



EUROPE'S APPETITE FOR ALTERNATIVES



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Moderator



**Emmanuel-Frédéric
Henrion**

Partner

Linklaters



@LinklatersLLP

Experts



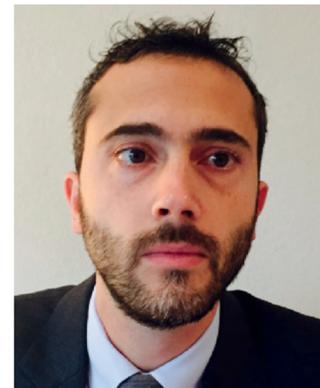
Pierre Beissel

Partner

Arendt & Medernach



@ArendtMedernach



Marcello Belfiore

*Market Facing Director
Assurance*

EY



@EY_Luxembourg



Alessandro D'Ercole

*Head of Corporate
Services*

Adepa Asset Management



**Murielle
Filipucci**

Partner

PwC



@PwC_Luxembourg

Agenda

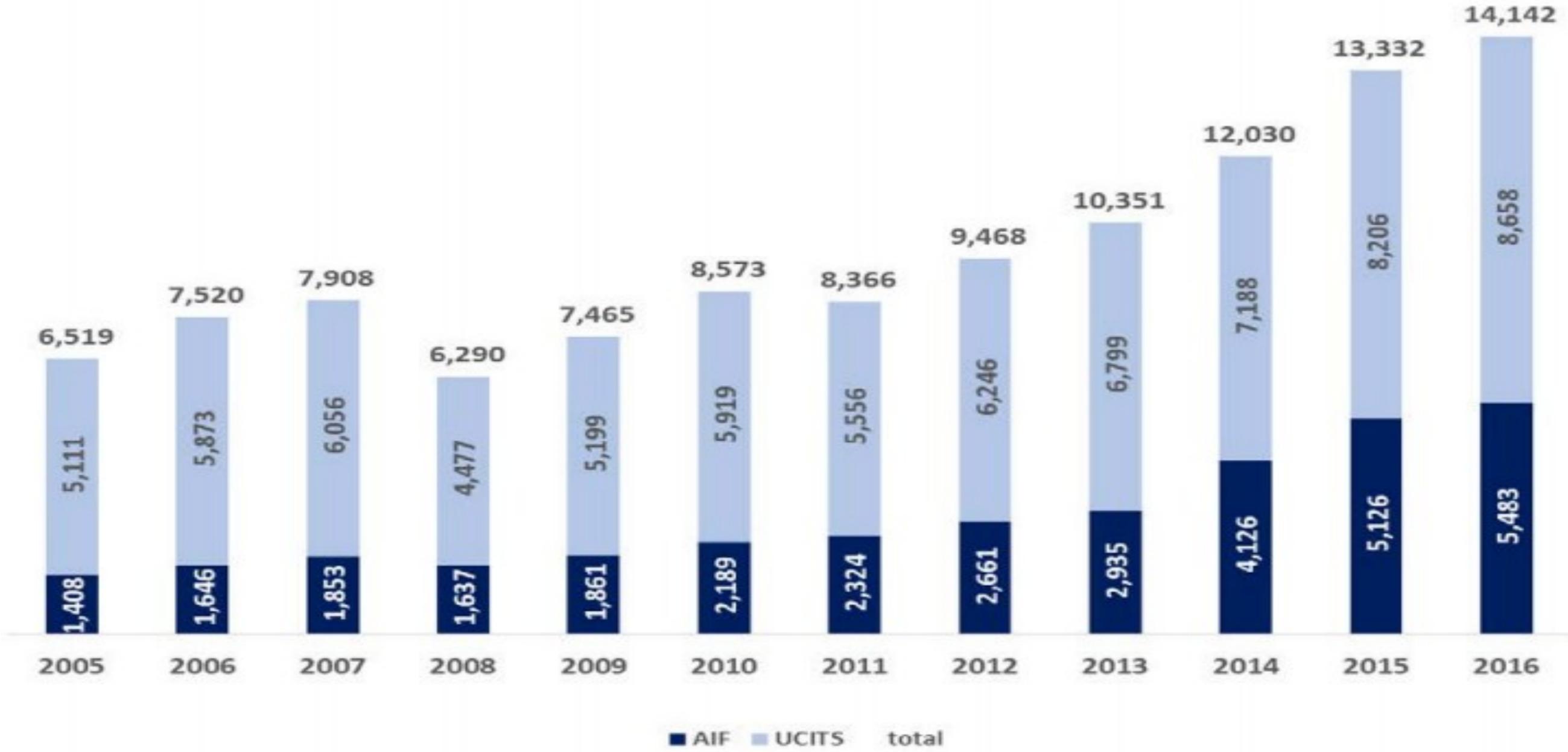
1. Facts and Figures
2. Current drivers
3. Alternative Investment Fund Managers – expected potential issues
4. AIFMD: a brand with solid grounds
5. The Luxembourg vehicles
6. Impact of BEPS
7. Recent fund structuring trends
8. Lux vehicles suitable for Italian investors

Facts and Figures (1/5)

AIFs fundraising hits post-crisis high:

