

Hedge Fund **ALERT**

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G2 Crafts 'Shadow Accounting' Tool

Technology consultant **G2 Systems** is getting ready to roll out a "shadow accounting" service that would allow hedge fund managers to offer investors an extra layer of protection.

The service, which the Boston firm plans to begin marketing in the next few months, would produce reports on portfolio positions, profits and net asset values. G2's number crunching would be on top of whatever reports investors now receive from fund operators and administrators — effectively double- and triple-checking the work already being done.

In the wake of the financial crisis, fund managers have faced increasing pressure from investors to hire third-party administrators to handle an array of accounting functions. G2 is pitching itself as a kind of "fourth party" that can verify the work of fund administrators. What's more, while outside administrators typically crank out investor reports once a month, G2's service will provide daily reporting.

"We've seen what's happening in the industry," said G2 director **Michael Rodriguez**, who oversees the firm's accounting and operations practice. "It's become more regulation-sensitive, more operational-focused."

Some fund-administration shops have begun offering their own "shadow accounting" services, responding to investor demands that hedge fund accounting systems be as sophisticated as their trading strategies. But G2 believes many investors would prefer to have yet another set of eyes scrutinizing a fund's books.

The firm was founded in 2005 by **George Michaels**, who previously was chief technology officer at Dallas-based fund operator **Carlson Capital**. G2's flagship product, TaxGopher, helps



more than 400 fund managers comply with IRS rules on cost-basis calculations. ❖