

Jack-of-all-Reads

A newsletter for multi-hat-wearing C-suite leaders and their key constituents.



Preparedness: Insurance, SEC Updates, and Commentary on iConnections & the State of Our Union

Our newsletter, *Jack-of-all-Reads*, shares the latest and greatest insights in a brief read on a monthly basis. Please let us know of any comments or questions – we welcome and appreciate your continued partnership.

Industry Insights:

1. **Insurance: Shifting Sands.** While the insurance landscape remains relatively stable, there have been some notable shifts driven by recent increased risk and regulatory enforcements.
 - o **Trending Up.** Businesses have been purchasing greater policy limits. The historical benchmark was about 1% of AUM, this has recently increased to about 1.5%-2%. With higher regulatory burdens, legal fees, and rates of examinations by the SEC, the trend is expected to continue. EPLI and cyber insurance policies have seen upticks in price as well.
 - o *Stay tuned for the Jefferies Capital Intelligence team’s upcoming insurance primer which will dive deeper into key considerations, market themes, limit and pricing expectations across the landscape.*
2. **Top of Mind: Updated SEC Priorities.** We are in a heightened regulatory environment and there is an expected continuation of activity. The SEC recently announced their priorities for the rest of the year. Some headlines include:
 - o **Investment Adviser and Investment Company Rules.** Since the implementation of the new marketing rule in November of 2022, managers have been revisiting their materials and how they are representing performance. Many are heavily leveraging compliance consultants and law firms, who have been inundated with these reviews.
 - o **Environmental, Social, and Governance (ESG) Rules.** The SEC has been vigilant of investment advisers’ adherence to the ESG disclosures and fund naming requirements and will continue to remain so.
 - o **Information Security and Operational Resiliency.** The SEC will continue to focus on the issues surrounding cybersecurity concerns and the inherent risks associated with using third party providers.
3. **Third Party Providers: Key Concerns for the Outsourcing Rule.** The SEC proposed rules for outsourcing by investment advisors in Q4 of 2022. Since the comment period closed, many industry constituents have suggested the rule may be redundant. There is concern regarding what steps managers can take to prepare. Best practices may include:
 - o **Review Your Work.** Due diligence throughout the vendor selection process is an area of focus. The SEC is expecting firms to provide substantiated review on the outsourced providers a firm utilizes.
 - o **Keep Track.** The proposed rule would include various recordkeeping and monitoring requirements. Fund managers should continuously monitor service providers and maintain records of their agreement.
 - o *Please reach out to your compliance consultants or legal providers to learn more.*

Please reach out to your Jefferies contact for more information on any of the topics above.

Spotlight on Content and Events:



SOTU Webinar Review. Earlier this month, the Jefferies Capital Intelligence team hosted a webinar to discuss the annual [State of our Union](#) released this January. Last year, hedge funds saw one of the greatest periods of outperformance against broader indices. Despite this position of strength, many funds did not receive incentive fees in 2022. The webinar explored the creative ways groups are navigating this challenging environment, and in some cases fueling growth amidst market dislocations. **Please reach out to gdesroches@jefferies.com for access to the webinar replay and subscribe to our updated website to see our content.**

Client Corner:

iConnections Recap. It was great to see many clients, allocators, and service providers at the iConnections Global Alts Conference and discuss the Alternative Industry landscape! The event hosted over 1,600 managers and 980 allocators. Over the course of the conference our team spent time with managers, investors, industry service providers, and participated in three of the keynote panel discussions.

See below for key insights from the Jefferies Capital Intelligence team post-event:

- **Demand for Credit.** In addition to widespread interest in Multi-Strats, credit is in high demand. In particular, European credit strategies were frequently discussed. Many investors that have historically not been involved in that space are now exploring deeper. Heading into 2023, Credit/Private Credit, Commodities, and Global Macro seem to be top of mind for many investors.
- **Back to Travel.** Many clients are prioritizing their travel and event pipelines. Notably, conversations around travel to locations such as the Middle East and Asia have increased.
- **Geographical Concentration.** China and Japan Long Only was an area of interest for investors despite current geopolitical concerns.



Interesting Service Provider Reads: Highlighting Topical Content From Industry Leaders

Linklaters – [Outsourcing by Investment Advisers: SEC’s Proposed Rule Irks Industry](#)

Waystone – [Information Security and ESG Identified as Key SEC 2023 Exam Priorities](#)

Jefferies Prime Services Contacts:

Mark Aldoroty
Head of Jefferies Prime Services
maldoroty@jefferies.com
Erin Shea
Head of Business Consulting
eshea@jefferies.com
Barsam Lakani
Head of Sales for Prime Services
blakani@jefferies.com

Leor Shapiro
Head of Capital Intelligence
lshapiro@jefferies.com
Shannon Murphy
Head of Strategic Content
shannon.murphy@jefferies.com
Paul Covello
Global Head of Outsourced Trading
pcovello@jefferies.com

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