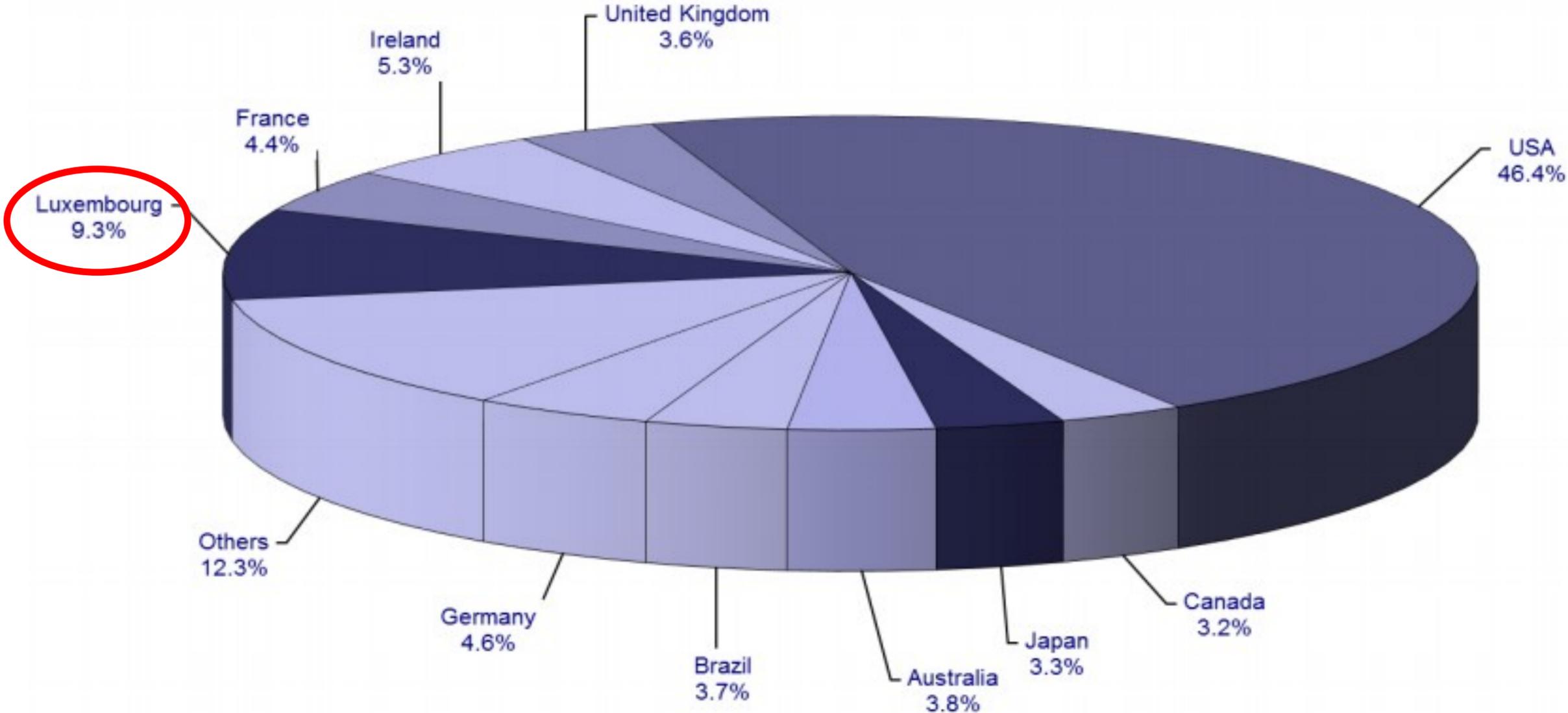
- More than **\$7.7 trillion** in hedge fund and private equity capital assets managed globally, i.e. a **growth by \$300 billion during 2016** (*source: Preqin Investor Outlook: Alternative Assets, H1 2017*)
- More than **\$240 billion** has been raised across private equity and venture capital funds in North America and Europe in the H1 2017 (*source: Financial Times and Pitchbook, October 2017*)
- Total private market fundraising in 2016: **\$344 billion**
- Highest total private market fundraising was **\$419 billion**, in 2007

Facts and Figures (2/5)



Facts and Figures (3/5)

Top 10 domiciles of worldwide investment fund assets:



Facts and Figures (4/5)

Luxembourg is the largest fund centre in Europe and second largest in the world:

Total assets / UCIs

Country	Total assets under management (in millions of euros)	Market share in %
Luxembourg	3 506 201	26.3
Ireland	1 898 825	14.3
Germany	1 729 234	13.0
France	1 682 808	12.6
United Kingdom	1 479 696	11.1
Netherlands	734 686	5.5
Switzerland	501 528	3.8
Sweden	285 561	2.1
Italy	281 564	2.1
Denmark	258 540	1.9
Others	954 427	7.2
Total	13 313 070	100.0

