



The Alternative Investor

Performance

News

Trends

Regulatory updates

**Cayman's
staying power:
why offshore
still matters
for funds &
investors.**

As global capital flows into private markets, the Cayman Islands remain a leading jurisdiction, offering tax neutrality, regulatory strength, and flexible structuring that continue to attract fund managers and investors. In our features, **Emily Cornhill of Carey Olsen** highlights Cayman's evolution into a global hub with over US\$8 trillion in assets, while **Waystone's Alaina Danley** underscores its benchmark-setting governance and innovation. **Greg O'Driscoll and Denis Collins of Grant Thornton** note that over 31% of global private fund assets are Cayman-domiciled. **FundFront's Amin Naj** points to Cayman's role in enabling the rise of direct and co-investment models, and **Leanne Golding of Harbour** stresses its commitment to independent oversight in closed-ended funds. In **Letter from America**, **Prosek's Mark Kollar** looks at the rise of tokenization, which is increasingly emerging as a key theme in private markets, promising broader access, greater efficiency and future growth.



Turbulence & Tariffs Test Hedge Funds in April

April was marked by geopolitical flashpoints and a dramatic escalation in protectionism, notably President Trump's sweeping new import tariffs (read our [market review](#)). These developments triggered a sharp global market sell-off, posing a significant challenge for hedge fund managers, one they navigated reasonably well, with the HFRI Fund Weighted Composite Index down just 0.5%.

In this environment, equity-focused strategies proved resilient. The HFRI Equity Hedge (Total) Index rose 0.7%, buoyed by strong sector performance. Healthcare led the way with a 2.0% gain, followed by Technology at 1.7%. The only detractor within this group was Fundamental Value, which dipped 0.2%.

Event-driven strategies faced a more difficult backdrop, with the HFRI Event Driven (Total) Index falling 0.4%. A key drag came from activist managers, as the Activist Index slumped 3.6%. However, Special Situations provided some relief, posting a 1.5% gain.

Macro was effectively a bloodbath, with only a few bright spots. Systematic managers struggled amid heightened volatility, with the Systematic Directional Index down 3.9%. Commodity-focused managers fared even worse, dragged down by an 18.5% plunge in WTI oil prices, which led the HFRI Commodity Index to drop 4.8%. In contrast, discretionary managers capitalised on moves in the US dollar and interest rates, with the Discretionary Thematic Index rising 1.4%.

Relative Value strategies also had a challenging month, with few areas of strength. The HFRI Relative Value (Total) Index fell 0.9%. Unsurprisingly, even volatility-focused strategies suffered, as the Volatility Index declined 4.1%.

Regionally, the standouts were Latin America and Japan, with their respective indices up 6.8% and 5.9%. Europe and North America posted modest declines of 0.7% and 0.6%, while China saw the weakest performance, down 2.0%.

UPCOMING EVENTS

21-May-2025
ALFI Roadshow to Frankfurt

21-May-2025
Private Fund Compliance Operations Forum DC

22-May-2025
DACH Alternatives & Private Markets Symposium 2025

26-May-2025
MPGC

27-May-2025
Bitcoin 2025 Las Vegas

Click [here](#) to see all the listings

31.6%

Net assets of all private funds reported to the SEC in Q1 2024 managed by Cayman domiciled funds

Source: SEC

17,376

Number of private funds based in the Cayman Islands Q1 2025

Source: CIMA

EQT's Asia Fund Raises \$10bn at First Close

EQT's BPEA Private Equity Fund IX held its first close with over \$10 billion in commitments, putting it on track to meet the \$12.5 billion target and \$14.5 billion hard cap later this year. Launched in August 2024, the fund is EQT's largest Asia-focused vehicle to date, continuing the strategy of its \$11.2 billion predecessor, BPEA VIII, which closed in 2022. The fund focuses on control-oriented investments in high-growth sectors across Asia, including healthcare, technology and education.

Apollo Closes \$5.4bn Fund

Apollo Global Management announced the final close of Apollo S3 Equity and Hybrid Solutions Fund I, raising approximately \$5.4 billion, surpassing its initial target. The fund is part of Apollo's fast-growing Sponsor and Secondary Solutions (S3) platform, which has nearly \$10 billion in total commitments since being launched in 2022. This new fund provides 'flexible capital and liquidity solutions' to private market sponsors and investors, including secondary investments, NAV loans, GP financing and hybrid capital strategies. According to Apollo's Scott Kleinman, the close reflects strong institutional support, underscoring what he sees as momentum in scaling its innovative capital solutions business.

Apera Closes €2.9bn Fund on increased Private Debt Demand

The mid sized private credit players are seeing investor inflows, with Apera Asset Management's final close of its third private debt vehicle, Apera Private Debt Fund III, raising €2.9 billion, including associated vehicles and leverage. The fund focuses on senior secured unitranche financing for lower mid-market companies across Western Europe, particularly in the UK, DACH, Nordics, France, and Benelux. This figure surpasses its original hard cap and is more than double the size of its predecessor.

Crayhill Exceeds Target with \$1.3bn Structured Credit Fund

Crayhill Capital Management closed its third flagship fund, Crayhill Principal Strategies Fund III, with approximately \$1.3 billion in capital commitments, including \$162 million in co-investment capacity. This figure surpasses the \$1 billion target. The credit fund focuses on highly structured, asset-backed investments across residential housing, energy, commercial real estate, media and digital infrastructure.

UPDATES (cont.)

TowerBrook Eyes \$4bn Fund, Expands European Footprint

TowerBrook Capital Partners is preparing a new flagship private equity fund, targeting \$4 billion. Its previous fundraise in 2018 secured \$5.3 billion across two funds, \$4.25 billion for TowerBrook Investors V and \$1.05 billion for TowerBrook Structured Opportunities II. The New York and London headquartered firm, a spin-off from Soros Fund Management, is also expanding its European presence with new offices in Milan and Dublin, signaling a strategic push across Europe and the Middle East. The firm currently manages over \$21 billion in assets across private equity, structured opportunities and impact investing strategies.

