



CORNERSTONE RESEARCH

Economic and Financial Consulting and Expert Testimony

Hedge Fund Expertise

Cornerstone Research provides consulting and supports testifying experts in litigations and internal and regulatory investigations related to hedge funds. We have analyzed financial instruments such as equities, bonds, money market securities, FX, commodities, derivatives, and exotic structured products. Counsel for hedge fund managers, investment advisors, and large financial institutions turn to Cornerstone Research for analysis on many aspects of hedge fund litigation.

Investment Strategies and Performance

- Comparing actual investment approaches with what had been stated to investors
- Assessing fund performance relative to benchmarks and peers
- Understanding how investment practices adapted to changing market conditions
- Analyzing market developments that affected the value of investments by assessing causes, foreseeability, and market context such as liquidity
- Evaluating the relative performance and similarity of trading strategies across different funds advised by the same manager

Position and Portfolio Valuation

- Conducting valuation of illiquid and bespoke instruments, including complex derivatives
- Reviewing contemporaneous valuations by fund manager
- Assessing the mark-to-market of positions, and relating changes in value to market factors

Risk Management

- Comparing actual risk management activities to the approaches stated to investors and to contemporaneous industry practice
- Assessing the effectiveness of risk management efforts, including alleged risk management failures, liquidations, impact of margin calls, gate provisions, and other external events
- Understanding the procedures used and the information considered in risk management, including determining whether available information was appropriately considered
- Evaluating the nature of the risks taken by the funds, including assessing the ex-ante probability of an adverse price movement
- Examining the evolution of risk management practices in response to market developments
- Estimating portfolio exposure to market price movements

Fees, Flows, and Capital Structure

- Assessing fee structures, such as performance incentives for managers and pricing structures for investors
- Analyzing investment inflows and outflows (subscriptions and redemptions) and the sensitivity of those flows to portfolio performance, market factors, and fund fee structures
- Modeling fund investment flows as a function of performance, size, investment strategy, age, and other variables
- Assessing capital structure and the use of leverage

Insider Trading, Market Manipulation, and Ponzi Schemes

- Evaluating allegations of misconduct, including insider trading and market manipulation
- Using sophisticated data analysis and algorithms to review large amounts of information to identify trends, anomalies, and potentially inappropriate transactions

Document and Data Analysis

- Analyzing internal fund documents, including marketing material, investor communications, investment guidelines, investment memoranda, performance analyses, and partnership agreements
- Evaluating produced documents, including traders' chats, emails, and audio recordings
- Analyzing internal hedge fund position data covering multiple years and spanning multiple trading desks

We have worked on hedge fund matters related to investment strategies and performance, position and portfolio valuation, risk management, fund fees, subscriptions and redemptions, capital structure, insider trading, market manipulation, and Ponzi schemes.