



The **Alternative Investor**

**Performance
News
Trends**

Regulatory updates

**Dubai's
extraordinary
growth as
a home for
alternatives**

To explain the Dubai story, **DIFC's Salmaan Jaffery** discusses how and why the city has become a leading destination for hedge funds. **Highbrook Capital's Nick Smith** looks back at developments of the past 15 years; **Ogier's Richard Bennett and colleagues** expand on this, with Dubai now a "proven" location. **CFM's Craig Roberts** picks-up the city's infrastructure and initiatives that have enabled its growth. We then turn to the fight for talent with **Cordell Partners' Oscar Orellana-Hyder** and wrap-up with **Crowe UAE's Markus Susilo and Narasimha Das** on establishing a business in the UAE. In **Letter from America**, **Mark Kollar** takes us into the world of NFL and attractions to private equity.



August gives managers a rollercoaster ride

August was a rollercoaster ride for many hedge fund strategies. Equities, in particular, moved all over the place, with the Nikkei on 5 August plummeting almost 13% at one point and the VIX hitting 65 before easing off ([read in full](#)). By the end of the month, most equity markets were back in positive territory. This was reflected in mixed returns, with the HFRI Fund Weighted Composite up +0.3% and the HFRI Asset Weighted Composite down -1.5%.

Equity managers managed to ride the volatility, with the HFRI Equity Hedge (Total) Index closing the month +0.8%, with all underlying strategies in the green. The outperformers were Healthcare, +2.9%, and Quantitative Direction, +2.6%. The comparative underperformers were Fundamental Growth, +0.1%, and Multi-Strategy, +0.5%.

Event-driven was relatively subdued, with the index closing +0.2%. Within this, the Activists were the best performers, +1.2%, while the worst were Credit Arbitrage, -0.6%.

Macro, however, had a more difficult month, particularly directional-focused managers, with the HFRI Macro (Total) Index -1.1% and the Asset Weighted Index -3.5%. There were a few bright spots, with the Active Trade Index +4.7%. Discretionary managers were also up for the month as they successfully navigated the geopolitical and economic ups and downs to close the month +0.9%. Systematic managers struggled with the Systematic Directional Index falling -2.9%, followed by Trend Following Directional Index -2.1%.

Like the equity-focused managers, relative value managers had a solid month, with the Index +0.4%. Perhaps unsurprisingly, given how the month panned out, the one number in the red was the Volatility Index -1.9%.

The regional numbers were mixed. The best performing was the HFRI Latin America Index, +3.0%, followed by the India Index, +2.6%. While at the other end, China was once again bringing up the rear, -2.2%. North America and Pan Europe were positive, with the Indices +0.9% and +0.7%, respectively.

Upcoming Events

12 September 2024
BVCA Summit 2024

12 September 2024
Private Credit US Summit 2024

12 September 2024
ECBC Covered Bond Congress 2024

16 September 2024
Pension Bridge: The Annual APAC

17 September 2024
7th Annual Private Equity Foru

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

6,153

Actively registered companies in the DIFC HI 2024

Source: DIFC

\$700bn

Assets under management in DIFC

Source: DIFC

Ares raises \$34 billion

One of the year's most impressive fundraises was Ares' \$34 billion for its third senior direct lending fund. With other big-names announcing record hauls of around \$20 billion in private capital, this shows where the big institutional investors see the opportunities. However, there is a cautionary note on the numbers here... with \$15.3 billion of the commitments coming from investors, which is impressive given the target was \$10 billion, with the remainder through leverage and SMAs.

Apollo on a roll

Apollo Global is on a roll as it continues to go from strength to strength, with assets growing at almost 7% in the past half year. At the end of last year, the firm managed \$651 billion and closed the second quarter at \$696 billion. The firm still remains some distance behind Blackstone's \$1.07 trillion, but it is growing faster, with Blackstone, in comparison, growing at 3.5% over the same period.

Carlyle seeing momentum

Fundraising has also picked up at Carlyle under the now not-so-new CEO, Harvey Schwartz. In the second quarter, the funds raised more than doubled to \$12.4 billion, with a large chunk coming from its Japan buyout fund and \$5 billion in credit. The firm is still marginally short of the targeted \$40 billion for the year, with the total raised sitting at \$18 billion for the half year. Still, there is confidence that the target will be reached, with John Redett, CFO, commenting that "we feel very good about the momentum we have in fundraising."

Blue Owl acquires Atalaya

The fast-track way to build your alternative investment business is through acquisition. US-listed alternative asset manager Blue Owl Capital demonstrated this with the recent deal to acquire Atalaya Capital Management for \$450 million, a move that expands its alternative credit and asset-based capabilities and adds \$10 billion of assets. What's truly impressive is the speed of growth at the firm; in only eight years the co-CEOs, Doug Ostrover and Marc Lipschultz, have built a behemoth in this alternative credit space that manages over \$174 billion.

UPDATES (cont.)

A mountain of dry powder

The amount of dry powder sitting on the sidelines has become a weighty burden on the private equity industry, with increasing pressures on firms to pursue attractive opportunities as the pile grows. According to S&P Global Market Intelligence data, the total amount of uncommitted capital was \$2.62 trillion at the end of the first half, with \$48.4 billion added in the preceding six months. Between them, the top 25 private equity and VC firms collectively have \$556.2 billion of committed capital, with KKR sitting on \$43.9 billion.

Two Sigma 2:0

A story that we have been following for a few years has been the travails at Two Sigma, with the co-founders and co-CEOs at loggerheads on almost every firm decision.

The disconnect has been a material issue for the Two Sigma, which was finally resolved with the news that the founders, John Overdeck and David Siegel, are standing down, and Carter Lyons, Two Sigma's Chief Business Officer, and Scott Hoffman,

former Chief Administrative Officer and General Counsel of Lazard, have been appointed Co-CEOs, effective 30 September 2024.

Amazingly, in a world that is very fickle about the impact of any internal ructions, particularly institutional investors, Two Sigma has maintained its investors and assets, which today stand at \$60 billion, helped, according to reports, by some impressive numbers.