Apollo Expands Retail Reach with 'New Markets' Launch

Apollo Global Management launched its "New Markets" division, opening up access to private markets for retail investors. This division focuses on four key business lines: traditional asset management, defined contribution plans, tax-advantaged solutions, and digital markets. It also underscores Apollo's continued commitment to building (and expanding) its investor base.

KKR & Capital Group Launch Retail Credit Interval Funds

KKR and Capital Group launched two new credit-focused interval funds, Capital Group KKR Core Plus+ and Capital Group KKR Multi-Sector+. These funds provide retail investors with exposure to a mix of public and private credit, with allocations of approximately 60% to public fixed income and 40% to private credit, with a minimum investment of \$1,000 and quarterly liquidity options of up to 10% of net asset value.



UPDATES (cont.)

Pantheon Launches Global Private Credit Secondaries Fund

Pantheon launched Pantheon Global Credit Secondaries Fund, their firm's seventh evergreen offering for private wealth investors and the latest addition to its \$10.6 billion global private wealth platform.

The new fund is a semi-liquid, internationally distributed fund that offers access to private credit secondaries through a single investment. It has quarterly liquidity

and is focused on diversified, seasoned and performing credit assets acquired via LP interests and GP liquidity solutions. The fund will invest in direct lending and opportunistic credit strategies.

Since 2018, Pantheon has raised over \$10 billion and committed nearly \$8 billion.

Five Arrows Doubles Down

Five Arrows, the private equity arm of Rothschild & Co, closed its sixth secondaries fund, Five Arrows Secondary Opportunities VI, at €2 billion, twice the size of its predecessor.

The oversubscribed fund focuses on the European mid-market and is yet further evidence of where investor appetite currently sits in the private equity secondary space.

Yale Eyes \$6bn PE Sale as Secondary Surge Continues

Yale University confirmed it is working with Evercore to explore a potential sale of its private equity holdings. The move, reportedly in the works for several months, will enhance liquidity amid budgetary pressures and growing scrutiny over elite university finances. While the size of the sale remains unconfirmed, some reports suggest it could reach as much as \$6 billion.

Despite the sale, Yale remains committed to private equity, which is a core part of its \$41.4 billion endowment strategy.

Yale's decision underscores the sharp growth of the secondary market, which has evolved into a critical tool for institutional investors seeking flexibility in traditionally illiquid portfolios.

In 2024, global secondaries

volume hit a record \$150 billion, fueled by both limited and general partners rebalancing strategies and managing ageing assets. With further growth forecast for 2025, Yale's potential divestment is a prime example of how even long-term investors are tapping the secondary market to meet modern liquidity and portfolio management demands.

Vanguard, Wellington, Blackstone Unite on Multi-Asset Push

Wellington Management, Vanguard and Blackstone announced a strategic alliance to develop simplified multi-asset investment solutions that integrates public and private markets, as well as active and index strategies.

This collaboration aims to broaden access to sophisticated portfolios traditionally reserved for large institutions. By

combining their expertise, the firms are looking to support financial advisers in helping clients achieve income and growth objectives. According to Bloomberg, the first product is set to be an interval fund managed by Wellington, featuring an allocation of 60% to equities, up to 30% to fixed income, and up to 40% to private market investments.

Pimco Gets Lux Nod for Private Credit Fund

Pimco received informal approval from Luxembourg regulators for its first European private credit fund targeting retail investors, Pimco Diversified Private Credit Fund. The fund will focus on European asset-backed credit, including debt secured by inventory and property, comprising approximately 70-80% of its private asset holdings. Led by Chief Investment Officer Dan Ivascyn, the fund is looking to capitalise on the growing demand for higher-yielding private credit offerings among wealthy retail clients.

UPDATES (cont.)

Pioneer Powers Past Target with €1.1bn Green Infra Fund

Pioneer Point Partners closed its second sustainable infrastructure fund, Pioneer Infrastructure Partners II, at €1.1 billion, above its €800 million target. Backed by European and North American institutional investors, the Article 9 SFDR-classified fund targets energy transition and environmental infrastructure across Western Europe. It has already deployed capital into Yeager Energy, a Dutch geothermal platform, and OG Clean Fuels, which operates clean fuel stations across Europe.

KKR Posts First Q1 Loss Since 2022

Evidence of these challenging markets were clear in the KKR results, which showed the firm's first Q1 net loss since 2022. This was attributed to a \$1.1 billion hit in its Global Atlantic insurance unit, driven by valuation markdowns in a \$76 billion fixed-income portfolio amid volatile interest rates.

Despite these difficulties, KKR's core operations remain

impressive, with \$258 million in pre-tax operating profit (excluding mark-to-market impacts). KKR's asset management segment also performed impressively, raising \$31 billion in new capital and increasing assets under management by 15% year-over-year to \$664 billion. Fee-related earnings rose 23% to \$823 million, slightly surpassing analyst expectations.

Man Group's April Pains Hits AUM

Man Group reported net inflows of \$3.6 billion in the first quarter of 2025, contributing to an increase in AUM to \$172.6 billion as of March 31. However, the firm also disclosed a \$5.6 billion assets drawdown during the first two weeks of April, bringing the total to \$167 billion by April 14. This decrease was attributed to market volatility and losses in investment performance, despite the positive inflows earlier in the year.



UPDATES (cont.)

Millennium Eyes Stake Sale as Part of Succession and Institutional Growth Plan

Millennium Management is reportedly in discussions with Goldman Sachs' Petershill Partners PLC to sell a minority equity stake in its management company, in what the Financial Times describes as part of a broader strategy to institutionalise the business and prepare for leadership succession beyond founder Izzy Englander.

