



Alternative Investment Services: A Strategic Review

*Presented by:
Steve Farlese, Head of Global Service Delivery*

BNY Mellon – An Overview

Welcome & Introduction

- Steve Farlese: Global Chief Operating Officer of Alternative Investment Service, a business within BNY Mellon
- Current responsibilities:
 - Managing the delivery of administrative services – traditional “back office processing”
 - Our team delivers primarily “accounting services processing” (more on this later)
 - Early career at Chase Manhattan Bank
 - Gained valuable operational experience along the way
 - Developed strong working relationships that helped move my career upwards
- Joined Bank of New York in 1994 in Unit Investment Trust (UIT), then moved to Exchange Traded Funds (ETF) team
- Opportunity to carve out Hedge Fund servicing in 2004:
 - Scope: 60 people, no profit
- Our vision: Break even and develop Hedge Fund servicing into a ‘real’ business at BNY
- Today we are 1600 people with \$500 billion in AUA

About BNY Mellon

BNY Mellon helps individuals and institutions succeed in markets around the world

Who We Are

Established

One of the oldest, continuously operating financial institutions in the world

Resilient

Served clients through every economic cycle since our founding over 225 years ago

Safe

Only US financial firm with long-term senior debt and deposits rated triple-A at the bank level by Moody's

What We Do

Orchestrate

We manage and service financial assets for clients in markets around the world

Lead

Individuals and institutions seek our leadership in navigating global markets

Support

We provide a wide range of services for the sustainable success of our clients

How We Do It

Collaboration

Close collaboration with clients is at the foundation of our sophisticated offerings

Innovation

Technology and thought leadership on the cutting edge of global finance

Access

Unmatched market access that connects clients directly to new opportunities

BNY Mellon Overview

\$26.3 trillion
assets under custody and administration ¹

\$11.8 trillion
outstanding debt serviced ¹

\$1.8 trillion
tri-party balances serviced daily ¹

- Administrative and operational services that strive to optimize efficiency, minimize costs and mitigate risks
- Client service, technology and investment services that connect you directly to new opportunities and markets
- Enables you to invest, transact and conduct business virtually anywhere in the world

Our Services

Alternative Investment Services

Hedge Funds
Fund of Hedge Funds
Private Equity
Alternative Prime Custody

Asset Servicing

Benefit Disbursements
Global Custody
Depotbanking
Derivatives Services
Document Solutions
ETF Services
Fund Services
Outsourcing Services
Performance & Risk Analytics
Securities Lending
Subaccounting
Transfer Agency

Broker-Dealer Services

Collateral Management
Prime Broker Segregation Services
Securities Clearance

Corporate Trust

Conventional Debt
Specialized Services
Structured Finance

Depository Receipts

Issuer Services
Investor Services
Broker Services

Environmental Innovation Solutions

Market Trading
Reporting and Information Management
Settlement Solutions

Global Markets

Brokerage Services²
Foreign Exchange
Derivatives Trading

Liquidity Services

Institutional Cash Management
Liquidity DIRECTSM Investment Portal
Money Market Funds

Pershing

Broker-Dealer and Advisor Solutions
Pershing Prime Services
Registered Investment Advisors Services

