



The **Alternative Investor**

Performance

News

Trends

Regulatory updates

**A look
beyond the
more traditional
alternative
investment
markets...**

In this edition, we delve deeper into the world of alternative investments, with a look at art, cars, wine & whisky and watch investments. To help navigate these markets, we have the esteemed **Douglas Walla, Founder of Kent Fine Art**, writing on art's bifurcation; **PistonDAO's Emanuel Georgouras** on fractionalisation in the luxury car market; **Bordeaux Index's Matthew O'Connell** on wine & whisky and the role of trading platforms; and **Carr Watches' Dominic Carr** on the return of the watch market. In our monthly **Letter from America**, **Mark Kollar** takes us to the rise of asset based finance.



A Brodie Consulting publication in
conjunction with Capricorn Fund
Managers and RQC Group.

China hedge funds top September numbers

Some very big macro stories dominated September - Fed reducing interest rates, China stimulus and geopolitical instability in the Middle East ([read in full](#)). The volatility appeared to suit many hedge funds, with all the main strategies closing the month with a positive number.

Equities were mixed during the month, with the FTSE -1.7%, but in the US, even with the volatility the S&P 500 hit a new high, ultimately closing +1.4% and the Nasdaq +2.0%. With the HFRI Equity Hedge (Total) Index +1.2%, managers clearly profited in this environment, taking the year-to-date figure to +10.2%. Fundamental Growth was the standout performer, +3.2%, followed by Multi-Strategy, +1.7%. There were, however, a few strategies in negative territory, Equity Market Neutral, -0.1%, and Healthcare, -0.4%.

Event-Driven likewise had a good month, with no sub-strategies in the red and the HFRI Event-Driven (Total) Index +1.8%. Various strategies led the charge, with Credit Arbitrage and Distressed/Restructuring both +2.2%, followed by Directional and Special Situations, +2.1%.

Macro Managers successfully navigated the murky macro, with the HFRI Macro (Total) Index +1.3%. The best-performing sub-strategy was Discretionary Thematic, +3.0%, which is a significant performance turnaround, doubling the year-to-date figure to +6.2%. It was more difficult for the Systematic managers, with the index +0.5%.

Relative Value was relatively subdued, and the HFRI Relative Value (Total) Index was +0.8%. The best-performing sub-strategy was Yield Alternatives, +1.6%, and the worst Volatility, +0.3%.

Regionally, the more China-focused managers unsurprisingly posted some big numbers, as finally, the local market rocketed, and the HFRI China Index closed +9.3%.

13,000

Number of employees at the top four multistrategy funds

Source: Pensions & Investments

\$118bn

Europe private equity fundraising in H1

Source: Preqin

BlackRock's partnership in AI

With the wind firmly behind technology infrastructure, BlackRock is preparing a ground-breaking \$30 billion AI-focused private equity fund. This is for Global AI Infrastructure Investment Partnership (GAIIIP), an international partnership between BlackRock, Global Infrastructure Partners (GIP), Microsoft and MGX (Abu Dhabi based AI and advanced tech investor).

In total, the partnership will mobilise up to \$100 billion, including debt finance.

GAIIIP will invest in new and expanded data centers to meet the growing demand for computing power, as well as energy infrastructure to create new sources of power for these facilities. The focus will largely be the US, with support coming from NVIDIA to provide expertise in the AI ecosystem.

Secondary market fundraising on the mark

The secondary fundraising space has had a busy year-to-date. Most recently, HarbourVest Partners closed two vehicles, raising \$18.5 billion - Dover Street XI and Secondary Overflow V, with the latter co-investing in deals alongside the main fund. Then Stepstone Group announced that it had raised \$7.4 billion for Stepstone Secondary Opportunities Fund V and related separate accounts.

According to Preqin numbers, the total secondary market size was \$462.5 billion at the end of 2023, and is estimating that the sector will double in size to \$980.5 billion over the next five years.

KKR breaks new ground

KKR has announced its final close for its Ascendant Fund at \$4.6 billion. This is the firm's first-ever North American middle market deals fund, which started to fundraise in 2022 as part of the firm's Americas Private Equity platform.

The focus is on consumer, financial services, healthcare, industrials, media, software and tech-enabled Services.

In line with other large private equity houses, KKR has committed to implementing employee ownership programs at every majority-owned company it invests in.

