

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

The 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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Asset Manager turns to KMG for Euro Insurance Fund Solution



When Peter Goebel, an actuary with many years experience of buying insurance companies, wanted to set up a fund to capitalise on the restructuring of the European insurance industry, we at KMG were happy to be able to help.

As an expert on the European insurance industry, Peter saw an opportunity for a fund that anticipated a fundamental restructuring in the sector caused by demographic, political and economic factors. Goebel commented:

"The European insurance industry is about to enter a period of change. We will see more privatisation of pensions and larger insurance groups will be broken up, partly due to increased regulation following the financial crisis. 'Small is beautiful' will replace 'big is beautiful' in the insurance sector".

To further help Peter, KMG formed his fund advisory company, Nucleus Gestion, as well as the fund itself, the Nucleus Assurance Fund. In order to give the fund the necessary flexibility, the fund was set up as a Luxembourg-based SICAV SIF. This structure has a number of advantages. Firstly, SICAVs are very tax-efficient collective investment funds, which can be distributed to well-informed investors internationally and being based in Luxembourg, they benefit from being onshore and well-regulated.

In addition, the SIF (specialised investment fund) legislation allows for a wide range of underlying assets to be held. This suits the Nucleus Assurance Fund which will invest in a wide range of smaller cap, unlisted and privately held companies.

KMG has also helped Goebel by putting him in touch with two networks in continental Europe to market the fund. It also organised a public relations push, with press coverage and interviews with the fund's managers. We should substantially be able to help Peter raise his 2 year € 25 million target.

Goebel said: "KMG were knowledgeable and professional, they took all the strain out of successfully launching my fund".

SIF Structure offers Maximum Flexibility for Alternatives

Since their creation in February 2007, SIFs, or specialised investment funds, have flourished in Luxembourg, with approximately 700 funds launched in the first 18 months.

SIFs can invest in almost any underlying asset, they can be set up very quickly and they are highly tax-efficient. For instance, a SIF can hold alternative assets with generous leveraging, permitting diversification into a wide range of assets.

A SICAV is a collective investment fund with variable capital, widely used in continental Europe. Placing a SIF within a SICAV gives a very flexible investment vehicle which can be marketed internationally and within Europe to institutional investors and those who qualify as 'well-informed investors'. A SICAV SIF is also an onshore investment fund backed up by the strength and reputation of Luxembourg as one of Europe's leading financial centres.

All of these factors make the SICAV SIF an increasingly attractive and widely used investment vehicle.

[Click here to find out more about the benefits offered to you by a SICAV SIF.](#)



FUND FOCUS



Flexibility Helps New India Fund Make a Strong Start

Good timing is always important, so we were delighted to be able to help Swiss fund manager Valais time the market successfully with its new India fund.

Launched in September 2008, the Diversified India Fund aims to benefit from the growing strength of the Indian economy. But while the long-term outlook may be positive, Valais needed to pick the right time to enter the market. In order to do this, it needed to set up a fund of funds vehicle that would allow it to move quickly when conditions changed.

Samantha Deegan, marketing coordinator at Valais, said:

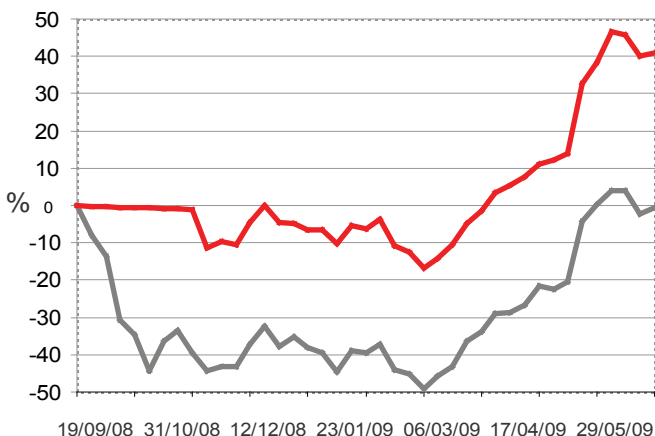
"By using a SICAV SIF with KMG, we were able to hold a small number of focussed investments and switch in and out of cash, as we needed."

As the graph shows, the fund was able to move swiftly to enter the market. This has enabled Valais to significantly outperform the Indian market benchmark to date.

