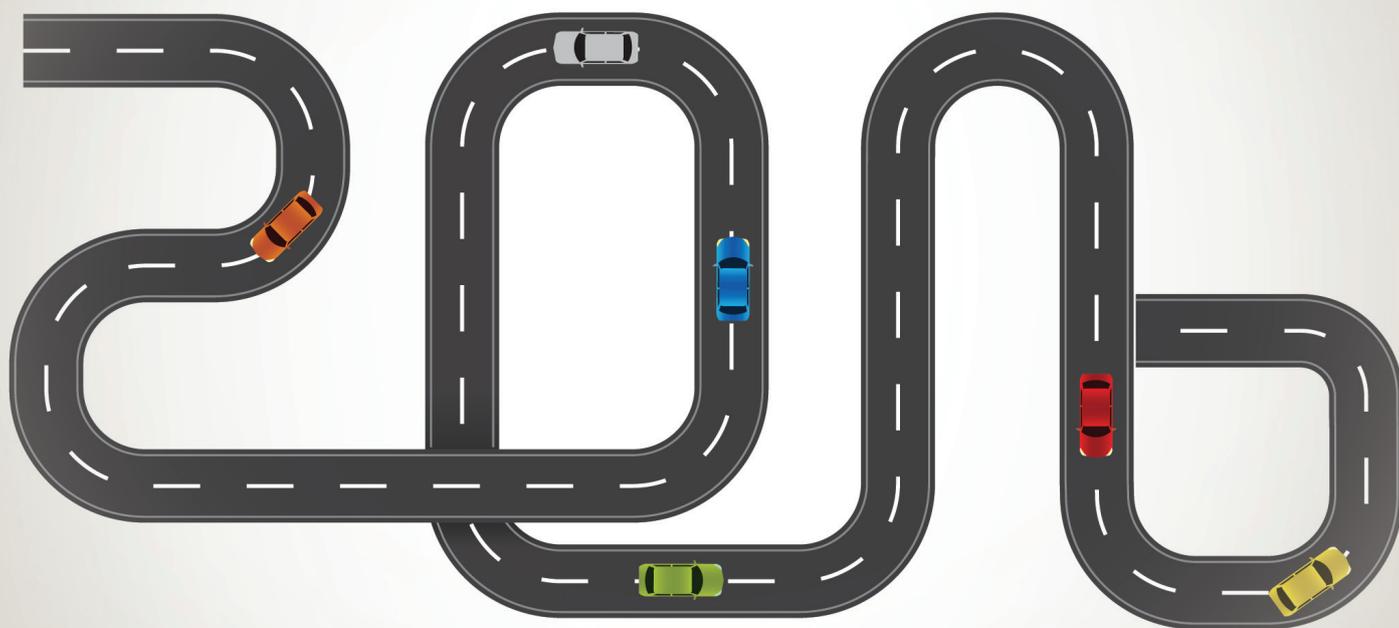


# FINANCE MONTHLY

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# Investment Funds

Jose C. Garcia, the CEO of Carlisle Management Company. Most recently he has overseen the purchase of more than four billion dollars in life settlements and helped a myriad of companies and institutional investors build custom tailored investment products that meet their specific needs.

Here he talks to *Finance Monthly* about the current investment funds market in Luxembourg

**Can you tell us about your early career and how you arrived in Luxembourg?**

After my MBA, I wanted to stay within the Washington DC area so I began looking at different options within the local investment banking community which is where I first encountered life settlements. The unique nature of the industry paired with its practically untapped potential managed to peak my interest and I began working for a small DC firm that specialized in the origination side of the business. Over the next few years, I helped grow the company to an industry leading position all the while collecting an amazing set of relationships within the space.

By 2008, the financial crisis was underway, and the lessons being learned meant that all asset classes, ours included, were under enormous pressure to improve the transparency and security of our products and structures. It became apparent that if you wanted to retain the confidence of your clients and continue to grow a healthy business, one needed to do so in the most reputable and well regulated way possible. After looking around the world for the most appropriate places to conduct business, we discovered Luxembourg and knew that this would be right place for us. Luxembourg's stringent regulatory environment and plethora

of top level service providers meant that we could build an organization with a reputation for excellence, both in product development and investor services. Since we settled in Luxembourg, Carlisle has kept very busy designing, developing, implementing and managing investment vehicles for our global base of clients.