The potential deal may involve some of

Millennium's largest existing investors, and runs alongside separate talks with BlackRock over a possible strategic partnership that could also include a small equity acquisition.

Since being launched in 1989 with \$35 million in capital, Millennium has remained wholly owned by Englander, growing into one of the world's largest hedge funds with more than 6,200

employees and over 330 trading teams globally. In recent years, Englander has moved to secure the firm's future by establishing a trustee advisory board, recruiting senior talent from Goldman Sachs, diversifying strategies, and restructuring investor terms to encourage long-term capital stability.

Nomura Buys Macquarie AM in \$1.8bn Cross-Border Deal

In an all-cash deal, totalling \$1.8 billion, Nomura acquired Macquarie Group's US and European public asset management business.

The deal encompasses approximately \$180 billion in AUM across equities, fixed income, and multi-asset strategies, and is expected to close by the end of 2025, pending regulatory approvals.

Nomura's total AUM now stand at around \$770 billion, with over 35% managed on behalf of clients outside Japan. The new business will continue to be led by its current management team. In addition, Nomura and Macquarie have agreed to collaborate on product development and distribution opportunities to enhance their respective client offerings.

AMG Takes Minority Stake in Verition

Affiliated Managers Group took a minority equity interest in Verition Fund Management, a global multi-strategy investment firm managing approximately \$12.6 billion in assets. Under the agreement, Verition's management retains a substantial majority of the firm's equity and continues to lead the organisation independently

Cantor, Tether, SoftBank Back \$3bn Crypto Vehicle

Reflecting the renewed institutional interest in cryptocurrency amid a favourable regulatory environment under the Trump administration, Brandon Lutnick, chair of Cantor Fitzgerald (and son of US Commerce Secretary Howard Lutnick), announced a partnership with SoftBank Investment Advisers, Tether, and Bitfinex to launch a \$3 billion bitcoin investment vehicle named 21 Capital.

Using a special purpose acquisition company Cantor Equity Partners - which raised \$200 million in January - the plan is to emulate MicroStrategy's strategy of leveraging equity and debt to accumulate significant bitcoin holdings.

The consortium plans to contribute \$1.5 billion from Tether, \$900 million from SoftBank, and \$600 million from Bitfinex, with an additional \$550 million to be raised through convertible bonds and private equity placements.

Tokenization Set to Take Stage for Alts in Effort to Expand Depth, Breadth of Market

Fresh off the Milken Institute Global Conference in Beverly Hills, it's safe to say that focus from the main stage hardly strayed from the direction of tariffs, taxes and deregulation as well as speculation on what's next from the White House.

No doubt the uncertainty has kept dealmaking less active than expected this year for this audience of mostly private equity and alts executives.

And that is perhaps the rub. Hopeful (repeat "hopeful") optimism defined the surface tone. But discussions among the conference attendees were more than cautious below the surface. In fact, a more-of-the-same outlook on fundraising and transactions turned focus on how to raise new sources of capital and some oft-repeated themes: wealth channels, democratization of the asset class and disruptive technology that can make markets more efficient and appeal to a wider audience.

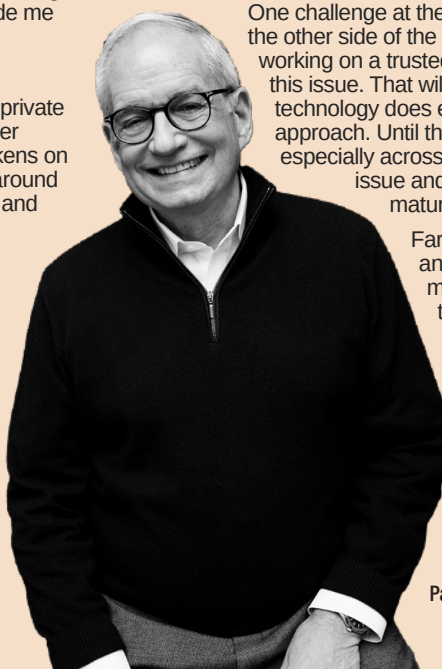
That's exactly the backdrop that has made the concept of tokenization not so much center stage but a talking point among alts circles. (Curiously, it was not a big panel topic at Milken even though it combines the above themes, which made me even more curious about it.)

So a little tutorial.

In its simplest form, tokenization makes private equity and alts more accessible to a wider audience by turning investments into tokens on a block chain that can be easily traded around the clock and globe. For PE, real estate and infrastructure investments, tokenization converts ownership in those assets, whether real assets, shares in funds, or the portfolio companies themselves within those funds. So illiquid assets become fractional shares that are tradeable assets.

True acceptance is a ways away. But the growing number of proponents claim that tokenization allows the high and not-so-high net worths to participate in private-market investing at a much smaller price than the more typical \$1 million entry fee. Smaller minimum thresholds mean more diverse pools of investors can participate, which perhaps lead to more liquidity.

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...bets are on for big potential growth with some estimates projecting tokenized asset market to reach as much as \$5 trillion by 2028.



Before we get into real benefits and risks, however, it's worth pointing out a few real deals of note. BlackRock, where CEO Larry Fink has reportedly said that every asset can be tokenized, has filed with the SEC to tokenize shares of its \$150 billion Treasury Trust Fund that would create a new class of digital shares on a blockchain ledger, reportedly distributed by BNY Mellon. Over at Franklin Templeton, the asset

manager has launched something called the Franklin OnChain U.S. Government Money Fund, which gives investors exposure through digital tokens.

And Hamilton Lane, one of the world's largest private markets investment firms, recently launched HLPF on the global investment platform Republic, the first private infrastructure offering available to retail investors in the U.S. with a minimum as low as \$500, which will be made available in a tokenized format.

The exciting part is to see how technology is helping make PE and alts more accessible to a wider

audience at a time when greater distribution is needed. But now for hurdles and risks.

