

Factors for Consideration

Costs

Setup

Costs are payable on formation but these are commonly recovered from the fund by the sponsor / promoter over some time period as disclosed in the fund documents. The launch fee varies depending on the complexity of the formation documents but for a simple fund, would be on the order of £10,000, increasing to £15,000 for more complex funds. Legal costs may add a further £10,000 or more depending on the clarity of the specification.

In our experience, the minimum economic value of a fund would be £5 million as the initial and annual costs are otherwise a high drag on performance.

Annual Costs:

- Investment Adviser: 1% is a common figure
- Audit fee : from £5,000
- Directors fees: highly variable

Administration: generally set on basis points subject to an annual minima which can vary substantially depending on the nature of activity in the fund (but typically not less than £20,000).

Custodian

Where relevant a custodian may be appointed to clear and hold assets and receive dividends. There is no requirement in regulation however to appoint a custodian.

Taxation

The structure (be it a company or a unit trust) will typically pay tax at the Islands standard rate of Zero percent (0%). There are no capital gains, corporation, inheritance or capital transfer taxes levied in the Isle of Man, nor is there any stamp duty payable on the transfer of units or any exchange control.

Trustee

If a Trustee is appointed (for example if a Unit Trust was determined to be the appropriate legal structure) their role would be to ensure the Administrator operated the fund in the best interest of the unit holders.

Auditor

Generally, an auditor is appointed and all major firms are represented on the Island.

For further information on Private Funds please contact Paul Kneen on:

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Abacus Financial Services Limited is licensed by the
Financial Supervision Commission of the Isle of Man to
provide collective investment scheme and corporate services



Private Funds

Private Funds

There may be circumstances where a privately controlled investment 'company' can be an attractive product for small groups of connected parties.

A 'Friends and Family' vehicle can facilitate a commercially effective pooling of investor capital and a convenient reporting mechanism.

The Isle of Man has long recognised that such structures should be free from the regulatory trappings and overheads required for more publicly offered structures and these can be established relatively quickly and economically by licensed administrators.

Beyond the regulatory simplicity of establishment, the Island offers a comprehensive suite of legal 'wrappers' including companies, protected cell companies (i.e. share classes are protected from others by statute), unit trusts and limited partnerships.

The choice of wrapper generally depends on investor preferences or may be tax driven.

AFSL is licensed to provide administration to all such vehicles and can assist with the design, formation and all aspects of ongoing operation.

A copy of the AFSL brochure is available on request or can be obtained online at www.abacusiom.com/brochures

Launch Guidance

Following initial scoping discussions with the client or their advisors a typical launch process includes the following milestones:

- An overview proposal note to be produced within 48 hours to include key factors and outline pricing
- On acceptance by the client a project outline document detailing timelines and key deliverables is produced
- A launch methodology is employed with formal regular progress meetings to coordinate all parties (legal, tax, market counterparties etc)
- Subject to client deliverables, launch can be complete within four weeks.

Naturally, one of the early questions we receive surrounding these products is about cost.

Equally naturally, launch and ongoing operational costs vary considerably depending on complexity, client advisory input and transaction volumes.

We will always be clear in our pricing and find that clients are pleased with the value we deliver.

Why Create a Fund?

- A group of investors can benefit from a common but diverse base of investments held
- The setting up of a formal structure gives a higher level of respectability to the promoter or sponsor and thus encourages other professional investors
- Investment via such structures can usefully offer further privacy to investors
- Distributions will be paid without any tax deductions
- If desired, the fund can be structured in the form of a Unit Trust and the appointment of a Trustee offers a fiduciary oversight role to investors
- If the fund is set up with a Limited Company structure, it is possible to add new types of sub-funds in the future with different investment objectives
- There are a wide range of regulatory wrapper structures available on the Island with differing levels of investor protection and which can be chosen to match to differing business objectives.

Private Funds typically use the 'Exempt International' regulatory category. These are one of the collective investment structures often created in the form of a Limited Company or a Unit Trust.

There are **No** restrictions on the assets held within the structure.

They are not subject to approval by the Isle of Man Financial Supervision Commission (FSC) and as a result, are viewed by the Commission as private arrangements. The FSC do however place certain restrictions on these structures:

1. There must be less than 50 investors though there is no maximum value for the fund
2. No invitation may be made to the general public in any part of the world to subscribe to the fund
3. As the scheme is seen as a private arrangement it does not form part of the statutory compensation scheme in the Isle of Man.

Typically, Abacus as the appointed administrator would be responsible for the following functions:

- The processing of applications or redemptions in the fund
- Issuing of contract notes and statements to investors
- Maintenance of the books and records of the fund
- Calculation of prices of the fund
- Monitoring the fund for compliance with the scheme's investment restrictions
- Preparation of material to be forwarded to investors