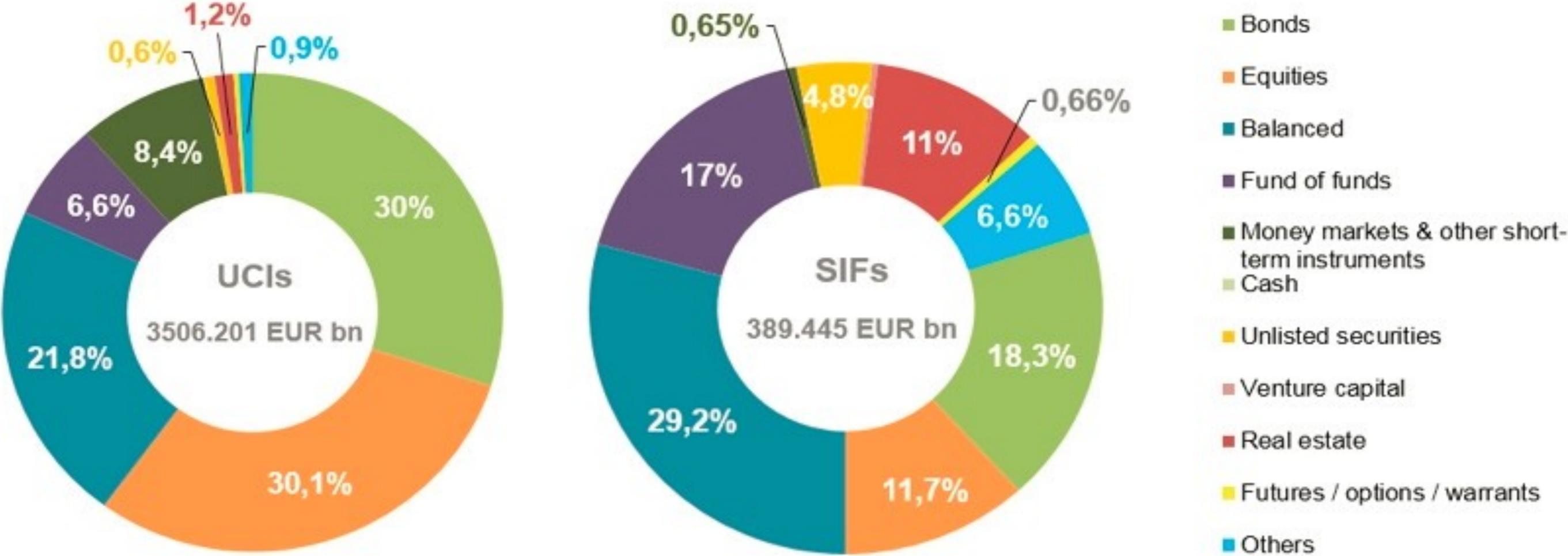
UCITS

Country	Total assets under management (in millions of euros)	Market share in %
Luxembourg	2 946 860	35.9
Ireland	1 446 873	17.6
United Kingdom	1 083 481	13.2
France	762 929	9.3
Switzerland	410 199	5.0
Germany	309 852	3.8
Sweden	262 445	3.2
Italy	226 043	2.8
Spain	185 420	2.3
Denmark	107 871	1.3
Others	457 926	5.6
Total	8 199 901	100.0

Source: ALFI statistics

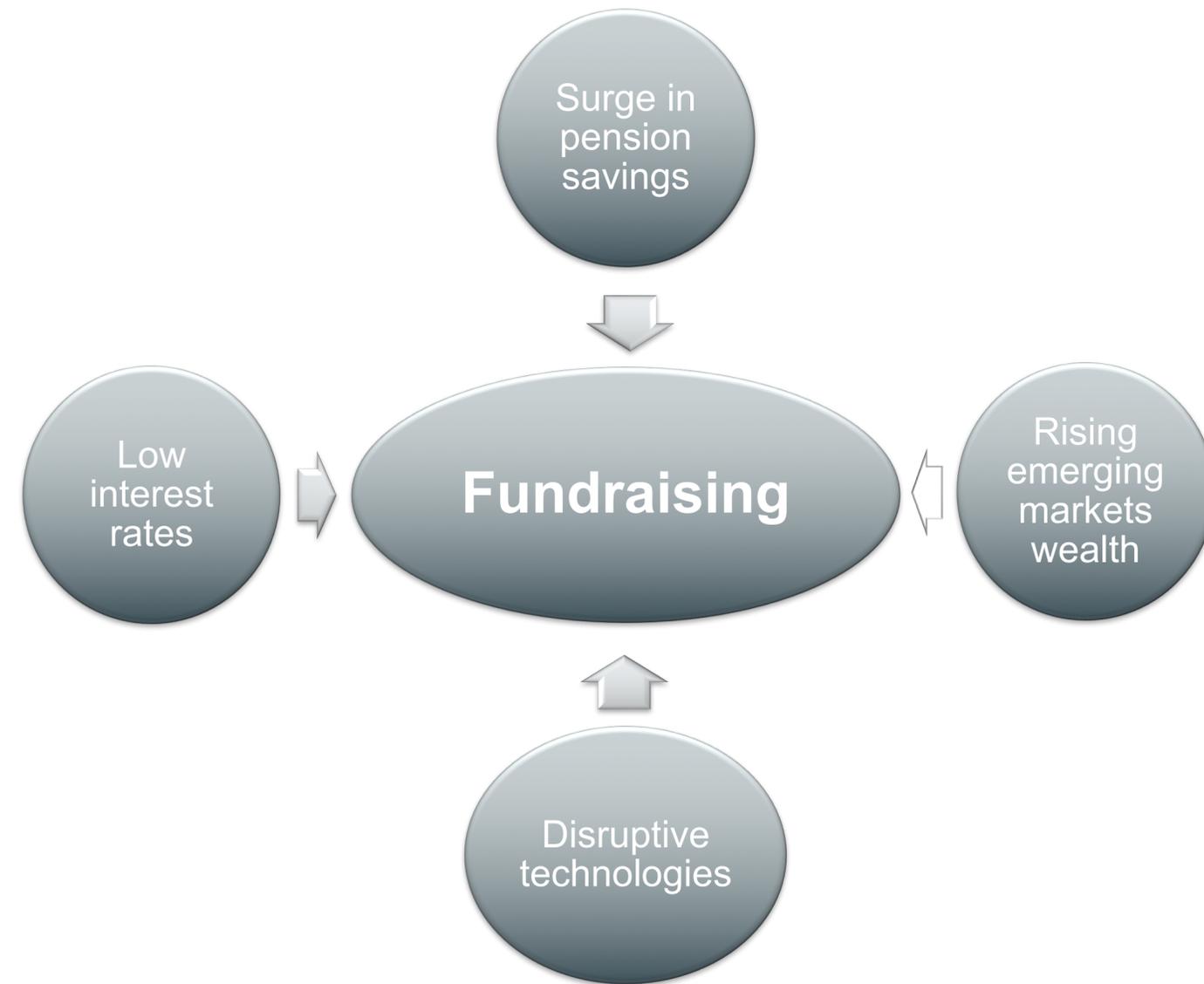
Facts and Figures (5/5)

