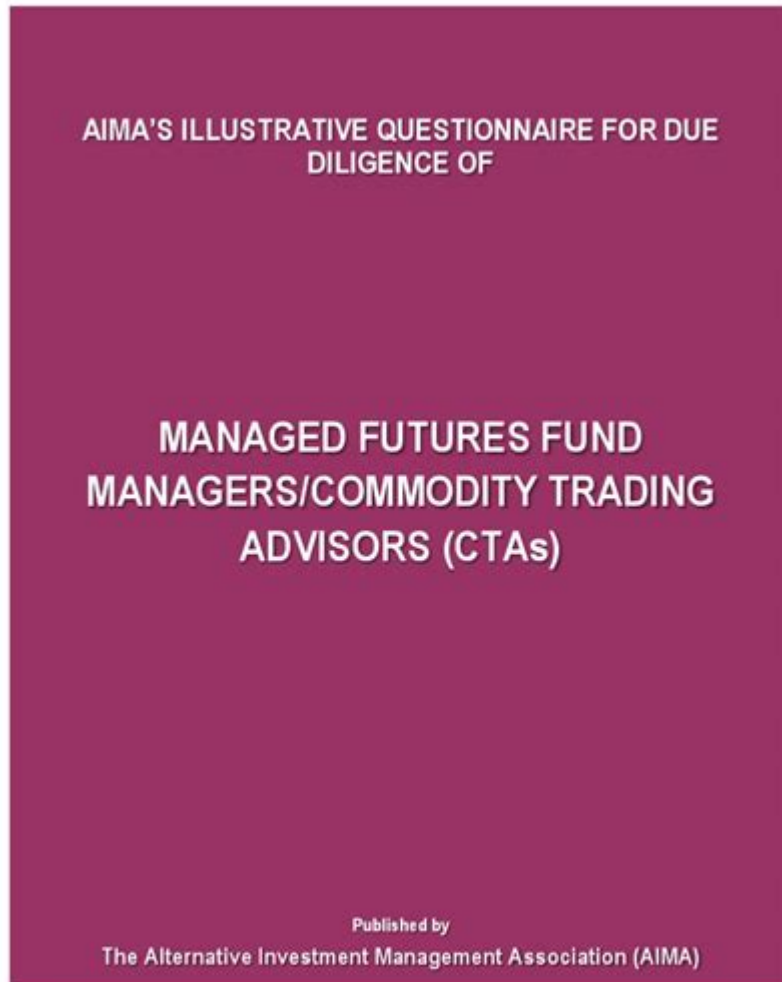


Aima Due Diligence Questionnaire Template



AIMA's Illustrative Questionnaire for Due Diligence Review of Managed Futures Fund Managers/Commodity Trading Advisors (CTAs)
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AIMA Due Diligence Questionnaire Template is an essential tool for investors, particularly those involved in the alternative investment space. The Alternative Investment Management Association (AIMA) has developed a comprehensive framework to assist investors in assessing the operational and investment practices of hedge funds and other alternative investment managers. This questionnaire provides a systematic approach to gathering critical information that can aid investors in making informed decisions.

Understanding the Purpose of the AIMA Due Diligence Questionnaire

The AIMA Due Diligence Questionnaire (DDQ) serves several key purposes:

1. **Standardization:** It creates a standardized method for assessing managers, ensuring that all necessary areas of inquiry are covered.
2. **Risk Assessment:** By probing into operational, compliance, and investment management practices, the DDQ aids in identifying potential risks associated with investment managers.
3. **Transparency:** It promotes transparency between investors and fund managers, fostering a better understanding of the investment process and practices.
4. **Informed Decision-Making:** The information collected through the DDQ empowers investors to make more informed decisions, facilitating a deeper understanding of the managers they are considering.

Key Components of the AIMA DDQ Template

The AIMA DDQ template is typically divided into several sections, each focusing on different aspects of the investment manager's operations. Below are the key components commonly found in the template:

1. General Information

This section provides a broad overview of the investment manager and includes:

- **Company Background:** History, structure, and ownership of the firm.
- **Investment Philosophy:** An outline of the investment strategies employed.
- **Assets Under Management (AUM):** Current AUM, along with historical performance data.

2. Governance and Compliance

This section assesses the governance structure and compliance mechanisms in place, including:

- Board Structure: Details on the board of directors and governance policies.
- Compliance Framework: Overview of compliance policies, procedures, and the role of the compliance officer.
- Regulatory Environment: Information about the regulatory bodies overseeing the firm and any relevant licenses.

3. Investment Process

This section delves into the specific investment process and strategies employed by the manager, covering:

- Investment Strategy: Detailed descriptions of the investment strategies, including risk management practices.
- Research and Analysis: The methods used for research, analysis, and decision-making.
- Performance Measurement: How performance is measured and reported to investors.