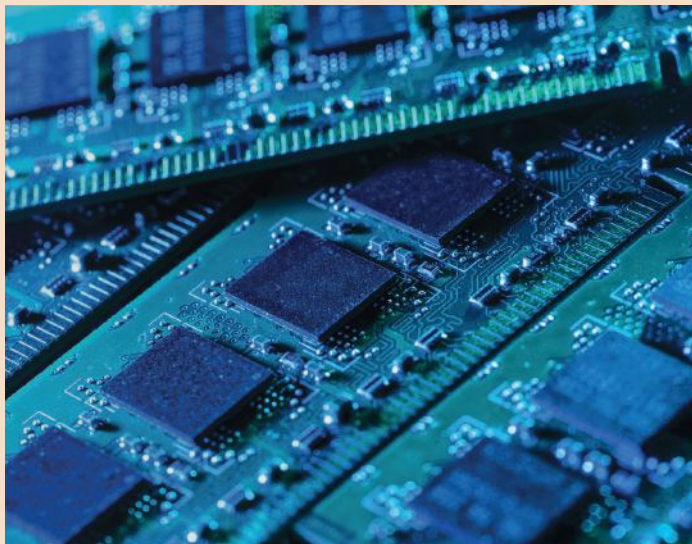
What this means is that the quant shop's succession plan, which for so long had looked up in the air, has been cleanly implemented, which should hopefully remove the firm from being in the headlines for all the wrong reasons.

Millennium invests in Analog

Millennium Management has invested around \$1 billion in New York based Analog Century Management. The investment shows confidence in the technology fund, which manages around \$1.4 billion today.

Similar to other Millennium external managers, this is in a separately managed account that has an equity market-neutral tech focus. Val Zlatev, who launched Analog in 2018, previously co-founded Quentec Asset Management in 2012.

According to Bloomberg, "roughly" a tenth of Millennium's 330 investment teams are now external managers.



UPDATES (cont.)**DIFC reports impressive numbers**

Given our focus this month is on Dubai as an increasingly important alternative hub, there were some impressive headline numbers in the DIFC's half-year results. Firstly, the scale of the DIFC, in the first six months, 820 new companies joined the DIFC, taking the total number of active registered companies to 6,153, a year-on-year

increase of 24%, employing 43,787. And secondly, there are now over 370 wealth and asset management firms operating in the DIFC, including 50 hedge funds, with assets under management in the DIFC standing at \$700 billion.

Building a Citadel

The Wall Street Journal has tried to lift the lid on Citadel, having spoken to 'more than two dozen' people associated with the CEO Ken Griffin and the fast-expanding firm. While there is not a lot of new insight in the piece, what is abundantly clear is the firm's aggressive ambition, with Griffin determined to "create the most formidable team in the history of hedge funds."

Having started as a traditional hedge fund, the Florida-based firm today employs more than 4,600 and now looks 'more like a nesting doll of mini-hedge funds,' with a centralised trade book to offset the firm's concentrated positions, as well as running the impressive securities business, Citadel Securities.

In addition to being detail-oriented, Griffin is shown to be fiercely competitive and has been fixated on making Citadel the most profitable hedge fund, which he has

achieved, moving from fifth in 2017 to top today. Impressively, in 2020, when the rest of the hedge fund world struggled during the pandemic, the flagship fund was up 25%, followed by returns of 26% in 2021, 38% in 2022 and 15% in 2023.

Citadel Securities is now also taking on the biggest banks and has fast grown its revenues, with first-half revenues up 81% to \$4.9 billion compared to the same period last year.

Naturally, joining the prestigious firm comes with strings, such as restrictive non-compete clauses and non-association agreements as a 'standard' policy. Intriguingly, Griffin does not always look to hire people from finance backgrounds; instead, he is looking for "people who are winners in life."

**Matrix Capital closes**

Matrix Capital has announced it is closing down due to the manager's poor health. This is another Julian Robertson protégé / Tiger Cub fund, launched in 1998 by David Goel and Paul Ferri. The technology-focused fund, which focused on AI and digital acceleration tech, managed \$11 billion, with the bulk in the hedge fund and a small amount in private equity. Bloomberg writes that the hedge fund's performance has mostly been double-digit, although it has also experienced a few significant drawdowns over its 26 years.

An excellent article in Business Insider writes about the rise of the Elliott Management spin-offs.

Elliott has been a closed shop for years and, until recently, with remarkably few names breaking away to set up their firms. Times have changed, however, and over the past three years, a number of former Elliott managers have been setting up their businesses, including Sparta Capital,

Elliott spin-offs

Palliser Capital, Irenic Capital, Coryell Investment Management, and RenWave Kore, among others. According to the article, this is partly due to changes at the top of Elliott as it has grown its assets and a more corporate approach through various restructurings, adding new hurdles to jump through, making it less of an entrepreneurial atmosphere and offering fewer opportunities.

UPDATES (cont.)

Ackman pulls the plug

Bill Ackman's abandoned IPO of Pershing Square USA was one of the summer's biggest stories. In the run up there was much incredulity (as well as head-scratching) at the large number and multiples being initially bandied about, with a reported target of \$25 billion.

Then, when he lowered expectations to \$2 billion, which was considered far

more reasonable, the listing was pulled.

This whole experience has been a painful experience for Ackman, who appreciates a good public profile and, in the run-up, had built up his profile on social media. He has positioned this setback as merely a "pause" due to the lack of demand and is reportedly looking to restructure the IPO with "sweeteners," such as giving investors the right to buy

futures shares in Pershing Square USA at a set price.

Hard lessons have been learnt - notably over-exuberance (although not the first time we have seen this in 2024), as well as using potential investors as part of the marketing push, which is a complete no-go in the hyper-private world of hedge fund investors.

Schroders teams up with Phoenix Group

Like many institutional asset management peers, Schroders is developing its wealth business as it opens up access to private markets. The recently announced strategic partnership with Phoenix Group, the UK's largest savings and retirement business, is designed to accelerate this. The partnership called Future Growth Capital is planning to deploy £10 billion to £20 billion over the next 10 years into UK and global private markets, with Phoenix investing 5% of its savings products. The initial commitment is £1 billion, which will, in the first instance, leverage off Schroders existing Long-Term Asset Fund platform.