Shareowner Services³

Corporate Actions
Employee Stock Plans
Stock Transfer Services

BNY ConvergEx Group⁴

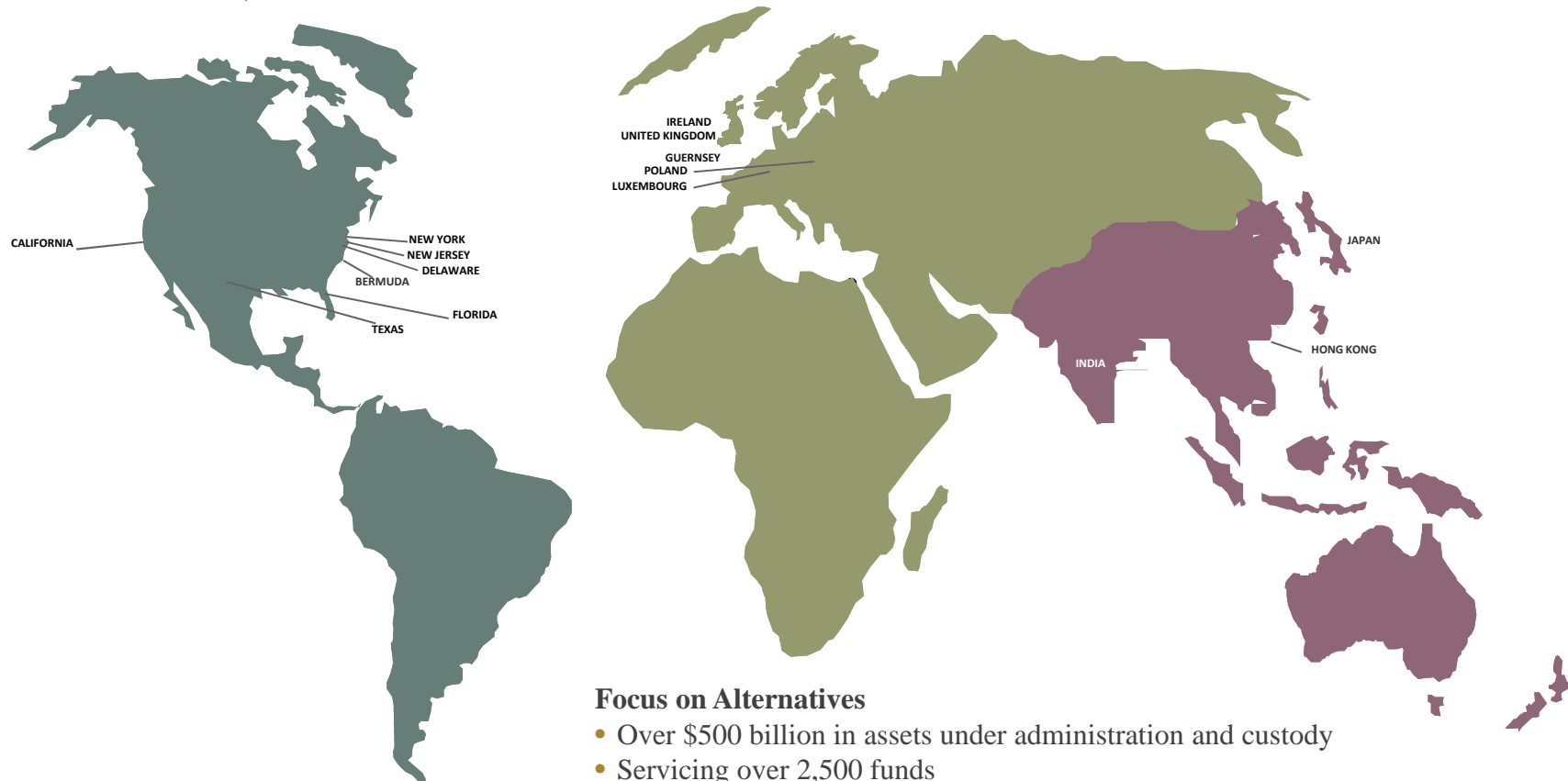
Investment Technologies
Global Multi-Asset Execution
Portfolio Restructuring

1-As of March 31, 2011. 2-BNY Mellon Capital Markets, LLC, member FINRA/SIPC. See disclosures in appendix. 3-On April 27, 2011 BNY Mellon announced a definitive agreement to sell its Shareowner Services business. The transaction is anticipated to close in the third quarter of 2011, subject to regulatory approval. 4-BNY Mellon holds a 33.2% equity interest in BNY ConvergEx Group, LLC

Global and Scalable Presence

BNY Mellon

- Locations across 6 continents, in 36 countries
- Worldwide staff of 48,000



Focus on Alternatives

- Over \$500 billion in assets under administration and custody
- Servicing over 2,500 funds
- Team of 1,600
- Located in 9 countries

Why Poland?