One challenge at the start is verification. How do you trust the other side of the trade on a block chain? Folks are now working on a trusted unified verification system to address this issue. That will take time to build consensus, but technology does exist -- just need to figure out the best approach. Until then, regulations need to be made clearer, especially across jurisdictions, and pricing will still be an issue and subject to volatility until the platforms mature.

Far cry from open outcry, private placements and portfolio construction with the LP in mind, the rise of tokenization will likely be the next evolution of making investment opportunities bigger, broader and maybe bolder. No matter the chatter, bets are on for big potential growth with some estimates projecting tokenized asset market to reach as much as \$5 trillion by 2028. That's a lot of tokens, so talk is expected to become more center stage no doubt faster than we may expect.

Mark Kollar
Partner, Prosek Partners

Marketing Strategies & Insights for Success

Explore our insights on marketing in the ever-evolving world of private markets. The 2025 handbook delivers actionable strategies and best practices to empower managers, marketers, investor relations and communications professionals.



Why Should you Care?

Private market funds operate in a competitive, high-stakes environment where attracting investors is crucial. Strong marketing builds credibility, showcases unique strategies and differentiates the fund from rivals. With effective branding, compelling storytelling, and clear value propositions, a fund can establish trust, appeal to institutional investors, and stand out in a crowded market, driving growth and long-term success.

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GUEST ARTICLES

Why the Cayman Islands continue to be a popular jurisdiction for offshore funds

Emily Cornhill, Corporate Partner, Carey Olsen

Over the past 25 years, the Cayman Islands have established themselves as a leading jurisdiction for alternative investment funds, with nearly 13,000 regulated open-ended funds and over 17,000 regulated closed-ended funds. As at the end of 2023, Cayman Islands registered investment funds had a combined net asset value of over US\$8 trillion.

The dominance of the Cayman Islands in the offshore funds market is due to a combination of its tax neutrality, proximity to the United States and bespoke fund legislation and regulatory regime that have continuously evolved to meet market demands. Additionally, the jurisdiction's appeal as a stable British

dependency with a judicial system underpinned by English common law is fundamental.

Tax neutrality is one of the most significant advantages. The jurisdiction does not impose corporate, income, capital gains or withholding taxes on investment funds or their investors. Consequently, investors can manage their tax obligations in their country of tax residence and are not subject to multiple layers of taxation.

The Cayman Islands are dedicated to upholding the highest international standards and practices, including compliance with the OECD's common reporting standard and the requirements set by the Financial Action Task Force. The jurisdiction has also established a comprehensive legislative framework to combat



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Emily Cornhill, Carey Olsen

GUEST ARTICLES (cont.)

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Emily Cornhill, Carey Olsen

money laundering, terrorist financing and proliferation financing. These robust regulatory measures enhance investor confidence, making the Cayman Islands an attractive jurisdiction for both investors and fund managers.

Most investment funds in the Cayman Islands are regulated by the Cayman Islands Monetary Authority ("CIMA"), which issues rules and guidance to regulated funds to ensure compliance with global standards while maintaining a business-friendly environment. CIMA's aim is to achieve a sound financial system for the Cayman Islands that meets international standards and supports sustainable growth, development and resilience. The jurisdiction provides a flexible framework for investment managers underpinned by rules and guidance that require specific disclosures to investors, ensuring funds operate within a solid legal structure that protects investors while allowing flexibility for innovative fund structures.

Various entities can be used to structure investment funds, including: (i) exempted companies; (ii) exempted limited partnerships; (iii) segregated portfolio companies; (iv) limited liability companies

and (v) unit trusts. Exempted companies and segregated portfolio companies are commonly used as open-ended funds, while closed-ended funds are typically structured as exempted limited partnerships. Limited liability companies are a relatively recent innovation, ideal for parallel funds that wish to replicate the terms of a US LLC; while unit trusts are primarily used for investors in particular jurisdictions where other types of vehicle suffer tax or regulatory disadvantages.

Given the number of investment funds established in the jurisdiction, there is a sophisticated network of professionals operating in the Cayman Islands including lawyers, accountants, auditors, administrators and fiduciary service providers ensuring that fund managers have access to expert services.

For all these reasons, the Cayman Islands remains a popular choice for investment funds.

**Emily Cornhill, Corporate Partner,
Carey Olsen**



GUEST ARTICLES (cont.)

The Cayman Islands: Delivering at the Highest Standards

Alaina Danley, Country Head - Cayman Islands, Waystone

The Cayman Islands continues to be regarded as a benchmark among offshore fund jurisdictions, distinguished not only by the volume of funds but by its quality of governance, regulatory integrity and investor protections. The jurisdiction continues to lead standards in fund oversight, compliance and institutional quality services while remaining efficient and flexible.

Today, Cayman is home to over 30,000 of the world's investment funds, including hedge funds, private equity, private credit funds and related structures.

Cayman-domiciled funds are trusted by the elite of alternative investors and institutional LPs, including pension funds, sovereign wealth funds, insurance companies, endowments and foundations – all of which prioritize regulatory oversight and governance practices – as well as emerging market investors seeking transparency and security in cross-border investments. The jurisdiction understands that the integrity of its regulations and legislation, as well as the evolution of best practices in governance and regulatory compliance, are essential to maintaining investor confidence and facilitating efficient investment from an extensive global reach.

Investor Confidence and Institutional Access

Funds that can demonstrate robust governance practices are increasingly able to fast-track through due diligence, while limited oversight often delays or disqualifies funds from competitive institutional mandates. Cayman has made governance a central pillar of its ongoing success by responding to investor expectations and efficiently developing best practices amid the wave of regulatory evolution.

The jurisdiction has committed to a comprehensive framework that emphasizes oversight, accountability and independence. With the added efficiency of tax neutrality, Cayman legal entities of varying forms often seamlessly integrate within various multi-jurisdictional fund structures, providing unique distribution capabilities and competitive access to capital.