Millennium is #1 crypto investor

Although not every hedge fund has bought into cryptocurrencies, we are increasingly seeing funds more than just dipping their toes. According to a report, 60% of the top 25 US hedge funds have some level of exposure to bitcoin ETFs. This information comes from Sam Baker at BTC-focused firm River. According to the same report, the biggest investor is Millennium Management, which holds more than \$1 billion in Bitcoin on behalf of clients, and the most active is Schonfeld Strategic Advisers, while Bridgewater and AQR are yet to get involved. In Europe, one of the most prominent investors in this space is London-based Capula Investment Management, which recently disclosed in an SEC filing it had bitcoin investments in iShares Bitcoin Trust and Wise Origin Bitcoin Trust worth \$464.1 million

Funds look for more London office space

It may be a challenging fundraising environment for alternative funds, but there are crumbs of encouragement for London. A Knight Frank report reveals that 6.4 million square feet of London office space was taken by hedge funds, private equity firms and other investment firms in the first half of the year, which is the most since 2019. Speaking to Financial News, Knight Frank's James Fairweather said that funds are "taking on more staff, and to hire and retain quality talent, they need to have quality offices."

BlueCrest launches BlueX

Hedge funds are adding strings to their bow as they look to add FX hedging services to their offering. BlueCrest is one such example, which has started BlueX, which, according to Bloomberg, offers FX cash, non-deliverable forwards, and precious metals. BlueX has completed its first production trades, having been granted its license from the Jersey Financial Services Commission. It sits on the same technology and systems platform that BlueCrest has developed for its trading activities.

Brevan launches digital treasury arm

Brevan Howard has been one of the biggest crypto and related technologies proponents. As part of this drive, its crypto arm has recently launched a new business, BH Digital Solutions. Headed by Chris Rayner Cook, who joined from Coinbase earlier this year, this business offers firms a crypto treasury option, helping them capitalise more effectively on any crypto assets they have on their balance sheet. Targeted businesses include blockchain, crypto miners and big corporates.

LETTER FROM AMERICA

prosek

Grid Unlocked: NFL Opens Franchises to Investments by PE Firms

Private equity firms will now be able to own a stake in NFL teams, just in time for the start of the season. This appears to be a win-win for private markets and sports franchises alike as General Partners look for more ways to participate in the growing asset class of sports investments and owners look for new sources of liquidity.

Quick Replay

The vote last month changed the National Football League rules so that owners can now sell up to 10 percent of their teams to PE firms as “silent” investors. The silent part means that PE firms will have only have a financial interest in a club and zero say in strategic business and team decisions.

The league selected a small group of potential GPs at the start, awarding those that have experience already in sports ownership. Those include Arctos Partners, Ares Management Corp., Sixth Street Partners and a consortium that calls itself the “Avengers,” which includes Blackstone, Carlyle, CVC Capital Partners, Dynasty Equity and Ludis, a platform founded by investor and former NFL running back Curtis Martin.

Each of these four platforms can invest into up to six teams, helping to spread the wealth of the funds, a definite attraction for the NFL, which is the last of the major US sports leagues to allow PE investors into its clubs.

Post Game

So what's the win for the owners? For a little history, it's worth noting that NFL teams are family-owned businesses in a rich person's game. Teams are typically passed down generation to generation and few individuals can buy a team with price tags staring at the several-billion-dollar mark. The new ruling, observers say, opens the aperture for new money at a time when owners want to build new stadiums, expand into other areas or even reduce their tax bills as they look at success options while still retaining majority ownership.

And for the GPs. It's a safe bet to say this is a good bet. Franchise valuations are the largest among the other professional sports. Options are limited with only 32 teams in the league, and the fan base keeps on growing, now spreading into overseas markets. Business expansion options are also huge with broadcasting, streaming and licensing deals, merchandise opportunities and real estate investments.

We can't deny that this is a vanity play as well to have a trophy asset in your portfolio, with or without the Super Bowl ring, and be among an elite group of US business owners outside of the private-markets ecosystem.

Predictions

A few things are probably certain. With PE stakes set at 10 percent there is little to no chance that private markets are taking over the league.

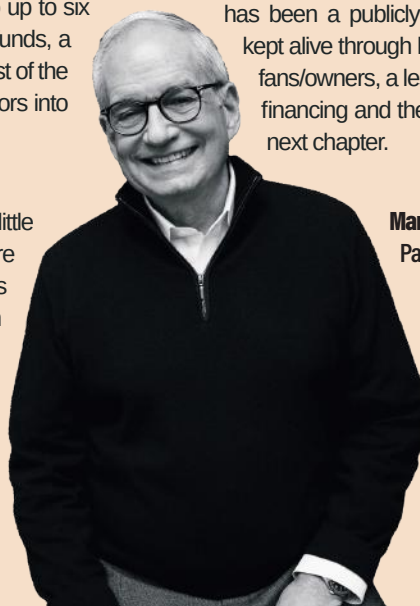
What's more, the NFL's business has shown no signs of slowing down. The average franchise valuation is larger than in other sports with reported media deals at \$100 billion alone. If you're an investor, all of this looks like a goldmine.

Now to make the world of NFL franchise ownership even more

interesting, it's worth noting that the storied Green Bay Packers has been a publicly owned, non-profit company since 1923, kept alive through league and economic cycles by supportive fans/owners, a lesson that there is always a play for creative financing and the introduction of PE investments is just the next chapter.



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Mark Kollar
Partner, Prosek Partners

GUEST ARTICLES

Why Dubai has become the Middle East, Africa and South Asia's number one destination for hedge funds

Salmaan Jaffery, Chief Business Development Officer, Dubai International Financial Centre

Tell us why Dubai, and specifically DIFC has been attracting so much attention from hedge funds and the wider alternatives sector recently?

In the past 18 months, DIFC has continued to attract unprecedented numbers of hedge funds to its community, boosting Dubai's reputation as the region's top industry destination, and an emerging global market for alternative investments. Dubai possesses the highest concentration of wealth of any Middle Eastern city with over 72,000 UHNWIs, valued at USD 517bn. Second, Dubai is considered a favourable neutral territory and offers more access to a broader investor base including USD 4.7trn of regional sovereign capital, USD 3.5trn of family wealth as well as the UHNWI pools cited earlier. Thirdly, thanks to Dubai and the UAE's increasingly high standards of regulation, transparency, as well as its world-class legal framework, the city continues to attract a lion's share of foreign direct investment. Finally, Dubai provides the best platform for talent acquisition given our safety, lifestyle, housing as well as a wide range of the region's top schools.

What kind of firms from the sector are in your ecosystem?

