OPALESQUE

Opalesque Roundtable Series '15

IRELAND

Opalesque Roundtable Series Sponsor:

eurex

opalesque.com

Editor's Note

In 2014, net assets of Irish UCITS funds increased by 22% to EUR 1,274bn while net assets of non UCITS increased by 29% to EUR 387bn. Looking at industry statistics, that growth figure compares very strongly against other competing domiciles, with Ireland having the highest net sales of any European domicile in 2014. Ireland also accounts for 50% of the European domiliced ETF market.

Irish Stock Exchange often first point of contact for US managers

The Irish Stock Exchange deals with a lot of US managers that have just a Cayman or other offshore offering at the moment. When they look at Europe, many of them focus on Ireland, and the Irish Stock Exchange tends to be a first point of contact for any questions they may have. Ireland was the first jurisdiction to have a regulated hedge fund, the first to launch a regulated loan origination fund vehicle, and its regulator was at the forefront in terms of issuing the guidance around AIFMD and accepting applications for approval. Practical matters such as the accessibility of the regulator, the fast track approval for AIFs and even things like direct flights from NY for board meetings are important.

The Irish Stock Exchange launched a new initiative called the ISE Fund Hub which is made up of a series of rooms containing net asset value, performance analytics, document hosting and a profile area for each manager. The manager has the flexibility to choose what features he wishes to use. There are already hundreds of funds using the free service, but only professional clients can access the platform. Even managers with offshore funds who may not be actively marketing these to EU investors can set up a profile with contact information and provide additional visibility on their ISE listed funds. This is an attractive proposition to managers. The ISE does not facilitate any investment into a listed fund, so any user still needs to pick up the phone or make a direct approach outside of the portal if interested in investing with that manager.

New Irish ICAV structure expected to give the island further boost

There are over 13,000 people employed in the funds industry in Ireland, and 50% of the global hedge fund industry is serviced out of Ireland. The new Irish ICAV structure has already been used to redomicile offshore funds to onshore Europe. It is considered extremely tax efficient and specifically tailored to meet the needs of the global funds industry. The main advantage from a pure tax point of view is for US tax managers, where they can now "tick the box" for US taxation purposes. There are also a number of administrative and reporting changes which will appeal to managers. Umbrella funds can now have separate financial statements for each individual sub-fund whereas under the previous plc structure you would have to produce one big set of accounts with the full disclosures for all sub-funds.

In the heart of Dublin you can also find a small but growing community of alternative investment managers, companies focusing on managed futures, currencies, global macro, and platform providers with great distribution power for European UCITS and AIF structures. Unfortunately, like in many other places at the moment as well, also those players need to strive for recognition, as despite of long and impressive track records not all investors are open to their value-add. The focus on proper portfolio construction, having uncorrelated return drivers to weather different market environments can be secondary to chasing returns for some less-sophisticated investors. Meanwhile, *the time to be allocating to a range of alternatives in size is now, not when the horse has bolted*. Investors have to embrace and use more alternatives, because using the traditional asset class approach is somewhat akin to fighting a nuclear war with bows and arrows. The writing is already on the wall: Liquidity in fixed income, even in the more liquid sovereign markets, will be a major problem during bouts of market volatility. It's probably a better idea to prepare and diversify now.

The inaugural Opalesque Ireland Roundtable took place end of June 2015 on the historic trading floor of the Irish Stock Exchange with:

1. Andrea Kelly, PWC
2. Gerry Sugrue, ISE
3. Andrew Meleady, Abbey Capital
4. Ciaran Kane, Three Rock Capital
5. Peter Shubotham, Swiss Capital Invest Holding (Dublin)
6. John Lowry, ML Capital
7. Patrick Hogarty, Alder Capital

The group also discussed:

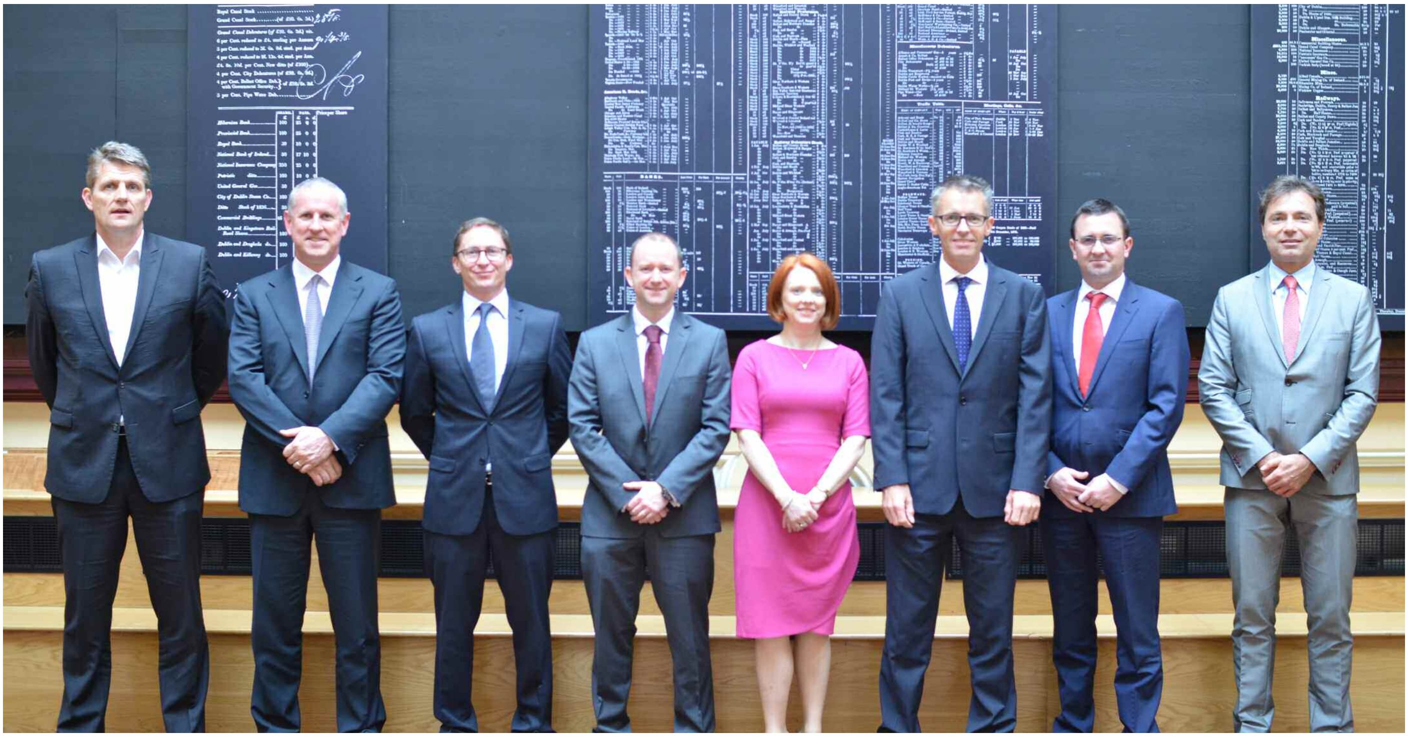
- Reality Check: How do discretionary and systematic traders deal with situations such as Greece?
- New funds: More Asian managers to launch UCITS. Yield enhancement strategies using private debt, direct lending, shipping and real assets.
- Why and how the alternative and the traditional investment worlds converge

- Detailed update on challenges & opportunities with AIFMD: Longer term benefits should outweigh frustrations
- What's the right size of your compliance?

Enjoy!

Matthias Knab
Knab@Opalesque.com

Participant Profiles



(LEFT TO RIGHT)

John Lowry, Ciaran Kane, Peter Shubotham, Patrick Hogarty, Andrea Kelly, Gerry Sugrue, Andrew Meleady, Matthias Knab.

Cover photo: Cliffs of Moher, Ireland.

Introduction

Gerry Sugrue
the Irish Stock Exchange

My name is Gerry Sugrue, my role is vice president within International Primary Markets at the Irish Stock Exchange where I have worked for the past 15 years. The Irish Stock Exchange is the leading stock exchange for the listing of investment funds. We have 7,500 investment fund classes from 2,100 funds listed on our Main Securities Market. A listing on an EU regulated market can provide a range of benefits to both EU domiciled and offshore funds including attracting investment from institutional investors and increasing investor transparency and visibility of the product. We have a diverse range of funds within this base which are managed from over 40 locations around the globe.

Andrew Meleady
Abbey Capital

My name is Andrew Meleady. I am the chief operating officer at Abbey Capital. I am also a member of the investment committee and head of operational due diligence.

Abbey Capital is an alternative investment specialist that allocates to CTAs in the managed futures space. We were formed in 2000 and currently employ 52 people between our offices in New York and Dublin, Ireland. We currently manage $2.7 billion and allocate just under $5 billion using managed accounts. Our clients include pension funds, endowments, charities, major private banks, broker dealers, RIA's and multi-family offices across Europe, Asia and North America.

Andrea Kelly
PwC

Andrea Kelly, I am an assurance partner and the Alternatives leader for our Irish practice based in our Dublin office. I mainly work in the hedge and private equity space of the business, predominantly with US and UK Alternatives fund managers that either have products domiciled in Ireland or are being serviced out of Ireland.