A trending observation following the recent implementation of a new set of Rules and Statements of Guidance by the Cayman Islands Monetary Authority

(CIMA) in 2023 – concerning corporate governance and internal controls – is that for funds operating within the regulated environment of the Mutual Funds Act (and the corresponding Statement of Guidance in place since 2014), most are already practicing effective oversight and have had to make limited enhancements to formalize these practices within written governance frameworks and enhanced Board self-assessment criteria. For certain private fund structures, regulation by CIMA has been

Alaina Danley, Waystone

as recent as the implementation of the Private Funds Act of 2020. For these structures, consideration has been actively given to enhanced delegate oversight and the prudent level of independence within varying structures of governing bodies and related frameworks.

Key governance enhancements, many of which have been leveraged from the hedge fund environment that institutional investors have been familiar with for over 20 years, include:

- **Conflicts of interest management:** The governing bodies of funds, general partners and investment managers must demonstrate processes to identify, disclose, and mitigate conflicts, aligning with established policies and international best practices.



Sophisticated investment managers, institutional investors and family offices alike continue to choose Cayman for its strategic blend of reliability and global relevance for invested capital.

GUEST ARTICLES (cont.)

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Alaina Danley, Waystone

- **Valuation independence:** Valuation policies must be clearly outlined, including an appropriate level of independent verification of asset values, particularly in illiquid or hard-to-value positions.
- **Auditor and administrator oversight:** Cayman mandates the appointment of approved auditors and encourages independent fund administration to ensure proper NAV calculation and reporting as well as third-party cash monitoring and adherence to segregation of assets policies.
- **Board/General Partner governance practices:** Funds and their operators must hold regular board meetings with documented minutes and with an agenda that includes the review of service providers, offering terms and regulatory compliance obligations.
- **Regulatory compliance monitoring:** Funds are now directly responsible for a myriad of entity-level regulatory compliance obligations, distinct from the obligations falling solely to their regulated Advisor or Investment Manager, including but not limited to relevant CIMA Acts and Rules, AML/KYC and FATCA/CRS regulations, Beneficial Ownership and Economic Substance legislation.

Adaptation and Innovation

The Cayman Islands will not stand still as a jurisdiction or among its associations of

investment fund service professionals. Cayman is at the forefront of evolving capabilities across diversified asset classes and fund structuring innovation, including:

- Structures supporting hybrid and evergreen strategies for long-term capital.
- Tokenized fund vehicles and blockchain-related structures, building on the growth of registered digital asset funds.
- Investments in insurance-linked securities as well as insurance and reinsurance companies.

Sophisticated investment managers, institutional investors and family offices alike continue to choose Cayman for its strategic blend of reliability and global relevance for invested capital. As the global funds landscape evolves, Cayman remains focused on transparent, experienced, accountable and innovative service provision to a growing number of funds and related investment structures all of which not only leverage, but trust the jurisdiction for its security in law, audit, regulatory compliance and independent fund governance.

Alaina Danley, Country Head - Cayman Islands, Waystone

Waystone is a leading global provider of institutional governance, administration, risk and compliance services to the asset management industry.

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GUEST ARTICLES (cont.)

Cayman Islands – A Preferred Choice for Private Funds

Greg O'Driscoll, Partner & Head of Asset Management, & Denis Collins, Senior Manager, Grant Thornton

The Cayman Islands is often cited as the leading jurisdiction for offshore private funds—but what do the numbers say?

According to the latest report from the SEC's Division of Investment Management Analytics Office, as of Q3 2024, a remarkable 31.7% of the net assets of all private funds globally are held in Cayman Islands-domiciled vehicles. For perspective, the next closest offshore jurisdictions are Luxembourg with 5.0%, Ireland with 3.2%, and Bermuda with 1.1%, illustrating just how influential the Cayman Islands remains in the offshore private fund landscape.

In addition, statistics published by the Cayman Islands Monetary Authority (CIMA) confirm that, as of Q1 2025, there were 17,376 registered private funds in the jurisdiction, representing a 36.8% increase over the past five years. This figure contributes to a broader total of more than 30,000 registered funds, reinforcing Cayman's role as a global

powerhouse for fund structuring.

These numbers tell a clear story: the Cayman Islands continues to be the premier destination for offshore private fund formation.

Why Cayman Continues to Lead

The continued dominance of the Cayman Islands' is driven by a combination of key advantages:

Experienced Service Providers: A well-established network of legal, accounting, governance, and administrative professionals supports efficient fund formation and ongoing operation.

Global Investor Familiarity: Institutional investors are highly familiar with Cayman structures, which can accelerate due diligence and help streamline capital raising efforts for fund managers.

Tax Neutrality: Cayman's tax-neutral status facilitates efficient cross-border investing without adding an extra layer of taxation.



Greg O'Driscoll, Grant Thornton



Institutional investors are highly familiar with Cayman structures, which can accelerate due diligence and help streamline capital raising efforts for fund managers.

Greg O'Driscoll, Denis Collins, Grant Thornton

GUEST ARTICLES (cont.)

Strong but Practical Regulation: The jurisdiction has a robust regulatory framework, while maintaining a business-friendly environment.

Flexible Fund Structures: A range of vehicles offers fund managers the flexibility to meet investor needs.

Adapting to Global Expectations

The Cayman Islands private funds industry has shown resilience and adaptability in the face of global regulatory change. As transparency, ESG considerations, and investor due diligence become more critical, Cayman continues to enhance its compliance infrastructure while maintaining its core strengths: flexibility, neutrality, and legal certainty.

There is also growing interest in emerging fund strategies, including private credit, digital assets, and ESG-focused funds—all of which are well-supported by Cayman's modern legal and regulatory frameworks.