Domicile:	Luxembourg
Launch Date:	19 September 2008
Share Class:	USD
Dealing Frequency:	Weekly - Friday
ISIN:	LU0389100867
Bloomberg Ticker:	KMGDIIA:LX

Fund Performance

1 Month:	+25.68 %
Since Launch:	+38.40 %



New Property Fund Under Construction to Pick up Bargains

KMG is excited to be helping put together a new investment fund that will take advantage of the bargains that can now be found in the UK property sector.

The United Kingdom Property Investment Fund is being set up and managed by UKPP Ltd., who had planned to set up a closed ended fund based in Guernsey, but found its service provider was delaying the project.

Fortunately, our Professional Introducer, Graham Donald of FCP Insurance Consultants introduced them to us and now the fund is on course for a July launch, just six weeks after the introductions were made.

The fund will buy 'forced sale and repossessed' properties which are now available at discounts of between 15% and 20%. These properties are usually let to good quality tenants, providing an instant income stream to the fund. As more investors are attracted back into the property sector, it was very important for the fund to be able to move quickly and this is one of our strengths.

With the KMG SICAV SIF up and running as a platform, new funds can be rapidly offered to investors in the UK, Europe and beyond.

We will bring you more news of this UK Property Investment Fund in the future, as this could be a great opportunity to buy into bricks and mortar at a good time.



Alan Morgan-Moodie, Chairman of the Association of International Life Offices, commented:



"It sounds like an exciting project and just what needs to happen to financial services. I can see the KMG SICAV SIF platform being hugely practical to a lot of investment professionals"

EU set to Tighten Investment Rules and Boost Onshore Centres



KMG has been watching with interest new proposals from the European Commission on alternative investment managers, which look like bringing in sweeping changes.

Briefly, the proposals will enter Community Law from the end of 2011 or early 2012 and are aimed at strengthening regulation over parts of the European fund management industry.

Under the rules, EU investment fund managers will have to meet minimum standards on capital adequacy, risk management, custody and asset valuation. Further funds located outside the EU will not be permitted to be marketed in the EU unless they operate under a standard of regulation and international co-operation equivalent to that found in the EU.

When looking at the proposed requirements to be an authorised alternative investment fund manager, it is clear that KMG already meets most of these and will ensure any additional standards are met in full.

Given the global financial crisis and the need to limit future systemic risk, a regulatory reaction was inevitable. One conclusion is that a new fund targeted at EU investors should be launched from an EU base. Whilst higher standards of regulation could increase the appeal of European regulated funds in the global market.

Forums & Seminars

Castlestone Investment Summit

14 May 2009

An innovative summit, attended by 60 industry leaders, fund managers and network directors from across Europe where Castlestone Management addressed the subject of 'Changing Global Economy'.

Key Speaker Kevin Mudd, Director of KMG SICAV-SIF, explained how IFAs and their clients can benefit from the Changing Global Economy by setting up their own SICAV SIF.



Why Luxembourg Leads for Cross-border Investing

KMG's SICAV SIF platform enables it to quickly bring to market a wide range of funds for fund managers and promoters, as other articles in this newsletter show.

The platform draws on many of the factors that have made Luxembourg Europe's leading investment centre and the global hub for fund distribution.

Did you know that 75% of cross-border funds are domiciled in Luxembourg?

Innovation is certainly one factor; Luxembourg was the first EU member to meet the EU directive that created the UCITS format in 1988. Under the UCITS rules, funds can be distributed across Europe and around the world and this was a key milestone in the strong growth of Luxembourg as a financial centre.

The creation of specialised investment funds, or SIFs, in 2007 is another example of Luxembourg's ability to move forward and meet investor needs.

Expertise in fund administration, management and distribution means that Luxembourg can offer fund promoters a very wide range of fund facilities.

Access to this expertise is backed by a skilled, multi-lingual workforce covering law, accountancy, consulting, tax and business advice. In addition, Luxembourg is economically and politically stable and situated at the heart of Europe.



Up & Coming Events

Third Annual Conference Specialised Investment Funds

16 September 2009 - Kikuoka Golf Club, Luxembourg

The Impact of the financial crisis and call for further EU Regulation.

The financial crisis has crystallised the management of all forms of risks and this year conference will assess opportunities and threats for SIF structures.

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