THE INDEPENDENT UCITS PLATFORM

A Luxembourg based UCITS IV regulated Fund Platform | "An efficient, affordable UCITS solution for managers who value their freedom and independence"
WHY UCITS?

EASIER ACCESS TO INVESTORS EVEN FOR BOUTIQUE MANAGERS

Since 2008 there has been a trend to replicate offshore investment strategies in the UCITS regulated format. The format provides clear, practical rules for investment liquidity, diversification and investor protection. The UCITS framework allows managers to access to the broadest investor base.

While UCITS is designed for the needs of EU fund buyers, there is wider, global recognition of the quality of the UCITS standard. Many non-EU domiciles now offer a fast track local registration for UCITS-compliant funds.

The assurance provided by regulation and independent depository oversight has led many fund allocators and buyers in Europe to insist on UCITS.

This is of particular relevance to boutique managers since the protection provided by UCITS is, in effect, a brand imprimatur which gives potential investors the cover to allocate to smaller funds. For the managers of such funds, UCITS may in fact be a lifeline.

From the investment manager’s standpoint UCITS is not as restrictive as many people believe. Indeed UCITS IV rules provide considerable flexibility for alternative investment managers. All but the most complex strategies can be implemented with only modest adaptations.
WHY A FUND PLATFORM?

THE BENEFITS OF SHARED COSTS AND ECONOMIES OF SCALE

The costs of creating and running a stand-alone UCITS fund structure, including legal, audit and operating overheads, are often prohibitive. The cost burden is a barrier to entry for smaller fund managers who cannot be assured of reaching critical mass (typically at least €50m) quickly enough to satisfy the demands of early stage investors.

The promoters of the Independent UCITS Platform have come together to overcome these problems. We offer a service which fast-tracks the creation of a UCITS fund and dramatically reduces the upfront and ongoing costs of running the fund to the point that it is viable even for small-sized funds.

The concept of the platform is that the costs are shared by the fund management entrepreneurs who become members of the platform. There are in addition, great benefits of combined scale which include access to European distribution wholesalers that often provide a source of significant inflows even for smaller, orphan funds which otherwise would be shut out of the market. An established platform like the Independent UCITS also has the scale to negotiate favourable terms with prime brokers and trading counterparties. Smaller stand-alone funds are increasingly denied access to the larger and more established trading counterparties. On a platform fund managers can start to trade on day one with the firms that are most suited to their strategies.
WHY THE INDEPENDENT UCITS PLATFORM?

HIGH QUALITY, AFFORDABLY PRICED SERVICE PROVIDERS

Counterparties to the platform include Citibank for administration and custody. The platform has negotiated ISDAs with leading brokers for facilitating derivative transactions so trading can begin on day-one.

The fund valuation minimum charge ranges from €1,900-€2,500 per month depending upon the complexity of the strategy. A platform level agreement means there are no minimum custody fees.

SPEED AND EFFICIENCY

A new fund can be set up within eight to ten weeks

The principals of the Platform currently provide intensive support throughout the fund formation process, from planning, through approval, to on-boarding and launch.

INDEPENDENCE

Fund managers can retain the branding associated with their own management companies, not the Platform (subject to registration and regulations relating to the marketing of sub-funds).

Indeed the structure is designed to be invisible to the investors of each fund participating on the Platform.

Subject to the UCITS rules, managers have full autonomy and control over the execution of the investment process. Each sub-fund is a separate and economically independent compartment within the Platform.

COMMON BENEFITS TO ALL MEMBERS OF THE PLATFORM

There are benefits which can be shared by all funds participating in the structure. These include greater scale which participants can leverage when negotiating with large private banks and distribution wholesalers. These marketing conduits and fund buyers prefer a range of products available from the same provider. The distribution arrangements negotiated by Independent UCITS allow the managers of funds to participate only if they choose to opt in.

PARTNERSHIPS WITH PROVEN MARKETING NETWORKS

The Platform recognises the critical importance of effective distribution for fund growth and seeks to match managers with marketing companies and a proven ability to raise assets. It is essential that the chemistry between the manager and marketing company is right and that distributors have demonstrated competence in the strategy and the markets in which the fund will be sold.
WHY THE INDEPENDENT UCITS PLATFORM? (CONT.)

