



## Guide to Starting a Fund

Basically there are two types of investment funds. The first type is a Hedge Fund, which could invest in anything from stocks to Bitcoins. These funds are regulated by securities laws which are enforced by the Securities and Exchange Commission (“SEC”). The other type of fund is referred to as a Futures Fund. Futures Funds trade commodities and are regulated by the Commodities Futures Trading Commission (“CFTC”). To make it more interesting, a Fund can also invest into both securities and futures contracts. This type of fund is called “expensive”.

## Capital Needed

There is not a minimum equity level to start a Fund. Funds can start with as little as \$500,000. In our experience, a typical fund is launched with \$2,000,000 or more. Most Funds start with family, friends and acquaintances for initial investors along with the Fund Operator. This displays a commitment and vested interest to the program and outside investors.

## Build It and Give Them What They Want

Once you have a commitment for the minimum equity level that you are comfortable with, it is now time to build your Fund. Build a Fund based on what your investors want, not based on what you “think they want”. Determine the Fund formation, fee structure, trading methodology, reporting requirements, etc. Once that list is compiled, it is time to build your Fund. Just like building a house you need an architect to draw up your plans. In this case you need a team of professionals to explain the requirements of the SEC, CFTC, and state regulations and how those rules affect your new Fund. Your team should explain your liabilities, monthly and annual reporting requirements, and your potential risks of the new venture. We recommend using an industry seasoned attorney, administrator, broker, and auditor to walk you through the process. An exceptionally experienced team is critical to your success.

## Fund Checklist

This list is not meant to be all encompassing but give you some items to think about before you start your new Fund:

- Amount of initial committed capital
- Fund formation – Domestic / Offshore / Master feeder Structure
- Attorney
- Fund Administrator
- Auditor and tax preparation
- Brokerage Relations
- Third party trading advisors
- Third party capital sources
- Fee structures
- Reporting requirements
- Trading methodology/strategy
- Back office requirements
- Written operating procedures
- Disaster recovery procedures
- Marketing material
- Exit strategies

In closing, we have been working with Funds for over 25 years and will be happy to share our knowledge with you when you are ready to start your new Fund. It might seem like an overwhelming task, however, by working together, we can break the overall project into manageable parts. We can help direct you into hiring your professional team to make your fund launch successful.