PwC has 14 assurance partners and over 400 people working in our dedicated asset management practice in Ireland, who are located in our Dublin, Kilkenny, Cork and Galway offices. We offer assurance, tax and advisory services to clients. We are the largest specialist asset management group in Ireland. We have twice the market share of our nearest competitor.

Peter Shubotham
Swiss Capital Alternative Investments

Peter Shubotham from Swiss Capital Alternative Investments, where I am head of client advisory for Ireland and the UK. Swiss Capital was founded in 1998 and currently has over $5bn in assets. We are a specialized asset manager for institutional investors; pension funds, insurance companies and family offices offering tailor made, segregated and transparent multi-manager mandates in alternative investments, private debt and real assets. We are an international and experienced team of around 50 specialists with offices in Zurich and here in Dublin.

Patrick Hogarty
Alder Capital

My name is Patrick Hogarty, I've been working for Alder Capital for the past 15 years. Prior to my current sales and marketing role, I developed many of the company's internal systems and managed the trade execution desk.

Alder Capital has been managing investment risk since 2000. We employ a proprietary risk management system called CALM to forecast volatility in financial markets. While the firm's primary focus is in the currency markets, more recently Alder Capital launched a new target volatility equity fund. As of June 2015 we are managing approximately $360 million for our currency fund, which is one of the longest running currency funds in the world.

We employ quantitative methods to systematically generate trades.

It has proven to be quite a robust system, having managed to deal with many different market environments over the past 15 years.

Our new fund, the CALM Eurozone Equity Fund, is a target risk volatility equity product. We're employing the same volatility forecasting system, used for many years in the currency world, to forecast volatility in equity markets. The fund monitors and adjusts the risk level of the Eurozone equity portfolio on an intraday basis. It's a new opportunity for us in providing risk management services and something that we're looking forward to introducing to the market.

Ciaran Kane
Three Rock Capital

My name is Ciaran Kane. I am CEO and co-founder of Three Rock Capital. We are a discretionary global macro manager trading FX, equity indices, fixed income and precious metals, all through exchange traded futures.

Our client base is a combination of Irish and US clients, although we are also actively marketing in Europe. The firm has a track record from January '09 managing proprietary capital and are regulated and managing external money since January '13. We are currently managing $16 million.

John Lowry
ML Capital

My name is John Lowry. I am a cofounder of ML Capital. We were founded in 2010 and have operations currently in Geneva, London and in Dublin.

With an overall asset base of approaching $1.5bn, we work with a number of mainly alternative managers offering them a range of regulated solutions to access the European markets. Our UCITS platform is the biggest component of the business. As we operate at the intersection of the increasingly converging traditional and alternative investment worlds, the range of strategies that we service and offer is therefore quite wide and varied. We have several long only offerings, real estate products, managed futures and everything in between.

For the private equity and real estate sectors, we have developed an investor friendly platform on the QIAIF side where we see a lot of opportunities in the future with the recently implemented AIFM Directive coming into play.

In terms of our position in the marketplace, we have a strong distribution capacity with a very active internal team working alongside several external distributors in key markets to assist the asset raising process for our investment manager clients.

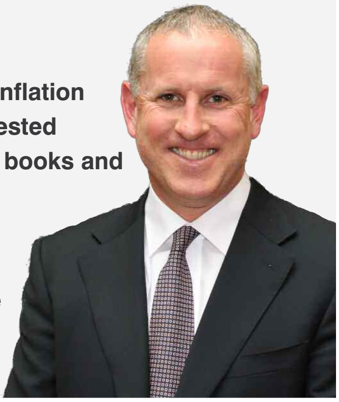
Matthias Knab Today is 29th of June 2015, and that could be a historic day as it is the first day where finally the Greek banks closed down.

Of course, the Euro and the equity markets have started to plunge. Do you see any opportunities for you from that?

Ciaran Kane: The one thing we wouldn't be doing is taking risk on the back of what's going on in Greece. It's too hard to work out exactly what is happening and markets are reacting to rumour and counter-rumour. The media this morning was suggesting that the Greeks would have a referendum vote on a package that the European Union had already withdrawn. Later on this morning, Mr. Juncker was encouraging the Greeks to vote yes, so that would suggest that it's back on the table.

In terms of looking for longer term opportunities, we have to look through what's going on in Greece. Ultimately, Greece is a very small part of the overall picture. Our longer term outlook for markets would be very positive on the dollar, largely because the US economy is well ahead of, for example, Europe or Japan, in terms growth prospects.

You're obviously looking for start of a rate increasing cycle in the US where rates are very unlikely to go higher in Europe or Japan for the foreseeable future. In line with that view would be a positive view on equity markets in Europe e.g. the DAX and the CAC, but without an appetite for taking risk until we saw a resolution of some sort in the Greek situation. We'd also be positive on the Nikkei. We believe these markets are benefiting from a triple whammy of a weaker currency, close to zero interest rates and no prospect of higher rates for the foreseeable future, and lower energy prices.



I think the other big picture view is around bond yields. We would suggest that there's more inflation out there than a lot of market participants are pricing in. In addition to that, you've got an untested scenario where a lot of the big investment banks who previously ran significant fixed-income books and provided market liquidity don't do that anymore.

So how much liquidity is in these markets in the future if we start to see yields spiking higher and people trying to offload positions? I think there's a concern there as to whether you have a situation where there is a shortage of bids in the market which exacerbates the move.

Peter Shubotham: To briefly follow up on the issue of bond market liquidity: prior to Swiss Capital, I was a bond dealer at an investment bank where already a number of years ago it was noticeable to me and many other market participants that that liquidity in fixed income, even in the more liquid sovereign markets, had become and would remain a major problem during bouts of overall market volatility. The investment banks and their market makers have completely reversed and are no longer willing to take risk onto their balance sheets like they used to. On the days like today, with major market moving news, liquidity is all but not existent and bids are nowhere to be found therefore exaggerating the moves in price and yield.

At Swiss Capital, as a money and asset manager, we have definitely moved up the capital curve and have been more defensive over the last number of months in terms of the way we allocate and to which managers. So I agree with Ciaran that today could potentially be the start of a change in trend. Regarding the overall inflation outlook, I think there is potential for it to kick in and surprise to the upside a lot sooner than most expect. This is one of the key reasons why we are keen to look at real assets for investment opportunities and in particular opportunities within the shipping space.

Patrick Hogarty: Also on our side us we have definitely seen increased volatility for the markets we're active in. However, in currencies, we are seeing directionless trends during this level of volatility, so we have a lot of quick buy/sell movements going on, with very few sustained trends emerging. The positive out of this is the potential for some clarity in the market. It may be disastrous for Greece if they leave or potentially disastrous for Europe, however the market would prefer an outcome where we can move out of this current uncertain environment.

Once markets are moving in a low volatility environment, it can provide great opportunities for the trend following components of our currency trading strategy. More specifically for our own currency fund, high levels of volatility can provide opportunities in the ranging and momentum of yield components of our system, however, as I said, we would prefer the major currency pairs to be moving with a bit more clarity.

Our new equity fund, the CALM Eurozone Equity Fund, is doing quite well since it launched on the 28th May 2015. Having an annualized targeted risk level of 8% of NAV is proving to be a very useful strategy during the current market environment of high levels of volatility in a falling market.

During the June 2015 market wobble, equity volatility has jumped up to 30% and at times to 40%. By managing your risk to a target of 8% of the fund's NAV, it means your investment operating at a reduced level of risk and as a consequence the size of the peak-to-trough fall in your investment is substantially reduced. This environment of high volatility, falling markets, provides a great opportunity for our new fund definitely, as it gets to showcase the advantages of having a risk managed approach to equity investments during these stressful market times.

Matthias Knab Patrick, you are a systematic currency manager. The fate of the Euro is currently decided more by politics than markets, so I wonder, how do systematic managers deal with these political markets?

Patrick Hogarty: Every trading decision made by our system is 100% dependent on the data fed into the model. Whether the moves are political or market driven, the data will inform the system as to how best to be positioned.

For us, it's all about being able to forecast volatility. As the system forecasts an increase in volatility, we will reduce our positions in the market. The system also has particular threshold levels of volatility beyond which we will exit completely from the market.

We have a prime example of that recently, when EUR/USD broke through 1.08, having come from 1.30 last year. The system forecast the volatility of EUR/USD to have breached its threshold level. The system exited its short EUR/USD position and remained on the sidelines as EUR/USD volatility remained at elevated levels.

EUR/USD proceeded down to 1.05 and you could potentially say, we left some profits on the table. However, it then traded from 1.05 back up to 1.10 in a heartbeat. It continued to 'whip-saw' from 1.10 to 1.07 back up through 1.10 and back to 1.06, incredible levels of trend reversals. It was nice to be able to stand to the sidelines and not participate that kind of whip-saw move. So that's all big data at work. There's no discretion on the part of people within Alder Capital, all of our trading decisions are made by the system.

We do not rely on news headlines etc. for trade ideas, it's all down to the way the system can forecast volatility, not only when entering into a position but critically, as a signal for us to exit positions.

