

# FINANCEMONTHLY



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# ABOUT THE BOARD

Over the next few pages, you'll find a section which aims to bring our readers the latest insights on the challenges and triumphs facing senior executives today. Designed to provide inspiration from their experiences, this month's About the Board section features Carlisle Management Company SCA's CEO - Jose C. Garcia, who discusses the Investment Fund Landscape in Luxembourg.

# JOSE C. GARCIA

CEO of Carlisle Management Company SCA

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*Jose C. Garcia is the CEO of Carlisle Management Company. After graduating from George Mason University my MBA, Jose began looking at different options within the Washington DC investment banking community, which is where he first encountered the life settlement industry. The unique quantitative nature of the industry, paired with its practically untapped potential managed to peak Jose's interest. There he found an asset class, built on the foundation and valuation methodologies of the Life Insurance Industry, with a minimally correlated investment performance in a market that was still inefficient, it was like a dream come true. Jose began working for a small DC firm that specialized in the origination and structure side of the business. Over the next few years, he helped grow the company to an industry leading position all the while collecting an amazing set of relationships within the space. Fast forward nearly 20 years, and he's overseen the purchase of more than US \$5 billion in life settlements and helped a myriad of companies and institutional investors build custom tailored investment products that meet their specific needs.*

By 2008, the financial crisis was underway, and the lessons being learned meant that all asset classes, his company's included, were under enormous pressure to improve the transparency and security of our products and structures. It was 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, the company discovered Luxembourg and knew that this would be right place for them. Luxembourg's stringent regulatory environment and plethora of top level service providers meant that Jose and his team could build an organization with a reputation for excellence, both in product development and investor services. Since they settled in Luxembourg, Carlisle has kept very busy designing, developing, implementing and managing investment vehicles within the life settlements space for our global base of clients. Here Jose tells us more about the company, the investment fund landscape in Luxembourg and the recent implementation of AIFMD.

**What's the current investment fund landscape in Luxembourg?**

Luxembourg continues to be one of the fastest growing international financial centers in the world. The last 10 years have yielded a very appealing investment environment supported by solid regulatory structures and a stable political setting. Luxembourg has always been regarded as a front runner in terms of the evolution of their investment and banking regulatory standards and legal framework. Its reputation as the leading investment fund management hub across Europe remains 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).

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.

**Looking into the near future, what do you anticipate for the sector?**

With the recent implementation of AIFMD, regulation across Europe has become even more robust. As a regulatory leader, Luxembourg was amongst the first European members to implement the new regulation which increases oversight across several functions such as compliance, risk management, and KYC/AML, allowing investors worldwide to gain confidence in this Fund center. Features like this and the country's pioneering attitude, keep Luxembourg as a leading Investment Fund centre.

In addition, due to Brexit, we have already seen several firms transfer part of their UK operations. Recently there were articles published that financial giants, like Blackstone have chosen Luxembourg for their new European hubs, clearly sending a message to the financial community that Luxembourg is well positioned and poised for further growth.

**What has been happening with Carlisle since we last spoke in July 2016? Are there any exciting projects or achievements that you'd like to share with us?**

Carlisle has continued its stellar performance track record while maintaining high-quality standards and commitment to transparency. As the Life Settlements industry evolves and becomes more efficient, Carlisle, as investment manager, must continue to lead the way and adapt to new circumstances. Thanks to our relationship network, our efforts in stimulating supply are producing positive results. In addition, demand in this growing as well, which will allow us to enjoy above average returns for a longer period of time.

Due to the recent financial crisis and the current financial market stagnation coupled with increasing interest rates, many investors are concerned about an upcoming market correction. Carlisle is in the process of launching a number of closed-end funds, aimed at further minimizing correlation to traditional financial

markets and economic indicators. Many of our clients have demanded this solution and Carlisle has raised to challenge. In the fall of 2016 we expect to launch the LTFG Absolute Return Fund I, on a closed-end format, which will provide protection against future market corrections or financial crises.

**How would you evaluate your role and its impact over the last year or so?**

I see my role as a corporate and industry leader. My role is to provide the strategy for Carlisle and lead the charge to achieve our objectives, while furthering the efforts and the message of the Life Settlements Industry. I have the benefit having contact with many of our investors, other industry leaders, service providers and regulators, hence providing me with several points of view, which uniquely positions me to guide the company. For several years now, I have been seeing that life settlement supply and growing concern for another financial correction would play an important role in investor behavior. Supply, because many funds are beginning to hit capacity and corrections because the stagnation of financial markets along with increasing interest rates are changing investor psyche and behavior. For this reason, in the last year, we have begun working with several companies in the US on direct to consumer marketing campaigns in order to increase senior education and stimulate supply. Finally, due to the growing concern investors have, Carlisle is now launching closed-end funds, in order to minimize correlation on traditional financial markets, which will provide investors with a refuge to weather any approaching financial storms.

**What challenges would you say you and the firm encounter on a regular basis? How are these resolved?**

Most of the challenges we encounter mostly deal with regulatory changes, such as AIFMD implementation or FATCA, and supply restrictions in the life settlements market. Regulation is something outside our control, and all we can do is meet it with an open mind and implement all necessary functions to comply. In reference to supply within the life settlements market, we are an industry leader can help lead the way to increasing consumer education and awareness. Through participation in industry events, and direct to consumer marketing campaigns

we can make a difference and improve supply in the market. Determination and consistent effort, is key to ensuring that our efforts have a positive return.

**What further goals are you currently working towards with the company and do you have a particular vision for the future of its services?**

The main goal of 2017, aside from our continued to commitment to our investors and industry, is to launch the LTGF Absolutely Return Fund I, which will provide investors with a way to allocate to the life settlements space through a closed-end format. Many investors have voiced their concerns over a new financial recession and Carlisle has heard the message loud and clear. The Closed-End Funds will provide investors with a cash-in, cash-out investment vehicle where all incentives are aligned, while providing the same level of quality and transparency that our investors have come to rely on.

In addition, in 2017 a group of industry members launch the Alliance for Senior Health Care Financing, as a coalition to raise awareness of life settlements within the Senior community. Life Settlements – the sale of an in-force life insurance policy for a market value return – is an immediate way for seniors to generate resources to pay for their long-term care

needs. Life insurance policy owners have a lawful, protected property right to sell their life insurance policies for a fair market return in order to meet the increased cost of health care and retirement. Carlisle has joined this coalition as a founding member, in order to help improve the life settlements industry.

**What lies on the horizon for you and your company in the next 12 months?**

The next 12 months are poised to be another monumental year for Carlisle. As exposure and investor interest grows, we plan to use the momentum to bolster our already formidable footprint in the marketplace and form new strategic partnerships that will enforce our firms forward thinking philosophy and help us remain at the forefront of the industry. Direct to consumer marketing campaigns will continue to increase senior education and awareness, which will provide us the necessary supply to continue growth. Launching a series of closed-end funds will meet our investors' demands and allow us to reach new investment community sectors. It is our intention to continue playing a strong leadership role in the life settlements industry. The market continues to evolve and Carlisle is extremely well positioned to take advantage of upcoming trends and opportunities.

