

**INSTINET alpha- $\alpha$**

Is there a case for  
outsourcing your dealing desk?

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Excellence in execution leads  
to improved performance

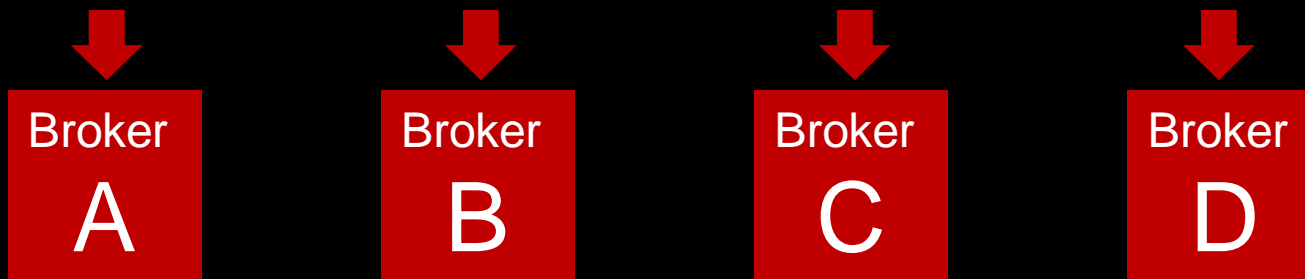
# Fund Manager



Fund Manager's Dealing Desk

- ✓ Source liquidity
- ✓ Distribute commissions
- ✓ Access to brokers' news flow and ideas

Monitor and control entire trading process



# What the fund managers face

- $\alpha$  Performance pressure
- $\alpha$  Challenges of growth and scale
- $\alpha$  Pre-trade due diligence
- $\alpha$  Increasing technology costs + accelerating technology functionality
- $\alpha$  Unbundling research from execution commissions
- $\alpha$  Impact of dealing on overall fund performance
- $\alpha$  Value extraction

Lance Armstrong wins the  
Tour de France 2004 by  
a 61 second lead



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# A day in the life of a fund management firm

June 2008

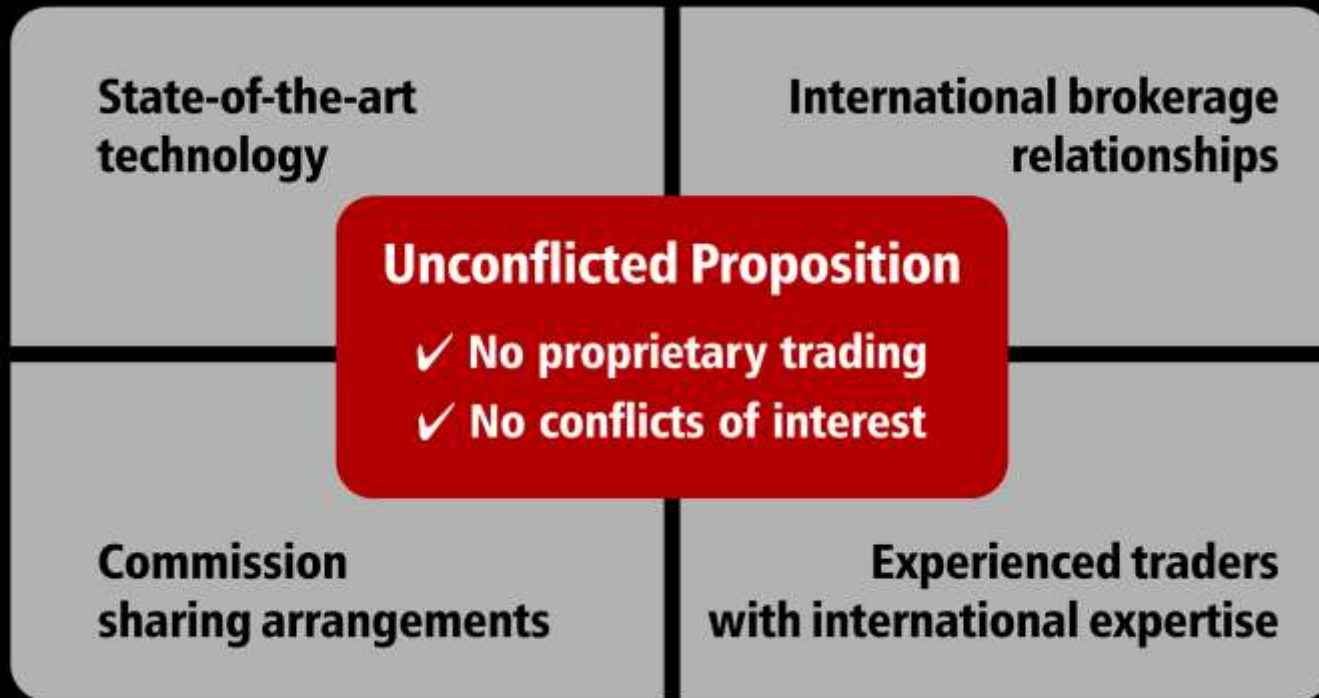
Mon	Tue	Wed	Thu	Fri	Sat	Sun
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	1	2	3	4	5	6

# A day in the life of a fund management firm

Fund Manager	
Initial Fund Value	£10bn
Improvement of execution costs x 10bps	£10m
Management fee for £10m = 50bps	£50k
<b>Total Fees</b>	<b>£50k</b>

Hedge Fund Manager	
Initial Fund Value	£10bn
Improvement of execution costs x 10bps	£10m
Management fee for £10m @2%	£200k
20% performance fee	£2m
<b>Total Fees</b>	<b>£2.2m</b>

# The structure of an outsourced dealing desk





# Why firms use outsourced dealing desks

- α Real-time management of overnight orders in international markets
- α Overflow desk support
- α Access to technology
- α Anonymity
- α Access to trading expertise
- α Benchmarking

# “The business case for outsourcing dealing”

Research by **investit.**  
Our experience, your success

## Early findings:

- α Outsourcing can benefit not only small sized firms but also medium sized and larger firms could benefit
- α Some hedge funds have outsourced their dealing completely
- α More traditional funds are realising the potential of addressing overnight deficiencies
- α Many firms considering outsourcing

Full findings due  
autumn 2008

**What do you want to achieve?  
How can you improve your performance?**

**International  
coverage?**

**Reduced  
costs?**

**State-of-the-art  
technology?**

**Trading  
Expertise?**

**Benchmarking?**

**Overflow  
support?**

**Anonymity?**

**Is there a business case for outsourcing?**

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