Andrew Meleady: **Matthias, who knows? It's always very difficult to predict whether or not a trend will emerge, especially in an environment where there is so much uncertainty. One might expect markets to be a little choppy over the short term, but if this was to be the beginning of the end for the Greek crisis, you would expect markets to respond and some trends should start to develop. There is however a risk of contagion should the Greeks exit the Euro and if that happens we enter unchartered waters, so it becomes very difficult to anticipate how markets will respond. The beauty however for managed futures is that whatever way markets react to the news, whether the euro rises or falls, there is an opportunity for traders to make profits due to the bi-directional nature of the strategy.**

John Lowry I would be cautious and while I would hope that this is a defining moment, my concern is that things are not so easily resolved and that things drag on and indeed spread to some of the other most stressed countries, including potentially France.

Matthias Knab Some of you have already talked about new products, new funds that you are launching. Let's talk in greater details about new launches and products.

John Lowry We have got seven new launches in the next ten weeks, with initial assets of around 600 million.

Matthias Knab That's all UCITS?

John Lowry: **It's a combination, approximately two-thirds of our new funds are UCITS and the rest is AIFMD compliant QIAIF structures.**

In addition to our liquids side, we have some longer term products under the QIAIF structure, and then we have an internal team that we acquired, running multi-strategy, multi-asset portfolios, so we plan to very selectively bring other outstanding teams and managers under one of our regulated umbrellas, in one way or other. We are doing this selectively here in Dublin and in London, looking to add to that side of the business.

Given the state of the equity and bond markets, a theme we are hearing from most investors is a search for real diversification, wherever that can be found, as a way to de-risk their portfolios and deliver value. Some of this can be potentially delivered within the UCITS structure, products like managed futures, global macro and multi strategy funds while other strategies such as private equity and more concentrated type strategies won't fit in the current UCITS framework.

The multi strategy sector is something we have spent a lot of time researching, and it is an area that is very topical as it holds the potential for risk mitigation when markets become dislocated. Whether all of these products will deliver is another question, and they need to be tested in difficult markets to be able to see their true value, or indeed not. The shakeout in Asia at the moment is very interesting as it will show who really has been swimming naked, or not. In a similar way we would see a significant shakeout as likely to happen in the very trendy multi asset and multi strategy sectors. Similarly the flexible or "Go anywhere" fixed Income fund sector too will be interesting as these strategies are properly tested.

Peter Shubotham: For us at Swiss Capital, the key solutions at the moment are yield enhancement strategies such as private debt and in particular direct lending. With the disintermediation of classical financial intermediaries due to regulation, increase in capital costs and the contraction of balance sheets, clients are asking how can one avail and take advantage of this situation from an investment perspective.

Therefore, direct lending is a theme that we like at the moment. Direct lending tends to focus on senior secured loans to companies with EBITDA of generally less than $50m, the middle market. We believe this is highly attractive given its very predictable and steady performance profile and with no duration risk. So we are launching a new solution at the moment to address and capture this opportunity, the Swiss Capital Direct Lending Platform.

Also, the Floating Steel Fund is a new shipping fund that we are currently launching. As mentioned earlier, the potential for inflation increases the attractiveness of real asset strategies. So we are going to acquire a blend of quality second hand dry bulk carriers at the bottom of the current shipping cycle, operate and trade the ship assets for a significant yield of 6-8%, and target asset disposal at a future point in the cycle to deliver substantial capital appreciation.

Andrew Meleady: If I look at where we have seen interest, you could break it down into three separate streams. Our primary focus historically has been in the private placement area. Our flagship fund currently has assets of approximately $2.6 billion. Here, we are targeting institutional clients like the major private bank clients, the broker dealer channel in the US and multi-family offices. Our focus here is delivering a product that offers professional investors a daily dealing managed futures offering.

Secondly, within the last twelve months we launched our first 40 Act product. This product was very much a response to the demand we have seen from the market to deliver a low cost, transparent multi-manager managed futures offering that was very transparent and competitive on fees. For us, it was very simple, we created a product with no incentive fees. We had a little bit of the luck of the Irish with regard to timing of when the product was launched (July 2014) – managed futures really has performed very well since that period and we have been very fortunate to see that product grow to just under $200 million.

Then finally, at the other end of the spectrum we've seen real interest from the sovereign wealth groups and large corporate pension plans looking at tailored solutions or customized products. I think we could be quite active in this space over the coming years. There is a real opportunity here, especially for the larger players.

Matthias Knab John mentioned one of my key words or themes, the evolution of the European alternative investment space. Tell me, how has the space been evolving, what's new?

Andrea Kelly: In terms of the Irish industry, 2014 and year to date in 2015 has been a very busy time for the industry. 2014 was for the Irish funds industry an exceptionally strong year in terms of asset flows both into UCITS and alternatives.

Net assets of Irish domiciled funds are up 24% in terms of AUM and we are the second largest fund domicile in Europe.

Net assets of UCITS funds increased by 22% to EUR 1,274bn while net assets of non UCITS increased by 29% to EUR 387bn. Looking at industry statistics, that growth figure compares very strongly against other competing domiciles, with Ireland having the highest net sales of any European domicile in 2014. Ireland accounts for 50% of the European domiliced ETF market also. We have also seen a 40% increase in terms AUM in non domiciled funds which are administered in Ireland.

We have also seen the launch of our new corporate structure for funds, the ICAV. It's a new fund structure here in Ireland and one that we're particularly excited about in terms of promoting Ireland and we will speak in further detail about it during the round table this afternoon.

Ireland was also the first domicile to actually launch a *regulated loan origination fund vehicle*. A small number of loan funds have been set up, but uptake has been slow so far. There is some interest for them, but from talking to managers there are certainly some challenges also.

I would agree with Andrew that in terms of market developments we have experienced a lot of interest around liquid alternatives, which has come from both ends of our client base. Existing UCITS providers have launched products to meet this demand from investors and are using their existing distribution channels to market it, or in some cases they are co-teaming with another alternatives manager.

And then on the other side we have seen some of our hedge fund managers launching liquid alternatives and looking to take advantage of the UCITS brand to generate AUM and market/passport those funds in Europe and other global locations. This is to a certain extent driven by some concerns around AIFMD and the fact that the UCITS brand is so well-known, particularly in Asia.

In terms of what has been discussed by the other participants regarding the debt markets and the banking sector, we are also seeing a lot of activity in securitization deals outside of regulated funds. There is some direct lending being done in securitization vehicles, and we have also seen our clients participating in strategies like shipping deals, and other infrastructure products, as Peter has mentioned. A lot of Irish vehicles are being used for those types of products.

Property continues to be a hot sector and we have seen a lot of activity locally through NAMA, the National Asset Management Agency, but also in Irish QIAIFs transacting in property deals in other European markets.

AIFMD continues to be a very hot topic in the industry and in particular for non EU-AIFMs, and I know this is an area you are keen to explore in further detail during our session this afternoon. Talking points have been around the Annex IV, reporting, remuneration disclosures, reverse solicitation and third country funds.

Gerry Sugrue: The Irish Stock Exchange launched a new initiative recently called the ISE Fund Hub (www.isefundhub.com). This followed some market research we commissioned to determine if there was demand to display more information about ISE listed funds other than what was currently available on our website. The overwhelming feedback from managers, investor groups and consultants that we surveyed was that there was a substantial appetite for such an exchange-driven solution. The investors also made it clear that they did not want to pay for it, so the model we came up with provides free access to professional investors.

The solution was built with our partner FundConnect based in Copenhagen and comprises of a series of rooms containing net asset value, performance analytics, document hosting and a profile area for each manager.

We incorporated flexibility within the portal so that the manager can choose what features it wishes to use. The take up has been excellent and we now have 30 managers with 200 funds on board, including Abbey Capital, which were one of the early adopters.

ISE Fund Hub was a logical step to take given the amount of queries we received from potential investors looking for performance history and other information on ISE listed funds. Until now users of our website (www.ise.ie) could view a list of 7,500 classes but couldn't search by domicile, strategy, currency etc. The Fund Hub provides this functionality and allows free access to key information in advance of approaching the fund manager directly.

One further point on the Fund Hub is, at the moment, although the database is free to users, you need to be a *professional client* to access it, so a registration process is in place. However we already have a phase two planned where a public tier within the database is dedicated to UCITS, and this will provide access to all without any restrictions.

Getting back to earlier points made on the success of the Irish funds industry, I think is worth mentioning the Exchange Traded Funds industry where Ireland now has 50% of European ETF assets. I think this figure will steadily grow as we continue to see ETF providers use Ireland as a domicile, the ISE as a primary listing venue and use Irish based service providers for administration and custody. At the ISE we have seen continued growth and an increase in new launches this year from both existing providers and some new entrants to Europe such as Van Eck Global and Nomura.

Just finally on the topic of ETFs and new products, and particularly as we are sitting here on the ISE's market floor, Wisdomtree which a leading ETF provider, recently added the WisdomTree ISEQ 20® UCITS ETF to its product suite. This is the only ETF in Europe which provides Irish and international investors with the opportunity for a simple and cost effective exposure to the 20 largest and most liquid companies on the Irish equity market.

Matthias Knab From which geographies are the managers that currently list their funds on the ISE Fund Hub?

