



This newsletter from KMG, 'Fund Creator', is to inform wealth managers, financial intermediaries, fund managers, lawyers and accountants of the benefits of using Luxembourg as a financial centre. We will keep you up to date with Luxembourg's rules and regulations and show you applications of the SICAV SIF law in action, through cases where KMG has assisted in achieving a Luxembourg base for funds.

The KMG SICAV SIF is an open architecture platform, designed to enable third parties to launch their own fully supported and administered Luxembourg regulated funds without the usual costs or red tape.

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KMG Assist Manager to Explore Emerging Frontier Markets



Pioneering into emerging frontier markets is not as easy as it looks.

When Swiss Manager Valais' clients expressed an appetite for some of the less developed emerging markets, they found that investing was not as easy as they thought.

Many of the larger houses do not have country specific funds in markets such as Vietnam, South Africa and Turkey. The fund managers that operate in these countries are often locally based, they are subject to different and often less legislation than their EU counterparts; Liquidity is frequently limited and in short, due diligence is difficult and the risks are high; but the reward potential is huge.

"Everyone wants to invest in the next Brazil, Russia, India or China" says Samantha of Valais "and we have created the right fund to enable them to do so".

"Working with KMG we have drawn up a list of potential funds operating in a case of 8 countries including Egypt, Indonesia, South Korea, the Philippines and Mexico. KMG have put together the fund structure and delivered it early, ready for us to role out in the 1st quarter of 2011."

"Going that extra mile – or 10,000 is what we expect to do for our clients" says Paul Pavli, Operation Director of KMG.

"I look forward to assisting Valais in the launch of another pioneering fund and expect this to be a fund with tremendous potential for investors."

Get to Know Us

This month we introduce Hanna Duer...

Hanna was educated in Denmark achieving a BS Economics in 1988 and a MS Economics in 1992 from the University of Copenhagen, Denmark. In addition to her MS Economics she was awarded a scholarship by the University of Copenhagen to follow the MBA program with a major in Financial Economics at the McMaster University, Canada.

Following more than 18 years of financial investment activities in the international banking, pension and general insurance environment, Hanna has transitioned to a more focused role of oversight and control via responsibilities as a member of the Board of Luxembourg SICAVs and other Investment Management Companies.

Core Competencies

- * Extensive management and operational experience in the investment management sector.
- * Development and rationalisation of portfolio, risk management and asset liability management systems, quantitative analysis and reporting, and back office and investment control processes.
- * Strong knowledge of all types of asset classes and financial instruments, including alternative investments, i.e. Real Estate, Private Equity, Hedge Funds and Structured Products.
- * Oversight of and hands-on experience with front, middle and back office operations.
- * Attained above benchmark risk-adjusted returns on investment portfolios.
- * Track record of development of investment products for retail and corporate clients including distribution system set-up.

Experience

Chief Investment Officer (CIO) for Codan, Denmark (the second largest Nordic/Baltic Insurance Company), she holds the position of Director of Banque Louis European Property Fund, Direct investment in real estate, SIF-SICAV.



Fund Focus

The Sovereign Currency Fund

The Sovereign Currency Fund seeks to achieve an absolute return of LIBOR + 3% by employing multiple trading strategies in the OTC and Spot Forex markets. KMG Capital Markets has assisted the fund to expand from a single trader to the multi manager offering. Due diligence was performed on numerous traders which has involved interviews and review of track records including actual client trading statements. A short list was compiled based on consistency of returns, investment and operational risk management and low volatility. KMG has recommended the implementation of four new strategies within the Sovereign Currency Fund to provide the diversification needed to keep performance positive and volatility low.

Strategy 1

This is a discretionary trading strategy that seeks to identify trends within the market, and then wait for a retracement in order to enter into the trade. Concentrating primarily on EUR/JPY, GBP/JPY, GBP/USD and rarely EUR/USD, this strategy has produced consistent returns of 1.5%-2.5% per month and very little volatility over the past 18 months.

Strategy 2

This is a systemic algorithmic trading strategy. The model seeks out patterns in the market which signal high probability profit trades which are then executed automatically. This strategy is a high frequency, short trade duration system, typically ranging from 50-100 trades per day and holding positions for a few seconds to a few minutes at the longest. This strategy does not focus on or exclude any particular currency pair. The strategy will enter into any currency pair trade it identifies as having a high probability of profit. The strategy has performed 17.68% year to date, and 56.62% over the past three years.

Strategy 3

This is also an automated trading strategy. This strategy trades on news such as economic forecasts and data that is released to the market and can predict the likely movement of the market in the seconds to follow. The strategy is designed to be able to very quickly enter and execute trades before the market in general is able to mobilize in response to the news, in effect getting to the front of the line. This strategy is a low volume, short trade duration strategy that has returned 5.37% year to date.



Strategy 4

The approach in this strategy seeks to analyze the market to identify short term movements and momentum which will lead to high probability profitable trades. Per trade profit targets are kept small (3-4 pips), with risk management and capital preservation being paramount. This strategy trades during hours of greatest volume and liquidity, adding to the predictability of market movements. This strategy seeks to gain 3% monthly and historical performance shows 15.45% year to date (31st October), and 21.89% for 2009.

With the increased diversification, the Sovereign Currency Fund is well positioned to take advantage of whatever direction the winds blow for the forex markets in 2011 and beyond. KMG Capital Markets will closely monitor the strategies, and advise on changes to allocations and recommend changes to the strategy mix when and if required.

Up & Coming Events

12th Annual Fund Compliance Conference - Fund Compliance Summit

Kikuoka Golf Club, Luxembourg
11th February 2011

The fund compliance environment is evolving rapidly through the new legislations and regulations impacting the fund industry.

The Conference will therefore provide a focus overview of the main challenges that the compliance function needs to master and amongst others will address:

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