SERVICE 06

# Alternatives Due Diligence

■ Based on Real Engagement

## CLIENT PROFILE

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| **Client** | Castellar Partners LLC — Institutional Investor (CRO Function) |
| **AUM Overseen** | ~$900M in strategic allocations across hedge fund and PE universe |
| **Manager Universe** | 20+ alternative investment managers evaluated over engagement period |
| **Asset Classes** | Hedge funds, private equity, distressed debt, special situations, event-driven strategies |
| **Duration** | Ongoing due diligence function, 2009–2014 |

## THE CHALLENGE

As CRO of Castellar Partners, David Slattery was responsible for investment due diligence across approximately $900 million in institutional allocations spanning hedge funds, private equity, and alternative strategies. The firm needed a rigorous, repeatable due diligence process that could evaluate managers across investment, operational, and risk dimensions — and present credible investment recommendations to the investment committee and board.

The due diligence challenge was compounded by the post-crisis environment, in which manager operational risk, counterparty exposure, and redemption liquidity had become as important as investment performance in evaluating manager quality. Standard performance-only analysis was insufficient for the institutional standards Castellar's investors required.

## VERDE ADVISORS APPROACH

Verde's principal developed and operated a multi-dimensional due diligence framework at Castellar that evaluated each manager across investment quality, operational integrity, risk management capability, and organizational stability.

The framework combined quantitative analysis — performance attribution, risk-adjusted return metrics, drawdown analysis, and factor exposure decomposition — with qualitative assessment of investment process, key person risk, counterparty relationships, and operational controls. Onsite manager visits, reference checks with counterparties and investors, and review of audited financial statements and prime broker relationships were standard components of every full due diligence review.

The framework was applied to the evaluation of new strategies including distressed debt, special situations, and event-driven opportunities following the 2008–2009 credit dislocation — ultimately identifying and supporting allocations that generated approximately $220 million in portfolio value and savings during the historic credit market opportunity.

## KEY DELIVERABLES

- Investment due diligence memoranda for each manager — quantitative and qualitative analysis
- Risk-adjusted performance attribution and factor exposure analysis
- Operational due diligence checklists — counterparty, prime broker, and audit review
- Investment committee presentation materials — recommendation with risk/return assessment
- Ongoing monitoring reports — quarterly performance and risk updates for existing allocations

• Manager scoring rubric — systematic comparison framework across investment universe

## OUTCOMES & RESULTS

| ~$900M | ~$220M | 20+ |
|---|---|---|
| Assets Under Due Diligence | Value from New Strategy Identification | Managers Evaluated |

*This case study is based on the direct professional experience of Verde Advisors' principal as CRO of Castellar Partners LLC (2009–2014). The Alternatives Due Diligence service applies this same institutional framework to family offices, endowments, and RIAs on a project or retainer basis.*