➤ Well educated, talented and motivated graduates

➤ Excellent English & other foreign language capabilities

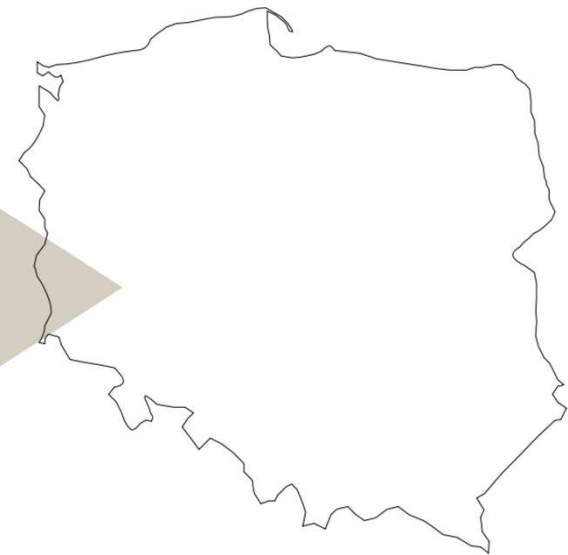
➤ Advantageous geographic location - Supports our “Follow the Sun” strategy

➤ Competitive cost advantages

➤ Strong cultural & historic linkages

➤ Wroclaw Office – proven success story for BNY Mellon

Poland – A key location for BNY Mellon



Alternative Investment Services – An Overview

Alternative Investment Services (AIS)

High Quality Service from a Market Leader in Fund Administration:

- Experience in a broad range of strategies
- Flexible and robust technology
- Tested control environment – SAS 70 Level II (unqualified)

Partner Committed to the Alternatives Industry:

- Senior manager commitment to growth in the alternative investment industry
- Client-driven product development
- Highly knowledgeable and experienced staff around the globe
- Dedicated relationship management

Our Mission

To provide alternative asset managers and all alternative structures with the expertise and services to manage and grow their businesses



Our Vision

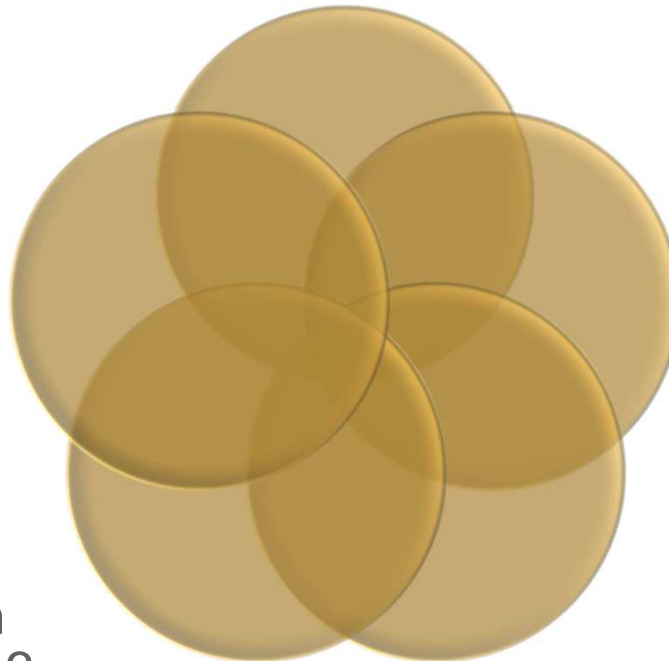
Be the recognised leader in the alternative servicing business

#1 ranking in client service (100% reference able clients)