Upcoming Events

16 October 2024
CoinAlts

17 October 2024
ALTSEA

17 October 2024
Pension Bridge: Alternatives 2024

18 October 2024
Blockchain 24

23 October 2024
ALFI Seminar on Taxes for Investment Funds

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

UPDATES (cont.)**Collier launches secondaries SICAV**

On a much smaller scale than HarbourVest and Stepstone, London-based secondaries managers Collier Capital has launched a Luxembourg SICAV secondaries fund, targeting non-US private wealth investors. The fund, Collier Private Credit

Secondaries, is being seeded with \$250 million.

Collier Capital has made a big push this year into private wealth channels, with new offices in Luxembourg, Zurich, Melbourne and Montreal.

Blackstone's \$10bn Asia fund

Blackstone has announced a new \$10 billion Asia-focused fund. This is the firm's third Asia fund, having closed the second in 2022 at \$11 billion. The fund will focus on Japan and Australia (not China), with marketing already kicking off in September.

Not every big brand fundraise pulls in the dollars

We often write about the big brands pulling in the big dollars, which makes it seem that they invariably hit their target, but this is not always the case. EQT recently announced that EQT Active Core Infrastructure fund had its final close at \$2.9 billion, a decent size but significantly short of the targeted \$5 billion. This fund invests in core infrastructure companies in Europe and North America, and has already made three 'thematic' investments.

Carmignac ventures into PE

Carmignac has announced that it is developing a private assets business, with the firm's first private equity strategy, Carmignac Private Evergreen. To achieve this, the €35 billion Paris-based asset manager is looking to offer more products to the private wealth market. The Evergreen fund, a collaboration with PE secondaries-focused firm Clipway, is a semi-liquid fund, offering regular liquidity optionality, with a particular focus on the secondaries market via co-investment deals and direct co-investments.

Vitruvian's largest fundraise

Vitruvian Partners has announced the final close of its largest fund to date at €7.3 billion. Vitruvian Investment Partnership V's original €6.5 billion target was decently oversubscribed, with commitments from over 200 institutions. The fund will continue Vitruvian's proprietary thematic investment strategy - what it calls 'Dynamic Situations,' which is characterised by high growth and change across asset-light industries. With the addition of this latest fund, London-based Vitruvian's AUM stands at €20 billion.

Macquarie takes minority stake in DESRI

As asset managers seek to diversify their investor base, an interesting development is Macquarie Asset Management's minority equity stake in D.E. Shaw Renewable Investments (DESRI). DESRI is D.E. Shaw's US-focused renewable energy arm that develops, owns and operates utility-scale solar, wind and battery storage projects. The \$1.7 billion investment comes from funds managed by Macquarie and will help fund DESRI's continued growth.



UPDATES (cont.)**Apollo targets \$1.5 trillion**

Last month, we wrote about Apollo's impressive growth as it builds its AUM at a faster rate, in percentage terms, than Blackstone (7% vs 3.5% during the first half year). At \$696 billion (30 June 2024) Apollo is still somewhat smaller.

At Apollo's investor day on 1 October, the goal was set to double assets by 2029 to \$1.5 trillion.

To achieve this, Apollo will go toe-to-toe against the traditional banks, with an aggressive build-out of its credit business to make it one of the biggest

underwriters globally.

Apollo has set itself the task of originating \$275 billion in debt annually within five years; in comparison, in 2023, JPMorgan's debt and securitisation volume stood at \$268.3 billion. Sectors being targeted by Apollo include energy transition, power & utilities and digital infrastructure.

Over the same time period, the firm is looking to double its private equity AUM from today's \$135 billion to \$270 billion, starting with a new flagship fund set to be launched next year.

**Citigroup and Apollo team up to hunt for credit opps**

Citigroup's recent strategic partnership with Apollo is a good example of investment banks aligning themselves with the big credit players. The premise is simple: Citigroup provides the deal flow, and Apollo provides the cash. This arrangement is targeting \$25 billion of deals in the first five years, with Mubadala and Athene (Apollo's insurance arm) also participating. The focus in the first instance is North America non-investment grade lending and aiming for \$5 billion in year one.