A Confident Choice for the Future

Establishing a Cayman Islands-domiciled investment fund provides confidence and predictability for

both fund managers and investors. This combination of stability, credibility, and choice underpins the jurisdiction's continued success.

With a strong foundation, forward-looking regulation, and an unparalleled ecosystem of expertise, the Cayman Islands is well-positioned to maintain its leadership in offshore private fund formation—now and in the years to come.

Greg O'Driscoll, Partner & Head of Asset Management, and Denis Collins, Senior Manager, Grant Thornton



Denis Collins, Grant Thornton

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Greg O'Driscoll, Denis Collins, Grant Thornton

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I believe absolutely that there is no place in our profession for certainty, because we live in an uncertain world. And I have a slight idea of what's going to happen tomorrow. I have a suspicion of what's going to happen in a year. But I absolutely don't think I know for sure. And so how can anybody be certain about anything?

Howard Marks, Co-Founder, Oaktree Capital Management



GUEST ARTICLES (cont.)

Cayman at the Core of the Co-Investment Revolution

How Family Offices Use Cayman Structures to Lead Direct Investing

Amin Naj, Founding Partner, FundFront

Private markets are entering a new era, marked by a decisive shift away from traditional blind-pool investing toward more agile, transparent, and collaborative models. At the center of this evolution is the rise of direct investing and co-investment structures, and increasingly, the jurisdiction making it all possible is the Cayman Islands.

Family offices, in particular, are leading this transformation. With a long-term investment horizon, operational know-how, and a growing appetite for control, they are opting out of conventional fund models in favor of more tailored, purpose-aligned opportunities. Direct investing allows them to select specific deals, partner closely with founders, and target sectors that align with their values and vision. Whether it's healthcare innovation, frontier technologies like AI, quantum computing, or

sustainable infrastructure, family offices want strategic exposure.

Facilitating this shift are Cayman's co-investment structures. From Exempted Limited Partnerships (ELPs) to Limited Liability Companies (LLCs) and Segregated Portfolio Companies (SPCs), Cayman offers a menu of flexible, internationally recognized vehicles that cater to the bespoke needs of family offices. These structures are not only familiar to global LPs but also support efficient capital calls, tailored governance, and tax neutrality, critical features for cross-border dealmaking.

ELPs remain the most popular choice for private equity-style co-investments, offering clear alignment between general partners and limited partners through customizable waterfalls and profit-sharing mechanisms. LLCs provide contractual freedom and



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Amin Naj, FundFront

GUEST ARTICLES (cont.)

a governance model that aligns closely with U.S. practices, making them ideal for joint ventures and hybrid strategies. SPCs, on the other hand, offer asset and liability segregation within a single entity, often appealing for multi-asset or multi-strategy vehicles.

Cayman provides the legal frameworks and the institutional ecosystem to execute these types of club deals efficiently, whether alongside GPs or independently. Its robust service provider ecosystem, with leading fund administrators, legal advisors, and auditors, ensures that complex structures can be managed with the same rigor and professionalism as any top-tier fund jurisdiction.

Equally important is Cayman's regulatory environment. Under the Cayman Islands Private Funds Act, co-investment vehicles benefit from an appropriate level of oversight while retaining operational agility. This makes the jurisdiction especially attractive for structures

that need to balance regulatory rigor with speed and flexibility.

As private markets evolve and investors demand more alignment, transparency, and strategic control, Cayman stands out as the jurisdiction best positioned to support the next decade of private market activities. For family offices, it enables a move from passive allocator to active participant, bringing not just capital but conviction, expertise, and long-term partnership to the table. Those who embrace this shift and engage family offices as strategic partners will be best positioned to raise long-term capital, build trust, and win in an increasingly relationship-driven market.

Amin Naj, Founding Partner, FundFront

Amin Naj is a family office advisor, investor, and entrepreneur with two decades of experience across investment management, hedge funds, and family offices.

FundFront: *FundFront provides tailored offshore wealth structuring and administration for family offices and boutique investment firms, with expertise in fund setups, corporate structures, and securitization.*



As private markets evolve and investors demand more alignment, transparency, and strategic control, Cayman stands out as the jurisdiction best positioned to support the next decade of private market activities.

Amin Naj, FundFront



GUEST ARTICLES (cont.)

Fund Governance Solutions for Cayman Islands Private Funds: Closing the Gap

Leanne Golding, Director, Harbour

As investors expand their search for alpha and seek returns in less liquid strategies - like private equity, private credit, venture capital, and real estate - closed-ended investment funds are increasingly popular. Alongside this shift, regulators and investors alike are demanding enhanced fund governance, pushing for higher standards across all fund structures.

Regulatory Framework in the Cayman Islands

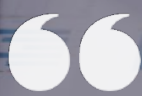
All funds regulated under the Cayman Islands Mutual Funds Act or Private Funds Act must comply with the Cayman Islands Monetary Authority's (CIMA) Statement of Guidance (SOG) and Rule on Corporate Governance. While the SOG offers guidance, the Rule imposes binding obligations, with CIMA empowered to penalize breaches.

Closed-ended funds structured as Cayman Islands

limited partnerships fall under the Private Funds Act. Their general partners are responsible for complying with the SOG and other CIMA requirements, regardless of their location. Many U.S.-based managers use Delaware-domiciled entities as general partners for their Cayman funds, and those general partners typically do not have non-executive independent directors. Historically, governance for limited partnerships has lagged behind that of corporate funds, but regulations now mandate improvements.

Rising Demand for Strong Governance

Institutional investors are not only increasing allocations to private equity and credit funds but are also bringing with them expectations formed in the hedge fund space: independent administration, external valuation, cash controls, and especially governance. The lack of external representation on general partners can create conflicts of interest and governance gaps.



All funds regulated under the Cayman Islands Mutual Funds Act or Private Funds Act must comply with the Cayman Islands Monetary Authority's Statement of Guidance and Rule on Corporate Governance.