Double our revenue growth over next 3 years

Achieve circa \$800 billion in AUA over next 3 years

Raise profit margin



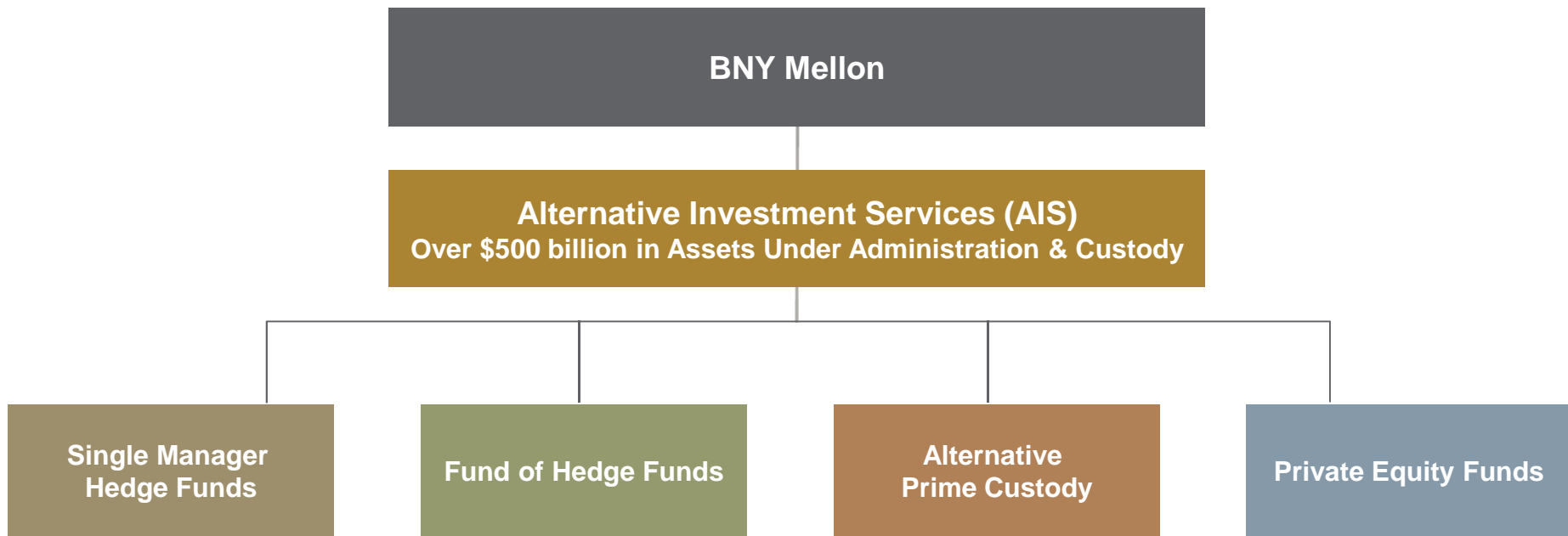
Industry Leadership

'BNY Mellon among 'World's Most Admired Companies'

In Fortune Magazine's recent annual ranking, BNY Mellon was ranked 2nd in its category of Superregional Banks, & rated particularly strong for financial soundness and global competitiveness.