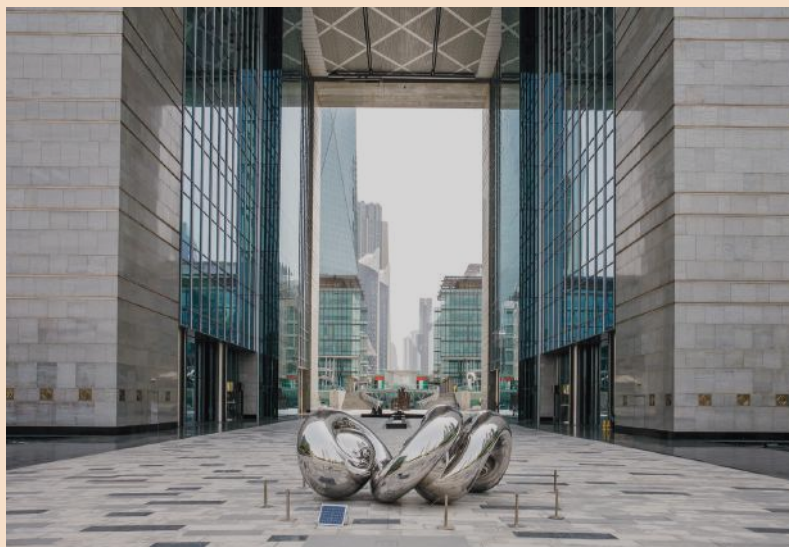
Quarter of top 100 hedge funds now in UAE

We have been writing quite a bit lately on the importance of the UAE to hedge funds in terms of tax treatment, access to investors, lifestyle and valuable timezone (covering Asia and Europe). According to WithIntelligence, a quarter of the top 100 hedge funds now have a presence in the region, either in Dubai or Abu Dhabi, with 40 billion dollar funds now operating in the DIFC and 11 in ADGM.

CFM opens in Dubai with new platform

With Dubai's popularity growing exponentially among managers, London-based Capricorn Fund Managers has launched the first institutional manager hosted platform in the DIFC. This move adds another route to operate within the UAE, with the platform enabling managers to operate under CFM's DFSA regulatory umbrella to run their funds from the DIFC.

According to DIFC figures, there are now more than 400 wealth and asset management firms operating in the DIFC, including more than 60 hedge funds, managing close to \$700 billion.



UPDATES (cont.)

Top four multistrategy funds employ 13,000

The growth of the multistrategy hedge fund is not breaking news, but the sheer size of these firms in terms of headcount is worth flagging. Pension & Investment recently wrote about the talent war in this space. Currently, the

top four multistrategy funds account for over 13,000 people, with the biggest being Millennium, with 5,800 employees, followed by Citadel's 3,000, then Point72's 2,800 and Balyasny's 1,900. Bobby Jain's new venture

remains somewhat off these figures, but as a new business it is still impressive, employing more than 250 individuals, according to Financial News figures.



Kuvari takes the family office route

There is nothing new in managers deciding to return capital to become a family office, with Michael Platt arguably the best-known and most successful. The benefits are significant, in particular the reduced regulatory and investor pressures Kuvari Partners, once upon a time a \$2 billion manager, is just the latest to make this transition and return external capital to investors. Bloomberg writes that there are various factors at play in this case, with the founder Vikram Kumar, who was previously a portfolio manager at TT International, rebalancing 'family priorities', the difficulties of being a long-term stockpicker in a world dominated by the big multistrategy funds and declining assets to below \$1 billion.



Petershill's strong first half with uptick in dealflow

Petershill Partners' interim results revealed strong financial performance and strategic progress during the first half-year. The Goldman Sachs operated business reported that underlying partner firms had raised \$14 billion of fee-eligible assets, helping drive gross management fees.

Petershill also completed \$205m of acquisitions, including a stake in the alternative credit manager Kennedy Lewis Investment Management.



UPDATES (cont.)

Emerging Managers have learnt to adapt

In the latest AIMA and Marex Prime Services emerging manager survey, the chief takeaway is that funds are 'adapting', with managers offering 'competitive fee models' and 'lean operating models' in order to stay relevant.

According to this report, managers are running more efficiently than before the pandemic, even taking into account the rising costs associated with running a fund. Managers must, however, be realistic on fees, with the average management and performance fees well below the classic 2 and 20 model.

Encouragingly, within this space, investors have greater confidence in new hedge fund manager allocations than back in 2022, and two-thirds of investors questioned were open to allocating to emerging managers sub \$100 million in AUM.

