

Performance Fees – Equalization Credit Method

Duration: Half day

This course involves participants calculating performance fees for a number of different scenarios using the equalization credit method.

Objectives

At the end of this course participants will be able to

- Calculate and allocate fees using the equalization credit method
- Calculate equalization credits and additional performance fees
- Calculate crystallization amounts on redemption and at the end of a performance period
- Incorporate fixed and variable hurdle rates
- Discuss the logic, the benefits and the drawbacks of the equalization credit method
- Account for performance fees
- Identify potential errors that can arise in the calculation and accounting of performance fees using the equalization credit method
- Discuss measures to preventative such errors

Content

- Basic calculation
- Prior high watermark
- The problem is allocation
- What does the prospectus say?
- Crystallization
- Equalization credit/adjustment method
- Equalization credits and additional performance fees
- Hurdle rates
- Resets
- Risk & control issues

Who should attend?

Staff responsible for the calculation, review or audit of performance fees using the equalization credit method.

Hedge fund professionals who require a greater understanding of the equalization credit method.