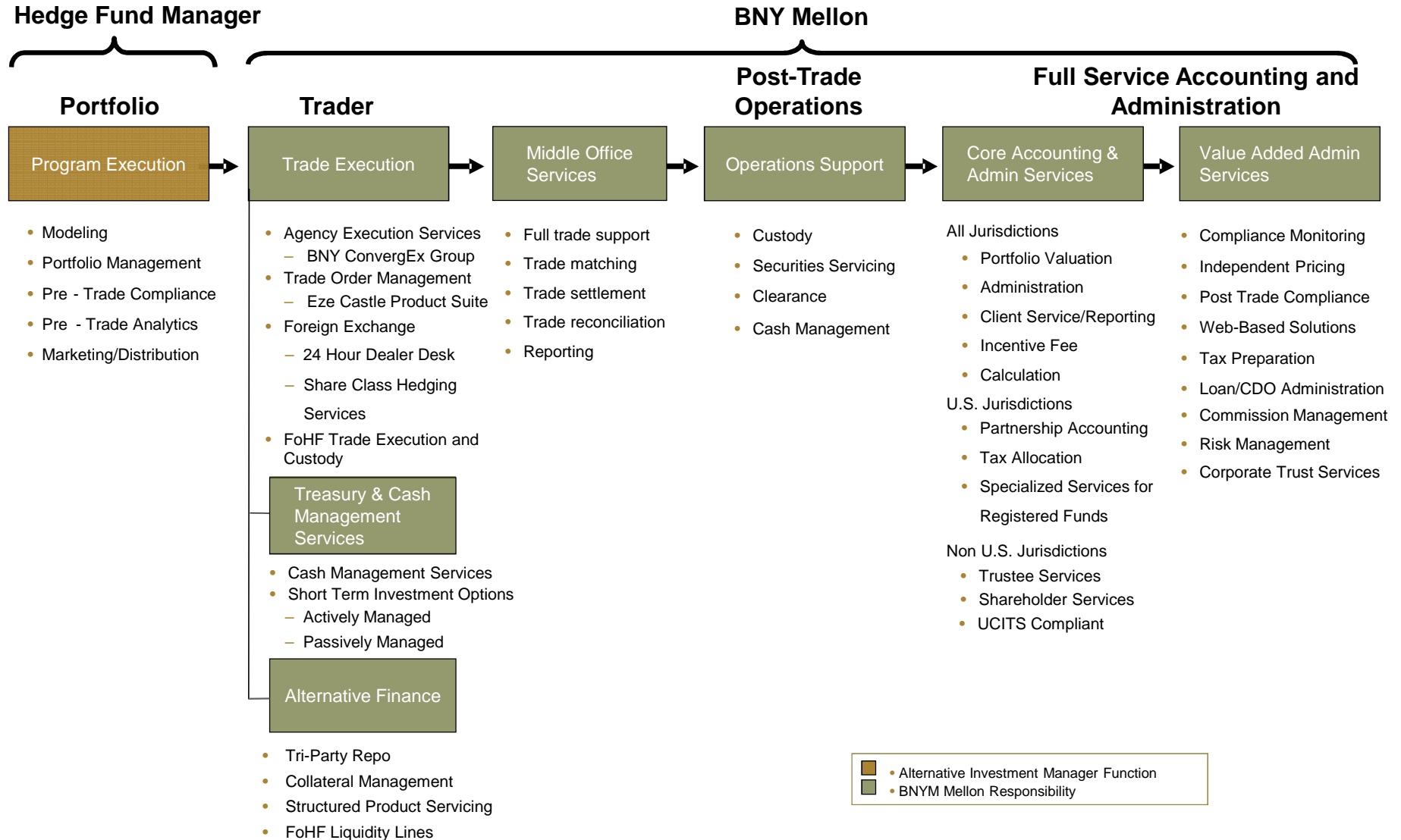
'Safest Bank in U.S.'

For the second consecutive year, BNY Mellon has been named as the safest US-based bank by Global Finance magazine in its annual ranking of the 'World's Safest Banks'



Asset data as of July 31, 2011

A Complete Alternative Investment Solution



Hedge Fund Administrators – Total AUA

Hedge Fund Administrators ranked by Total AUA (with yearly growth %)*

Top 5 Ranking by AUA

Rank	Company Name	Total Fund AUA (US\$BN) 4Q 2010
1.	STATE STREET ALTERNATIVE INVESTMENT SOLUTIONS	660.00
2.	CITCO FUND SERVICES	627.00
3.	BNY MELLON ALTERNATIVE INVESTMENT SERVICES	384.76
4.	CITI HEDGE FUND SERVICES	367.53
5.	GOLDMAN SACHS ADMINISTRATION SERVICES	208.10

Source: HedgeFund.net Q4 2010 Hedge Fund Administrator Survey.

