

When **Midsize** is the **Right Size**

Expected to expand to nearly US\$3 trillion within 5 years, the hedge fund industry is significantly changing. To maintain their edge, hedge fund managers increasingly rely on their prime brokers to address growing investor demands, cost pressures and infrastructure requirements.

HOW SIZE MATTERS

Noted for their ability to leverage their broader organizations, the 10 largest prime brokers offer a full array of services. Yet, they focus on the top 300+ funds – whose demands stretch them to capacity – to the detriment of many smaller to mid-size hedge funds, who need the highest level of service.

MIDSIZE STRENGTHS

The right partner is committed to prime brokerage and delivers a high level of personal service coupled with flexible, customized solutions:

- leading-edge technology
- exceptional trade execution
- ability to manage exposure
- structured product support
- robust portfolio accounting
- risk management
- independent valuations
- efficient and timely reporting
- marketing communications
- capital introduction and third-party marketing

Additionally, they offer access to research, streamlined and integrated front-to-back systems, enhanced risk analysis and data management.

BENEFITS OF MULTIPLE PRIME BROKERS

Hedge funds greatly benefit from partnering with multiple prime brokers and are trending toward an average of three primes each. By working with more than one prime, fund managers gain greater leverage in price negotiation, spread their portfolio and have greater access to non-traditional services such as fund administration and comprehensive technology. By allocating their balances among prime brokers, funds can optimize their access to a broad range of available services.

Aggressive competition for investors has caused managers to gravitate toward emerging markets and OTC products to generate alpha. Recent marquee blow-ups have triggered managers to upgrade their operations, tighten operational control and develop a comprehensive infrastructure. Supplemental primes can help mitigate custodial risk, a major concern for hedge funds today.

Success depends heavily on the right prime brokerage relationships, those enabling managers to focus on their investment strategy and provide the best service for their own clients, confident that their prime broker is effectively handling the day-to-day, back end issues.

Gar Wood Securities, LLC, an institutional broker-dealer based in Chicago, New York and Dallas, provides a select group of hedge funds and professional traders with comprehensive Prime Brokerage, Trade Execution, Structured Products and Third-Party Marketing Services.

Gar Wood offers clients the flexibility to choose among noted clearing firms: Bear Stearns Securities Corp., Penson GHCO, Penson Financial Services, Inc. and Fortis Clearing Americas LLC, and offers four distinct trading platforms providing direct market access to all major global markets and ECNs covering equities, options, CFDs, futures and Forex. Gar Wood's trading desk functions solely on an outsourced agency basis, avoiding any conflicts of interest. Offering algorithmic trading and consulting on structured products – Gar Wood assists in all aspects of design, negotiation, pricing and marketing of customized fund-linked products. For further information, contact Bob Jersey at (312) 566 0741.