Types of investments of Luxembourg UCIs and SIFs

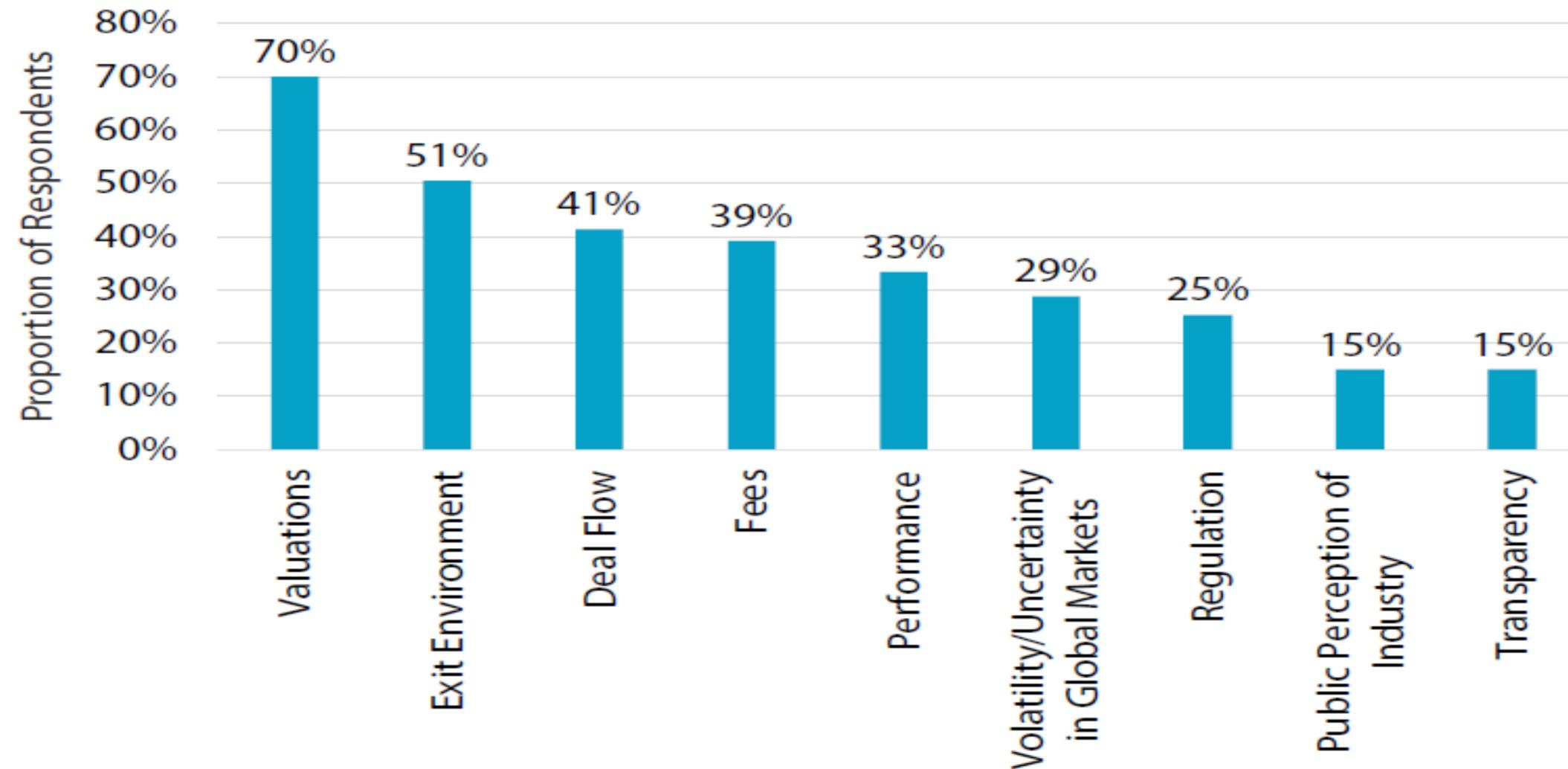


Source: ALFI statistics

Fundraising in alternative fund industry – current drivers



Alternative Investment Fund Managers – expected potential issues



Source: Preqin Investor Outlook: Alternative Assets H1 2017

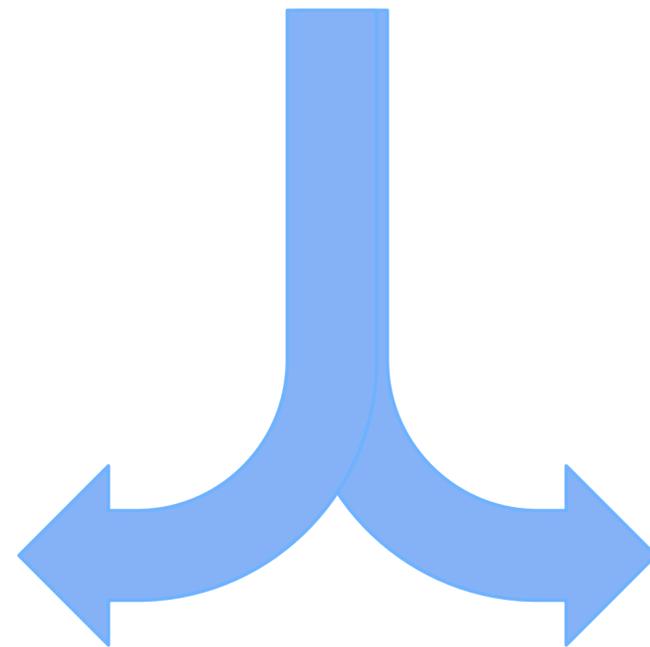
AIFMD: A brand with solid grounds



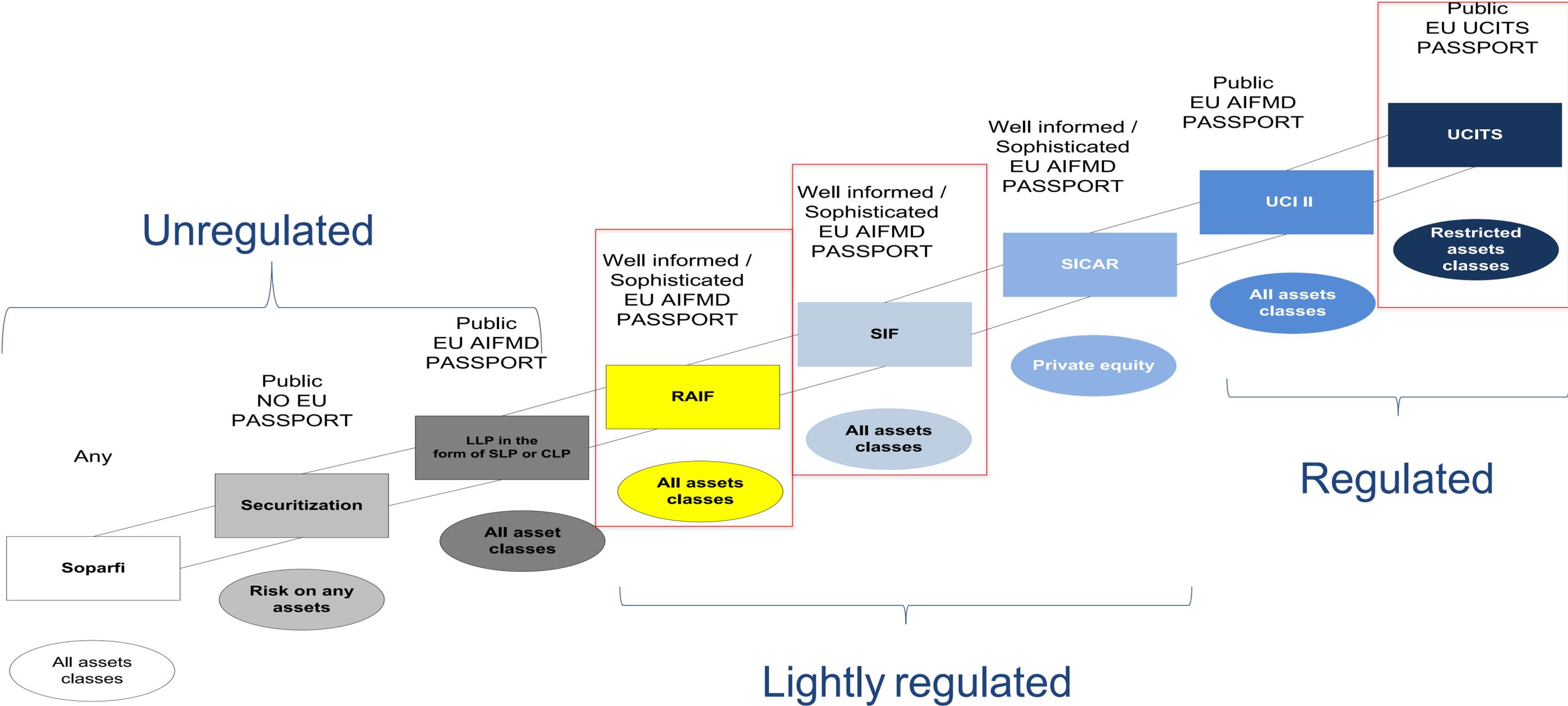
Enhanced investor protection



