey Asher.

However, Asher also points out the opportunities for networking that come alongside working with other hedge fund professionals on a charity, which can actually contribute

“Setting up your own charity is very similar to setting up your own company in terms of the skills you need,” says KidsHeart’s Niels Kaastrup-Larsen. “It takes time and effort and you have to be passionate about your cause.”



18. The art room at The Connection at St-Martin-in-the-Fields helps homeless people build confidence and self-esteem.

19. Workers at the Connection at St-Martin-in-the-Fields meet to organise a variety of creative activity groups.



toward the development of one’s business rather than taking time away from it. “I’ve worked eight years in the hedge fund industry as a marketer and service provider to firms, and actually when I started this charity I found it worked nicely as a by-product of my work,” she says. “When I’m meeting with business clients I can also talk to them about the philanthropic side of things, and vice versa.”

100 Women in Hedge Funds’ Amanda Pullinger also recalls instances where fundraising and networking have coincided nicely for her organisation’s members. “In the very early days of 100WHF Galas, I needed to figure out a way to get 600 gift bags stuffed in my office, so we sent out a message to our membership asking for help,” she says. “There was a broad mix of junior and senior executives who came along to help, which for the people just starting out was a really great opportunity to informally meet more seasoned professionals in the industry. While we have come a long way from stuffing gift bags in my office, we still encourage volunteer participation that provides the same opportunities for connecting industry members.”

The confluence of interest between business and philanthropy for hedge fund firms can also lead to employers being surprisingly supportive of time taken off work for charitable activities. Hedge Funds Care’s Rob Mirsky, who took a day a week out from his normal work schedule whilst setting up the charity’s UK branch, says others in the industry shouldn’t be afraid to take advantage of the often extremely flexible corporate responsibility programs offered by firms.

“I think people would be surprised by how much corporate organisations, and even smaller hedge fund firms, encourage this stuff”, says Mirsky. “They are happy for employees to take some time off volunteering for charity, because from a public relations point of view it’s good for the business. And regardless of whether it’s done from a PR perspective or a genuine desire to do good, as employees if we’re given this flexibility we should be using it.” As in Mirsky’s case, many firms offer a flexible work schedule to employees looking to engage in charitable activities, whether formally, like Man Group’s ManKind volunteering scheme, or less so. But even for those who cannot take time off, it’s surprisingly easy — especially for those working in a team — to make their charitable activities work around them, says Marc de Kloof.

“It actually hasn’t been that much of a restriction on my work time [setting up Alternatives 4 Children],” he says. “Because we’re all locals, most of the organisation is done via impromptu meetings after work or the odd conference call. It’s not so much a matter of having to take time off work as it is a slight extension of my working hours.”

Beyond the time commitment and funding aspects of setting up one’s own charitable venture, there is then the issue of how foundations will monitor the activities of those they’re giving grants to in order to make sure donations are efficiently spent. Many foundations spoke of the need for stringent monitoring and a high degree of transparency when it comes to where their funds are going, both out of a personal desire to see their donations allocated more efficiently than those of larger established charities, and out of a perceived necessity for their philanthropic actions, as representatives of the hedge fund industry, to be ethically above board.

“A lot of negative stuff is said about the industry, so we want to be able to provide a transparent organisation that clearly is successful in providing what it says it’s going to provide,” says Hedge Funds Care’s Kathryn Conroy. Upon award of a grant, HFC’s rigorous process of beneficiary observation continues — their locally-based academic consultant in each city supervises the grantees for the first three months of funding, and then begins writing an evaluation report for the next year’s grants committee meeting. If an organisation is deemed

Many foundations spoke of the need for stringent monitoring and a high degree of transparency when it comes to where their funds are going.

not up to scratch, they are not awarded further funds in the next year’s round of grants.

Other charity funders from the industry also spoke about the importance of monitoring the impact of donations. “These are large amounts of money that we raise, so deciding which charity to donate to is a big responsibility,” says Mimi Drake, 100 Women in Hedge Funds’ Global Chair. “We have our own due diligence procedure that the charities must conform to — they must be locally based, have sound financials and a concrete plan for what they are going to do with the money.”

After initially directing their charitable proceeds to larger international organisations, Alternatives 4 Children’s Marc de

Kloe says he and his co-founders also opted for smaller-scale, locally based charities that they could personally keep tabs on. “We wanted charities that we could closely monitor,” he says, “So in the case of organisations being based overseas, we selected ones that had a representative in the Netherlands so we could get regular reports about where the funding was going and so that we also had a local ‘go-to’ person.”

Conversely, however, funders must also consider the extent to which the organisations they support might already be obliged to report to other foundations, and the effect further stringent reporting procedures might have on their ability to deliver services to those in need. In the case of Man Group’s grantee monitoring procedures, for instance, Grants Manager Lisa Clarke has tried to streamline reporting processes for the Trust’s chosen charities as much as possible. “While we do want to regularly check they are spending the money efficiently, we don’t want them to get bogged down in administration,” says Clarke. “Many of them already have to report to several other funding bodies, and we don’t want them to have to spend all their time filling out forms when they could be doing productive work.”