Gerry Sugrue: Most of our business is managed from the UK or US so that is reflected in the Fund Hub. It's a solution that appeals to different managers for different reasons. For example the US manager Lord Abbett launched a UCITS to offer European investors access to its fixed income strategies, and they chose Ireland as a domicile, the ISE as listing venue and the Fund Hub where they are using all the available features to provide information to investors on their fund range.

Other managers with offshore funds may not be actively marketing these to EU investors and don't wish to share documentation on ISE Fund Hub. The profile area allows a manager to provide contact information and provide additional visibility on what is listed on the ISE. This is an attractive proposition to managers but it's important to note the ISE does not facilitate any investment into a listed fund, so any user still needs to pick up the phone or make a direct approach outside of the portal if interested in investing with that manager.

John Lowry: I think the biggest theme overall within the European Investment Management sector is the convergence of the alternative and the traditional investment worlds.

The increasing influence of regulators is clearly a big driver in this movement, with the aim to move offshore alternative funds to onshore structures. However behind the regulatory pressures are other, more basic drivers, in particular the increasing realization that the traditional asset allocation model of a shifting mixture of long only equities and bonds is outdated and not fit for purpose. Pension trustees are increasingly coming to this realization and most are using a wider range of asset classes than ever in an attempt to mitigate market risks and to better mirror the liabilities of the funds in their care.

So we are seeing a wider range and a far varied combination of investments than ever before in the search to deliver more sustainable and less risky returns. This is a significant evolution of the alternative industry in Europe with AIFMD really starting to shake things up in many ways, some good, some bad, and some we really yet can't say as its still too early to tell.

With respect to the comments on AIFMD, while the directive has taken its share of bashing from within the industry, we would argue that there are elements of some of the practices within the sector which need to be addressed for its future health. For example the remuneration issues it tries to tackle have long been a bug bear for many investors. Imposing better alignment of interests and stricter, and hopefully better governance, may well strengthen the long term sustainability of the industry.

AIFMD has introduced a governance regime that is equivalent to UCITS (and indeed in some aspects greater) and this means that professional investors will now have a more secure fund structure that also allows a great amount of investment flexibility for the investment manager.

Finally in relation to the question of whether the AIFMD brand will become globally recognized as the UCITS brand is today, we will leave that to others with more time on their hands for the debating parlors. However we would make the following points: firstly that it look the UCITS label as much as a decade, from around the mid 1990s, until it became widely acceptable as the European mutual fund structure of choice. And that it did so in spite of several key jurisdictions hanging onto their own mutual fund structures for dear life, e.g. the French SICAV and the UK Unit Trust/Oeics.

Finally I would like ask Gerry a question, given the new regulations including UCITS and the AIFMD, how does the ISE Fund Hub fit into the greater picture given the growth in alternative investments?

Gerry Sugrue: I think the main benefit – based on the feedback that we had from the managers that have opted in – is that they see it as a first stop for initial investor due diligence whether UCITS or AIF. Of course the manager has no control over who sees the information, but they know they will be professional clients, while the managers will determine themselves what features of the Fund Hub they wish to use and what they wish to display. In all cases an investor will eventually need to contact the fund directly as they are going to need more information before making a decision.

The Fund Hub is an independent source of information that makes it easier for investors to find the funds they are looking for. The registered user base, which is growing all the time, is very broad and we are excited about the level of interest it has attracted and types of investors which have registered.

Andrew Meleady: When Gerry first spoke to Abbey about listing our funds on the ISE Fund Hub, we needed to be sure that our information was not going to be generally available to the public. We also wanted to be sure that this was only a portal that was providing information and not somewhere where a potential investor could buy shares in your fund.

Once we became comfortable with both of these issues we went live and in practice we have seen that investors and potential investors like to get information from independent sources, and they see the ISE as providing this. The ISE Fund Hub can re-direct interested parties to your website and we have seen this as a source of web requests for access to our site. This allows us to then make sure that the interested party fulfills all the eligibility criteria before we give them full access to our website.

Matthias Knab There has been a whole range of portals that have sprung up over the last two or three years who try to jump into that niche and offer alternative investment managers the option to list their funds, so that they can be screened by registered investors of the site. I keep a list of these sites, and there must be around fifteen of them now, but so far it seems to me the race is still on, up until now there is no winner or dominant player in that niche.

Andrea Kelly: Coming back to Ireland and the benefits of Irish vehicles, I will briefly touch on the benefits of the ICAV, which I mentioned early on this afternoon.

The ICAV is the new Irish corporate vehicle that will exist alongside our current fund structures (the investment company, the unit trust, the common contractual fund and the investment limited partnership). It is similar to an investment company but with certain advantages that mean it is more tax efficient and also specifically tailored to meet the needs of the global funds industry. I do expect that the ICAV will be the vehicle of choice in Ireland for fund managers going forward.

The main advantage from a pure tax point of view is for US tax managers, where they can now "tick the box" for US taxation purposes. *There are also a number of administrative and reporting changes which will also appeal to managers*. The main one I would mention is that if you're setting up an umbrella fund, you can now do separate financial statements for each individual sub-fund. So if you have different investors into different sub-funds or you want to provide information only to existing shareholders in a sub fund, you can now do that and produce separate stand alone financial statements, whereas under the previous plc structure you would have to produce one big set of accounts with the full disclosures for all sub-funds. I think that this is proving quite popular among not just US managers but also European managers as well where they want to create a bespoke sub fund for a particular class of investor.

I think the other area where the ICAV is important, is in the context of redomicilations into Ireland. Increasing numbers of investors both in Europe and further afield are seeking a regulated environment for their funds. This requirement is being driven by a desire by both fund managers and investors to obtain greater statutory protection of their interests.

Ireland introduced redomicilation legislation in 2009, and although we saw a number of redomicilations in '09, and '10, it was maybe not to the extent that we thought might have happened.

The Cayman/BVI domicile is still a domicile which very much works for a lot of hedge fund managers and investors, however on-shoring continues to be a hot trend, with demand from certain types of investors for more on-shore products, the OECD taxation agenda against tax havens, and I believe AIFMD will give impetus to this trend as well.

So now with the ICAV legislation in place, we have seen a number of funds redomicile, for example Permal have moved a large number of funds from BVI into Ireland in 2015.

We have also seen in the last couple of months interest from existing fund structures looking to convert to an ICAV.

I firmly believe that the ICAV has the potential to generate a lot of business for Ireland in terms of Irish products, whether it's in the UCITS space or the alternative side.

Peter Shubotham Where have you seen the most interest in ICAVS, has it been new funds or existing structures migrating to ICAVs?

Andrea Kelly Yes indeed, there's certainly a number looking at the conversion from an existing unit trust or a PLC. There are a couple of tax hurdles to get over on the conversion, but it is very achievable.

Peter Shubotham In terms of the Irish fund industry, is ICAV a big factor when competing against the likes of the British Virgin Islands and the Caymans?

Andrea Kelly: I think it is. I believe it has the potential to be a big win. I still think, personally, that Cayman works for a lot of people. If you take say the Japanese pension industry for example, Japanese pension funds like the Cayman Unit Trust structure, and for them it works very well. I think the ICAV makes us very competitive against some other jurisdictions to be able to get the flow-through tax treatment for US investors.

So I think that will certainly help. I don't think by itself it will be a complete watershed, but I think it will help on the redomiciliation piece, and that was probably missing when that legislation came in a few years ago. It will take burden off the table in terms of administrative, accounting and tax reporting.

We will have to see what happens in terms of the off shore Caribbean domicile versus the onshore jurisdictions. I think some of that will really depend on what happens with the OECD, the banking secrecy rules in certain jurisdictions and the BEPs agenda. Ireland is exceptionally well placed with respect to those areas to benefit.

Matthias Knab What I find interesting around this Ireland Roundtable is when you compare the managers here with those in a place like say London, there you would find much more stock pickers and equity-based strategies, and maybe it is not a coincidence that the Irish managers represented at this Roundtable are engaged in much different strategies than equities?

John Lowry: London has been the place where the vast majority of European managers have been based. I actually helped to raise the seed capital for one of the very first dedicated European hedge funds some twenty years ago when I was based here in Dublin with Old Mutual. The manager though,was in London. The sector grew from there as the European industry, or at least European focused hedge funds, really took off in the early '90s.

So I grew up with the industry, although I had to move to Geneva as that was where the majority of early stage money was sourced for hedge funds in those days (mid 1990's). As the European hedge fund industry matured, I was involved with several early stage hedge fund ventures, including a fund of funds dedicated to European hedge which was later taken over by a prominent Irish family office.

Today London remains the epicenter for the European industry, and there are in fact a lot of Irish people working in the hedge fund sector, many of whom are very favorably disposed to the concept of returning to Ireland, subject to more opportunities being available to them.