Transnational harmonization

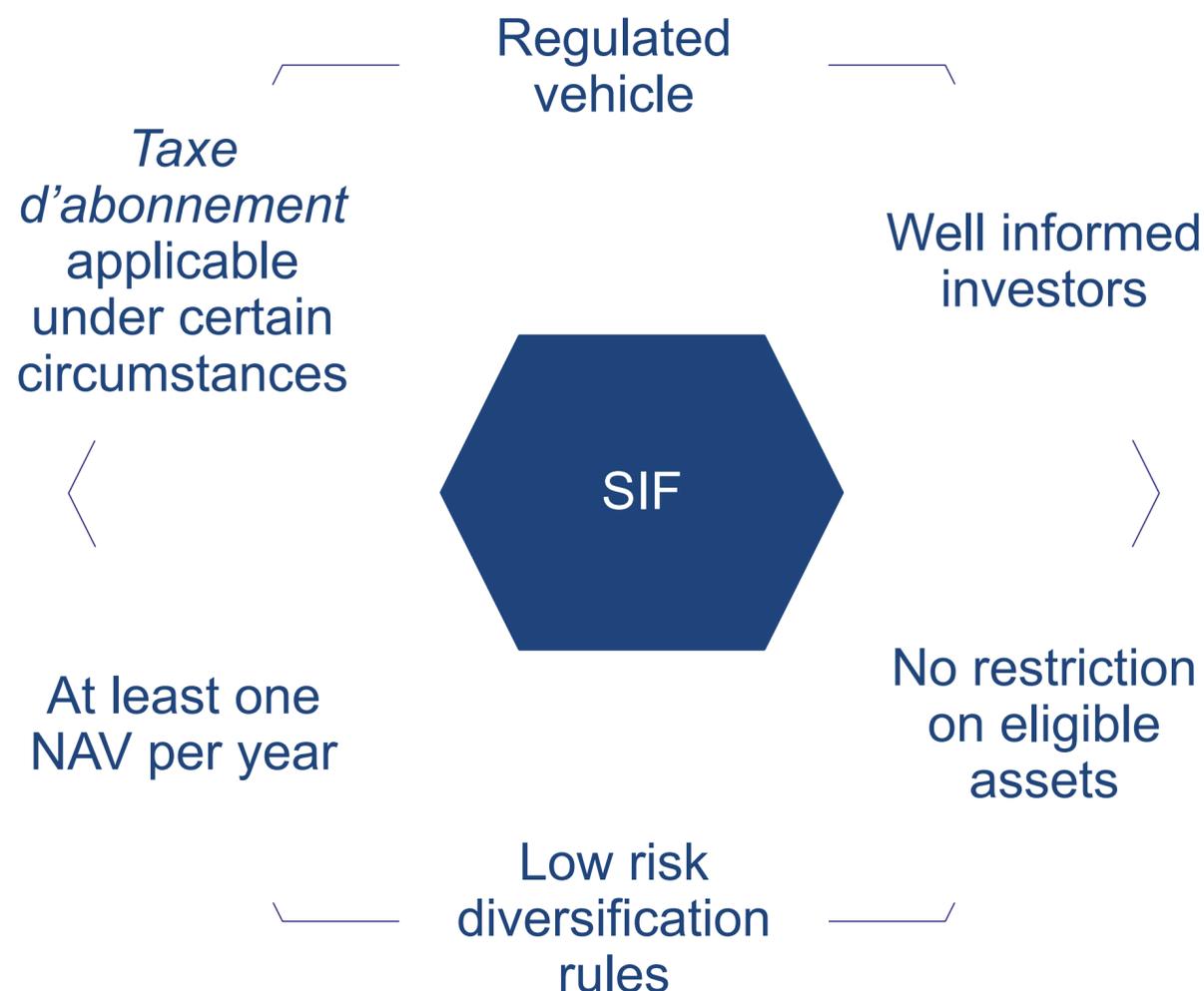


Overview of Luxembourg fund structures



Specialised Investment Fund - Key features

1623 SIFs with more than EUR 427 billion of assets under management as of January 2017



PRO's:

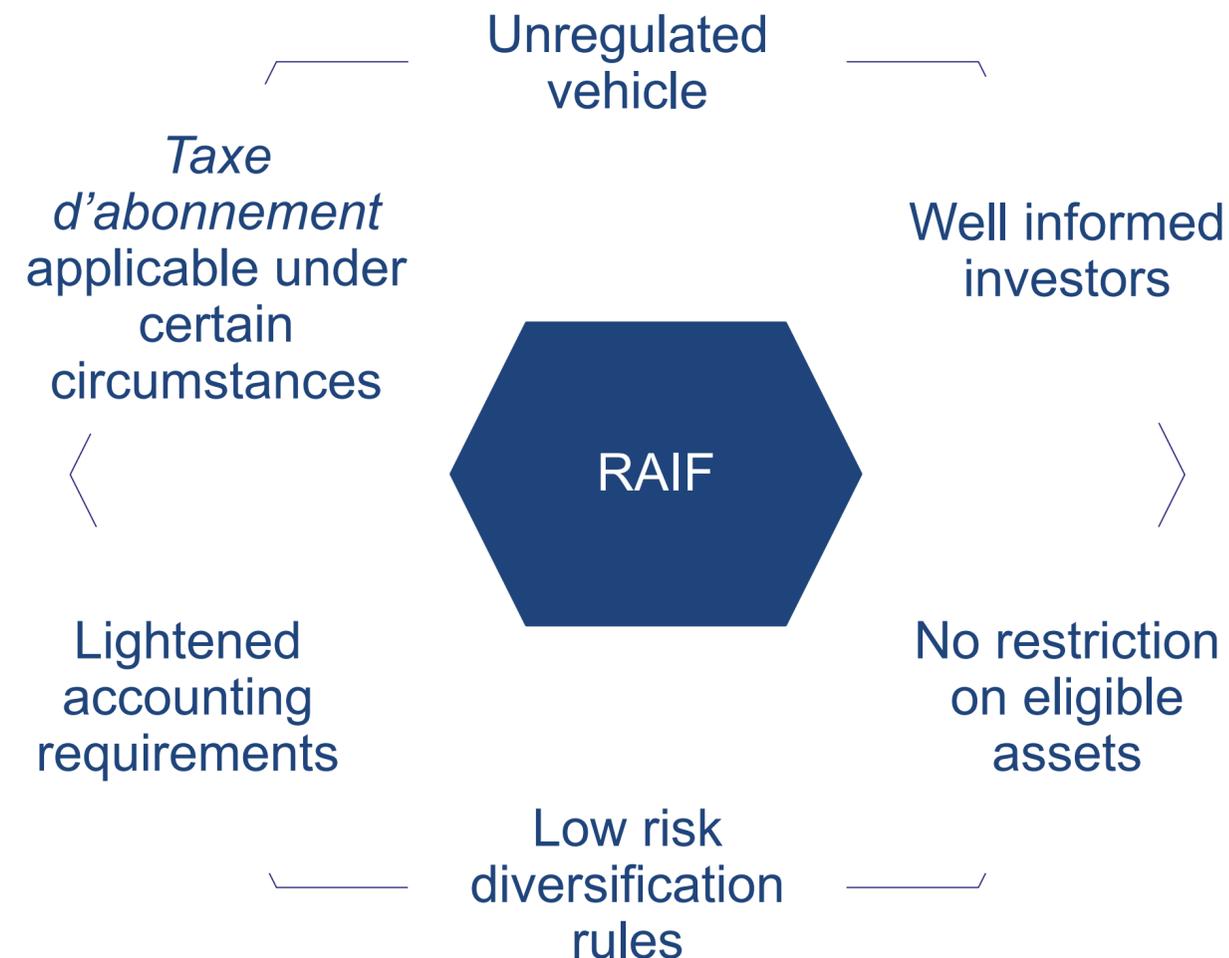
- Regulated vehicle under the supervision of the Luxembourg regulator, the *Commission de Surveillance du Secteur Financier* (CSSF)
- Institutional and professional investors, including High Net Wealth Individual (HNWI), managed account solutions
- Umbrella form/stand-alone, variable or fixed share capital
- Tax exempts status (subject only to an annual subscription tax of 0.01% payable on the net asset value ("NAV")) and entitlement to double tax treaties if established as a company
- Share capital and share premium not less than EUR 31.000 at incorporation for public limited companies per share but EUR 1,25 million to be reached within 12 months

