

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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Imperial 'dream-team' launch flagship fund with KMG



Experienced Asset Manager, Jonathan Stross, approached KMG to help launch the flagship fund of his new Asset Management Company, Imperial Investment Management LLP.

Teaming up with Ralph Stross and Paul Hogarth, founders of Bankhall Investment Management (BIM), Jonathan wanted a high profile Fund that could take advantage of the group's wealth of experience and established track record.

Managing diverse investment portfolios, split between up to 6 or 7 managed accounts was both time consuming and administratively burdensome. Although Jonathan and his team at Stross Investment Group historically make very healthy returns for their clients, the trading process was complex and protracted.

Jonathan sought a collective structure that would simplify his assets into a more manageable fund as well as help broaden his investor base. It was also essential the team be allowed to operate with a certain amount of freedom and carry out their dynamic investment style which had proven so effective in the past.

KMG provided the solution and created the multi-asset Imperial Investment Fund which exploits their team's successful and diverse investment strategies across Futures, Commodities and Forex. The Fund will incorporate multiple managed accounts, with traders operating independently, as the team dictates. Jonathan commented;

"The KMG platform offers the transparency and regulation our investors demand without impeding on the fund's diverse trading strategy"

Citing the need for a speedy time-to-market, Jonathan was delighted with KMG's grasp of what he wanted to achieve;

"I'm very excited about having the team back together again and thanks to KMG we are now in an excellent position to launch the fund to the market"

The SICAV SIF Platform Corporate INTL Magazine - Oct 09

Luxembourg has enjoyed significant and constant growth in assets and fund numbers, reflecting its attractiveness as a hub for global products.

The Law of February 2007, on Specialised Investment Funds (the SIF Law), created a new regime of funds, designed for "well informed" investors and institutions. Since the inception of the SIF, there have been almost 900 different SIF structures created. This success is testimony to the vision of the Luxembourg legislature and its capacity to translate the industry demands into reality.

Kevin Mudd, director, says the KMG SICAV-SIF vehicle is an open ended investment company similar to an OIEC in the UK.

"This is fast becoming the fund structure of choice for asset managers who want to create a structure suitable for well informed, sophisticated investors."

There are around 1.6 trillion Euros under management in Luxembourg and the jurisdiction wants to build on its strong position in the UCITS market. The established administration and legal systems attract hedge funds, private equity and real estate funds.

Many funds that are currently domiciled in less well regulated locations may move; there is a flight to quality as investors' demand for better regulation increases.



[Click here to read the full article](#)

FUND FOCUS

Valais Diversified Trend Fund

Past Performance *can* influence future returns!

Systematic trading funds, or Managed Futures, as they are often known, exploit market trends in a disciplined and risk controlled approach, using computer modelling techniques.

Accessibility can be difficult as they are often closed to new investors and can have very high minimum entry levels; yet managed futures are among the few asset classes to have prospered in these difficult markets.

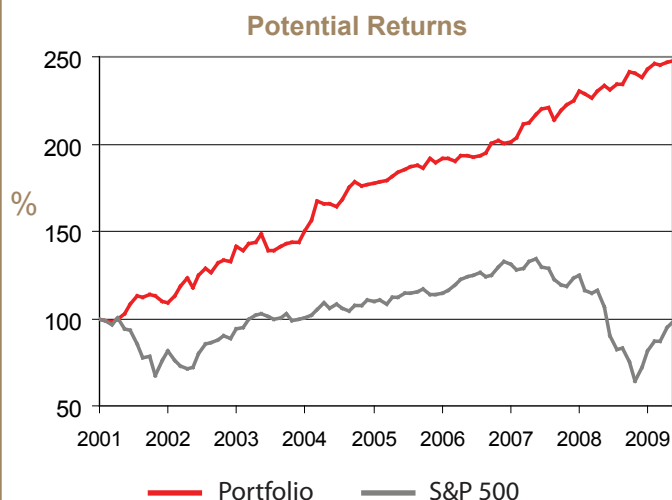
Due to the advanced predictive trading techniques of the underlying funds, the Valais Diversified Trend Fund is able to offer investors solid capital gains despite the changing markets.

KMG opened the fund for subscriptions just three weeks after Valais came to them and it follows two other Valais funds into the SICAV SIF platform. KMG operations director Paul Pavli said:

"This fund gives IFAs and their 'well informed' clients a chance to benefit from a sophisticated trading strategy that is otherwise considered beyond the reach of the direct investor."