Investors have also increased the amount of time that they are spending doing their due diligence, up from six to eight months in 2022, with good transparency and communication seen as key attributes required from any prospective managers.

Europe's PE driven by big fundraises

European private equity fundraising hit €118 billion in the first half of 2024, according to Preqin data. Should the second half continue at this level, this will be a record year, although - putting a dampener on such sentiment - there are fewer mega funds raising investment.

These numbers, unfortunately, also don't tell the full story as they are primarily driven by big fundraises,

including EQT's €22 billion for EQT X, and it remains a long, hard slog for the smaller funds.

What is also clear from Preqin's figures, the fundraising environment in Europe-based private debt fundraising is dramatically down at €14 billion in the first half, compared with the €103 billion cumulatively raised in 2022 and 202

European contraction

Europe's share of global alternative assets is set to contract by 2029. This again comes from Preqin data and while we are only talking small amounts, Europe's share in the space is estimated to drop to 20% from 20.9% at the end of 2023.

Preqin attributes this to lower forecast performance and slower fundraising compared to the more dominant region of North America.

CIFF pledges \$516m to good causes

Chris Hohn's charity pledged an extraordinary \$516 million to new charitable investments in 2023 (and disbursed grants of \$578 million), exceeding 2022's \$116 million, following record gains by TCI Fund Management.

The Children's Investment Fund Foundation (CIFF) was set up 22 years ago and today has a presence in Addis Ababa, Beijing, London, Nairobi and New Delhi, investing in climate change, child health and development, sexual and reproductive health and rights, girl capital and child protection.

Over the past ten years, the endowment has grown to a value of \$5.9 billion.

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Personally, if you want to be an entrepreneur, set up your own fund, have a private equity fund, have a venture capital fund. One of the things I heard at Credit Suisse when I was doing my diagnostics there is that people took great pride in how entrepreneurial Credit Suisse was, and I'm thinking that's not really our job. Our job is to make sure that we service entrepreneurs.

Colm Kelleher, Chairman of UBS



LETTER FROM AMERICA

prosek

Asset-Based Financing Ready for Prime Time in Private Credit Markets

It's no secret that private credit is taking center stage in private markets.

But muscling its way into a corner of the private credit stage is asset-based finance, or ABF for short, an asset class where borrowers put up a specific asset as collateral, whether physical or financial, for its financing needs.

Take equipment financing, for example, one of the biggest slices of the market. A company borrows money for new equipment and uses that equipment as collateral so if the company defaults, the lender owns the goods. Every aspect of that loan revolves around the equipment, whereas in asset-based lending the loan can be based on a variety of assets such as inventory or even receivables.

In its simplest form, that's what ABF is all about. The borrower gets cash, the lender feels safe with its collateral and investors receive predictable cash flows, diversification, a good chance for higher yields and participation in an emerging sliver of the private credit market.

Until recently, direct lending was the more mature cousin that focused on the corporate market. But now, with the growth of ABF, we are seeing private credit extend into the consumer market using such collateral as residential and commercial real estate, car and boat fleets, credit cards, student loans or even intellectual property.

According to KKR, the private ABF market is growing at "impressive speeds," with the asset class up some 67 percent at the end of 2022 than in 2006 and up 15 percent from 2020. At these rates, KKR predicts the market to grow to \$7.7 trillion by 2027 from \$5.2 trillion last year.

What's driving this growth? A lot of the same factors we have seen that have led to development of other areas of private credit such as signs of apparent economic

uncertainty -- inflation and a higher rate environment -- and perhaps the catalyst for this all, the unease in the traditional banking system. But entry into this market does take some experience and specialization.

Enter Blue Owl Capital, which wasted no time in making a big play in the market. In July, it agreed to pay an initial \$450 million for Atalaya Capital Management, a firm

that focuses on private credit and asset-based lending. "The acquisition of Atalaya adds adjacent and scaled alternative credit capabilities that complement Blue Owl's leading position in direct lending," said Blue Owl Co-Chief Executive Officers Doug Ostrover and Marc Lipschultz when they announced the transaction in a statement. "Atalaya was an early pioneer in private asset-based finance."

In a recent report from Atalaya, the firm estimates that private ABF is "on track for 20-percent plus annual growth over the next several years as more and more

investors are "hungry for credit alpha and diversification."

