

AIFMD: Are you ready?

SUMMARY

The “Alternative Investment Fund Managers Directive” (AIFMD) is widely regarded as the most radical reshaping of fund management and marketing regulation in the European Union since the introduction of the UCITS directive (Undertakings for Collective Investment in Transferable Securities). Alceda Fund Management S.A. and Kepler Partners LLP conducted a survey in May/June 2014 amongst the global alternative investment fund manager community. The 56 respondents collectively manage over 300 billion USD under management, representing firms in Europe, Asia-Pacific and the USA. The objective of the study was to assess the key issues of investment managers and the potential opportunities AIFMD may bring. Authorisation under the AIFMD means fund managers will be subject to a host of new requirements, threatening significant operational impact on the industry. These include increased requirements for due diligence, better risk and liquidity monitoring and new reporting and disclosure requirements as well as clearer marketing and communications rules.

- >> When asked if they were ready for the AIFMD, only 32 % said they were already compliant. A further 19 % said they were planning to submit an application before the 22 July 2014 deadline. Some 13 % of the respondents are still unsure about their intentions.
- >> European managers responding to the survey are generally well prepared, while managers in the rest of the world appear blindfolded. Some 17 % of respondents said they preferred to maintain the UCITS access route, an existing and well established EU branded regulatory framework for asset managers, which was originally designed as a retail structure, but is increasingly used by institutional investors.
- >> A number of firms surveyed were still undecided on which route to take, with 8 % saying they were considering using third party service providers and 4 % saying they would continue using the private placement route where managers can market within the EU under a specific private placement regulatory framework. However, this option will expire in 2018. Only four firms said they will not market within the EU.
- >> One of the biggest challenges under AIFMD will be the creation of a single distribution market in Europe and combining the different regulations and requirements of different countries.
- >> When asked which aspects of AIFMD posed the greatest threats to their business, 30 % of respondents cited depositary costs, remuneration and the end of private placement as their most serious concerns. However, a clear majority, over 40 % believe in the benefits of a EU-wide distribution passport and increased investor confidence under the AIFMD brand, in particular, this group cited the opportunity to extend both the product range and the distribution of their products across Europe. There was also the perception that AIFMD would lead to more offshore funds moving onshore.

For more information
please visit
www.alceda.lu or
www.absolutehedge.com

>> Clearly, the alternative asset management industry is at the crossroads. A combination of intense regulation, cost pressure, consolidation and globalisation, is forcing many participants to take a close look at their business and operating models. What is clear from this survey is that there is still an element of wait and see about AIFMD, but we feel that the real winners of the future will be those alternative managers that readily embrace EU regulation, be it under UCITS or AIFMD. <<

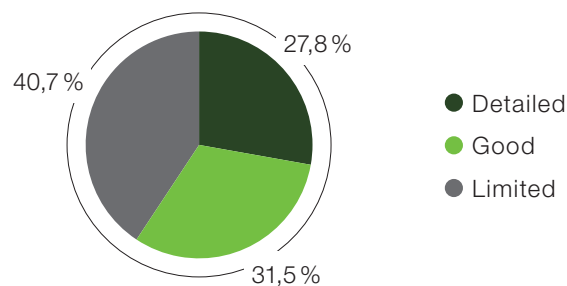
Michael Sanders, CEO and Chairman of the Board of Alceda Fund Management S.A.

>> It's clear that the general understanding of the implications of AIFMD on the alternative fund management industry is low. Alternative asset managers headquartered outside Europe are potentially sleepwalking into the unknown despite the potential impact on their business. <<

