



Alternative Investment Funds (AIFs)

MTCM
— ASSETS & INVESTMENTS —

Alternative Investment Funds (AIFs)

Introduction

Alternative investment funds are private investment vehicles, typically with separate legal personality, which pool funds from sophisticated investors. The pooled funds are then invested in alternative assets by a professional investment management company with the objective to obtain returns above a certain benchmark.

Alternative assets

An alternative asset is any type of asset that does not fall into one of the traditional investment categories. Traditional categories include stocks, bonds, and cash. Most alternative assets are held by institutional investors or professional and high-net-worth individuals because of their complex nature, lower regulation level, and degree of risk.

Therefore, the structuring of these type of investments requires highly skilled professionals with international legal, regulatory, tax and compliance expertise.

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Choosing the right AIF

In order to determine what type of fund structure and in which jurisdiction to incorporate, the following questions have to be answered:

1

Regarding the Investors:

- a. What type of investors are we addressing?

- b. Where is their fiscal residence?

2

Regarding the Investments (assets):

- a. In what type of assets will be invested in?

- b. Where are these assets located?

2

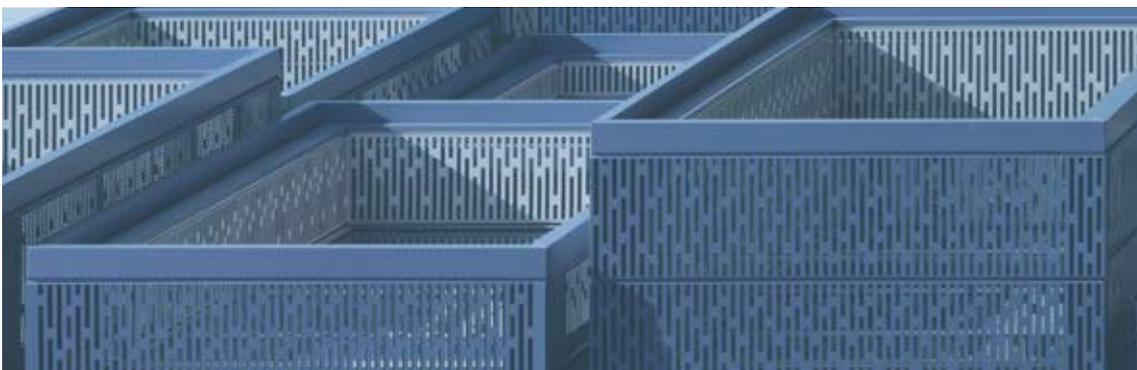
Regarding the Investments (assets):

- a. Does the fund require special licenses or registrations?

- b. Does the investment management company require a licenses?

- c. Will the fund operate solely or under the name of a third party?

Investment funds can be structured in various legal forms, such as companies, limited partnerships or unit trusts. And within this classification the fund can adopt different forms depending on the jurisdiction and the legal system.



Establishment and operation of AIFs

The European Union (“EU”) Alternative Investment Fund (AIF) universe is defined by the EU Alternative Investment Fund Managers Directive (AIFMD), and covers a range of different types of funds, investing in diverse asset classes.

At MCTM we specialize in the setup and administration of Luxembourg and Dutch based alternative investment funds such as the RAIF and the FGR respectively.

THE Luxembourg RAIF

The Reserved Alternative Investment Fund (RAIF) is an investment fund that can invest in all types of assets. It qualifies as alternative investment fund (AIF) and is not itself subject to CSSF (Commission de Surveillance du Secteur Financier) product approval. RAIFs must appoint an authorized external Alternative Investment Fund Manager (AIFM). If the AIFM is domiciled in the EU, RAIFs can market their shares, units or partnership interests via a specific passport to well-informed investors across the EU.

Investment in a RAIF is limited to “well-informed” investors that are able to adequately assess the risks associated with an investment in such a vehicle.

RAIF

The Reserved Alternative Investment Fund



Luxembourg

These are defined as institutional investors, professional investors and investors who have confirmed in writing that they adhere to the “well-informed” investor status, and who either invest a minimum of EUR 125,000 in the RAIF or have been assessed by a credit institution, investment firm or management company which certifies the investor’s expertise, experience and knowledge in adequately appraising an investment in the RAIF.

There are a number of additional rules that have to be observed at national and/or EU level (e.g. concerning AML, MiFID, market abuse, derivatives, securities financing transactions, shareholder rights).

RAIFs are established by notarial certification. It is sufficient to certify that the AIFM confirms the fund’s creation, and that this information is published in the official gazette, the Mémorial. The fund’s constitutional documents do not have to be certified by a notary. RAIFs are entered in a list held by the Luxembourg Trade and Companies Register.

The offering document must indicate on its front page that the fund is not subject to supervision in Luxembourg.



The Dutch FGR

The Fonds voor gemene rekening (FGR) is not a legal entity and it is created by way of an agreement (often referred to as “Terms and Conditions”) between the manager (“Manager”), the investors (“Participants”) and the legal owner. The latter is usually a Dutch foundation solely incorporated for the purpose of holding legal title to the FGR’s assets and thus to keep all assets segregated from those of the Manager.

The Terms and Conditions oblige the Manager to invest and manage the assets for the joint account of the Participants. Usually, the Terms and Conditions are supplemented by a Prospectus, outlining the fund’s investment strategy and restrictions, subscription and redemption terms, the costs associated with

running the fund, its service providers and other matters that are of key importance to investors.

As a pooled investment vehicle, the FGR offers a great amount of flexibility. The FGR is widely used for both institutional and retail funds. The FGR can be set up as a (semi) open-ended or a closed-ended fund and can be structured as an umbrella fund.

FGR

The Fonds voor gemene rekening



Dutch

Under Dutch law, there are basically no pre-set prohibitions or limitations on the use of leverage, nor on the types of financial instruments or geographical markets that a fund may invest in, although the AFM (Alternative fund Manager) will require certain safeguards for investors. In particular, the AFM will require that the fund’s investments will match its liquidity profile and that requests for redemption by investors can be met at all times.

In most cases, FGRs will hold portfolios of stocks, bonds, options, futures and other financial instruments and investments may comprise of exchange traded and over-the-counter instruments.

An FGR can be structured as a tax transparent entity and, as such, will not be subject to Dutch corporate income and dividend withholding tax. Such a tax transparent fund will need to have a “closed” character, generally implying that participations are not transferable to third parties and can only be disposed of by way of redemption.

About MTCM

MTCM Investment AG is a leading provider of advisory services for Alternative Investments. Our background in structuring and issuing of investment vehicles/products within the top Investment Banks and our solid know-how in the Alternative Assets and Derivatives Market build the core strengths in order to provide you with the most innovative Investment ideas and implementations.

A solid basis of trust, short communication channels and transparency will ensure to be your advisor of choice. We aim to be the best and most respected independent investment advising firm by providing outstanding client service. Our fundamental values consist in transparency, excellence, innovation and dedicated service for our partners and their needs.

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