DIFC is home to more than 400 wealth and asset management firms, which includes more than 60 pure play hedge funds. In April 2024, With Intelligence issued research highlighting that Dubai continues to outperform the market with over 37 billion-dollar hedge funds establishing in the Centre. Collectively, they manage USD 510bn in assets. This has now increased to more the 44 billion-dollar club funds. DIFC has more than six times the number of billion-dollar hedge funds operating elsewhere in the UAE. More broadly, it is worth noting that assets under management within DIFC have jumped to more than USD 700bn and over 10,000 funds are now managed in, or marketed from the Centre. Among the recent influx of wealth firms are AllianceBernstein, Balyasny Asset Management, Baring Asset Management, Blue Owl Capital, Capital Asset Management, Carrhae Capital, Exodus Point, Lone Star Europe Acquisitions, Patient Square Capital and State Street Global Advisors.



GUEST ARTICLES (cont.)**How easy is the set-up and what are the considerations for getting regulatory approvals efficiently?**

Hedge fund approvals are quick by comparison to other major centres around the world. The DFSA's regulatory approach is generally risk-based, and outcomes focused. They supervise firms in a data-led and proportionate way. Last year, the DFSA, DIFC's truly independent regulator, recorded its highest number of authorisations in a single year, licensing 117 new firms, including many hedge funds. As at the end of June 2024, DIFC is now home to well over 800 regulated firms within our ecosystem of 6,000+ financial services related companies.

Are firms purely moving to Dubai to access capital or what are the other reasons?

As stated earlier, there are many reasons why firms might wish to move to Dubai other than access to capital. In addition to providing access to the vast pools of wealth, which includes being part of the MEASA's largest financial ecosystem, Dubai is recognised as a commercial,

financial, and logistical bridge between east and west. This strategic location allows portfolio managers to trade Asian, European and North American markets from a convenient location. Firms are also able to attract top global talent to Dubai to the Emirates attractive lifestyle options as well as benefits such as zero federal personal income or capital gains tax. In addition, Dubai provides one of the highest standards of living with one of the lowest crime rates in the world.

What about talent? How readily available is specialist financial services talent?

DIFC remains a magnet for attracting talent and continues its status as host to the region's largest and most experienced pool of financial services professionals. By the end of June 2024, the total workforce grew to 43,787, a 12 per cent increase on the previous 12 months, creating 4,647 new jobs. In fact, the population of the DIFC has nearly tripled in just over 3 years.



Salmaan Jaffery, Chief Business Development Officer, Dubai International Financial Centre



“Among the recent influx of wealth firms are AllianceBernstein, Balyasny Asset Management, Baring Asset Management, Blue Owl Capital, Capital Asset Management, Carrhae Capital, Exodus Point, Lone Star Europe Acquisitions, Patient Square Capital and State Street Global Advisors.

Salmaan Jaffery, DIFC

GUEST ARTICLES (cont.)

The DIFC Funds Industry – the Way Forward

Nick Smith, Co-Founder and Managing Director, Highbrook Capital Consultants

In 2009, I was asked to chair a Dubai Financial Services Authority (DFSA) Panel of fund industry practitioners. Our remit was to prepare a Report, '[DIFC Funds – the Way Forward](#)'. Specifically, the DFSA sought recommendations on how they might support the growth of the Dubai International Financial Centre (DIFC) funds industry by encouraging the establishment and management of DIFC funds. This was to be in a manner consistent with international best practice, particularly IOSCO principles relating to the regulation of collective investment schemes.

As a young Allen & Overy (now A&O Shearman) partner, having relocated from London to Dubai the previous year, the timing of my move was impeccable: a six-year boom that had transformed Dubai from sand dunes into glittering towers, and seen the development of the first phase of the DIFC, was grinding to a halt.

The DIFC's Collective Investment Funds regime had come into force in 2006. Three years later, the level of fund activity was low and stuttering. There was a modest 87 wealth and asset managers, and only four Private and one Public Fund. At the same time, the global financial crisis, the latest expat to arrive in the Emirate, was making trouble for the industry.

What to do? The Panel, comprising lawyers, regulators, fund and asset managers, tax advisors and administrators, identified 10 key issues as particularly important to stimulate growth. The Panel's recommendations to the DFSA included:

- allowing DIFC-based fund managers to establish funds in other reputable jurisdictions;
- expanding the grounds on which DIFC authorised firms could distribute units of foreign funds;
- reducing fund managers' costs, including around licensing and set-up;
- allowing umbrella funds to use the protected cell company structure;
- in addition to the then Public and Private Funds, creating an Exempt Funds regime, to provide the right level of investor protection to high-net worth professional investors;
- reducing aspects of the then independent oversight requirements for Public Funds;



GUEST ARTICLES (cont.)

- tailoring Shari'a compliance requirements to suit the nature of the Islamic finance activities of fund managers and funds; and
- making the DIFC funds regime more visible to the international fund community.

The DFSA listened. Fast-forward 15 years, and the DIFC funds industry is flourishing. Recently licensed newcomers include global asset managers, multi-strategy hedge funds, fund platforms and regulatory hosting solutions for fund managers. More than 400 wealth and asset managers are operating. There are around 175 Public, Qualified Investor, Exempt and External Funds, including 44 'billion-dollar club' hedge funds. To support this demand, the DIFC Funds Centre will shortly be launched. The Funds Centre will sit within the greatly increased footprint of the DIFC.

Today, I, together with the other members of the Panel, am able to look on with pride at the burgeoning DIFC funds industry - it has certainly found 'the Way Forward'.

Nick Smith, Co-Founder and Managing Director, Highbrook Capital Consultants

Nick Smith is the former head of Allen & Overy's Middle East Investment Funds Group (now retired). He has worked and lived in the UAE for over 15 years. Nick has been at the forefront of the development of the Middle East investment funds market and has been involved in many 'market firsts'.

Managing Director of Highbrook Capital Consultants, Nick is a consultant to the funds industry, non-executive director and mentor.



“Fast-forward 15 years, and the DIFC funds industry is flourishing. Recently licensed newcomers include global asset managers, multi-strategy hedge funds, fund platforms and regulatory hosting solutions for fund managers.

Nick Smith, Highbrook Capital Consultants

GUEST ARTICLES (cont.)

DIFC and international funds: 20 years of partnership

Richard Bennett, Dominic Athwal, Ridhiima Kapoor, Ogier

In the 20 years since its founding the Dubai International Financial Centre (DIFC) has experienced dramatic growth as a major international business centre.

A material, and growing, part of this success has been the DIFC's attractiveness to the hedge fund and broader asset management industry, with 2023 seeing 125% (YoY) growth in hedge fund managers establishing a presence in the DIFC. Dubai now provides a regional home to global and regional asset management groups across asset classes and strategies and including such international names as Alliance Bernstein, Hayfin and Point72.