Industry observers claim the market will extend beyond the reach of direct lending in several ways. One example so far this year is with student loans. A strategic partnership of funds and accounts managed by Carlyle's and KKR's credit businesses purchased \$10.1 billion of prime student loans from Discover Financial Services. The transaction shows how private lenders are adding value in markets where traditional lenders may be losing ground. And, no doubt, this evolution will see ABF become a more significant player in the private credit ecosystem in the months and years ahead.

Mark Kollar
Partner, Prosek Partners



...with the growth of ABF, we are seeing private credit extend into the consumer market using such collateral as residential and commercial real estate, car and boat fleets, credit cards, student loans...



GUEST ARTICLES (cont.)

Turning art on its side

Douglas Walla, Founder of Kent Fine Art (NYC)

With the development of 'art' being termed an "asset class", the idea of collecting has been turned on its side. It has bifurcated into two or more subcategories.

ART viewed through the portal of momentum trading

The aim here is a short-term ownership and maximum appreciation in value hopefully before a new market has collapsed or become saturated with resellers and not collectors.

At the moment, though largely promoted with social media (the mother of 'fake news'), it would appear that 'momentum trading' has stalled in 2024. Invariably, there will be glimmers of quick money I'm sure, but largely, one should be conscious of the sources leading to the enthusiasm for this emerging figures.

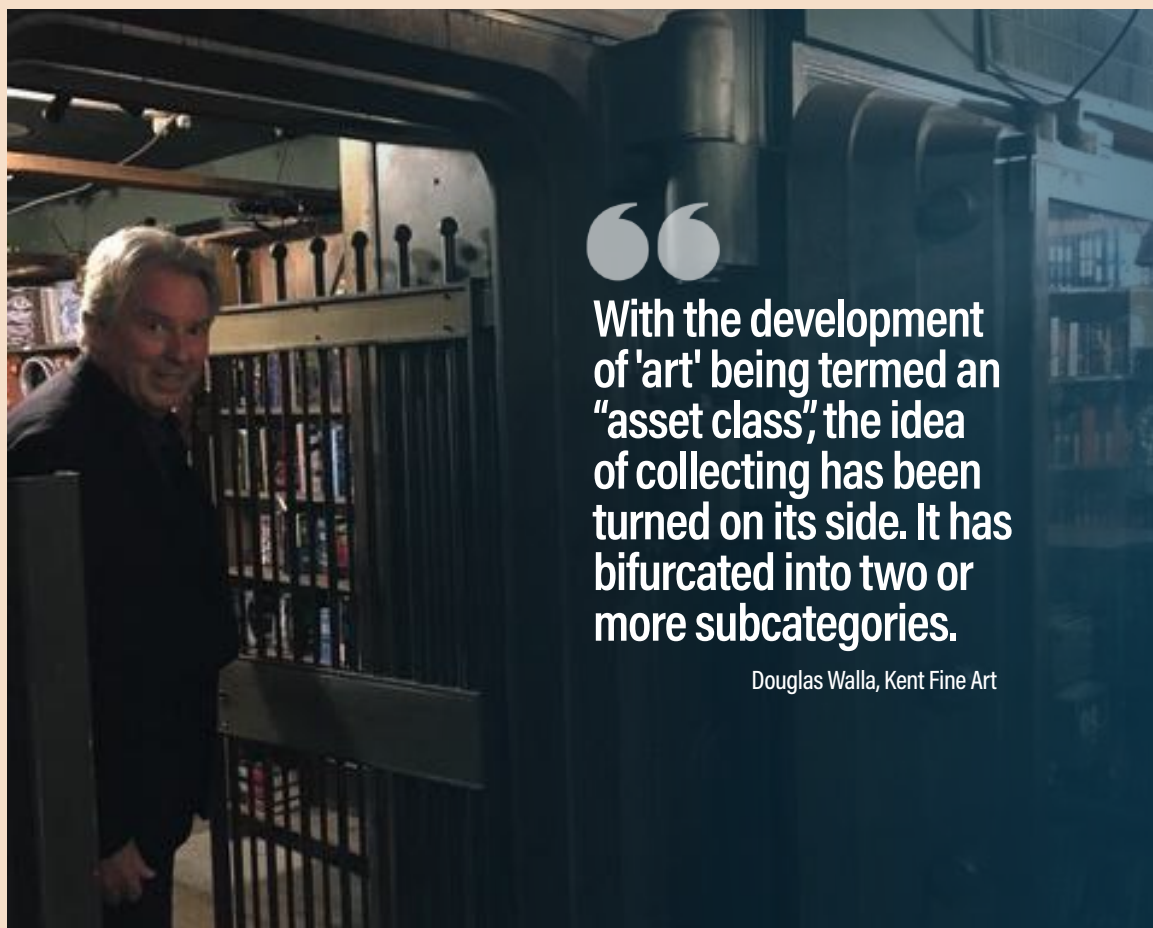
ART viewed through the context of value investing