He added that having the fund structured as a SICAV SIF had appealed to Valais, giving access to retail and institutional investors globally.

Valais has back-tested the portfolio of underlying funds and identified annualised returns of 20.41%, with annualised volatility of 11.53%, between 2002 and 2009.



Valais said they were delighted with KMG's responsiveness and the flexibility of the SICAV SIF which enabled them to offer

"a range of truly multi-asset funds, which is a powerful tool in today's competitive market."



Manager hedges his bets with KMG

A talented, London based, hedge fund manager approached KMG in September of this year. He wanted to set up on his own but was daunted by the prospect of raising investor capital,

organising the back-office systems and running the fund, if he had to spend time negotiating the structure of the fund and its launch.

Hedge fund investors are increasingly shunning exotic offshore locations, in fact our client's investors were asking for an on-shore fund but he was unsure how to get one easily and quickly.

Hedge funds use a range of techniques to invest in a variety of assets, so combining this with a transparent structure under a robust, onshore regulator can be tricky, to say the least.

Our hedge fund entrepreneur worked with KMG in creating a fund which would offer him the required investment powers such as generous leverage, but with the robust regulation and independent administration that he considered paramount.

We can offer a turn-key solution for new ventures, including the marketing and distribution support our hedge fund manager required.

KMG Capital Markets business development manager Tony Trescothick commented:

"We discussed how the SICAV SIF had been designed with alternative asset managers in mind. The client felt he would have been limited by the unnecessarily rigid regulation of other structures like UCITS, which are intended for retail investors."

The guidance and support KMG were able to offer matched our client's fund requirements and will allow him to do what he does best, concentrate on managing the assets. We expect the Dynamic Assets Hedge Fund to launch at the end of this year.

"The KMG SICAV-SIF has been designed to give advisers greater control over client's assets in one place, allowing them to move large sums of money quicker... It will give advisers European and International distribution capabilities"

Luxembourg Business Partners, August 2008

ALFI respond to Eastern interest and investor queries



Growing interest from Far East investors, including Chinese institutions, has prompted the Association of Luxembourg Fund Industry (Alfi), to open a marketing office in Hong Kong.

Investors in the Far East are increasingly looking to European funds and qualified Chinese institutional investors have been permitted to buy Luxembourg funds since last year. In a recent article in International Adviser, Alfi deputy director general, Charles Muller, commented:

"Hong Kong is already a developed market for us, as is Singapore."

Alfi, the trade body for the Luxembourg funds industry, currently reaches out to foreign markets such as Dubai, promoting the jurisdiction through road shows and forums. This event follows the opening of similar marketing offices by representatives of both Guernsey and Jersey financial services industries, in Shanghai and Hong Kong earlier this year.



Find out more at www.alfi.lu

Up & Coming Events

ALFI - European Alternative Investment Funds

24 & 25 November 2009, Luxembourg

These specialised workshops on Hedge Funds, Real Estate Funds, Private Equity Funds, will discuss:

- » The proposed new AIFM Directive as it stands today and the way forward
- » How should the Private Equity Industry prepare for the proposed directive?
- » The impact of the crisis on the Hedge Fund Industry
- » What will Real Estate Investors look for in funds in 2010?

[Click here to read more](#)

AIFM Directive could cost European investors Billions of Euros



Recent studies by Independent think-tank Open Europe have shown the Alternative Fund Managers (AIFM) Directive would radically reduce European investor's choice of assets and could reduce the ability to deliver returns by as much 10%.

The directive has been widely criticised by business and fund management representatives and, according to Open Europe, could add up to €1.9bn in private equity and hedge fund compliance costs in 2011. In its current form, the directive could cost European investors Billions of Euros and thousands of jobs plus millions in tax revenues could be at stake.

While the final shape of the directive is still to be decided, investment managers must make preparations for onerous regulations on funds domiciled outside the EU. Relocating to Luxembourg could be just the answer and the Abu Dhabi Commercial Bank (ADCB) did just that with its new Middle East and North Africa fund.

In an interview with Luxembourg for Finance (LFF), ADCB said the Luxembourg Special Investment Fund (SIF) structure offered the best balance of flexibility and regulatory oversight which allowed them to:

"design a fund structure to be distributed globally and managed from the UAE."

The KMG SICAV-SIF platform offers investment managers a flexible, adaptable route to market, without any risk of sharply increased compliance costs and investment restrictions that the AIFM Directive will introduce if their funds remain domiciled offshore.

[Click here to read the full report by Open Europe](#)

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