Dubai has also proven itself an attractive location for international portfolio managers, with multi-manager/multi-strategy firms in particular looking to establish a presence in the DIFC as an option for their talent.

Ogier made the decision to expand and build on our existing regional expertise by opening a full-service office in the DIFC in November 2023. Ogier's office provides on the ground legal advice in respect of Cayman and BVI laws in both transactional, fund establishment and contentious matters as well as leveraging our wider group

expertise in Guernsey, Jersey, Irish and Luxembourg laws. Ogier's corporate and fiduciary services business and regulatory compliance teams add to the regional offering with expertise in corporate establishment and formation for both regional (DIFC and ADGM) companies as well as entities formed in other jurisdictions covered by the group. Ogier Regulatory Consulting supports our asset manager clients in obtaining regulatory approvals in the DIFC and ADGM as well as providing outsourced compliance, MLRO and risk services.

Asset managers located in the DIFC, and broader region, continue to look to long standing fund domicile jurisdictions, most notably the Cayman Islands, BVI and Luxembourg, to establish fund vehicles. For many firms this provides an internationally recognised fund product which can be operated and managed by a DIFC domiciled, DFSA regulated, investment manager. Fund vehicles established in these jurisdictions can also be combined, through master-feeder or parallel fund arrangements, with vehicles in additional domiciles (for example DIFC or ADGM) where specific investor groups require. A range of fund entity structures are available in these jurisdictions



Dubai now provides a regional home to global and regional asset management groups across asset classes and strategies and including such international names as Alliance Bernstein, Hayfin and Point72.

Richard Bennett, Dominic Athwal & Ridhiima Kapoor, Ogier



GUEST ARTICLES (cont.)

which can be tailored to meet commercial requirements, of particular note in the GCC over recent years has been the popularity of segregated portfolio companies, a "cell" structure enabling multiple, separate, fund strategies to be operated from a single legal entity. International structures have also proven popular with family office groups and closely aligned investor groups, with the Jersey Private Fund being notably popular.

As a leading global offshore legal and professional services firm, Ogier regularly acts alongside local and international legal counsel for some of the largest asset management and other financial firms based in the DIFC and wider GCC.

Our ability to provide advice and expertise across the major international fund domicile jurisdictions enables us to counsel fund management groups on the differences between these options, and to provide a single point of contact for more complex structures touching on multiple jurisdictions.

We advise clients and their advisors in the Middle East on British Virgin Islands, Cayman

Islands, Guernsey, Irish, Jersey and Luxembourg law with legal services covering banking and finance, including Islamic and fund finance, corporate and investment funds, contentious and non-contentious private wealth, and dispute resolution services. Ogier's DIFC based corporate services team specialise in the incorporation and establishment of both regulated and unregulated DIFC and ADGM entities with our regulatory consulting team providing outsourced compliance services to entities regulated in these jurisdictions. Corporate, fiduciary, and regulatory consulting services are also provided in relation to other jurisdictions across the Ogier group.

Richard Bennett, Dominic Athwal & Ridhiima Kapoor, Ogier

Ogier is an international and offshore professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. Richard Bennett is a partner in Ogier's investment funds and corporate teams. Dominic Athwal is a Counsel and Ridhiima Kapoor a Managing Associate in Ogier's investment funds team, both based in Dubai.

For further information contact Richard Bennett richard.bennett@ogier.com



Richard Bennett, Ogier

GUEST ARTICLES (cont.)

Evolution of the UAE as an important asset management hub

Craig Roberts, SEO, Capricorn Fund Managers (DIFC) Limited

There has been much written and publicised of the increased interest globally of firms looking to the UAE as an important growth opportunity for new markets and operations. Traditionally, the Middle East was an outpost where customer relationships were supported from global centres. Specifically for financial services companies, the UAE and Saudi Arabia are now enticing firms to establish a presence that are not just a representative gesture, but are fully functioning units, which contribute to both the firm's global aspirations and to the growth and development of the financial ecosystem.

The UAE is still relatively young as an ecosystem and for years suffered from a lack of awareness and perceptions as being a risky, difficult and potentially unreliable location to conduct business. The governments and relevant authorities have worked hard to not just change the misconceptions but have also built world-class infrastructures to enable global financial services firms to invest and establish operations in the region. Furthermore, these innovative steps to establish specialised financial centres are showing significant signs of success. The UAE has developed the ADGM and DIFC which have been established for around

10 and 20 years respectively; while Qatar developed the QFC around 15 years ago and, it is understood, Saudi Arabia is also planning to undertake similar development.

These financial centres have provided platforms for firms to establish operations. In planning the growth of these centres, the central authorities have always considered how the ecosystem needs to be developed to allow these firms to achieve their objectives and potential.

As the quantum and complexity of firms establishing in the centres increased, the authorities have also sought to ensure that the infrastructure and range of services and firms operating in the centres grew accordingly. This has been an important and critical aspect given the maturity of these centres. Initially, the focus was to develop legal and regulatory frameworks, which has since evolved with more integration and downstream involvement, such as talent development, fintech innovation, etc., which allows a broader and more sustainable opportunity to firms operating in the centres.

Alongside this, the governments are constantly making further progress to enhance the attractiveness of living



As the quantum and complexity of firms establishing in the centres increased, the authorities have also sought to ensure that the infrastructure and range of services and firms operating in the centres grew accordingly.

Craig Roberts, Capricorn Fund Managers (DIFC) Limited



GUEST ARTICLES (cont.)

in the region – we all hear about the good weather, tax free packages, great entertainment and dining in a very safe and welcoming environment, but initiatives such as the UAE Golden Visa allows expat employees to make lifestyle decisions and further commitment to the growth of the region. The access to education, healthcare, housing and transportation are all at advanced levels and continually being improved. There has been a significant realisation since the Covid pandemic that remote working and a reduction in the needs to be located in global centres can be beneficial to business. The Middle East is well placed from a time-zone perspective and adds additional advantages for some financial services firms who are even able to expand their global coverage from the region.

The development of the ecosystem and the increase in activity we are seeing will lessen the need for important local players, such as the sovereign wealth funds, to rely on services provided from global centres. There are many examples where participation in government

mandates require a regionally based operation to support the business. Consequently, those firms based in the region have had an advantage over others by being able to build and develop relationships with their regional counterparties.

