SERVICE 11

Institutional Investment Risk Advisory

■ Based on Real Engagement

CLIENT PROFILE

Client	Castellar Partners LLC — Global Hedge Fund Platform
AUM	~$2.8 billion at peak
Engagement Type	Institutional investment risk advisory — ongoing governance and oversight
Key Challenge	Navigating the 2008–2009 financial crisis without losses attributable to risk management failures while scaling platform 3.1x
Duration	January 2009 – May 2014

THE CHALLENGE

At the height of the 2008–2009 financial crisis, institutional investors were experiencing catastrophic losses driven by liquidity failure, counterparty defaults, and systemic risk events that overwhelmed inadequate risk management frameworks. Castellar Partners needed an institutional-grade risk advisory function capable of protecting investor capital through the crisis while positioning the firm for growth as markets recovered.

The specific risk challenges included managing liquidity across a hedge fund portfolio with gates and lock-ups, monitoring counterparty concentration across a prime brokerage and banking universe under extraordinary stress, and identifying new investment opportunities in the dislocated credit markets without exceeding the firm's risk budget or violating its investment policy guidelines.

VERDE ADVISORS APPROACH

David Slattery built and operated Castellar's institutional risk advisory function, establishing the governance structures, analytical systems, and reporting cadence required to manage risk at institutional quality through one of the most challenging market environments in history.

The framework addressed portfolio risk, liquidity risk, counterparty risk, and operational risk simultaneously — with weekly investment committee risk reports, monthly board risk summaries, and real-time monitoring dashboards for liquidity and counterparty exposure. Every investment decision was evaluated against the firm's risk policy before execution.

When the opportunity arose to allocate to distressed debt, special situations, and event-driven strategies during the 2009–2010 credit dislocation, Verde's principal developed the risk framework that allowed these new strategies to be evaluated, sized, and monitored within the firm's existing governance structure — unlocking approximately $220 million in portfolio value without a single risk policy violation.

KEY DELIVERABLES

- Enterprise risk management framework — policies, governance, and monitoring infrastructure
- Weekly investment committee risk reports — portfolio, liquidity, and counterparty updates
- Monthly board-level risk summaries — executive-ready risk narrative and key metrics
- Counterparty concentration monitoring — real-time tracking across all banking relationships

- New strategy risk frameworks — supporting expansion into distressed debt and special situations
- Annual risk policy review and update — maintaining alignment with AUM growth and portfolio evolution

OUTCOMES & RESULTS

$0	~$220M	3.1x
Losses from Risk Management Failures During Crisis	Value Unlocked via New Strategy Frameworks	Platform Scaled Under Continuous Risk Governance

This case study is based on the direct professional experience of Verde Advisors' principal as Chief Risk Officer of Castellar Partners LLC (2009–2014). The Institutional Investment Risk Advisory service applies this same institutional framework to endowments, foundations, and pension funds on a monthly retainer basis.