Georg Reutter, Partner, Kepler Partners LLP

KNOWLEDGE

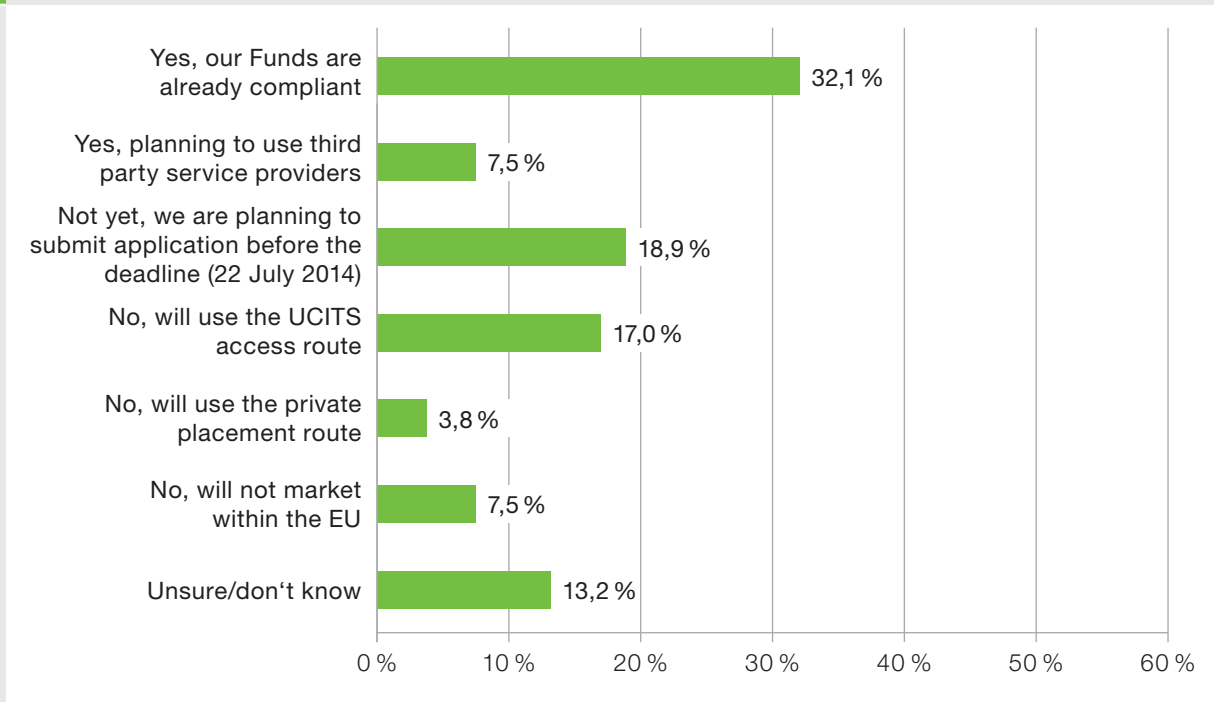
1 HOW DO YOU FEEL ABOUT YOUR KNOWLEDGE OF THE REQUIREMENTS AND IMPLICATIONS OF THE AIFMD?



Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

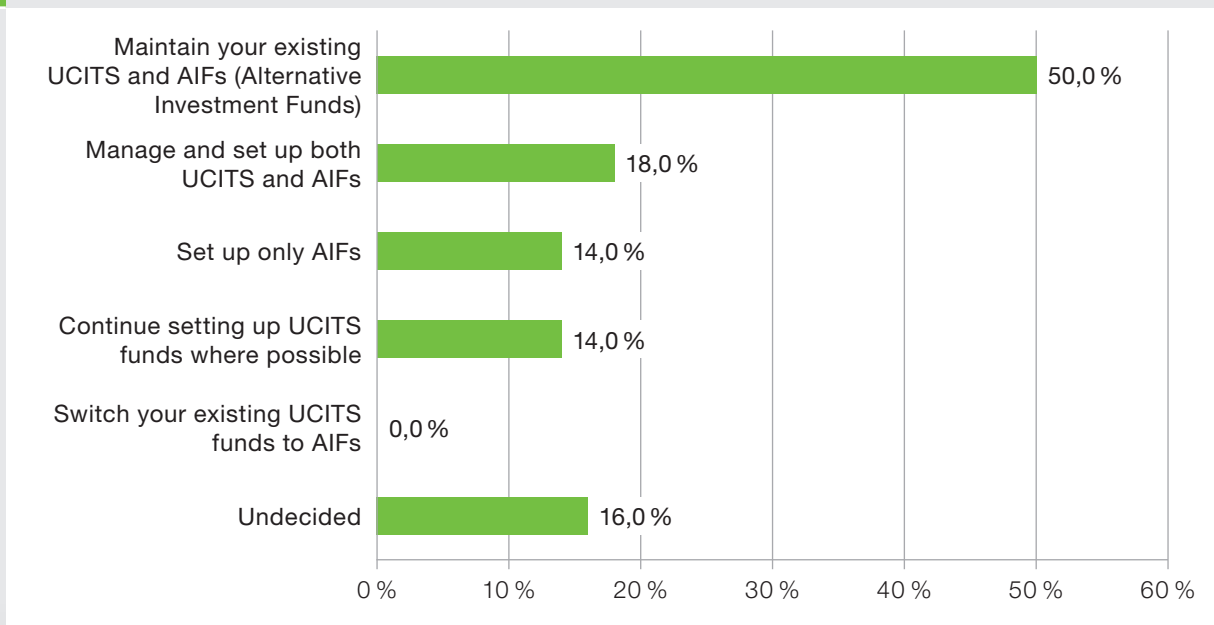
READINESS

2 ARE YOU READY FOR THE AIFMD?



Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

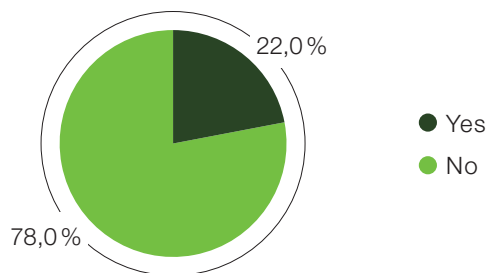
3 WHAT DO YOU PLAN TO DO?



Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

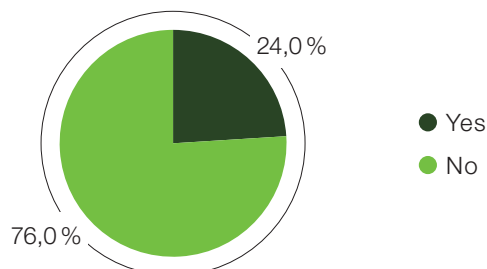
IMPACT

4 DO YOU THINK AIFMD COULD IMPACT ON THE INVESTMENT STRATEGY OF YOUR FUND?



Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

5 DO YOU THINK THAT ALTERNATIVE UCITS FUNDS WILL DIMINISH UNDER THE AIFM DIRECTIVE?

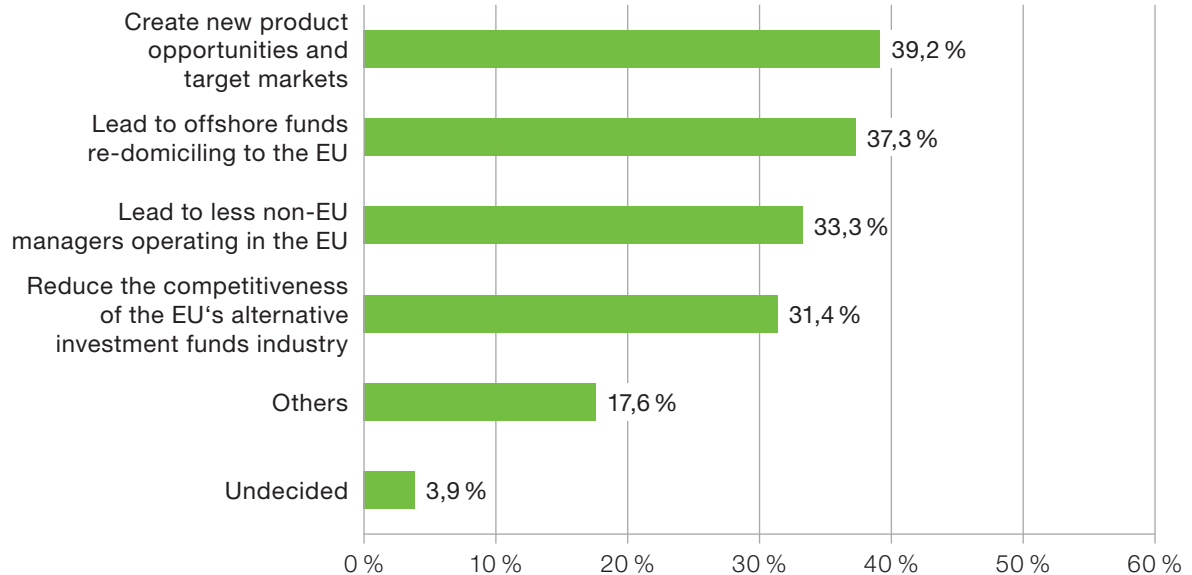


Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

>> Investors have been worried about the AIFMD affecting the quality of the investment strategies available to them. However, the majority of managers don't think that AIFMD will impact their strategy nor that it will negatively impact the continued growth of alternative UCITS funds. <<