While the glitzy headlines will continue to make the UAE look almost unreal, there is a solid basis supporting the sustainable growth and development of the ecosystem to place the UAE firmly into contention with the most established financial centres around the world.

Craig Roberts, SEO, Capricorn Fund Managers (DIFC) Limited

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...we all hear about the good weather, tax free packages, great entertainment and dining in a very safe and welcoming environment, but initiatives such as the UAE Golden Visa allows expat employees to make lifestyle decisions and further commitment to the growth of the region.

Craig Roberts, Capricorn Fund Managers (DIFC) Limited



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If you're a value investor and I'm a price momentum investor, a good year for you is often not a good year for me and vice versa. But on average, we both make money. And that's one of the holy grails of investing, be you a quant or not a quant, finding things that on average work but don't work at the same time, or even better, work at different times.

Cliff Asness, AQR, Managing and Founding Principal



GUEST ARTICLES (cont.)

The party has only just started

Oscar Orellana-Hyder, Co-Founder, Cordell Partners

The DIFC has transmogrified over the past few years to become one of the leading locations of choice for the hedge fund community. In 2023 the number of hedge fund increased by 125% and in the first half of this year there were a record number of financial category licenses awarded.

Today, there are more than 370 wealth and asset management companies with a presence in the DIFC, and assets under management surpassing \$450bn. Even for someone on the ground in the UAE, like us, there are so many firms arriving that it is difficult to keep up.

But these are very much the early pioneer days and the appetite for Dubai or Abu Dhabi is unlikely to diminish anytime soon. Managers take comfort that they are operating in tried and tested regulated jurisdictions, that are robust and commercially sound. This opens-up a new range of opportunities and possibilities.

In terms of what we are seeing in human capital, the

increased flows are coming from across the board - Asia, Europe and, in particular, from North America over the past 12/18 months.

Alternative managers are not just arriving, they are also bulking up. Dow Jones reports that Brevan Howard in the ADGM now has over 100 people and Millennium more than 85, with some experts closer to the source saying that there is a 20% discrepancy in these numbers.

From what we are seeing, many of the hires at the largest managers are employees relocating from other offices – portfolio managers, analysts and execution traders – with no shortage of people from London, Singapore / US putting their hands up to make the move.

Sources in the hedge fund world are telling us that towards the end of this half and into 2025, many funds, particularly the multi manager firms, will be looking to beef up their back and middle offices, and importantly have the room to do so. Many of these same names currently have around



GUEST ARTICLES (cont.)

“

Today, we are finding more opportunities for outsourced models, more ideas for collaborations between families and fund managers, between Sovereign Wealth Funds and new age investing...

Oscar Orellana-Hyder, Cordell Partners

It is not only hedge funds that are looking at the region, it is also the family offices – often working on a fund of fund model or diversifying their strategies across the DIFC and ADGM. These FOs are establishing new vehicles – open ended, closed, public or exempt protected cell companies.

Managers come for differing reasons and stay for the softer nuances: Education - the UAE includes some of the best schools in the world. Safety – while other parts of the world become increasingly dangerous (I am writing this from London), safety and security is a phenomenal luxury that we are lucky to have in the UAE. Time zones – if managers need to, they can access 80% of the world in only a few hours on Etihad or Emirates – they can also trade Asia, Europe and the US markets.

The ecosystem in both Dubai and Abu Dhabi is evolving beyond just the traditional funds world.

Today, we are finding more opportunities for outsourced models, more ideas for

– the once slow passive Real Estate investors of Abu Dhabi are now building for the next 50 years, readying themselves for ‘The New Europe’.

Oscar Orellana-Hyder, Co-Founder, Cordell Partners

Cordell Partners has originated from the passion of building successful teams and businesses through targeted Executive Search | Recruitment | Headhunting into the UAE and in the GCC region, purely specializing in Financial Services.

Headquartered in the Burj Khalifa District, Downtown Dubai – Cordell Partners is located within the heart of the financial services activity for the region across the GCC and are partnering with the best businesses in the region, building for the next 50 years of the UAE and beyond.



GUEST ARTICLES (cont.)

Establishing a Business in the UAE: Key Considerations

Markus Susilo, Partner, & Narasimha Das, Associate Partner, Crowe UAE

Setting up a business in the UAE presents a wealth of opportunities, but navigating the complexities between various freezone and different Emirates laws and regulations can be tricky, and you would need expert guidance. Crowe, a leading global audit and advisory firm, specializes in assisting companies with their establishment in the UAE. Our comprehensive services include corporate structuring, regulatory compliance, auditing, risk management and market entry strategies, ensuring a seamless transition into the UAE's dynamic business environment.

How Crowe Assists Firms

Crowe's expertise lies in our detailed understanding of the UAE's regulatory landscape for over 40 years. Through the

intricate procedures of company registration, licensing, and securing necessary permits. Our team of professionals offers tailored solutions for corporate structuring, enabling businesses to choose the most suitable legal form—be it a free zone entity, mainland company, or an offshore establishment.

In addition to legal and regulatory support, Crowe provides robust financial auditing and advisory services, helping firms maintain compliance with local laws and regulations. Our market entry strategies are crafted to align with the unique business goals of each client, ensuring a successful launch and sustainable growth. More importantly our proactive delivery and integrity with which you will receive services is one of the hallmarks of our services.



Choosing the right legal structure is paramount. The decision between setting up in a relevant free zone, on the mainland, or offshore will impact your business operations, ownership rights, and tax obligations.

Markus Susilo & Narasimha Das, Crowe UAE

GUEST ARTICLES (cont.)**Key Considerations Before Setting Up**

Before establishing a business in the UAE, several critical factors must be considered:

1. Legal Structure

Choosing the right legal structure is paramount. The decision between setting up in a relevant free zone, on the mainland, or offshore will impact your business operations, ownership rights, and tax obligations.

2. Regulatory Compliance

Understanding local laws and regulations is crucial. Firms must comply with sector-specific requirements, such as obtaining the appropriate licenses and adhering to employment laws. We draw emphasis on the importance of compliance with the AML, ESR and Tax regulations, that are relatively new in the UAE.

3. Market Research

Conducting thorough market research is essential to identify potential opportunities and challenges. Understanding the competitive landscape and customer preferences can significantly influence your business strategy. It is important that you connect with the people on the ground here to get the feel of the market, desktop

research may lead you in the wrong direction.

