Montlake QIAIF Platform provides AIFMD solution

Interview with Richard Day

Hedge fund managers have two options when looking to bring a regulated fund product to Europe. The first is to go the UCITS route, the second is to establish an AIF, under the much more recent AIFM Directive, which is a far less trodden path than the UCITS regime.

ML Capital has two platforms to offer a complete regulated fund solution. The Dublin-domiciled MontLake UCITS platform has been operating since October 2010 while the MontLake QIAIF platform was established last December.

"It really is the strategy that is driving managers down one route or the other. If the strategy is sufficiently liquid and able to meet the UCITS rules, then we believe it's best to go that route. However, the reality is, there is a whole raft of managers whose strategies do not fit the UCITS framework. That's where you need to create an AIFMD solution. Managers can either become a self-managed AIFM or appoint an external ManCo. We've launched products that cater to both scenarios," comments Richard Day, COO of ML Capital.

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ML Capital's ManCo, MLC Management Ltd, was rolled out in January. This is particularly important for US managers as appointing a third party ManCo helps avoid one of the key areas of concern under AIFMD; namely getting caught up in the remuneration rules.

As a European fund structuring and distribution house, ML Capital has created a product offering that enables managers to continue to operate freely under the AIFMD.

Managers can either choose to launch a sub-fund on MontLake QIAIF or launch their own bespoke fund. The latter choice is likely to only apply to managers with significant capital commitments. Day suggests that managers who are nervous about the remuneration rules will opt for a sub-fund.

"For managers that are less concerned around remuneration rules and have sufficient scale, they may opt for a customised fund," says Day.

Having operated successfully within the UCITS world, it was a logical extension for ML Capital to broaden its offering to AIFMD. "The ability to service the liquid regulated end of the market but also the more illiquid side was an important development for us.

"We're trying to come up with a suite of products that meet the increasing needs of managers. For example, we will eventually expand the platform offering to Luxembourg as well as Ireland," confirms Cyril Delamare, CEO of ML Capital.

Managers need to be aware that over the next few years, AIFMD distribution will be the only way to market hedge funds to European investors. Provisionally, private placement rules are due to be phased out in 2018.

"In today's world, if you want to be accepted on the big distribution platforms, whether they are banks or intermediaries, they will require you to have products that are AIFMD-compliant. They will not look at non-AIFMD products anymore and that's a big driver of the market. None of the distribution platforms can afford to have non-AIFMD products," states Delamare.

There is a lot, for firms like ML Capital, to be bullish about in this new era of regulation. Over the last 12 months the group's AuM has grown from EUR400m to north of EUR1bn.

"Our growth targets for 2015 are to get to EUR2bn. I suspect that we'll see half of that growth come from our AIFMD solution, and the other half from our UCITS solution," concludes Day. ■