

Investors Screen Hedge Funds with Social Media Checks

Stockholm (HedgeNordic) - Pre-investment background checks can represent an essential part of the due diligence process before entrusting fund managers with capital. And social media appears to have become the perfect place to begin background investigations on hedge fund and private equity vehicles.

According to a survey conducted by Corgentum Consulting, 62 percent of surveyed investors and operational due diligence analysts searched social media platforms such as Facebook, LinkedIn, Twitter and Instagram within the past year as part of the pre-investment background investigation process. The searches were conducted on the social media activities of the fund management company, as well as individual employees.

Around 38 percent of respondents stated that they uncovered at least one negative item during the social media searches that was overlooked during more traditional investigations. Additionally, 73 percent of respondents indicated that they would benefit from increasing the ongoing social media monitoring of fund managers during the post-commitment period.

"Investors increasingly want background investigations that dive deeper into the digital profiles of fund managers and their personnel," said Jason Scharfman, Managing Partner of Corgentum Consulting. "The focus is now on building a complete online and offline picture of the potential reputational risks involved with an investment. As a result, investors are increasingly integrating investigations into their larger due diligence and risk management frameworks."

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