In terms of the operational issues faced by hedge fund philanthropists looking to set up their own foundation, it seems that the most effective methods of governance often come from viewing the process in a similar light to the way managers go about setting up and running their firms, and sourcing their investments. Co-operative approaches to funding ensure the risks and costs are spread evenly among several partners, while a passionate interest in a particular sector helps to make time spent researching charitable activities seem less burdensome, and to convince others including employers to get on board with your cause. The process of selecting and monitoring grantees benefits particularly from a stringent due diligence procedure similar to that used in the professional investment environment, as we will come to discuss in the latter section of this report, which is why hedge fund philanthropic organisations can be particularly efficient at allocating funds to charities where they will have maximum impact.



20. A Pre-K Classroom in Louisiana thanks donations from DonorsChoose.org for their creative play costumes.

Conclusion

In this global review of charitable and philanthropic activities conducted by the hedge fund industry, we can see that hedge fund firms and managers make some important contributions to both local and international communities. Both individually and in partnership with government and existing charitable organisations, hedge fund firms and staff help to deliver valuable services and infrastructure in fields like education, science, medicine and child welfare, as well as funding cultural and recreational institutions which are free for public use. Its cultural history of philanthropic giving, combined with its large concentration of manager firms, mean that the US is the undoubted centre of hedge fund philanthropic activities.

However, the growing amount of international attention paid to the major US-based charitable foundations set up by hedge fund managers, like Hedge Funds Care, the Robin Hood Foundation and the philanthropic arm of 100 Women in Hedge Funds, as well as the gradual spread of the hedge fund industry to financial centres beyond London and New York, is contributing to a greater number of charitable organisations based in Europe and Asia. Hedge fund philanthropic activity in the UK is also developing strongly.

Hedge fund managers and staff are engaged with the third sector on many different levels, from in-house fundraising and volunteering schemes within the workplace, to board membership or ongoing fundraising partnerships with existing charities, to setting up their own philanthropic foundations, or simply making valuable one-off donations. The industry provides ample opportunities for staff wishing to get involved in philanthropy both inside and outside the office, and generates an enthusiasm for charitable involvement that is reflected in the proliferation of start-up philanthropic foundations being established by younger managers and service providers.

Because many hedge fund managers and employees engage in charitable activities beyond simple donation — like managing or overseeing their own or others’ philanthropic organisations — there are often operational issues arising around the selection and monitoring of beneficiaries, the managing of funding inflows and the inherent time commitment involved in hedge fund charitable engagement. Co-operative foundations established between several

managers emerge as the most popular form of funding model, with stringent due diligence and monitoring procedures for beneficiaries, a more flexible time share of managing responsibilities and a larger network of contacts on which to call for fundraising initiatives. In the case of junior employees wanting to engage in philanthropy, employers have often been found to be surprisingly flexible due to the benefits that could arise to their own public relations and corporate responsibility programs within the firm.

The benefits of hedge fund involvement in charitable organisations also extend beyond the practical elements of financial support and funding one-off projects. Managers’ often large networks of contacts connect charitable organisations with further potential donors, board members and trustees, ensuring their economic survival and the advancement of their interests within influential corporate and political circles. The way in which hedge fund managers and employees go about their charitable investment — with a long-term outlook that allows further focus on strategy, combined with streamlined reporting procedures that minimise confusion for charity directors, and a hands-on approach that allows third sector workers to learn from their valuable business experience — also allows the charities involved with hedge funds ample opportunity to grow and innovate their service delivery procedures for the future.

Philanthropic activity is continuing to increase in the hedge fund industry. Many of the major industry-associated charitable foundations in the US and UK, including Hedge Funds Care, the Robin Hood Foundation and the Hintze Family Charitable Foundation, have reported steady increases in the amount of grants made in the years following the crisis, some

even to levels that now exceed those reached at the height of the financial services boom.

This trend towards rising donations from the industry’s large scale philanthropic organisations, combined with the establishment of many smaller grassroots foundations across different regions as the hedge fund industry internationalises, could see even larger figures of charitable contribution reached in the coming decade.

Many charitable foundations have reported steady increases in the amount of grants made in the years following the financial crisis.

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21. The Angkor Hospital for Children in Siem Reap, Cambodia, receives donations from the RICE fund.

About AIMA

As the global hedge fund association, the Alternative Investment Management Association (AIMA) has over 1,300 corporate members (with over 6,000 individual contacts) worldwide, based in over 50 countries. Members include hedge fund managers, fund of hedge funds managers, prime brokers, legal and accounting firms, investors, fund administrators and independent fund directors.

They all benefit from AIMA's active influence in policy development, its leadership in industry initiatives, including education and sound practice manuals, and its excellent reputation with regulators worldwide.

AIMA is a dynamic organisation that reflects its members' interests and provides them with a vibrant global network. AIMA is committed to developing industry skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) - the industry's first and only specialised educational standard for alternative investment specialists.

For further information, please visit AIMA's website:

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