Jefferies

Jefferies Prime Services

Jack-of-all-Reads

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

Top of Mind: SEC, Outsourcing, Talent, and Technology

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. **Retaining Talent through Culture, Inclusivity, and Benefits.** Firms across the industry have endured the war on talent. This shortage has led many firms to offer competitive and innovative compensation packages to compete for talent.
    - **What's the Latest on Hybrid Work?** Many large firms have embraced some form of flexible, hybrid model. Only 20% of firms within financial services are requiring their employees to be in the office full time (Bloomberg).
    - **DEI**. Diversity, Equity, and Inclusion has become an increasingly important initiative for many corporate stakeholders. Funds are being proactively inclusive and allocating the initiative to someone's role. The majority of hedge funds consider DEI an "important theme" in the industry (AIMA). Some firms are leveraging software that ensures job descriptions do not include biased language around gender or race.
    - **Unique Benefits.** Employers are using benefits to attract and maintain talent with a focus on "lifestyle benefits". Consistent dialogue with employees and understanding what is important to them is critical to create a successful work culture.
    - **Parental Leave.** With respect to maternity/paternity leave policies, increasingly referred to as "bonding leave", hedge funds tend to offer a typical range of 8-12 weeks. Funds with leaner structures have leveraged outsourced providers to help fill the gaps while those are on leave to ensure business continuity.
    - **Accounting for the Lack of Talent.** Notably, there has been a low supply of mid-level candidates for audit and accounting roles. This corner of the industry has been specifically impacted and is offering greater flexibility, upgrading their offices, and offering multiple bonuses per year for retention purposes.

2. **Quality Matters: Vendor Due Diligence and Outsourcing.** There has been an increased focus from managers on finding the right business partners. Ongoing diligence processes and check-ins allow managers to understand the key functions their vendors can provide, map risk, and provide an appropriate level of oversight. This has especially been in the spotlight post the SECs Outsourcing Proposal. Steps managers can take to be proactive around the new Outsourcing Proposal may include:
    - **Evaluating** these relationships through the lens of how it will affect the organization and investors if these groups do not do their jobs well.
    - **Understanding** the depth of team, process for managing turnover, underlying team structure, and contingencies.

3. **Continued SEC Activity.** Managers are being inundated by the volume, time, and resources necessary to keep up with regulatory updates to remain compliant. Many emerging and mid-sized funds are mindful of the costs associated with each new proposal.
    - **Cybersecurity.** After an extended comment period, new cyber rules are aiming to go into effect this summer. They require annual risk assessments and 48-hour disclosures. This may lead to more managers leveraging third-party providers and cyber insurance.
    - **Private Funds Rule.** The impact of this rule will vary for each manager. Broadly, the rule will require increased data management and reporting with quarterly statements around expenses and performance. There will also be a focus on disclosures and fund documents. Clients will need to work with their counsel to understand which aspects of the rule will be relevant to their organizations.
    - **Safeguarding Rule.** This rule will expand which assets need to be held by a qualified custodian, as well as subject separately managed accounts to surprise audits. Custodians, accounting firms, and trading platforms will have to make meaningful changes to the way they operate to be compliant.

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

Spotlight on Content and Events:

Progress Check on Emerging Markets. In the current period of market transition, allocators and investors are revisiting their views of and exposure to emerging markets. There has been considerable change in the last decade, with material geopolitical shifts, Covid closures, and emerging areas of opportunity. Whether it's the rise of the Middle East, India's population growth outpacing China, or China evolving into its own category between developed and emerging markets – the topics of discussion are endless.

- Our recently released piece on Emerging Markets can be found HERE.
- Register Here to join Jefferies Annette Rubin (Strategic Content) and William Gibbs (Capital Intelligence – APAC Coverage) on Tuesday, June 6, 2023, at 11:30 AM EST to discuss the latest investor sentiment and areas of interest.

Looking for our past newsletters? Find all published content out of Prime Services on our recently updated website – Jefferies Strategic Content Library. Jefferies Prime Services C-Suite Newsletters will be posted here on a monthly basis, and you can access our past newsletters from 2023 on here.

Client Corner:
Technology Solutions. Hedge funds' unwavering and accelerating need for data has seen the data problem move on from one of access and availability to extracting value. About half of $1bn+ and startup HFs now invest using AI/machine learning technologies to drive investment returns (Hedgeweek). HF allocators and some managers are becoming more comfortable with the idea of investing using AI due to the popularity of ChatGPT. Though some hedge funds continue to explore the benefits of AI within their investment process, others remain resistant to the idea of using the technology within inhouse operations.

Interesting Service Provider Reads: Highlighting Topical Content from Industry Leaders

Seward & Kissel – 2022 New Manager Hedge Fund Study
EisnerAmper – SEC Proposes New Dealer Rule
AIMA – The Alternatives: A Practical Guide to How Hedge Fund Firms Large and Small Can Improve Diversity and Inclusion

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