**What more can you tell us about your firm? (Its history, mission, values etc.)**

We founded Carlisle Management Company here in Luxembourg in 2008. As a firm, we specialize in, both, open-ended investment funds and related private equity transactions. I've always considered myself to be more of a holistic investment and fund manager, so the company's philosophy reflects this perspective. We prefer to take a comprehensive view on the whole range of tasks that occur over the entire investment life cycle. You cannot build a truly superior product without a view of the full picture, and that's important to us as a company. I guess you could say that our values and therefore our mission, is relatively straight forward. To offer the most efficient and individually designed products and services to our clients, based on their unique goals and investment parameters. We pride ourselves in staying ahead of the curve in terms of evolutions within the investment industry

and our specific asset classes. We're constantly monitoring economic conditions, market and sector developments and regulatory changes to stay out in front of market trends. It's important that everyone here at Carlisle shares these core values and paradigms and we've spent many years assembling the right blend within our management which represents nearly 100 years of cumulative financial management experience.

**What are some of main appeals and benefits of Luxembourg as a location for investment funds? What more can you tell us about the investment fund landscape of the Luxembourg and its development in recent years?**

The investment community in Luxembourg has been growing at a record pace over the past decade. It continues to attract companies through its stable yet neutral political environment, robust regulatory infrastructure and credible reputation as an international financial centre.

Luxembourg has always been regarded as a front runner in terms of the evolution of their investment and banking regulatory standards and legal framework. Luxembourg was actually the first EU member state to adopt the UCITS

directives of 1985 into national law, and it was also the first to implement UCITS IV directive in 2010. Its reputation as the leading investment fund management hub across Europe is unchallenged. Luxembourg domiciled funds are distributed in over 50 countries worldwide with over 70% of foreign funds distributed in Hong Kong and Japan originating in Luxembourg according to the ALFI (Association of the Luxembourg Fund Industry).

Within alternative assets, Luxembourg offers several legal forms that offer a high level of structural flexibility and regulatory adaptability. The specialized investment fund (SIF), for instance, is one of the most widely utilized fund structures and lends itself to a myriad of options in terms of fund structure and investment guidelines. According to ALFI, the number of SIF's in Luxembourg currently in excess of 1,400 with the programming only being initiated less than ten years ago.

In addition to the regulatory environment, Luxembourg provides an advantageous environment, in many instances, from double income tax treaties with a multitude of countries to many investment and corporate structures to achieve each objective.

Another large appeal to Luxembourg is the plethora of top level service partners with physical presences here in Luxembourg. From the large accounting firms to the world's most reputable administrators and custodians, Luxembourg has no shortage of viable candidates for every aspect of the financial operations process.

**How has the Alternative Investment Fund industry developed in recent years?**

Alternative Investments, as an asset class, has received a significant increase in exposure and utilization since the financial crisis that began back

in 2008. The entire global investment community witnessed one of the worst financial breakdowns in the history of the modern world and quickly learned to appreciate the benefits of diversifying beyond the main stream of the traditional asset classes. As investors and institutions seek out strategies with lower levels of correlation to the traditional market drivers such as interest rates and debt and equity performance, those offering well structured, quality alternative investment strategies have an opportunity to widen their investor base to include those who may necessarily have been interested in hearing about alternative assets in the past.

According to some research recently conducted by Towers Watson, 6.3 Trillion dollars found their way into alternative investments by the end of 2014 representing a 10.5% increase from the year before. Of this amount, it appears that public and private pension funds represent about half of the alternative assets currently under management. With the alternative asset industry growing at this pace, the current focus on AIFMD compliance is not a surprise. In the past alternative fund managers were unable to find reliable regulatory centres that would provide their investors with stable regulated investment vehicles. Due to the implementation of the AIFMD, alternative managers have found a place to grow and thrive while providing the investment community with the structure and oversight they require.

**What can you tell us about the AIFMD and its impacts on Luxembourg?**

AIFMD represents the first European-wide regulation of alternative investment fund managers. The guidelines and protocol within AIFMD span the entire spectrum of fund management process ranging from capital requirements and service providers to reporting, disclosure and remuneration practices. For many there could be significant changes to internal organisational structure and likewise the possibility that changes

to legal structures might be required in order to accommodate the new rules. AIFMD affects not only managers based in Europe, but also those outside of Europe who markets funds to investors within the EU.

For many alternative investment fund managers (AIFM) who strive for proactivity in terms of the increasing regulatory and structural landscape, AIFMD may not represent any significant surprises. For some, it may simply serve as clearer set of guidelines and more pronounced timeline for an already present initiative for internal development. At the very least for everyone, it represents a conformity across the industry in terms of a consistent approach to operations and structural development. It is a significant step in the ongoing development and standardization of the alternative investment industry.

In Luxembourg AIMFD has been fully implemented at the regulatory level. This will serve to further reinforce the country's position as a leading centre for global investment. Luxembourg's robust regulatory environment, vast array of industry experience, significant resources and now with stable and intelligent oversight and regulation, means that, Luxembourg managers and investment products will pioneer the future of alternative assets in the global investment community.