Who we are: 1600 global professionals

Locations	Functions
New York	<ul style="list-style-type: none"> Fund Accounting, Investor Services, Fund of Fund, Management & Administration, Custody, Technology Program Management, Sales, Relationship Management, Product
New Jersey	<ul style="list-style-type: none"> Fund Accounting, Reconciliation, Investor Services, Asset Validation, Treasury Services, Sales &RM
Delaware	<ul style="list-style-type: none"> Marketing, Fund Accounting, Investor Services, Fund of Fund, Financial Reporting, Tax, Pricing, Trade Execution, Technology support
Orlando	<ul style="list-style-type: none"> Portfolio Accounting
Bermuda	<ul style="list-style-type: none"> Fund Accounting, Investor Services, Corporate Secretary
Dallas, Mass, Penn	<ul style="list-style-type: none"> Technology support
London	<ul style="list-style-type: none"> Sales, Relationship Management
Wexford, Ireland	<ul style="list-style-type: none"> Fund Accounting, Financial Statements, Treasury, Investor Services
Dublin, Ireland	<ul style="list-style-type: none"> Fund Accounting, Financial Reporting, Fund of Funds, Transfer Agency, Pricing, Middle Office, Management & Administration, Tech Program Management, Product, RM
Navan, Ireland	<ul style="list-style-type: none"> Fund Accounting, Security Valuations
Cork, Ireland	<ul style="list-style-type: none"> Fund Accounting, Trade Execution
Wroclaw, Poland	<ul style="list-style-type: none"> Middle Office, Fund Accounting, Technology
Luxembourg	<ul style="list-style-type: none"> Transfer Agency, Accounting
Tokyo, Singapore, HK	<ul style="list-style-type: none"> Fund Accounting, Middle Office
Pune	<ul style="list-style-type: none"> Financial Statements

Wroclaw – Supporting Our Strategic Global Initiatives



Global Operating Model

Follow the Sun Strategy

Investment Managers (Americas)

Client Facing

- Relationship Management
- Client Service
- Trade Matching/ Execution for FoHF
- NAV Completion

Investment Managers (EMEA)