This idea was beautifully articulated by the Alan Bowness in the early '60s while at the Courtauld and later published in 1989 as 'The Conditions of Success: How the Modern Artist Rises to Fame'.

In the 1960s, Bowness proposed that an artist's career was subject to a political and cultural framework: First, the respect of an artist's peers. Second, the attention of the critics at large. Third, the respect of the museum and curatorial world. And finally, the market.¹

I have had many instances of following this rather systematic appraisal. A case in point is Dorothea Tanning, with whom I worked from 1987 until her passing. When we met, she had previously had a retrospective at the Centre Pompidou, curated

¹ Source: www.researchgate.net/publication/367575795_The_Conditions_of_Success_a_Change_in_Bowness_Model



GUEST ARTICLES (cont.)

by Pontius Hultan, shortly before the death of her well-known husband, Max Ernst. When Max died, Dorothea returned to live in New York believing her legacy was solid. But when we met in 1986, she had experienced a total lack of interest from the art world.

Having left Marlborough and started a new venture, Kent Fine Art, I found Dorothea to be an art historical legend and organized several well received shows but no sales, despite a rave review by John Russell of the NY Times. I made publications and exhibitions in 1987, and 1989, with no success.

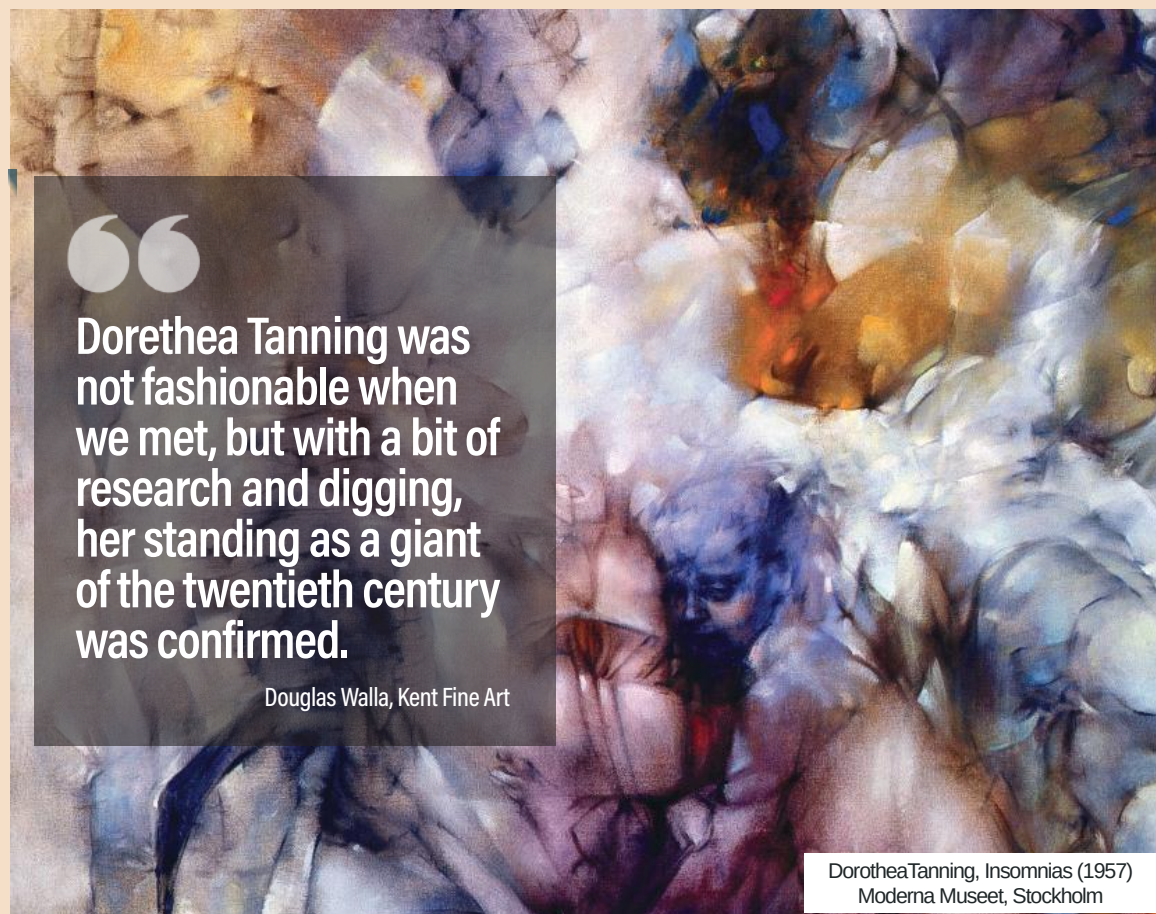
Dorothea withdrew from the market, but we worked again in 2005 and 2009 with great success and museum sales, with the most recent traveling retrospective organized by the Tate Modern. Her prices grew from \$20,000 in the late '80s to over \$1,000,000 by 2010. Dorothea was not fashionable when we met, but with a bit of research and digging, her standing as a giant of the twentieth century was confirmed.