AN ESTABLISHED STRUCTURE WITH CRITICAL MASS

After only eighteen months in existence, the Independent UCITS Platform has achieved critical mass with six thriving funds. The Platform is working on regulatory submissions for a further six funds; and is discussions with many more managers to launch funds in the next year. Recognising the its growth and the quality of its services, the Platform was shortlisted for awards as best UCITS Platform and Best Independent Platform by HFMWeek’s in 2014.

THE PLATFORM IS ESPECIALLY ATTRACTIVE FOR SMALLER FUNDS

UCITS may be the only way for the managers of the smallest alternative investment strategies to build assets in the current environment. The existence of platform level distribution arrangements considerably enhances the fund raising prospects of funds that perform, whatever their AUM.

The platform is designed to give complete freedom of branding, and the greatest possible independence to the manager and visibility to the brand of each participating fund.

A highly efficient cost structure means even funds of €10 million can be viable, providing an opportunity to develop a track record and grow the assets of the fund.

More frequent valuation of the portfolio (daily or weekly) and associated reconciliation of positions by the administrator, required by the UCITS rules, significantly reduces the burden and costs of back office operations for the investment manager.

While there are potential shared benefits in distribution, each manager also has freedom to choose and develop individual distribution and marketing arrangements independently of the Platform.

A new fund can be established in a matter of weeks. The principals of the Platform also provide active and intensive support throughout the fund creation process, allowing the manager to focus on investments and raising capital.

The Platform provides a pre-agreed path for exit should a manager choose to create move on once the fund has achieved critical mass. Managers are not tied in to the platform should they succeed. The NAV series of a fund can be preserved if it migrates to a new UCITS structure.
WHY LUXEMBOURG?

THE EU DOMICILE OF CHOICE

The Principality of Luxembourg is widely viewed as the gold-plated fund domicile with a tough, highly regarded regulator, the CSSF.

Investors in continental Europe and Germany in particular have a strong preference for Luxembourg based funds.

Luxembourg is one of the world’s leading domiciles for international investment funds and is home to 50% of all alternative UCITS*.

The Principality has double-taxation agreements with most tax regimes globally, allowing withholding taxes to be reclaimed quickly.

The CSSF and the Luxembourg government actively support and encourage global distribution of funds across Asia and South America.

*Source: EY UCITS and new alternative UCITS in Luxembourg guide, January 2011
SUPPORTING SERVICE PROVIDERS

Citi International act as custodian to the Platform, and also provide fund accounting and transfer agency services, through a seamless integrated web-based system (Citi Direct). Relationship level agreements with Citi ensure that all funds on Platform can benefit from the critical mass created by combining the AUM of multiple funds.

Andbank Asset Management Luxembourg is the Management Company with regulatory responsibility for the overall operations of the platform, but delegating the investment management to the manager of each fund.

In addition, Andbank provides risk management services and portfolio monitoring to ensure a fund’s compliance with the UCITS regulations, using the Bloomberg AIM system. The principals of Andbank were formerly employed at Banque de Groof where they pioneered the first fund platforms in Europe.

Prodigy Capital Partners LLP established the SICAV and launched the first sub fund. The principals of Prodigy give operational support to funds launching on the platform.

Normally a fund will be managed directly by the investment manager sponsoring the fund. However, Prodigy is licensed by the UK’s FCA and can act as manager to funds on the platform, appointing a sub-adviser in a jurisdiction that does not enjoy EU equivalent regulatory status.

The platform has also developed partnerships with distributors and third party marketing companies, including Spring Capital, who provide highly effective and proven capital raising services to boutique investment managers.
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INDEPENDENT UCITS

SERVICE PROVIDERS TO FUNDS ON THE INDEPENDENT UCITS PLATFORM

- Mazars
  - Luxembourg Auditors

- Andbank Asset Management
  - Management Company
  - Domiciliary Agent
  - UCITS Oversight

- Investment Manager

- Investment Advisor

- Citibank International (Luxembourg)
  - Custody
  - Depositary Oversight
  - Fund Accounting/Valuation
  - Transfer Agency

- SICAV

- YOUR FUND

- Fund Marketing
  - Spring Capital Partners
  - DeBere Partners
  - Prodigy’s marketing partners
  - Your own marketing agents

- Distribution
  - Acolin Swiss representative
  - Electronic distribution platforms (Pershing, AllFunds, Fonds Depot, etc)
DISCLAIMER

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