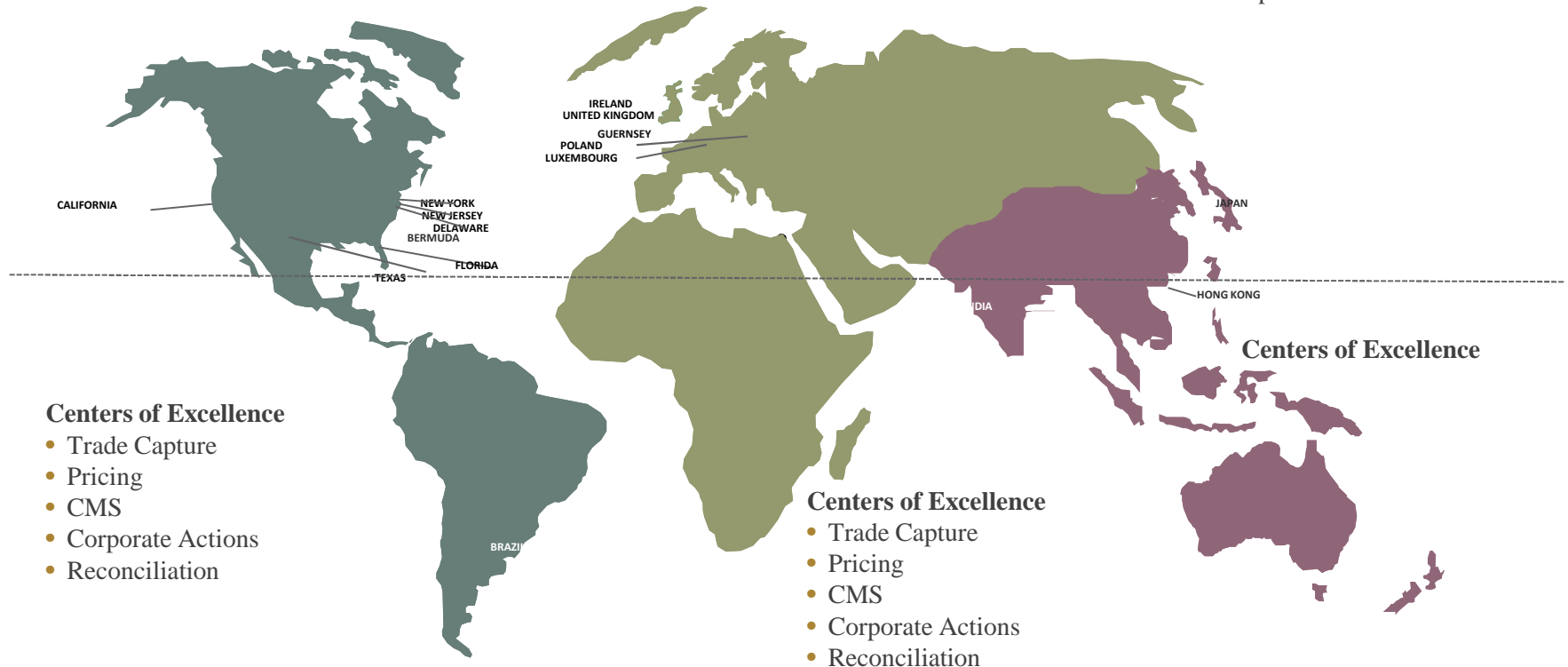
Client Facing

- Relationship Management
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Investment Managers (Asia)

Client Facing

- Relationship Management
- Client Service
- Trade Matching/ Execution for FoHF
- NAV Completion



Training & Development Culture Supports Success

BNY Mellon is committed to ensuring that all employees have the opportunity to continually develop and enhance their careers. When new employees join BNY Mellon they are assigned a tailored development plan.

Training & Development Curriculum

- Comprehensive induction training
- Advanced technical and procedural training
- Business skills courses
- Microsoft Office courses
- Management/Leadership training
- E-learning and 'My Development' portal for ongoing personal & professional development online programmes

BNY Mellon also supports employees in gaining professional qualifications.

Opportunities

What's Ahead for AIS?

Environmental Outlook:

- Industry consolidation – big getting bigger
- Flight to Safety
- Changing regulatory environment with greater oversight expected
- Re-emergence of new hedge fund launches
- Increased allocations to alternative assets
- Pricing paradigm => fees under pressure
- Prime Broker /Custodians
- Trustee role
- Drivers of growth: Pension Funds, Private Banks, Endowments, Foundations, Asia and China markets