CON's:

- Time to market due to prior CSSF approval
- AIFMD impacts

Reserved Alternative Investment Fund - Key features

202 RAIFs
as of October 2017



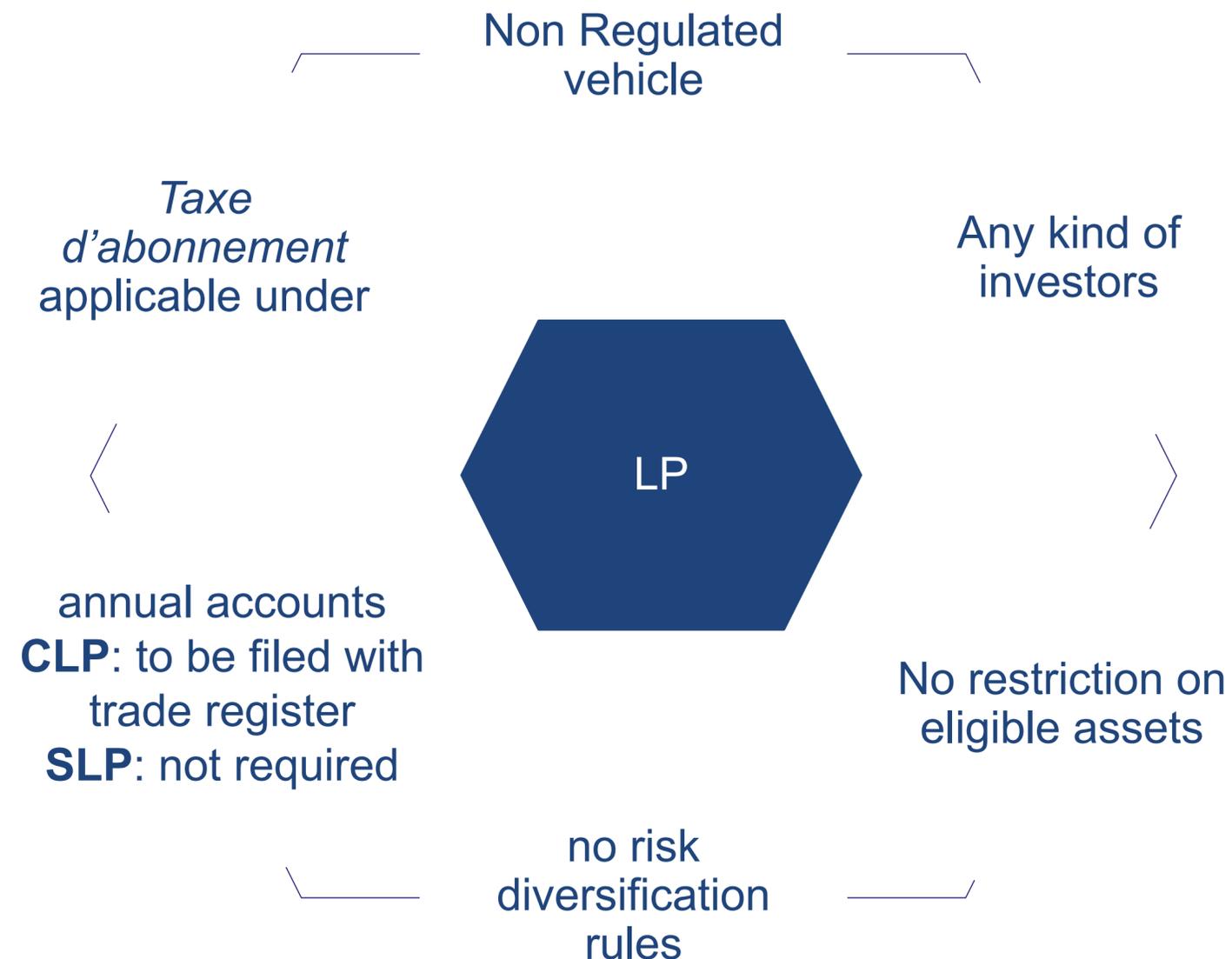
PRO's:

- Time to market, no prior approval of the Luxembourg regulator, the *Commission de Surveillance du Secteur Financier* (CSSF)
- Institutional and professional investors, including High Net Wealth Individual (HNWI)
- Umbrella form/stand-alone, variable or fixed share capital with lightened requirements
- Tax exempts status (subject only to an annual subscription tax of 0.01% payable on the net asset value ("NAV")) and entitlement to double tax treaties if established as a company