4. Financial Planning

A comprehensive financial plan is necessary to ensure sustainability. This includes budgeting for initial setup costs, operational expenses, and potential contingencies. Particularly be mindful of the lead time for incorporation and be mindful that the bank account opening takes longer than what it used to be or have experience in another jurisdiction. So, before you commence or implement your strategy, do proper planning, as you may burn your capital even before your business commences.

Conclusion

Partnering with Crowe can significantly ease the process of establishing a business in the UAE. Our expert guidance and tailored solutions help firms navigate the complexities of the UAE market, ensuring a successful and compliant launch.

Markus Susilo, Partner, & Narasimha Das, Associate Partner, Crowe UAE

For more information, please reach out to Markus Susilo markus.susilo@crowe.ae or Narasimha Das narasimha.das@crowe.ae



Particularly be mindful of the lead time for incorporation and be mindful that the bank account opening takes longer than what it used to be or have experience in another jurisdiction.

Markus Susilo & Narasimha Das, Crowe UAE

REGULATION

Presented by

**UK****“Re-bundling” of research and execution services
permissible from 1 August 2024**

On 26 July, the FCA published [Policy Statement PS24/9](#) which includes the final revised rules and guidance on the UK's investment research regime. These changes took effect on 1 August 2024.

This follows the long-awaited proposal focussing on a new “third way” of paying for research services – jointly with execution services – which was [published in April 2024](#).

The policy has evolved over time, driven by shifting and sometimes conflicting regulatory priorities. Prior regimes include pre-MiFID II “bundling”, post-MiFID II “unbundling”, subsequent adjustments to the UK and EU research and execution framework and the juxtaposition of these requirements with those in other jurisdictions, such as the US.

The “third way” allows for a bundled payment for trade execution and research, provided certain “guardrail” requirements are met.

The final revised rules and guidance generally follow the earlier proposal. Some adjustments were made:

- In the proposal, examples were provided of how budgeting could be done at the level of an investment strategy or group of clients. The final rules clarify that there is flexibility to accommodate a level of aggregation that is appropriate to the firm's investment process, products, services and clients;
- It is not specified that disclosure on budgets being exceeded should be made as soon as reasonably practicable, and this can be part of a firm's next periodic report on costs and charges (i.e., the disclosure need not be part of a separate communication in the current period);
- The disclosure of the most significant research providers has been removed. This is replaced by a requirement to disclose the types of providers from which research services are purchased – a breakdown according to independent research providers vs non-independent research providers is one way of meeting this requirement;
- The level of aggregation at which such disclosures are required has been amended, to mirror the budgeting “guardrail” mentioned above;
- Regarding price benchmarking, firms must ensure research charges to clients are reasonable, but the firm can now demonstrate this via a means other than

benchmarking of prices paid for research services against relevant comparators;

- On fair allocation of costs, there is now latitude about the levels at which costs are allocated;
- There is greater flexibility on how to estimate expected annual costs to clients;
- Regarding how research costs are separately identified within joint payments for research and trade execution, arrangements must be in place with third-party providers that stipulate how this is done. However, a written agreement with a third-party provider is not required.

It remains to be seen how many firms will take up the “third way” option. According to a survey conducted by [Substantive Research](#), 45% of buy side firms are “Neutral and waiting to see how the rest of the market moves”, 18.2% are “Broadly interested but not a first mover”, and more than a quarter of firms do not intend to move budgets and are sceptical that this will gain traction with peers.

Aside from the “third way”, some adjustments were made to the types of research that can be a “minor non-monetary benefit” (“**MNMB**”) and therefore exempt from the wider research requirements. Short term trading commentary that does not contain substantive analysis, and bespoke trade advisory services linked to trade execution, are added to the list of acceptable MNMBs, however investment research on small and medium-sized enterprises (companies with a market capitalisation below £200 million) has been removed from the list.

The changes affect MiFID investment firms and certain other financial institutions such as banks providing investment services. The research regime for “collective portfolio management” (“**CPM**”) activity, which includes managing an alternative investment fund or managing an Undertaking for Collective Investment in Transferable Securities (“**UCITS**”), remains unchanged. To ensure a consistently applied framework, the FCA will publish a consultation paper that will aim to ensure that the “third way” is also available with respect to CPM activity.

REGULATION (cont.)

Presented by



Asset manager to pay €250 million to investors following FCA investigation

On 7 August 2024, the FCA [announced](#) that following its investigation, asset manager H2O AM LLP (“H2O”) would pay €250 million to investors, who had been unable to access their funds since 2020. The FCA is the designated regulator of H2O, and the Autorité des Marchés Financiers (“AMF”) in respect of the collective investments, which H2O managed on a cross-border basis pursuant to the UCITS Directive.

H2O breached at least three of the FCA’s Principles for Business, the FCA’s [Final Notice](#) expressly citing Principle 2 (conducting business with due skill, care and diligence); and Principle 3 (taking reasonable care to organise and control its affairs responsibly and effectively), the firm having lacked adequate policies or procedures; and Principle 11 (maintaining open and co-operative relations with regulators); H2O having provided to the regulator false and misleading statements and documentation, including fabricated records and minutes of meetings. The Notice alludes also to conflicts of interest not fairly managed (Principle 8). The FCA found over fifty cases where H2O employees received hospitality without declaring it – including the use of a superyacht and a private jet. Hence, the case carries an array of lessons for the wider industry.

The firm faced regulatory scrutiny in 2019, when the Financial Times reported on concerns relating to illiquid bonds issued by companies associated with German entrepreneur Lars Windhorst. By 2020, H2O had to freeze €1.6 billion of investor funds, causing widespread concern among investors who were unable to access their funds.

Between April 2015 and November 2019, H2O had failed to carry out adequate due diligence on investments relating to Windhorst’s Tennor Group of companies, or other companies he introduced. The investments proved to be high risk and hard to sell. H2O had entered these investments without appropriately evaluating their merits and risks, often without a reasonable basis for establishing their valuations.

For such breaches, the FCA would normally have imposed a substantial fine, but it noted that the AMF had already issued a penalty (currently under appeal) on H2O in relation to the same investments. Instead, it arranged that the firm would make €250 million available to clients whose investments remain trapped. Much of this was by voluntary contribution, the H2O Group having waived its rights to fees and investments totalling €320 million. It will apply to cancel its UK authorisation by the end of 2024.