Understanding the Differences

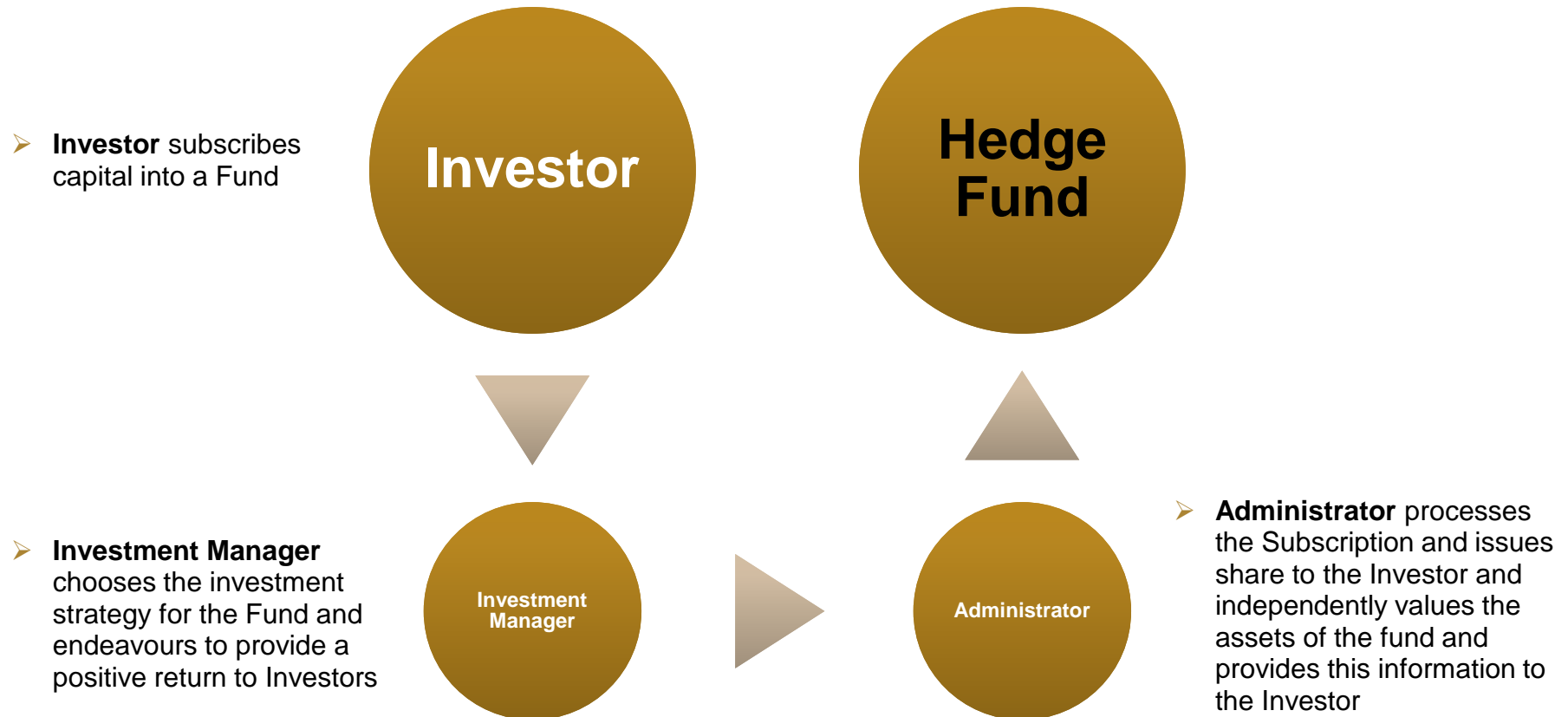
Mutual Fund

- Registered & regulated under SEC 1933 Act
- Available to the general public
- Advertised heavily
- Offered via Prospectus
- Low minimum investment required
- Highly liquid - subscriptions & redemptions (buy in, sell) available daily
- Dividends and interest rates of return are similar for all investors
- No restrictions on number of investors in fund
- Ease of comparison on returns and investment quality
- Professional investment managers
- NAV computed daily
- Statements can be prepared for all investors generically (applying same rates)
- Comparisons to market performance

Hedge Fund

- Most are unregistered with SEC
- Available only to accredited investors meeting specific net worth guidelines
- Do not advertise or market themselves
- Offered via Private Placement Memorandum
- High minimum investment required
- Less liquid – Subscriptions and redemptions (buy in, sell) typically offered monthly
- Redemptions may be subject to lock up periods
- Restrictions on number of investors
- Yields vary by investor agreements
- High Management /Performance fees
- Privately managed
- NAV computed on customized schedule
- Statements must be prepared per investor
- Assets are aggressively managed
- Returns regardless of market performance – “absolute returns”

Hedge Fund Model



Typical Day in the Life of a Fund Accountant



Hedge Fund Accountant performs accounting functions for assigned funds on an automated accounting system and reviews the accuracy of net asset valuations.

- Reconciliation of cash and asset positions
- Verification of accuracy of trade input
- Analysis of impact of pricing/income/expenses on net asset value
- Calculation of net asset value
- Preparation of regulatory/client/internal reporting
- Review net asset valuation for completeness and accuracy
- Access 'My Development' portal for ongoing personal & professional development online programs

Entering the Job Market



- Apply for internships
- Request the opportunity to spend 1 - 2 days shadowing a business manager
- Take on leadership roles in school clubs/committees, voluntary organizations
- Network through philanthropic organizations, peers, family, friends
- Get experience/exposure by joining industry associations
- Learn as much as you can about the business
- Distribute your resume

Dziękuję

Thank You



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