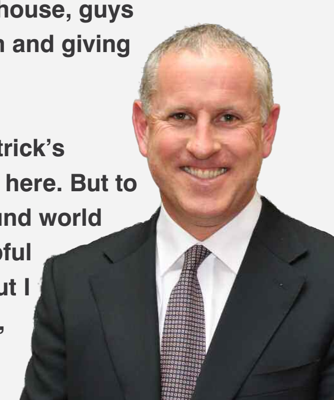
There has been a growth of a local hedge fund manager community in Dublin, lead by the likes of Abbey and a few other groups. So I for one would be very positive in terms of the potential to build out a local industry, I do see it growing and already in our relatively short existence in Ireland we are "doing our bit" so to speak by having acquired a local team managing nearly 100 million in multi asset portfolios. We are actively looking to build out this aspect through a combination of internal growth and through other teams joining our business platform. So things are moving ahead, and while a lot more work needs to be done, some interesting seeds are being sown. Therefore I have a positive view of a strong local hedge fund manager community developing in Ireland over the coming few years.

Patrick Hogarty: Even taking one more step further back, we have a really strong educational system in Ireland with many people coming through it with an excellent background in mathematics and science subjects. Years ago our country began a process that provided an avenue for people to go to university at a much reduced fee level, and in some cases free. Many students, who had the ability, applied themselves in mathematics and the science subjects at many of our top universities.

It is because of that decision that today we have access to people with strong educational backgrounds in areas such as; mathematical, actuarial, theoretical physics, and computer science, etc. We certainly don't have a Silicon Valley so to speak to apply a lot of these backgrounds to, however, they do lend quite well to financial tasks, and thankfully we have an environment in Ireland for these skill sets to be applied locally at a financial level.

We are an entrepreneurial nation and we like to look at the greater world around us. We also still like living in Ireland, so why not set up a fund here?

Ciaran Kane: From our perspective, it's very much down to our personal backgrounds and where we used to work. At our firm, we all worked at Irish banks where we were involved in prop trading FX and rates. There is very little or none of that activity going on in Irish banks now, as is the case in banks globally. You are now seeing some of the more established hedge fund management firms, such as Tudor Jones, taking a different approach - instead of taking guys out of prop trading desks in banks, they're trying to grow their own and developing them in-house, guys who haven't got to the point where they can manage money externally. They're seeding them and giving them three to five years to become fully fledged managers.



So, the timing was just right for us in terms of our personal and career situations. And to Patrick's point, going to London wasn't an option for us for personal reasons, so we decided we do it here. But to echo what John was saying, you come across so many Irish people involved in the hedge fund world in New York, London and elsewhere. Our experience has been that they have been very helpful to us in terms of giving advice and opening doors at the early stages of our development. But I would never see Dublin being in a position to rival those two big centers. In our hemisphere, it's always going to be London and New York in terms of manager location.

Andrew Meleady: You may look at Abbey and ask why are they based in Ireland? A better question, may be: why not Ireland? Firstly, we're an independent company owned and run by Irish people. We were educated here, our families are here. For sure our key people have all worked in Ireland but we have also worked abroad. We've gained valuable experience working in large businesses throughout the world, and we have brought back that experience to Ireland. This is a great place to grow a business. The workforce is highly educated, the infrastructure is of a very high standard, the standard of living and quality of life is excellent. The likes of Google, Microsoft and Apple as well as all the large global banks that have been here since the establishment of the IFSC in 1987 are here for good reasons. The main one being the environment is one that is good to do business.

When I look at our business, for sure it would be better if we had more competitors in Ireland. The more you can pool talent, the easier it is to attract more business and the result is that more firms set up. Ireland has done this very well in the Fund Administration space and in the IT space. We need to replicate those models and apply them to the Front Office type of businesses in the financial sector. There are some high quality CTA's like Alder and Three Rock in Dublin but there should be many more. Historically, places like London, New York and Connecticut have been locations were you would see most of the firms like ours set-up, but I see that changing. I think the current strategy by the Irish government IFS2020 is a big step in the right direction in changing the nature and type of financial service that is provided out of Ireland.

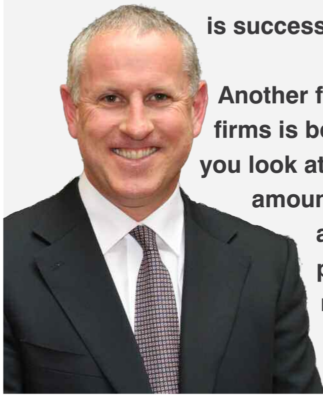
John Lowry: We decided to establish our business to Ireland in order to address the needs and concerns of our potential hedge fund manager partners, especially those based outside of Europe who had never even heard of the term UCITS prior to us discussing the potential opportunity with them.

There were very big barriers to overcome, and the jurisdiction was a crucial one. But having an Irish base has been, especially more lately, a major boost in attracting top quality managers to launch on one of our regulated fund platforms.

In terms of attracting local pension fund assets, we are seeing a movement there at the margins as pension funds begin to alter their investment allocations and increasingly diversify into certain types of what would be generally put into the alternative asset bucket. But we also clearly see that a lot more needs to be done in this regard, especially given the pension fund deficits, both for individual and group schemes. I believe that only using the latest tools will we have any chance. *Using the traditional asset class approach is somewhat akin to fighting a nuclear war with bows and arrows*, and true diversification and the intelligent implementation of the latest asset classes now widely available (and increasingly well regulated for added comfort) can therefore help solve key challenges in an enduring low-return environment.

Ciaran Kane: Enterprise Ireland is an investor in our business as well, so there are Irish State owned business development agencies supporting firms such as ours. Our experience of them has been, and continues to be, extremely positive. In our case there weren't funds available to manage i.e. they weren't in a position to increase your assets under management. They would make an equity investment on the basis that you're an internationally traded services business. In other words, you were doing business primarily with a client based that was non-Irish.

For the very reason that Andrew has made which is that we just don't have a fund management or a hedge fund management culture here, we should look at more creative ways to develop that environment. I believe that it's partly linked to more joined-up thinking at government level, but it's also creating the right environment for people to come back. It's not about the government driving it sometimes, maybe it's pulling people back in because the tax incentives are there for someone to set up a business, and because the business environment is right. If the business is successful, they get to keep most of what they've made rather than passing it back to the government.



Another factor is that when you look at other countries, part of the growth in hedge fund management firms is being driven by domestic pension and investment providers allocating to those managers. If you look at what's happening in places like Scandinavia, hedge fund allocations within big pension funds amount to 15% - 20% of assets. In Ireland I suspect it is low single figure percentages. It isn't about allocating to local managers to assist their growth, but to develop diversified investment portfolios that consider the alternative asset space as a strong contributor to risk adjusted returns. So, in summary, a combination of government led and industry led initiatives could make Dublin a more attractive location for managers.

John Lowry: The new Solvency II rules coming into force next year has the potential to also drive a lot of insurance money into alternative investments.

To be clear, there are differing views on the subject within the insurance sector, with some in fact planning to reduce their exposures to alternatives due to the higher capital requirements required. However, assuming the insurer and his alternative manager(s) work in tandem are able to produce more granular modeling, they should be able to demonstrate to the regulator that the underlying portfolios have a lower risk profile than the raw reading of Solvency II might suggest.

Quite a few of our clients are insurance companies, and in preparation for Solvency II and in order to better allocate their capital, they are increasingly invested into our core products.

This theme also lends itself well to the broader trend of investors differentiating between alternatives asset classes and holding a more granular return-driver perspective when building their asset allocations instead of using the traditional asset class approach in their attempt to generate decent returns in this environment of stubbornly low overall yields.

Looking ahead from that perspective, I think there is a great opportunity to provide better and innovative solutions like this to solve challenges in an enduring low-return environment.

Patrick Hogarty: You mentioned risk management, which has certainly become a much more important topic for all types of investors today. Alder Capital puts a lot of effort in explaining and educating investors about risk, especially how our new CALM Eurozone Equity product can help in managing risk for equity investments without, in our view, sacrificing long-term returns.

We've been managing risk at Alder Capital primarily in currency markets, however, the investor base for a currency fund is smaller than that say for an equity fund. However, we didn't want to just produce another long-only equity product. The science we're bringing to this asset class is risk management, because that's what we're good at, that's what we've been doing for over 14 years. The launch of our new CALM Eurozone Equity Fund may be well timed, as a raft of new regulatory requirements are coming down the line, forcing certain institutions to monitor, manage and report on risk and not let market volatility wash through their clients' portfolio.

Alder Capital's approach has risk management built in at its core, risk is being managed on a systematic basis, multiple times a day.

Alder Capital gets the feeling there may be a paradigm change happening on the side of institutional investors. While in the past all investors often tried to chase return first and foremost and then worry about the risk afterwards, that seems to be changing a little. Alder Capital has always focused on the risk element of investing because all of your gains and losses are proportional to the level of risk your investment is running at.

Peter Shubotham: I agree with John's earlier point regarding the insurance market. It is interesting to look at the overall allocation levels into alternative assets by pension funds and insurance companies.

I read in a recent PWC report that the level of global alternative assets could almost double to more than $15tn in the next five years. The OECD recently warned that pension funds over excessive search for yield by investing more into alternative assets. However, I would not agree that alternative investments are riskier than other asset classes, in fact in some cases they can be less risk than equities and fixed income. For example, as we discussed earlier today, the lack of liquidity in fixed income could lead to significantly increased levels of volatility.