CON's:

- Fully fledged EU AIFM to be appointed
- Compared to unregulated AIFs in the form of SCS or SCSp ONLY advantage if (a) umbrella structure and (b) marketing to well-informed investors in Luxembourg

Limited Partnership - Key features



PRO's:

- Non Regulated vehicle with maximum of flexibility by free determination in the LPA
- Publication requirements: only by excerpts; identity only from the GP
- No minimum capital
- For tax purposes: tax statute of SOPARFI (*Sociétés de participations financières*)
-> dividends of the target are not subject to tax at the level of the target

CON's:

- No umbrella structures
- Fully fledged AIFM to be designated

OECD BEPS Project: where do we stand? (1/3)

BEPS report published in 2015 and since then ...

- Many legislators have worked to begin to implement these recommendations. Implementation has been fastest within EU;
- Media and society pressures for multinationals paying their fair share of tax continued to grow;
- Institutional investors are focusing on responsible business conduct: aggressive tax planning is seen as a reason for not investing because of reputational concerns.

Tax climate is changing ...



Why Alternative Fund managers should care about BEPS? (2/3)

Anti treaty shopping measures

- Operating models will need to continue to evolve significantly as greater degree of operational activity and business purpose will be essential for treaties benefits.

Restriction in terms of interest deductibility of interest expenses

- Use of leverage as a way to increase yields and facilitating cash repatriation has historically been prominent , the impact may thus be important for Alternative funds.

BEPS measures concerning **hybrid mismatches** are likely to further affect the deductibility of interest and potentially require fund managers to have a full understanding of the tax attributes and filing positions of every investors in a fund, a huge administrative burden.

Why Alternative Fund managers should care about BEPS? (3/3)

The fund management business have been set up and run in ways aimed at mitigating tax burdens at both business and owner levels. BEPS measures aim at this by focusing on **transfer pricing** and its documentation. A genuine alignment between where profits are taxed and where real value creation takes place will be critical.

Many measures will not take effect until 2019 or 2020, fund managers need already to **anticipate** the consequences and **make operational changes**.

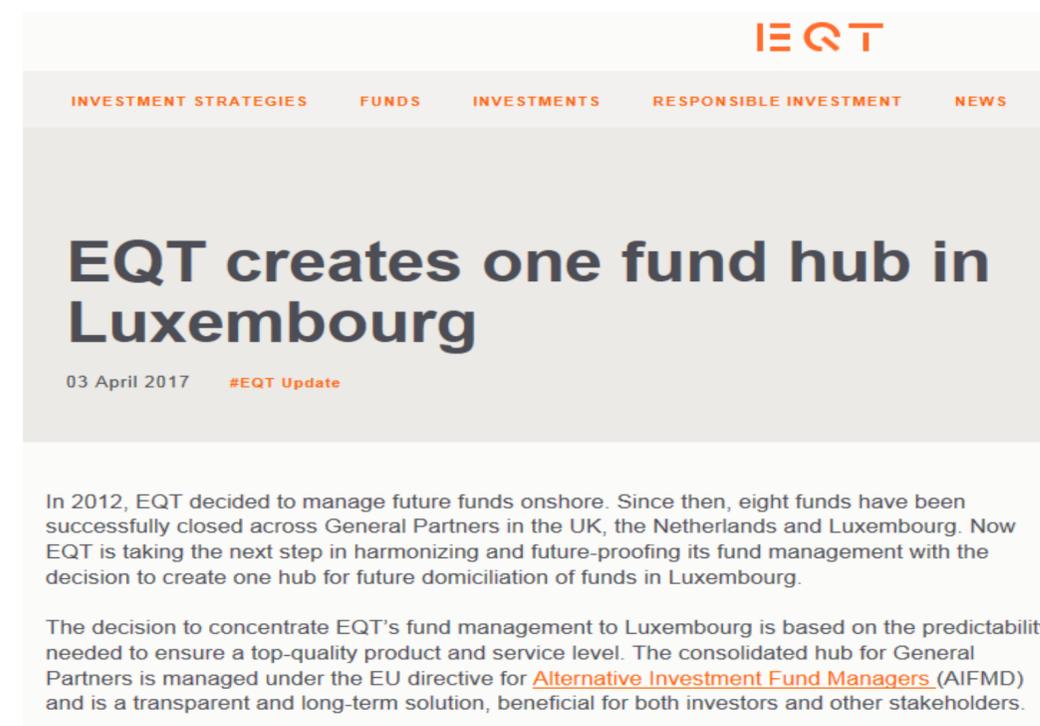
In structuring new funds for launch between now and 2019, investors will expect to see the structure chosen as having been «**future-proofed**» for **post BEPS** world.

Tax audit is already growing accentuated by medias and tax authorities will be more assertive in challenging what funds are doing.

Fund managers will have to pay attention to tax issues and potential challenge. The need for **tax function** management **resources** and the cost for solving disputes will have to be paid, by the investors ?

Recent fund structuring trends

- **On-shoring funds** from offshore jurisdictions
- General move toward **“one stop shop” solutions** – fund, manager (AIFM) and holding platform all in one jurisdiction
- **Substance is key** => consolidation of fund, manager and investment platform in one jurisdiction helps substance argument
- More discussions on **maintaining access to EU market** => end of private placement. Reverse solicitation becoming difficult.
- Also increased discussions financing instruments and carried interest / management fee structuring.
- **Transfer pricing aspects** are increasingly important



Luxembourg has various fund regimes and entity types to address diverse key fund structuring considerations