

## DUE DILIGENCE MATTERS - APRIL 2022

Our flexible **Allocator On-Demand ODD**, **Investment Manager ODD Therapy**, and **Service Provider ODD** work continues cross asset class, from long only, hedge, crypto, private equity and credit operational due diligence ("ODD").

We are now considered a **leader in the field of crypto ODD**, with a large and very fast growing coverage of Investment Managers and Funds, plus completion of a number of Virtual Asset Service Provider (Exchanges, Custodians, Lenders) ODD reviews. Our clients include Investment Managers, Family Offices, Multi Family

Offices, Private Banks, Wealth Managers, Fund of Funds and Sports Teams.

Please contact **Quentin** to discuss our wide asset class coverage and accessing our ODD Reports.

## INSIGHTS, THOUGHTS AND OBSERVATIONS

### ODD Blog: Protecting your reputation

"It takes 20 years to build a reputation and five minutes to ruin it," said Warren Buffett, "If you think about that you'll do things differently."

He was right. Just consider, as an example, travellers' tales told in hotel bars across the globe. Inevitably these include descriptions of horrendous journeys, be they by rail, sea, or air, and almost inevitably conclude with, "and I'm never travelling with them again."

If you, the listener, are unwise enough to ask for more details, you will probably find this blanket statement stemmed from one poor experience: lost luggage, a cancellation or, perhaps, a rude fellow passenger, but now the narrator not only avoids that travel brand, but is intent on advising everyone within earshot to do the same.

A problem afflicting an individual is one thing, but what of the reputational impact of an event which impacts hundreds or thousands of people. British Airways cancellation of all short-haul flights from Heathrow because of computer problems in February this year, for example?

Reflecting Buffett's admonition, one of the things many investors and investment managers are doing differently these days is to commission reputational risk reviews, a key part of robust ODD. These reviews check that an investment they plan to make, or perhaps a service provider they are considering using, will not damage their reputation or financial wellbeing.

One task of such reviews, as conducted by perFORM, is to undertake a deep dive into the contents of a portfolio or corporate structure to ensure there are no skeletons in the closet. In the current investment climate, for example, it would be embarrassing, and probably costly, to be discovered investing with a manager with substantial holdings in sanctioned Russian shares.

F1 champion Lewis Hamilton had an equivalent problem late last year when he had quickly to distance himself from his Mercedes-AMG-Petronas team's sponsorship deal with Kingspan Group, a publicly listed insulation manufacturer, which the press reported was linked directly to the June 2017 Grenfell Tower disaster.

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Interestingly, perFORM has recently worked with a leading sports team to carry out ODD on a sponsorship partner in the digital asset space to make sure they are comfortable with being associated with this service provider. Who you get into bed with matters.

Reviews of reputational risk are also actively concerned with the durability of a firm’s IT systems, and how safe they are from cyber-attacks.

Examples of failures here are commonplace from the issues experienced by TSB customers in March this year resulting in duplicated debit card payments, to the huge data leak admitted by the online US share-trading platform Robinhood in November 2021. According to the company’s statement, an “unauthorised party obtained a list of email addresses for approximately five million people, as well as full names for a different group of approximately two million people...several thousand entries in the list contain phone numbers, and the list also contains other text entries.”

perFORM’s ODD reviews are not designed to block corporate issues or failures of the type described, but they are critical to ensuring that those who have a fiduciary duty to investors – for example, family offices, funds of funds, pension funds, endowments – are able to exercise that duty responsibly and in-depth.

As Warren Buffett also said, “Risk comes from not knowing what you are doing.”

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## DUE DILIGENCE SERVICES

perFORM Due Diligence Services Limited is an award-winning provider of operational due diligence services for a diverse base of UK and international Allocators and Investment Managers.

Launched in 2019 as the only London-based and technology-led ODD service of its kind, perFORM is a growing team of highly experienced ODD practitioners

with a laser-like focus on client service which ensures high levels of client satisfaction, trust and partnership. In October 2021, perFORM announced it had been formed as a subsidiary company of **JTC Group PLC**, an award-winning provider of fund, corporate and private client services.