



Lyxor Speech

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Dear Hedge fund friends,

Good morning

I am very happy to be here in Zurich today

As a CEO managing environmental and organisational change I would like to introduce a key process which often predicates and defines success. This concept is innovation.

I have been a Hedge Fund manager for over 17 years. I have grown and evolved with the industry, saw many of the difficult cycles, and learnt from all the mistakes, mine and everyone else's I hope. When I started out as a young person, the requirements were not so rigorous, and in a fledgling industry we all had the chance to do well. Things have changed and a much higher level of service, transparency, and regulation has to be supported by all participants from service providers to the managers themselves.

I refer to 2 leading studies carried out in the US by professors in Leadership at Santa Clara University and Human Resources from Harvard Business School, both of which concluded that

“Leadership is inextricably connected with the process of innovation. Innovation means change and change requires leadership, a prime mover and energiser, to push for implementation of strategic decisions”

Innovation has embedded in it the concept of survival. And this concept is always pertinent to Hedge Funds.

Personally I see innovation in terms of performance. Rather than concentrating in one piece of innovation, I see the total system and ask: what if the system was operated in this new and different way, could that give us structural efficiencies resulting in more consistent, smoother or greater performance? Then we as a team can focus on one or the many details that need to be worked out and incorporated

Innovation is a process of rapid visualisation of solutions, a creative process in the brain that cannot be arrested. Innovation is freedom. We develop a tennis racket with new composite materials, and improved shape, to give the ball speed in court. We give speed to internet search engines, and we use speed in finance to rapidly collect and trade on new data. The limit is how fast the human brain and our machines can think, compute or integrate.

Innovation is hard to implement. Why? People resist the idea of change. Once they have accepted the change, they must be trained to apply it, and then make continuous small



improvements to increase efficiency. The process of innovation can be described in summary by the 5 following concepts.

1) --- risk (new technologies have to be tested and may fail, a new company structure may be resisted until management proves it can deliver results, and new hierarchy in society is painful for example European sovereignty). So people do not like Risk.

2) --- reward It is often easier to understand the benefits of innovation once complete and ready but it is difficult to convince people to provide the resources and the finance at the first few stages of development. Until the reward becomes personal most people will not be motivated by improvement. Having said that I do believe that people assess the risk / reward profile that improves their lives and many are actually willing to make sacrifices to improve the future for the benefit of their children.

3) Communication ---. In nature the concept of feedback exists, energy and entropy work together in the Universe and we have terms like "supply and demand balance." Communication is the process of action and reaction. So we must be aware that innovation is not a single achievement, but the result of collective effort over time. Communication is the process of listening to the users and in the case of Hedge Funds our investors. Communication is also important in the development of laws, and the way in which the perceived common good is negotiated and implemented (for example in the case of Hedge Funds increased regulation)

4) Speed----- is the result of the level of energy, resistance level and complexity of movement. As societies have become more connected, the speed of ideas, of flows of information has increased. We gain great speed when we allow innovators to pursue their passion, and when we allow executives the freedom and responsibility for management. The chaotic almost instantaneous creation of wealth then becomes reality. **In our Hedge Funds we have to understand that innovation starts with everyone, and every day.**

5) Discipline---- plays an important role for creativity in a structured way. Implementation is more important than the original idea. Innovation should be guided by the scientific method, testing, measuring results, creation and preservation of process, and continues to improve and develop.

If it sounds exhausting let me assure you that it is. Today, innovation is not at company or national level, our companies have global impact. Through the internet and rapid travel we have become a global village. Whether competing in sport, health or in the financial services sector, to be truly successful you will have to develop and apply peak performance ideas, technology, management practices and educational methods in order to survive globally.

Now a few thoughts related to all our personal experience

If we had a meeting 1 hundred thousand years ago, many of us would come equipped with a



stone axe the cutting edge of technology - literally.

Today we have a BlackBerry and an I-pad, to allow instantaneous connectivity and news. The pace of change has accelerated significantly in our lifetimes, thanks to technological innovation, and this will continue.

To innovate successfully, we must be able to envision the future, perhaps several years from now. Some of the most successful industries of the world employ this approach. The pharmaceutical industry, for example, invests a huge 30 percent of its sales in research and development (so does IKOS), but does not see the fruits of this work up until 12 years later, when finally bringing a drug to market. The following slide shows the 12 year evolution of the IKOS trading platform which is ongoing.

As Hedge funds we have to take market cycles and investment in technology into consideration, and put capital into the firm particularly through the difficult years in order to be long term survivors for our investors. Higher costs, more extreme due diligence and regulation, greater competition, lower fees all test the managers of today.

Now let's think about the evolution of the Hedge Fund Industry which is colonising throughout Europe (starting with IKOS developing its headquarters in Cyprus) and imagine the benefits this will bring to the development of the sector in the pan- European environment. The process of intensified regulation, despite the debate, the complexity, and the protectionism, will actually help to evolve more robust, institutional pedigree, European hedge funds, which are able to manage global HR, and global trading. Regulatory changes in MiFid, UCITS, European passports, and reporting requirements will be assimilated and used successfully by Hedge Funds committed to success.

So what changes and what stays the same?

- 1) Investors come first, we have to offer top performance and service which includes continuous communication and transparency
- 2) Risk management at every level helps to provide consistent returns. Growth has to be planned
- 3) Disciplined and well integrated project management, research management and investment management deliver high quality product
- 4) As business leaders, our aim day is to help bring energy, focus and commitment to innovate within our teams. We have to embrace new products and solutions

To achieve this, we must foster and adopt new ideas from a wide array of fields. Mathematics, information science and control science are obvious, but we often find that technological advances in seemingly unrelated fields find their way into our industry, such as biology seeding the foundations of artificial neural networks.



The market crisis has demonstrated a number of inefficiencies. Those firms that managed to ride out the crisis are now at a junction: We can congratulate ourselves for our success and allow ourselves to become complacent about the efficiency of our organisations, or we must recognise the fact that no structure can remain efficient for long in such a rapid changing environment, and work even harder to innovate and renew. I, for one, cannot allow myself to become complacent. I feel I owe it to our investors, my team, and myself to re-examine and innovate.

Over the last 6 years IKOS has achieved a significant transformation into an institutional pedigree manager. Many more managers are going through this process now. IKOS can be recognised by the investment community for its visionary leadership, and for the asset protection and performance demonstrated throughout the crisis and particularly in the last year. With strong positive results in all our 3 strategies and with our asset base growth improving our position to 37 in Europe this year, we are working hard to receive the awards which mean that our investors enjoy all-around performance.

Dear Hedge Fund friends please remember we are participants in an amazing industry. We have to have the patience to wait, the humbleness to explain, the commitment to invest, and the confidence to believe, that what is right is happening, and will happen.

I would like to conclude with an inspirational thought.

Even in the great depression of the 1930's Charles Walgreen a successful American entrepreneur adopted major philanthropy as his corporate and personal mission. We can synergistically expand when we allow ourselves to operate generously and unselfishly in whatever we are doing.