Regarding the actual level of allocation, Japan's Government Pension Investment fund only recently added a 5% allocation to alternatives for the first time. This is in stark contrast to the US where the largest pension funds have allocations around the 15% mark. I am unsure of the current level of allocation in the Irish market but I would imagine that it is closer to or below the Japanese level rather than the US level. As local industry participants, hopefully we will be able to educate and explain the merits of alternatives versus equities and fixed income.

Andrew Meleady: For many key decision makers in those institutions, alternatives are something new, and therefore something that you have to do is educate your target investor base. This is core to what we do at Abbey, and yes it takes time, but it is definitely worth doing. I believe that it will pay off in the long term. It is much better for your business to have an investor that understands the asset class. They are more likely to remain an investor if they understand drawdowns.

As Peter has said, most institutional portfolio managers are used to bonds and equities, and trying to introduce them to alternatives and their benefits in terms of correlation, diversification, transparency, liquidity, and so on, may be counteracted by a perceived reputational risk, so they may end up saying, "Well, do I want to take that risk and allocate to an asset class I'm not sure of?" Only they can answer that question, but if their objective is to create a well-diversified, robust portfolio for their clients, I would argue that managed futures has proved over time that it is an asset class that helps to achieve this

Peter Shubotham

Still, we see more and more signs that this educational process is actually happening, particularly in the UK and mainland Europe, where allocation levels to alternatives are on the rise.

Patrick, what is your experience in educating your potential investors, roughly how long does that process take from initial discussions to a potential investment?

Patrick Hogarty

It's definitely a long process. We could be speaking to somebody for three to five years before they actually cross the line and make an investment.

Peter Shubotham Interesting, that is considerably longer than I was expecting.

Patrick Hogarty: I know, it does take a long time. It seems that for alternative investment strategies, investors almost want to sit on the sidelines and monitor how the alternative strategy behaves in different market environments before they gain comfort with an alternative trading strategy.

Our long-term track record, of over 14 years, provides a lot of information for potential investors. However, some investors still wish to wait and monitor your performance during whatever environment we are currently in. Investors want to see how well you tread water in difficult markets. Alder Capital prefers investors who take the time to do due diligence on the firm and the strategy as that leads to better expectations management for both parties

On our most recent trip to North America, we were interested to hear that alternative strategies are not getting the attention we had expected from investors. Our currency fund has done very well over the past 3 years, however what we have to recall is that many investors' portfolios have been top heavy with equity funds that have managed to produce double digit returns for six plus years. So, when you're presenting an alternative strategy, firstly, you have to potentially introduce a brand new concept to an investor and secondly, they will be comparing you to the most recent bull run from their equity investments. This can be a challenge when you are trying to get the same point across that Andrew was making about the potential for portfolio diversification with the low levels of correlations that alternative strategies have exhibited. ***The focus on proper portfolio construction, having uncorrelated return drivers to weather different market environments can be secondary to chasing returns for some less-sophisticated investors.***

We also like to assume people are looking at medium to longer term investment horizons. Investors looking for short-term sharp returns may not be a suitable fit for the funds we offer. Pension funds, for example, would be a good fit for our strategies, they look at long-term investment cycles and can see the advantages of having a basket of uncorrelated assets in their portfolio.

Interestingly, we were only speaking to a UK investor on Friday who came to see us in our office, and they claim that they were finding it difficult to find "true alternative investments". He was slightly uneasy with many absolute return funds because when he looked look under the hood, some of them could have 80% exposure to equities. The fear he had was if equity markets go through a stressful period, perhaps some of these absolute return funds will also perform poorly.

So for that investor, trying to find an investment that is truly alternative, that he can understand, but that isn't debt or equities, can be a long process. But working with such investors can be rewarding, because when they do cross the line, they have to potential to become long term relationships.

Peter Shubotham Provided they understand drawdown.

Patrick Hogarty Yes, provided they understand drawdown, exactly.

Andrew Meleady In that context let me add that even a firm like Abbey who is an experienced multi-manager allocating to the CTA space, we tend to look at managers over a long period before we allocate to them.

Matthias Knab How long would that be?

Andrew Meleady: It can range. We could look at a manager for three to five years before we invest, but equally it could also be one to three years. The due diligence process has to run its course. That includes the analysts really getting to know the manager, the principals of Abbey getting to meet the manager on-site and the operational due diligence team meeting the manager on-site doing a full review of their business.

Like the investor Patrick talked about, we like to get on-site, see the manager, see what they are doing and how they perform over time. We like to see how they deal with a drawdown and how robust their strategy is to different market conditions. Once we allocate, the relationship evolves. We like to have relationships at different levels through-out the firm, from CIO right down to the back office guys reconciling positions on a daily basis.

Matthias Knab Let's further look at some of the new products that come to the market. John, you said your firm will be launching some six new funds, can you tell us more about those? What are their strategies, and what benefits do they offer to investors?

John Lowry: Our launches will include some new managed futures products, two Asian focused products with experienced teams and very solid track records based out in the region and a credit product from a long established US based firm.

Most of our launches fall in between 20 and 50 million range, which is quite a high hurdle. The way we look at it is, in our portfolio, the products that we have in our platforms – the liquid UCITS and the non-liquid – we want to have that classic a barbell approach. Right today we happen to be overweight on the liquid side. That's more the result of alternative UCITS being around longer than the AIFMD QIAIF structures that are a much newer phenomenon. However the AIFMD compliant AIFs are increasingly coming onto our radar screen as a serious option for managers of less traditional strategies where it is clear that UCITS are not the right option. Having both available will become a very interesting opportunity for us.

Although right today we have no Asian product, this is being addressed as we speak and within the next few weeks we hope to have a foothold into the Asian alternatives marketplace. We do think that there is a lot of opportunity, alongside some clear risks in Asia, and therefore you need to have the right hands managing those investments.

We think that managed futures and global macro are particularly interesting strategies right now. Like all of you, we also spend some time on market research and helping to educate the growing investor marketplace. We produce a quarterly report which analyzes which strategies that are in demand to help us gauge the current sentiment. This also influences which strategies to potentially launch over the next cycle and also in terms of our sales and marketing efforts, to help avoid trying to push water up the hill. We do quite a bit work on that.

On the other hand, we're also concerned that potentially we could spend our lives doing education around these topics, and we would be concerned that the message is not really getting out widely enough and that *the time to be allocating to a range of alternatives in size is now, not when the horse has bolted.* However we are realistic enough to know that this is a marginal game and you can't expect to win over the whole world all at once!

Matthias Knab We spoke about the evolution of alternative investments, benefits and different vehicles in Europe before. What's your view or what has been your experience here from the perspective of a product provider?

John Lowry: It has been an interesting evolution. We established our business a number of years ago, not even based on regulation, based on the fact that people needed more secure structures for their alternative investments. We initially went down the route of establishing a managed accounts structure out of Bermuda, however relatively quickly we looked into and then decided to focus on the whole alternative UCITS movement. Probably five years ago we were a little early, if you want to talk about getting your timing exactly right (which is a fallacy anyway), and we expected the majority of the marketplace to follow, which did not happen for at least two or three years.

But we still went ahead and launched a UCITS platform, and much more recently, as we are seeing a growing demand, we have launched a QIAIF platform for AIFMD compliance.

In terms of what's currently most in vogue, UCITS or AIFs, we would say that it is still coming down on the UCITS side.

A lot of managers who held off initially from going down the UCITS route. But now, when faced by AIFMD, they have now decided to launch a UCITS to avoid the AIFMD.

So AIFMD has to a large degree forced their hand. A lot of those people who said, "Yeah, let's do this QIAIF structure or SIF structure in Luxembourg", but then they go, "Well actually, our strategies are relatively liquid anyway", and they calculate that they may be able to raise perhaps a lot more money with a UCITS because it's recognized across all the jurisdictions. So, many times a manager will end up going the UCITS route.

While this maybe isn't a great endorsement for AIFMD, for which we also have a solution, but that's what we're seeing actually happening out in the marketplace. The bulk of the business has given a spur primarily to the UCITS side, but we also do see the AIFMD QIAIF structure as being a longer term play. We're already seeing some flow into that already.

Probably there is a barbell approach to it, and seems logical that stuff can really fit in comfortably in either one, UCITS and the QIAIF, SIF structures for each side of the barbell.

Matthias Knab Andrea, what are your observations regarding AIFMD?

Andrea Kelly: I'd agree with a lot of that. We've certainly seen a lot of interest in liquid alternatives as we mentioned earlier. I do think part of that is because of the recognition of the UCITS as a global brand, and that you can take advantage of existing distribution platforms.

I think the jury is probably out on some of those liquid alternatives, and I think there are probably some strategies/instruments in liquid alternatives that really shouldn't be in that type pf product. So, I believe there is the potential for some issues to arise should the markets go the wrong way for some of those players, and where you could potentially end up with some very difficult situations to manage in a UCITS fund in terms of the liquidity that you have offer investors. There is the potential for the UCITS brand to be very damaged by a blowup in a liquid alternative.

AIFMD continues to present challenges for managers, but also opportunities. As mentioned earlier, firms have had to beef up their compliance functions to deal with all the reporting requirements, and it has been a challenging year for managers to work through all of these.

We have experienced the whole debacle with the reporting in quarter one 2015 where some regulators couldn't receive the information and where there were glitches with the web portals.