4. Operations and Infrastructure

This section examines the operational capabilities of the investment manager:

- Operational Team: Details about key operational personnel and their qualifications.
- Technology and Systems: Overview of the technology platforms and systems used for trading, reporting, and risk analytics.
- Service Providers: Information on third-party service providers, including custodians, auditors, and administrators.

5. Risk Management

Understanding the risk management processes is vital for evaluating an investment manager's ability to handle adverse situations. This section may include:

- Risk Management Framework: Description of the risk management framework and policies.
- Risk Assessment Tools: Tools and metrics used for assessing and monitoring risk.
- Stress Testing: Details on stress testing practices and results.

6. Transparency and Reporting

Transparency is crucial in building trust between investors and managers. This section covers:

- Reporting Frequency: How often reports are provided to investors.
- Content of Reports: What information is included in the reports (e.g., performance, holdings, risk metrics).
- Investor Communication: Protocols for communicating with investors regarding important developments.

7. Fees and Expenses

Understanding the fee structure is essential for assessing the cost of investment. This section details:

- Fee Structure: Explanation of management and performance fees.
- Other Expenses: Any additional expenses that investors should be aware of, such as operational costs.

Best Practices for Using the AIMA DDQ Template

To maximize the effectiveness of the AIMA DDQ, consider the following best practices:

1. Customize the Template

While the AIMA DDQ template provides a solid foundation, it is crucial to customize it to fit the specific needs and concerns of your organization. Tailor the questions to address the unique characteristics of the investment manager or the particular investment strategy.

2. Conduct Thorough Research

Before sending out the DDQ, conduct background research on the investment manager. Familiarize yourself with their strategies, performance history, and any potential red flags. This knowledge will help you formulate more insightful questions and analyze the responses critically.

3. Engage in Dialogue

Consider the DDQ as a starting point for dialogue rather than a one-time questionnaire. Engage with the investment manager in discussions about their responses, probing deeper into areas of concern or interest. This interaction can provide valuable insights into their operations and philosophy.

4. Review Responses Carefully

Take the time to review the responses received thoroughly. Look for consistency in the information provided and cross-reference answers with other available data. Any discrepancies should be discussed with the manager for clarification.

5. Document the Process

Keep detailed records of the DDQ process, including the responses received, any follow-up questions, and the outcome of discussions. Documenting the process will provide a valuable reference for future evaluations and decisions.

Conclusion

The AIMA Due Diligence Questionnaire Template is a vital resource for investors seeking to evaluate alternative investment managers comprehensively. By systematically addressing key aspects such as governance, investment process, risk management, and transparency, the DDQ empowers investors to make informed decisions. When utilized effectively, this template not only enhances the due diligence process but also fosters stronger relationships between investors and fund managers. By adhering to

best practices, including customization, thorough research, and open dialogue, investors can navigate the complexities of the alternative investment landscape with greater confidence and clarity.

Frequently Asked Questions

What is an AIMA due diligence questionnaire template?

An AIMA due diligence questionnaire template is a standardized document used by investors to assess the operational, compliance, and risk management practices of alternative investment managers. It helps in evaluating the suitability of a manager before committing capital.

Why is the AIMA due diligence questionnaire important for investors?

The AIMA due diligence questionnaire is important for investors as it provides a structured way to gather essential information about a fund manager's processes, controls, and performance, enabling informed investment decisions and risk assessment.

Who typically uses the AIMA due diligence questionnaire template?

The AIMA due diligence questionnaire template is typically used by institutional investors, such as pension funds, endowments, family offices, and fund of funds, who are evaluating potential hedge fund or private equity managers.

What key areas does the AIMA due diligence questionnaire cover?

The AIMA due diligence questionnaire covers key areas such as governance, investment strategy, risk management, operational processes, compliance, and performance history, ensuring a comprehensive assessment of a manager.

How can fund managers prepare for completing the AIMA due

diligence questionnaire?

Fund managers can prepare by gathering relevant documentation, ensuring clarity and transparency in their operations, and being ready to provide detailed explanations of their investment strategies and risk management practices.

Is the AIMA due diligence questionnaire template customizable?

Yes, while the AIMA due diligence questionnaire template provides a standardized framework, it can be customized to fit the specific needs and concerns of different investors or investment strategies.

How often should the AIMA due diligence questionnaire be updated?

The AIMA due diligence questionnaire should be updated regularly, ideally annually, or whenever there are significant changes in the fund's strategy, operations, or regulatory environment to ensure continued relevance and accuracy.

What are the benefits of using the AIMA due diligence questionnaire template over creating a custom questionnaire?

Using the AIMA due diligence questionnaire template offers benefits such as time savings, ease of comparison across different managers, industry-wide recognition, and a comprehensive framework that covers critical aspects of fund management.

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