The FCA does seem to be prioritising consumer redress over fines, as Therese Chambers affirmed in a [speech](#) on 27 February 2024. This would seem to be a win-win strategy, offering an efficient route to consumer redress, easing the burden on the Financial Ombudsman Service and the courts – and for firms, some reassurance that when they seek to remediate harm, the FCA’s enforcement process will take this into account.

US

SEC Enforcement Round-up

SEC fines investment adviser \$1.8 million for mishandling Material Nonpublic Information

The Securities and Exchange Commission (“SEC”) [announced](#) settled charges against registered investment adviser Sound Point Capital Management LP (“Sound Point”) for failing to effectively manage Material Nonpublic Information (“MNPI”).

Sound Point’s core business involved managing and trading collateralized loan obligations (“CLOs”) managed by the firm and third parties. Sound Point also managed a credit business in which the firm participated in lender groups and creditors’ committees, which granted the firm access to MNPI concerning the companies whose loans comprised the CLOs that Sound Point traded.

According to the SEC, an incident in 2019 prompted the firm to conduct pre-trade compliance reviews regarding the potential impact of MNPI in the firm’s managed CLOs. However, these policies remained unwritten until 2022. The SEC alleges that the firm failed to establish, maintain or enforce any written policies or procedures regarding the impact of MNPI in relation to loans in third party managed CLOs until June 2024, in violations of Sections 204A and 206(4) of the Investment Advisers Act and fined Sound Point \$1.8 million.

REGULATION (cont.)

Presented by



SEC Enforcement Round-up cont.

Investment adviser fined \$6 million for failing to disclose conflicts and seek Best Execution

The SEC [announced](#) settled charges against registered investment adviser and broker dealer Cadaret, Grant & Co. Inc. (“**Cadaret**”) for failing to disclose a conflict of interest regarding third-party compensation.

According to the SEC, Cadaret had a revenue sharing agreement with its clearing broker concerning a “no transaction fee” program in which the purchase or sale of mutual fund shares did not contain a transaction fee but charged a higher recurring fee compared to other mutual fund share classes. The SEC alleges that Cadaret received a share of the recurring fee based on the level of assets held by the firm’s brokerage customers. There was a similar cash sweep revenue sharing plan concerning money market funds with the clearing broker.

Cadaret had a duty to provide full and fair disclosure of all material facts to its advisory clients, including any conflicts of interest. The only reference to the compensation agreement

was found in the firm’s Form ADV Part 2A, where Cadaret stated they “may” receive compensation rather than saying they did. The SEC found that even after curing the language, the firm still violated its duty to disclose by not stating that the conflict provided an incentive to invest in the more expensive “no transaction fee” program rather than lower cost share classes and money market funds.

Finally, the SEC found that, although the firm did have policies and procedures pertaining to Best Execution, Cadaret failed to implement those policies to ensure that the firm acted in the clients’ best interest, in violation of Section 206(4) of the Advisers Act.

The SEC found that the firm had violated its fiduciary duty of care, fined Cadaret \$6 million, and required it to undertake other remedial actions.

**SEC charges short seller and firm for publishing false stock trading recommendations**

The SEC [announced](#) charges against Citron Capital and its founder, activist short seller Andrew Left, for making false and misleading statements about their stock trading recommendations.

The SEC alleges that Left used his research website and social

media platforms to recommend taking long or short positions, representing that he also held those positions. Those stocks would then move over 12% on average. Left would do the reverse, i.e., selling stock when his recommendations caused

Continued over page

REGULATION (cont.)

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**SEC Enforcement Round-up cont.**

Cont. from previous page

the price to rise and buying stocks when his recommendations caused those stocks to fall, making \$20 million in the process.

On several occasions, the SEC argued the defendant represented being long on a stock until it hit a target price and then would sell the stock well before the target price. The firm also stated that it did not receive compensation from third parties for publishing information about target companies.

The SEC contends this was false.

The defendants are charged with violating the antifraud provisions of federal securities laws. The SEC seeks disgorgement, civil penalties, and a barring of the accused from acting as an officer or director and engaging with penny stocks.

26 firms are fined more than \$470 million for off-channel communications

On August 14, 2024, the SEC [fined](#) twenty-six firms over \$392 million, and the Commodity Futures Trading Commission ("CFTC") fined two firms over \$78 million for failing to adhere to the respective securities laws and recordkeeping requirements.

The SEC and CFTC found that the 26 firms had systematically inadequate recordkeeping mechanisms that allowed off-channel communications to occur without being correctly archived. Both agencies found that these breaches were ongoing and involved persons of varying levels of seniority.

The prevalence of these recordkeeping failures resulted in fines that went as high as \$75 million for a single firm's breaches. The SEC took pains to emphasize the importance of self-reporting before an examination commences. One firm that self-reported was only fined \$1.6 million.

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Brodie Consulting Group is an international marketing and communications consultancy, focused largely on the financial services sector. Launched in 2019 by Alastair Crabbe, the former head of marketing and communications at Permal, the Brodie team has extensive experience advising funds on all aspects of their brand, marketing and communications.

Alastair Crabbe**Director**

Brodie Consulting Group

+44 (0) 778 526 8282

acrabbe@brodiecg.com

www.brodiecg.com

www.alternativeinvestorportal.com



Capricorn Fund Managers Limited is an investment management and regulatory hosting business that provides regulatory infrastructure and institutional quality operational, compliance and risk oversight. CFM is part of the Capricorn Group, an international family office, which has been involved in alternative assets since 1995.

Jonty Campion**Director**

Capricorn Fund Managers

+44 (0) 207 958 9127

jcampion@capricornfundmanagers.com

www.capricornfundmanagers.com



RQC Group is an industry-leading cross-border compliance consultancy head-officed in London with a dedicated office in New York, specializing in FCA, SEC and CFTC/NFA Compliance Consulting and Regulatory Hosting services, with an elite team of compliance experts servicing over 150 clients, and providing regulatory platforms to host over 60 firms.

United Kingdom:

+44 (0) 207 958 9127

contact-uk@rqcgroup.com

United States:

+1 (646) 751 8726

contact-us@rqcgroup.com

www.rqcgroup.com

Capricorn Fund Managers and RQC Group are proud members of



Editorial Board

Alastair Crabbe

acrabbe@brodiecg.com

Darryl Noik

dnoik@capricornfundmanagers.com

Jonty Campion

jcampion@capricornfundmanagers.com

Lynda Stoelker

lstoelker@capricornfundmanagers.com

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