

How to launch a hedge fund with confidence, powered by flawless service and partnership

After New York-based hedge fund FACT Capital launched operations in September 2019, it delivered a 32.8% net return to its investors in the first full year. As the team was preparing for launch, they worked closely with Refinitiv to ensure that their cloud-based trading systems were robust and up to speed from day one. Now fully functioning, the fund is positioned to scale up with confidence.

Establishing a values-based hedge fund

As a long-short equity hedge fund, we invest in global consumer, healthcare and technology companies that have a truly differentiated value proposition and we wanted to bring that ethos into our industry. That's why we named our business FACT, which stands for fairness, alignment, compounding and transparency.

What's really important about our business is we offer full transparency to our investors. Our investors can view all of our positions daily on our website, such as sizing, our profit and loss statement, risk metrics, along with a 30-day tracking factor analysis too. They can read all of our research including our thesis presentations, checklists and a summary of our due diligence conversations across the supply chain for our portfolio companies. We'd rather show than tell the depth of our work and the quality of our ideas.

The Refinitiv® AlphaDesk reporting system that we chose before we launched our fund has been very helpful in our risk and performance reporting both internally and externally.

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The level of service we got from our AlphaDesk representative in our office was great.

Creating alignment and fairness

We treat our investors the way we would like to be treated, so alignment of interest is important to us. We're not a typical two and 20 fund at all. We have a 1.2% management fee that drops down to 1%, with the idea of creating the most competitive model.

It's also important for our fund to be incentivized on a multiyear horizon. For our main share class, the incentive fee is 10% only if we are able to deliver 33% over three years. We don't believe we deserve an incentive fee if we don't give investors, at a minimum, 10% annually compounded with a three-year lookback.

Our commitment to fairness extends to our capacity-constrained strategy and employee-ownership model. Our team has a high and equal net profit share structure to incentivize acting as an owner and doing what's best for the portfolio.

As we knew what type of fund strategy we wanted, we set out to launch our fund with market-leading systems support.

Launching the fund with strong support

We knew we were going to work with a tier-one bank as our prime broker. As AlphaDesk had an existing relationship with the bank, this made putting on the algorithms and FIX connections for our trading needs straightforward. In the month prior to launch, the AlphaDesk team was back and forth coordinating with our prime broker testing the system to make sure everything was ready.

Our assigned AlphaDesk team gave us prelaunch training sessions in our office so we could understand the integrated cloud-based execution management system (EMS), order management system (OMS) and portfolio management system (PMS). They were even in our office for the first couple of days after we launched operations, helping us to learn the system. While we had our portfolio fully constructed, the task of trading itself seemed daunting. Having come from much larger firms before FACT, we never had to do the trading ourselves because someone else always did it.

We didn't have to worry though. The level of service we got from our AlphaDesk representative in our office was great. He walked us through the entire trading process, supervised our initial trades, helped us understand modeling capabilities, answered all our questions, gave us helpful advice and fixed all the day-one frictions that emerged. By the time he left, everything was fully integrated and smoothly automated including the importation and exportation of trades files from all the relevant parties. This automation definitely improves our operational efficiency.

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Growing our fund with intuitive systems

The AlphaDesk system was actually really easy to learn – it's automated, cloud-based and very intuitive. We like the trading and portfolio management interface, reconciliation tools, the great depth of reporting, automated corporate events and financing terms, and 24/7 support whenever trouble emerged. The cloud-based operations are ideal for the international nature of our portfolio, so if we spend months abroad, that would be no problem. As you can imagine, this has certainly helped us significantly through COVID.

Because of our Asia trading, we sometimes have questions about international swaps and trading. Whenever we had a question, there was always someone available to provide support and training. We can even call Singapore at 9:00 p.m. from New York and get all the help we need. The service at AlphaDesk is really exceptional – if something doesn't look right or we want to learn more about a specific functionality, we know that we can reach someone quickly to solve the problem.

As our fund is focused on scaling, what we like about AlphaDesk is how scalable it is as we grow. We are deeply pleased with the solution, and AlphaDesk has been a critical part of our fund operations and reporting. ■

Learn more about Refinitiv solutions at [refinitiv.com](https://www.refinitiv.com)

Refinitiv, an LSEG (London Stock Exchange Group) business, is one of the world's largest providers of financial markets data and infrastructure. With \$6.25 billion in revenue, over 40,000 customers and 400,000 end users across 190 countries, Refinitiv is powering participants across the global financial marketplace. We provide information, insights and technology that enable customers to execute critical investing, trading and risk decisions with confidence. By combining a unique open platform with best-in-class data and expertise, we connect people to choice and opportunity – driving performance, innovation and growth for our customers and partners.