This was very frustration for asset managers. Most asset managers had struggled through and are now getting to grips with all aspects of AIFMD, but there are still some areas to be worked on.

Operationally, the difference in the reporting requirements under Annex IV of AIFMD and form PF under Dodd Frank are causing headaches for fund managers. There are some similarities but also a lot of differences between them.

Remuneration disclosures have been a real talking point over the last 12 months and a major concern for asset managers. The guidance which came from the FCA in the UK regarding the requirement for quantitative disclosures was well received by the industry and certainly assisted managers deal with it. The CBI in Ireland have also issued timely guidance and published the AIF rulebook which again has proved very helpful for people. The CBI also have regular updates and Q&A's published on their website. I think both the FCA and the CBI here have both been quite good in terms of coming out with information, guidance notes and actually taking ESMA's guidance and being quite practical about it.

But some of the other jurisdictions have been very silent in terms of what they expect. So then if you are selling that fund into one of those jurisdictions, there are uncertainties around reporting and disclosures and whether some jurisdictions will look to gold plate the requirements.

"Proportionality" with respect to remuneration continues to be discussed and looked at regarding non EU managers and the disclosures that will be required.

I think probably the European-based managers are a little bit ahead of their counterparts with respect to AIFMD, because they have had to be.

With respect to marketing and distribution under AIFMD, there have also been a number of talking points and developments. We do seem to be at a tipping point regarding marketing into Europe by third country funds, and in particular US based managers.

I think it's very much a two-pronged process in terms of looking at the US managers. Certainly a year ago many of them were still undecided with respect to AIFMD and marketing products in Europe. I think that has started to change in terms of what has been happening, but as I mentioned earlier, there is a nervousness around reverse solicitation.

The private placement regime is difficult in Europe as it is a different set of rules in each member state. The UK market currently is one of the few European markets where private placement works well as a distribution strategy, but probably doesn't really work that well elsewhere, it doesn't really work in Germany nor in France, for example. Under AIFMD, it will be reviewed by EFAMA in late 2017/ early 2018, and that will bring changes to process for marketing third country funds.

Reverse solicitation was being mooted in 2013 and early 2014 as the way in which third country funds would distribute in Europe, however that view has started to change. There is certainly more nervousness around reverse solicitation, particularly from some of the U.S. managers. If you would have asked those managers just one year ago, they would have all said, "Well, we'll just do reverse solicitation in Europe, so there won't be a problem." But now, a lot of managers and their general counsel are a little bit more nervous about it, and it is generally accepted now that reverse solicitation is not a marketing and distribution strategy for Europe. This does provide great opportunities for Ireland as a domicile.

Also for that reason, the interest in platforms has increased as a way into Europe to maybe test the market to see whether it's worth their while to go for full registration under AIFMD and to see what" ticket" sizes are out there for a particular strategy/product. Certainly some of the mid-sized US managers, I think, like that approach to if see can they get a big ticket in Europe? Which European markets are they going to be targeting? We have seen a number of managers chose the platform route where they team up with providers that have an EU AIFM platform and use that platform to market into Europe. Others are still using reverse solicitation until the customer is about to hand over the cheque for the subscription and then there is a rush and register in that particular market.

I think that's probably a key point about distribution: When you are talking to US managers, they are probably more discerning in terms of what markets in Europe they are actually going to try and distribute into, or where they are looking for investors. So it's not the scattergun approach of, "I register my funds in the 28 member states and off I go!"; it's very much, "Well, I am targeting investors in Germany, France, Scandinavia, or wherever it is, and really that's where I'll be focused."

There's probably a cost element and an education element on that in terms of getting up to speed with what the local regulator is also looking for, because you don't have passporting yet under AIFMD.

Many market participants are watching the developments with respect to passporting under AIFMD and how that will work. There is some risk that ESMA will look to really radically change European private placement rules and actually try to prevent or make it a lot more difficult for managers from outside Europe to sell into Europe. There are also the issues around the "equivalence" of third countries. I am personally skeptical when it comes to the equivalence of such regimes like UCITS and '40 Act funds, which are both have been round for a long time, and yet there still isn't equivalence there. I think we will get to passporting, and exactly what that will mean for third country funds and how the regulators will play ball with one another will be extremely interesting.

I think the other one theme, particularly in the US space, is where people are still using securitization or unregulated vehicles for maybe bespoke deals in terms of buying out European assets. This comes against the backdrop of regulators commenting on activity and developments in the securitization space and that they want to have a look at what's happening in that market.

We have also seen an increase in on-shoring, whereby managers are launching sister funds domiciled in Ireland and through which they are marketing in Europe.

There is demand, certainly within Europe, from investors for on-shore regulated products, but I think one of the big questions out there is the cost of all of these regulations.

So when you look at AIFMD, and at the moment in certain parts the framework goes further than UCITS; we are talking about products sold to professional investors. *But we are talking about putting a layer of protection in that's more than what is in place for a retail investor.* And who is going to bear the cost of that, because investors will only be prepared to pay for a certain amount of regulation. I do think there is a bit of a tipping point there in terms of the cost of all of this and whether really at the end of the day, investors will be any better off with it, or is it just going to erode returns, and put EU investors at a disadvantage in terms of investment opportunities. Time will tell and it will be interesting to see how this all plays out.

So I really think it does depend on who you are talking to, what they are doing in Europe, how much they are doing in or plan to do in Europe, and in what markets in Europe they want to play in.

Andrew Meleady: AIFMD has been somewhat frustrating in the short term, however the longer term benefits should outweigh those frustrations. Abbey became authorized as an AIFM in July 2014, and again, we have previously sold into Europe under the private placement regime. I think the frustration for many post registration is that not all of the European countries have allowed non-EU AIFs to be marketed yet. The likes of Italy and Greece have delayed any progress on this end. This means that those markets are unavailable from a marketing perspective for non-EU AIFs until they are required to sign up which will more than likely be in 2018. For us, I see some opportunities being lost as a result of this approach by certain countries.

Also, in Ireland's case what could have been approached differently was the stance taken by the Irish regulator towards its application of the implementation guidance from ESMA. I believe Ireland very much adapted the gold standard whereas some other regulators like the FCA took somewhat of a more pragmatic approach particularly in terms of the proportionality argument around remuneration.

However, putting the above aside, there are many important benefits of becoming an AIFM. If you ask why an entity like Abbey would become authorized, there are a few reasons. Firstly it is seen by investors as a stamp of approval. Obviously, when you are allocating close to $5 billion to the marketplace, you want to be seen as an institutional organization. Your investors expect you to apply the highest standard of regulation, and AIFMD hits that standard.

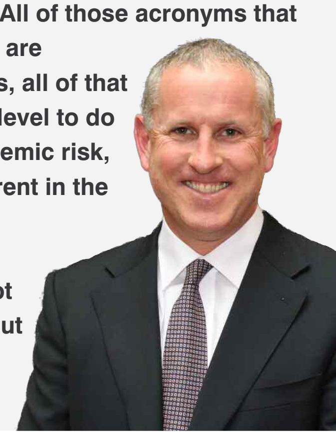
And then secondly, you ask the question will this new regulatory regime present greater opportunities to market our products throughout Europe? And looking at the opportunities, as Andrea says, we are not going to pick all 28 member states, but you may pick 10 if you only had 5 before. And you think, okay, well, there's a good business case for doing this.

For Abbey, there is certainly a much greater regulatory effort required than ever before. AIFMD is just one element but there have been others over the last one to two years. There have also been Dodd-Frank, FATCA, EMIR, Form PF, just to mention a few.

My sense of what this means for our industry is that you've just got to build up your legal and compliance team. Adding more specialized skilled resources does result in an increase in the cost of doing business and acts as a greater barrier to entry for newer CTAs. But if you are attempting to attract assets from institutional investors, my sense would be that they expect you to tick the box from a regulatory standpoint, whether that be as an AIFM or as Registered Investment Advisor with the SEC.

Ciaran Kane: I would echo that as well. In relation to a smaller manager, the same criteria applies – we are expected to meet these guidelines as well. And maybe going to the point we discussed earlier about why managers are not setting up here or maybe in Europe generally, the regulatory burden is significant vis-à-vis the US. And you talk to smaller US managers, and to Andrea's point, a lot of them are not even going down the private placement route; they are just saying we don't want to market in Europe. It's just too much hassle.

We have a full-time compliance person in our business, and we have a team of four people. All of those acronyms that Andrew has quoted there, they all apply to us as well. So you look at EMIR, for example. We are reporting our positions to a trade repository, but as we only trade exchange traded contracts, all of that data is also available from the exchanges. So why are they pushing it down to the manager level to do that reporting? If the intention of the process is to inform the authorities of increases in systemic risk, the data can be captured well above the level of the individual manager. It is obviously different in the case of OTC products.



These burdens are only going to increase, but they could be managed more cleverly, and not just in terms of reducing the burdens on the managers, but doing it much more efficiently. But Europe is not a very business friendly place in a lot of jurisdictions at the moment.

