

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 SICAV SIF law in action, through cases where KMG has assisted in achieving a Luxembourg base for investment funds.

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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AIFMD Compromises benefit Alternative Fund Managers and their Funds



The latest draft of the Alternative Investment Fund Managers Directive (AIFMD) which aims to regulate hedge funds and private equity firms, was agreed upon by EU Finance Ministers, representing the EU Council of Member States, in a recent meeting. The Alternative Investment Management Association (AIMA) has also given tentative backing to the agreement of the Council.

The latest draft, which is considered a 'compromise proposal', was drawn up by the Belgian government (who currently holds the presidency of the European Council). The council's unanimous agreement on 19th November 2010 yields a great leap towards the final text of the AIFM Directive. Only the backing of the EU Parliament's Econ committee is now required before it can be put to a final vote in plenary - currently expected to take place in early November.

Most funds that are managed from London and other European financial centres are actually based in offshore centres such as the Cayman Islands. When the legislation was proposed by the European Commission, almost 18 months ago, it sparked fears amongst the hedge-fund industry that non-EU funds could be blocked from raising funds in Europe. After much lobbying by the UK Government and the industry, a satisfactory compromise was reached which will allow non EU funds to market into Europe subject to various requirements.

The country in which it is based must firstly satisfy three requirements. First, it must have passed tax laws based on models from the Organization for Economic Co-operation and Development. Next, laws to prevent

money-laundering and terrorist-financing should be in place. And finally, the country must have an agreement to share information with the EU country that grants the passport.

EU national regulators will have the power to issue passports, but the new pan-European regulator, ESMA, will help decide which country an overseas fund should get the passport from, based on factors such as where the fund is raising most of its money.

With the imminent agreement and implementation of the AIFMD fast approaching, concerned fund managers are beginning to consider their options; seeking an EU domicile for their fund, so as to avoid the red tape that will come with 'passporting' an offshore fund, is seen as a sensible move. People familiar with the EU realise that the compliance and regulatory framework that will be introduced will not be easy to navigate and may lead to delays in getting their fund accepted and potentially stop their fund in its tracks.

When introduced the AIFMD is expected to create a rush of applications for onshore EU funds. Fund platforms such as KMG SICAV-SIF which is domiciled in Luxembourg, provide a turnkey solution for fund managers in Europe's number one investment fund domicile. The Luxembourg Specialised Investment Fund (SIF) was introduced in February 2007 to meet the requirements of the alternative investment market and is expected to be the vehicle of choice for fund managers.

Conferences & Events

ALFI European Alternative Investment Fund Conference

24th & 25th November 2010

Panel discussions:

With representatives of European regulators, including the Luxembourg CSSF, AMF of France, BaFin of Germany and FSA of United Kingdom.

On asset allocation after the crisis, the AIFMD and the Depositary Bank.

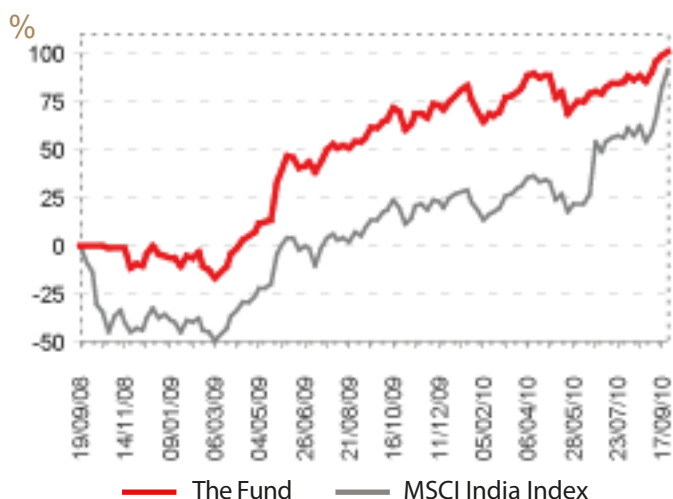
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FUND FOCUS

Diversified India Fund returns +100% in two years!

The Diversified India Fund has seen its share price double in two years, recording Performance Since Launch of +100.61%, at the end September 2010. The Fund aims to benefit from the growing Indian economy and its performance so far is testimony to its success.



Emerging markets such as that of India are predicted to remain growth champions in 2011, as debt problems within Europe continue to undermine the recovery of the developed economies. Economic recovery is stronger in most developing countries, in fact,

the IMF expect India to record growth of 8.4% next year vs a predicted 2.2% among more advanced economies.

Indian Agriculture, Manufacturing and Services sectors should all drive this growth. Improvements in the hotel, transport and communications sectors all contribute to the Services sector which accounts for 57% of Indian GDP. A good monsoon season has also raised crop expectations, aiding growth within the Agriculture sector.

India is one of the fastest growing economies in the world and desire to invest in the Indian market continues to increase. The Rupee was up 4.5% (YTD) against the USD at the end of September, when India saw levels of foreign institutional investment reach a three year high for the quarter.

[Contact us for more information](#)

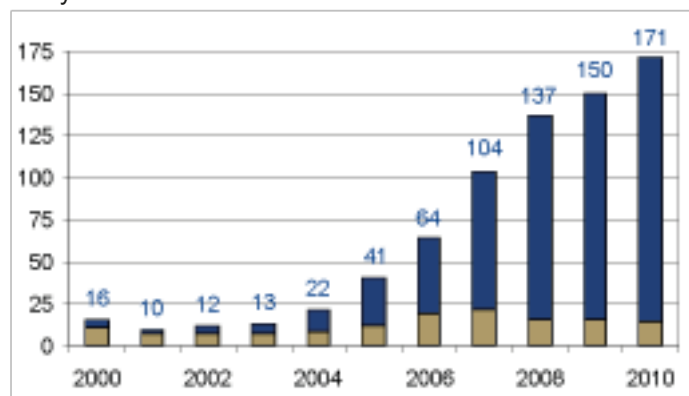
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Growth of Real Estate Investment Funds

A recent report by the Association of Luxembourg Fund Industry (ALFI) illustrates a considerable growth in the Real Estate Fund market in Luxembourg. According to a survey carried out in September 2010, despite the difficult market conditions,

14 new Real Estate Investment Funds (REIFs) were launched in Luxembourg last year.

With fund promoters coming from UK, US, and Germany, the global appeal of Luxembourg has never been so apparent. The graph below illustrates the growing number of Luxembourg REIFs over the last 10 years, reaching 171 this year so far.



data source: ALFI

92% of Luxembourg Real Estate Funds operate under the SIF Law (2007), again demonstrating the increasing demand for this type of Fund, which is aimed at Institutional and Well Informed Investors.

KMG provide an ideal platform, from which to launch your own SIF.

The KMG SICAV-SIF is an established Luxembourg Fund Platform with a range of Dedicated Investment Funds; from Currency Trading and Futures to Equity and Real Estate Funds. The KMG team has extensive experience in the real estate industry both at Board level and at the operations level.

KMG has recently launched several REIFs; a fund with an investment focus on UK residential properties; as well as a land development fund targeting strategic land investments within the UK and a fund with exposure to various Balkan markets.

KMG have the administrative and legal structure in place as well as the investment experience needed

to support Fund Managers seeking to launch their own REIFs in this premier European fund centre.

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