Leanne Golding, Harbour

GUEST ARTICLES (cont.)

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Incorporating independent governance - either through general partner boards or Advisory Committees/Boards - ensures compliance, builds investor trust, and supports operational excellence.

Leanne Golding, Harbour

As more pension funds, high-net-worth individuals, and institutional allocators invest into these private funds, expectations for transparent and aligned governance structures are intensifying.

Independent Oversight: A Best Practice

Independent non-executive directors provide essential and valuable oversight, reduce operational risk, mitigate conflicts of interest, and free up managers to focus on core fund activities. These independent non-executive directors ensure robust policies are in place around expense allocation, conflicts, and valuations. They help assure investors that co-investment opportunities and fund activities are fairly managed.

Best practice is to appoint a majority of independent non-executive directors on the board of the general partner. However, another viable solution to attain independent general partner representation are Advisory Committees/Boards - comprised of independent non-executive members. These committees typically approve significant decisions, such as changes in strategy, service providers, or fund wind-downs.

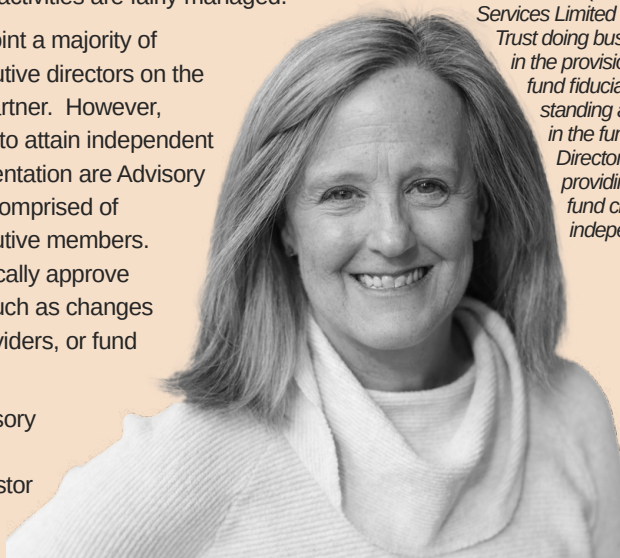
Once in place, an Advisory Committee/Board will provide enhanced investor confidence and improved regulatory

compliance. The governance framework will lower operational risk and improve conflict management. And an added bonus is access to experienced, objective advisors.

Incorporating independent governance - either through general partner boards or Advisory Committees/Boards - ensures compliance, builds investor trust, and supports operational excellence. The value-add proposition to a private equity or private credit fund is significant and can be achieved with minimal operational burden or cost.

Leanne Golding, Director, Harbour

The Harbour Trust Co. Ltd. ("Harbour Trust") and HTC Fiduciary Services Limited ("HTC" and together with Harbour Trust doing business as "Harbour") specialize in the provision of directorship and related fund fiduciary services, and have a long standing and well established presence in the fund industry. Leanne Golding is a Director at Harbour and is responsible for providing fiduciary services to Harbour's fund clients, including serving as an independent director for such funds.



REGULATIONPresented by  **RQC GROUP****UK**

FCA and HM Treasury unveil plans for AIFMD Reform

The FCA has published a [‘Call for Input’](#) on the future regulation of alternative fund managers.

The paper outlines the FCA's approach to changing the regulatory framework for alternative investment fund managers (“AIFMs”) in the UK. This is part of a wider commitment to streamline the regulatory regime for asset managers.

The FCA proposes an approach that:

- Is proportionate to firms' size and activities
- Reduces unnecessary regulation and reduces the administrative burden
- Is consistent with international standards

It is proposed that the current regime for categorising AIFMs (broadly, categorising firms as above- or sub-threshold) will be replaced with a three tier approach. Large firms, with assets under management (“AUM”) of £5 billion or more, will be subject to most requirements. Mid-sized firms, with AUM of £100 million to £5 billion, will be subject to major aspects of the regime but not the more detailed procedural requirements. Small firms, with AUM of under £100 million, will be subject to core requirements appropriate to their size and activity.

Classifications are based upon ‘net’ AUM (net asset value)

as opposed to a ‘gross’ value used currently. Moving between categories would require a notification to the FCA; firms would not need to apply for a variation of permission.

The rules will be further bespoke for different types of firm and funds, for example based on strategy (e.g., private equity) or structure (e.g., investment trusts).

The FCA paper is relatively short (30 pages). Further details will follow, covering topics such as remuneration, prudential requirements, business restrictions (activities an AIFM can conduct aside from managing collective investment undertakings) and regulatory reporting.

The FCA plans to consult on detailed rules in the first half of 2026. The FCA intends to give firms time to adapt to the new regime, while removing unnecessary rules relatively quickly.

Simultaneously, HM Treasury published a [Consultation Paper](#) on reviewing the UK legislative framework for AIFMs, removing elements from this framework and enabling the FCA to establish a more graduated and proportionate approach to regulation.

In contrast to the UK's approach, the EU's reform of AIFMD, which takes effect in 2026, focuses on investor protection and financial stability. There should therefore be further divergence between UK AIFMD and EU AIFMD in the next 2-3 years.



FCA sets out its regulatory initiatives

The FCA has released the latest version of its biannual Regulatory Initiatives Grid, setting out planned regulatory initiatives for the next 24 months. It is available in three different formats: [PDF](#), Excel and this time also, as two interactive dashboards: one an [overview](#), one with initiative [details](#).