Patrick Hogarty: We have a UCITS fund, domiciled and regulated in Ireland and listed on the Irish Stock Exchange. It's an umbrella structure, with segregated liability between the AG20 Currency Sub-Fund and the CALM Eurozone Equity Sub-Fund. The recently mandated reporting requirements are phenomenal, and as Andrea said before, for quite a number of months, you couldn't actually see whether or not your trades were present in the repository, because they were so far behind. They were months and months behind. So you just kind of had to rely on the integrity of your delegated reporting agent pending full visibility of trades reported by the delegate.

We have also had to add an additional compliance person to our team at Alder Capital.

The reporting structure seems to have become an industry all by itself. The repositories have monthly meetings where they keep on continually changing the requirements.

We like automating tasks such as this in Alder Capital. These systems unfortunately almost require monthly updates. So it can use up resources better served elsewhere. But it has to be done, it's a requirement and then costs come into it then as well.

One interesting thing we saw recently with the launch of our new equity fund is that the fees charged for reporting were charged per line and not per trade. It turns out there are 40 lines for one trade! Very interesting things happening in this space.

Andrew Meleady: **It's easy to see regulation as a burden, but if you take the opposing view as an investment manager, you can take positives from the fact that regulation can be a real barrier to entry. The larger more established firms will have the financial resources to add additional resources when needed, smaller firms that may also be coming under pressure from clients on fees may find it somewhat more difficult to find the surplus cash to fund these new hires.**

For us in Abbey, we have three people in legal and compliance. Two or three years ago, we probably had half of that. So again, fortunately, we are big enough and have the ability to hire additional resources when needed, but I accept for smaller managers it's extremely tough.

Over the years, I've seen some large CTAs, particularly in the US, and one I can think of has nearly 200 people and they have two compliance people. There are different ways to approach compliance and regulation but yet you can still grow your business and become one of the biggest names in the industry.

John Lowry: **I agree with most of the things that have just been said. Maybe it's a teething thing, but it's very heavy to operate in Ireland. The barriers to entry are high.**

But I have two questions, first for Matthias: I mean, is this something that surprises you when you go around the other jurisdictions in Europe and indeed elsewhere?

And a question for Andrew, when such a large firm has a headcount of 200 and runs on two compliance people, my impression is that they are actually under-regulated, and I think we here in Europe are the other way!

Matthias Knab Andrew and Andrea mentioned the principle of proportionality in regulations, which I believe is very important. So if Ireland is going for the gold standard, I don't know why. Maybe it is about defending the reputation of the marketplace, or an attempt to try to preempt any potential blowup, right? As Ciaron said, it is certainly making it difficult for the smaller emerging and startup managers.

John Lowry And is that kind of news for you today? Were you aware of that factor?

Matthias Knab Not to that degree. It was definitely worth the trip and talking to all of you!

Andrew Meleady Just in response to John's question - John, funnily enough the firm I was referencing is not at all under regulated. Their approach is to combine a small specialised headcount with compliance software and outsourcing of certain roles or reporting requirements to external consultants. It's a very pragmatic approach that works for them.

Andrea Kelly So I have heard that anecdotally, I don't know how true it is, but I always think you do need to take it with a little grain of salt, because I think some jurisdictions have really slick marketing machines that will tell you, it's really easy and you can do X, Y, or Z, but then when you actually get into it, you can't.

And I believe at the moment that the authorization process in some other jurisdictions is particularly difficult and time consuming for managers.

Gerry Sugrue: The Irish Stock Exchange deals with a lot of US managers that have just a Cayman or other offshore offering at the moment. When they look at Europe, many of them focus on Ireland, so we tend to be a first point of contact for any questions they may have.

Specifically US based alternative managers, when they are looking to launch a product in Europe, are only looking at one place, and it's Ireland. Ireland was the first jurisdiction to have a regulated hedge fund, our regulator was at the forefront in terms of issuing the guidance around AIFMD and accepting applications for approval. So, obviously, when a firm decides to become more active in Europe, they want to know where to domicile their fund and where the expertise is. At the Exchange I hear a lot of positive feedback about dealing with our regulator and the quality of service from all of the service providers based here. There are practical matters too that are important such as the accessibility of our regulator, the fast track approval for AIFs and even things like direct flights from NY to Ireland for board meetings. All of these things combine to create a very convincing package when viewed from outside the EU.

Of course there are challenges too, particularly for smaller firms to establish a presence here and the barriers to entry we referred to earlier in terms of compliance costs etc., but these are the challenges companies face in other EU jurisdictions as well.

Andrea Kelly: That's probably to your point earlier John, in terms of Malta versus Dublin, and ticking certain boxes. Ireland has a huge advantage to grow as a domicile off the back of our industry knowledge and experience.

50% of the global hedge fund industry is serviced out of Ireland. So the expertise is already here in terms of service providers, administrators, brokers, legal firms, accountants, the people with the right experience are located here in Ireland. There are over 13,000 people employed in the funds industry in Ireland.

And to the point earlier on, in terms of the education that people have, we are known globally. Most investors would probably be able to point at Ireland on a map and they know where it is, because even if they are in a Cayman fund, good chance it's serviced out of Ireland.

Ireland is a brand in terms of the alternatives industry. I think it is a big advantage for us. We are English speaking. We are in Western Europe. Our time zone works well for east and West Coast US, Asia and obviously only an hour behind the central markets in Europe.

In a recent EIU survey, 71% of 200 global managers would choose Ireland as one of their top 3 European domiciles (this was 25% higher than our nearest competitor), 73% ranked Ireland as a top 3 jurisdiction in terms of its legal and tax framework for investment funds, 72% ranked Ireland as a top 3 domicile as regards business conditions for domiciling funds, 67% of respondents ranked Ireland as a top 3 domicile as regards regulatory conditions and 76% of US managers rank Ireland as a top 3 domicile in terms of best regulatory conditions for domiciling funds in Europe.

Ireland has world class expertise in servicing complex funds and Irish service providers have developed market driven investment product solutions tailored to the needs of global asset managers. Ireland is a major cross border hub distributing funds to 70 countries worldwide.

So I think there are a lot of advantages that we have in terms of actually attracting more funds to domicile alternative products into Ireland. Ireland has the experience, the expertise, a global reach and is extremely competitive. There are challenges also, but I think in terms of AIFMD, very much those challenges are faced in all of the other member states and in some cases they maybe more challenging as they don't have the track record and the global reach that Ireland enjoys.

Andrew Meleady: Just one final point concerning Ireland, I know Abbey being an Irish based alternative investment manager is an excellent calling card to have, no matter where you go in the world. Again, you might think that we are at a disadvantage when we are competing for business in the US or Asia against some local multi-managers that are based there, but it's not the case. It's not what we have experienced over the last 15 years.

I think our clients appreciate the efforts that we make of continually getting out to see them, whether performance is good or bad. They understand how far we've travelled and the effort that we put in to making the relationship work. Being based in Ireland ,we know we've got to work harder for our clients.

But as a lot of you guys have said here, Ireland has a very strong reputation. It is a world leader in the back office-type funded support services, and again, what we are trying to do is say, "Listen, there's more than that here. There's the scale. There's the infrastructure. There's the technology. There's the investment to have many more of those front office roles in Ireland," and Abbey would very much welcome the financial industry in Ireland evolving in that direction.

Andrea Kelly One thing we have seeing is that more overseas managers (US based and European based) are now actually putting substance into Ireland. These activities are in fund oversight, compliance, risk management functions and product innovation centres. So we see jobs and functions are moving up the value chain.

Peter Shubotham Absolutely Andrea, we are definitely expanding our investment management roles and functions here in Ireland. Roughly three years ago we would have only had two or three people here on the ground in Dublin, but over the course of the last few years we have expanded, adding some exceptional people in the process, in multiple areas including investment and risk, bringing the number on the ground up to 15.

Andrea Kelly: The last thing to mention is obviously the tax regime here is very pro-business, corporation tax being 12.5%. A lot of the asset management activities are not taxed, and there are generous VAT exemptions for funds. The funds are tax-exempt vehicles, and we don't have subscriptions tax. We don't have a net asset tax that some of our other European competitors would have.

But I think with the way the OECD and the BEPS agenda is playing out, that's probably also pushing substance into jurisdictions so that entities are not seen as a "black letter box". Ireland is in full compliance with international tax standards and is a signatory to FATCA Model 1 IGA.

So although not required in Ireland at the moment to actually have substance on the ground, we have seen some European and quite a number of US asset managers in the last 18 months or so actually putting professionals on the ground here in Ireland. And those types of activities are starting to go up the chain.

John Lowry: We are probably talking about teething issues with so many different developments within the overall industry and a blizzard of new regulations and rules, but things are really ramping up and there are big opportunities for the right players a little head of the curve. In terms of our own business, right now we are hiring more people in Dublin, we are already at a headcount of eleven, up from one person 18 months ago.

We are launching, as I mentioned, two Asian funds as alternative UCITS. There are actually very, very few Asian products today. Most of the Asian managers have held off, but now they have seen the alternative UCITS as the best way to go, at least for straightforward and liquid strategies.

Classically in the past I think Asian managers may have only really looked to Luxembourg, however this is changing, and the people at the Irish Funds Association have done an enormous job to promote the case for launching in Ireland, and that has helped too. So all in all we are very bullish in terms of a number of business lines and opportunities, and the message has really gotten out there and is very strong for Ireland, particularly in the States, but we find increasingly globally as well.