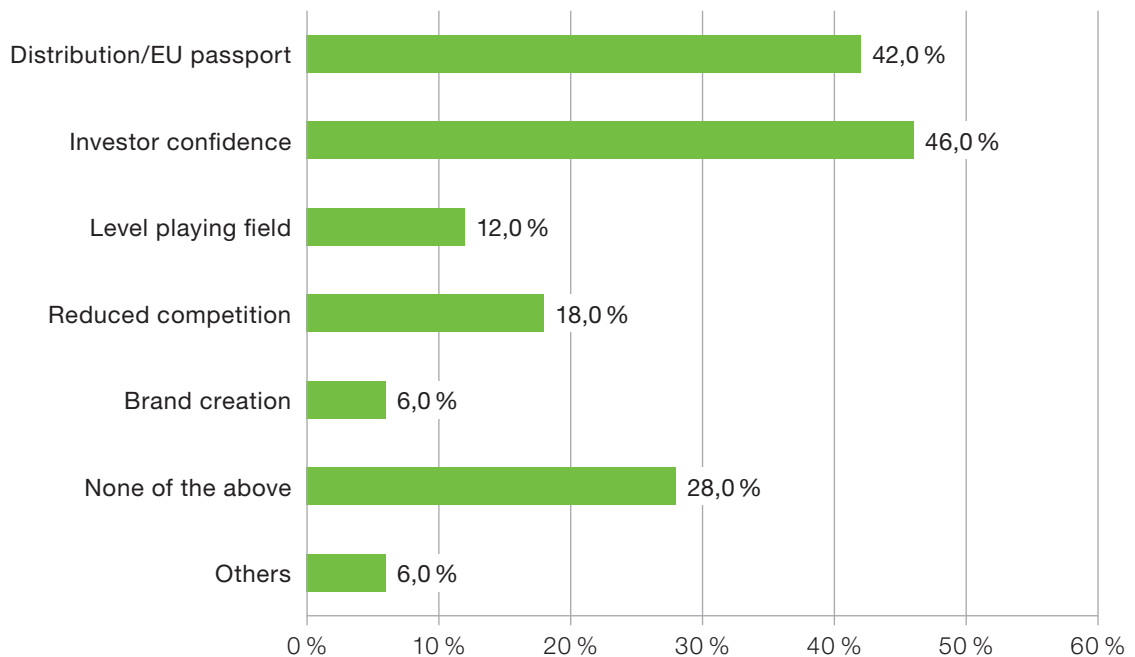
OPPORTUNITIES

6 HOW DO YOU THINK THE ASSET MANAGEMENT INDUSTRY WILL RESPOND TO AIFMD?



Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

7 WHICH ASPECTS OF THE AIFMD OFFER THE GREATEST OPPORTUNITIES TO YOUR BUSINESS?

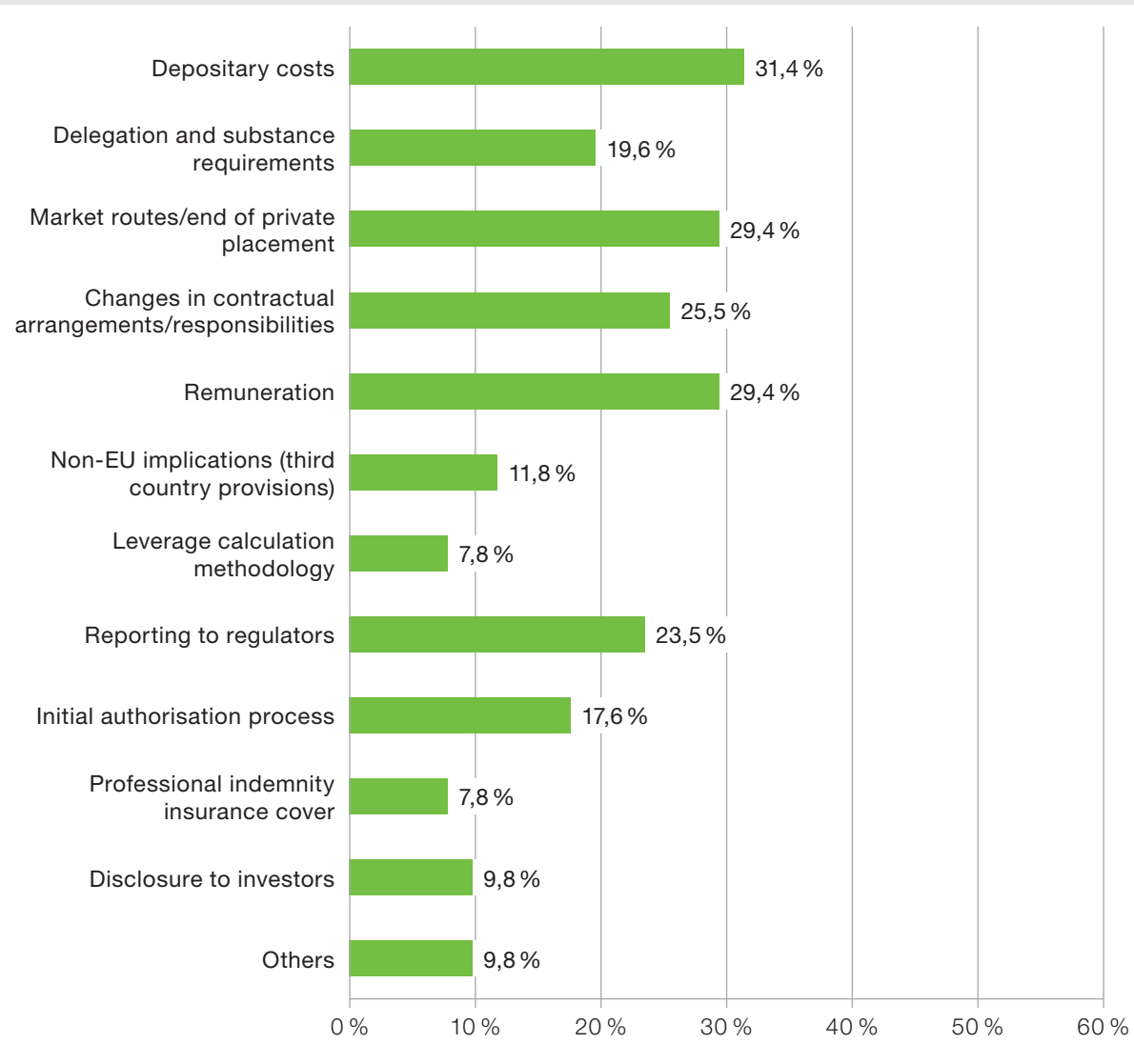


Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

CONCERNS

8

WHICH ASPECTS OF THE AIFMD OFFER THE GREATEST THREATS TO YOUR BUSINESS?



Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

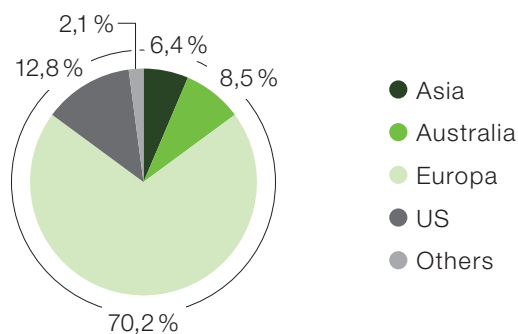


Depository costs, remuneration and the end of private placement are the most pressing concerns. One of