There are various initiatives of particular relevance to investment firms and fund managers, including:

- A review of the UK funds regime;
- Adopting a new retail disclosure – the Consumer Composite Investments (“CCI”) disclosure – that will

REGULATIONPresented by  **RQC GROUP**

replace the Packaged Retail and Insurance-based Investment Products (“**PRIIPs**”) disclosure;

- Extending the ‘joint payments’ option for research consumption (introduced for managed accounts in 2024) to pooled funds;
- A review of the Senior Managers and Certification Regime (“**SMCR**”);
- Moving onshored EU legislation into the FCA handbook (for ease of reference and to enable the FCA to update requirements without the need for legislation); and
- A review of historical non-FCA handbook communications such as ‘Dear CEO’ letters.

In addition, the FCA has set out in its annual [work programme](#) for 2025-6, its initiatives and how it plans to meet its objectives.

The accompanying [press release](#) revisits the declared objectives of being a smarter regulator, supporting economic growth, helping consumers navigate their financial lives, and fighting financial crime. Still more prominently, the regulator cites a focus on supporting new firms and innovative products – thus reaffirming its support for the government’s overarching growth objective.

The regulator also highlights certain initiatives and tools such as the [Regulatory Sandbox](#) for innovative start-ups seeking FCA authorisation, Private Intermittent Securities and Capital Exchange System (“**PISCES**”) – a new market for private companies and an [AI Lab](#) that helps firms deploy AI solutions to drive growth and competitiveness in financial markets.

FCA proposes streamlining the definition of capital for FCA investment firms

The FCA has [published](#) a Consultation Paper (“**CP**”) that proposes removing all references to the UK Capital Requirements Regulation (“**UK CRR**”) from the definition of regulatory capital, also known as “own funds”, that applies to investment firms subject to the “**MIFIDPRU**” prudential framework, among other financial institutions.

For investment firms, UK CRR is difficult to navigate – the content is complex and not fully aligned with the business models of such firms.

The proposed changes cover the 3 tiers of regulatory capital: Common Equity Tier 1 (“**CET1**”), Additional Tier 1 (“**AT1**”) and Tier 2. Affected firms are not expected to make changes to their existing capital arrangements as a result of the proposals. The changes will be most relevant for firms considering future modifications to their capital structure and for new entrants to the market.



REGULATIONPresented by  **RQC GROUP****Beware – Fake FCA communications!**

The FCA has updated its webpage: “[Alert for firms: fake FCA communications](#)”.

By pretending to work for the FCA, scammers are ever attempting to trick firms into revealing important information.

They may attempt contact by email, phone or post, or use the name of an FCA employee to convince victims they are genuine.

[Here](#), the FCA confirms its genuine email domain, websites, online systems and social media accounts.

Above this, it sets out a string of fake email domains, some very similar in appearance, and calls out various fraudster “campaigns”.

Firms are encouraged to report to the FCA any suspected fraud or phishing attempts.

Conduct Rule breach: Prudential Regulation Authority fines former Non-Executive Director

The Prudential Regulation Authority (“PRA”) which authorises deposit takers, insurance companies and large investment firms, [announced](#) that it had [fined](#) Mr George Jay Hambro, a former Notified Non-Executive Director (“NED”) of Wyelands Bank Plc (“Wyelands”), £72,000 for breaching Individual Conduct Rule 2.

Mr Hambro’s conduct was found to fall below the standards required of one in his position. The lack of due skill, care and diligence related to three issues that occurred between 3 July 2017 and 19 February 2020:

- Recognition of capital: Mr Hambro failed to make proper enquiries into the appropriateness of a funding mechanism for a £10 million capital injection into Wyelands. This was indirectly funded from the proceeds of a loan made by Wyelands to a third party and led to the capital being incorrectly reported to the PRA as Common Equity Tier 1 capital.
- Large exposures assessments: Mr Hambro made inadequate enquiries as to the date of a GFG executive’s resignation as a director of a GFG entity,

before giving instructions to another GFG executive to record the date of the first GFG executive’s resignation. As he knew, the resignation date was relevant to Wyelands’ and the PRA’s assessments of whether Wyelands was in breach of the large exposures 2 limit.

- Failure to manage potential risks of conflicts of interest between Wyelands and the wider GFG Alliance – per Wyelands’ internal policy. When involved in proposing transactions between Wyelands and GFG members or business associates, Mr Hambro should have taken steps to ensure compliance with Wyelands’ Engagement Policy.

While this is a PRA-issued sanction, it acts as a reminder that NEDs of FCA authorised firms are also subject to certain aspects of the Senior Managers and Certification Regime, including the “fit and proper test” and the conduct rules.

US**Reminder: Form PF “current reporting” obligations triggered by market volatility**

Recent market volatility acts as a timely reminder for private fund advisers of their obligations under the SEC’s Form PF current reporting requirements, which came into effect in December 2023.

Under the amended Form PF rules, certain events must be reported within 72 hours of occurrence for large hedge fund advisers, and within 60 days of quarter-end for private equity fund advisers.

Large hedge fund advisers

The amendments require large hedge fund advisers (i.e., hedge fund advisers with at least \$1.5 billion in hedge fund assets under management) and all private equity fund advisers to file reports upon the occurrence of certain reporting events that could indicate significant stress at a fund and that could raise investor protection issues.

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Reporting events for large hedge fund advisers include:

- Certain extraordinary investment losses, defined as a loss equal to or greater than 20% of a fund's reporting fund aggregate calculated value ("RFACV") over a 10-business-day period;
- Significant margin and default events;
- Terminations or material restrictions of prime broker relationships;
- Operations events, defined as when the adviser or reporting fund experience a "significant disruption or degradation" of the reporting fund's "critical operations"; and
- Events associated with withdrawals and redemptions.

Private equity fund advisers

Reporting events for private equity fund advisers include:

- The removal of a general partner;
- Certain fund termination events; and
- The occurrence of an adviser-led secondary transaction.

In addition, large private equity fund advisers (i.e. private equity fund advisers with at least \$2 billion in private equity assets under management) will be required to report information on general partner and limited partner clawbacks as well as additional information on their strategies and borrowings.



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