

How to judge investments in hedge funds - a Dutch case of a 320 million Euro branch investment

At the end of 2007 Van Oortmerssen organisatie-advies was approached to execute a due diligence process, through which proposals from two major Dutch Banks had to be judged.

An important factor in this process is, that our client is an organisation representing the interests of both employers and employees in a sector of around 20,000 enterprises in the Netherlands.

The diligence process was developed by us through tailor-made judgement of criteria on behalf of those two interest-groups. A due diligence methodology had been developed in cooperation with Simmons & Simmons international lawyers, corporate finance advisors of an investor group.

After the approval of this approach, the next step in our due diligence process was to analyse underlying assets, reporting procedures, built in protection systems and profit drivers in order to generate sustainable investment results (targeted double digits > 10 % return on investment with standard deviation < 1.2).

The market environment is still extremely volatile, which is essential for generating profit in hedge funds, but means it is also unpredictable.

Our role in this process is to objectivate the selection criteria and function as a safeguard by monitoring and controlling risk/return parameters once the choice has been made.

The due diligence process has just started and the outcome may imply a broader selection of funds or negative advice from objectively stated criteria.



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