the biggest challenges under AIFMD will be the creation of a single distribution market in Europe and combining the different regulations and requirements of different countries.



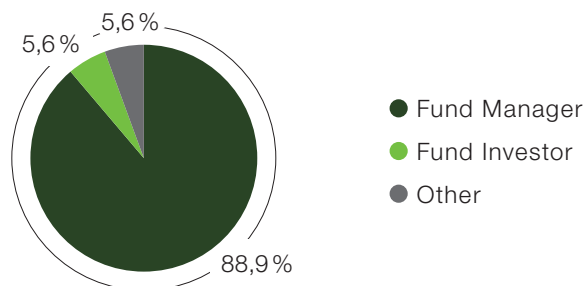
RESPONDENT PROFILE

9 WHERE IS YOUR BUSINESS HEADQUARTERED?



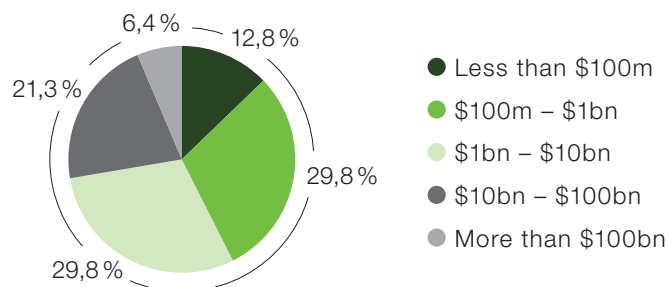
Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

10 WHAT IS YOUR PRIMARY FUNCTION?



Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

11 FIRM AUM AS AT DECEMBER 2013



Source: AIFMD Survey, Alceda Fund Management S.A. in association with Kepler Partners LLP

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