The above experience is not unique – I've experienced the same with Meret Oppenheim, Charles Gaines, Llyn Foulkes, Paul Lafoley and others. These were all low hanging fruit ignored by the fads and trends in the art market until later in life.

It is true that, in contradiction to the above, the financial support of dealers may have surpassed the Bowness model above. Dealers have a propensity to follow trends and cultural short-term biases which have unfortunately led previously to the exclusion of women and many significant artists of color. But these biases have largely evaporated, leading to the present desire to emphasize 'inclusion' of these overlooked figures.

In addition, rather than a strictly youth-oriented market, there has been an influx of highly sophisticated and fresh to the market older significant artists. In many cases, it has led to estate representation, having missed the media possibilities of working with a living artist, but nevertheless, it is a long overdue reformulation of the history of art, particularly for the 20th Century.

Douglas Walla, Founder of Kent Fine Art (NYC)



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Dorothea Tanning was not fashionable when we met, but with a bit of research and digging, her standing as a giant of the twentieth century was confirmed.

Douglas Walla, Kent Fine Art

Dorothea Tanning, *Insomnias* (1957)
Moderna Museet, Stockholm

GUEST ARTICLES (cont.)

Fractionalisation is opening up the luxury car market to investors

Emanuel Georgouras, Co-Founder, PistonDAO

Just last month, gold shattered its own all-time high, soaring past \$2,600 an ounce. Whilst economic headlines tout precious metals as one of the best historical hedges against inflation, many are eying another type of precious metal: luxury and investment grade sports cars.

These vehicles often outperform gold as alternatives within an investment portfolio. Of course, gaining access to these exclusive assets has traditionally been a significant barrier. Until now.

Having grown up around some of the rarest cars in the world, and with 25 years' financial services experience I find myself uniquely placed in the intersect between the notoriously opaque world of elite collector cars and delivering a unique service and extraordinary return for investors. Intrigued at the prospect of harnessing an underexplored asset class, I built a world-class team of automotive, finance, community and data science professionals.



With the latest technological advancements democratising access to traditionally elitist markets and injecting liquidity into historically illiquid sectors, we stand on the brink of a new frontier.

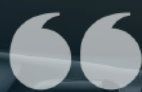
So, why are cars outshining gold? Let's take a closer look.

Technology creating access

Traditionally, access to these vehicles has been limited to the ultra-wealthy. But what if you could gain access to one of these automotive masterpieces? How would its value, performance, and ownership costs compare to holding physical or paper gold in your portfolio?

Both are 'precious' and exhilarating, but on a purely practical level, the bullion incurs a hefty cost of carry of around 5% annualised, calculated daily (assuming the paper trade). This is a substantial expense compared to the static insurance and maintenance costs of an elite car as a store of wealth.

Fractionalisation technology has cracked open the world of



Like bullion, investment in rare, luxury cars caters to both professional and retail investors. It's part of the rapidly expanding alternative and collectible investment market...

Emanuel Georgouras, PistonDAO

GUEST ARTICLES (cont.)

collector cars and is being embraced by the world's financial regulators. New platforms are emerging that allow investors to own fractional shares of the world's most coveted sports cars, which have increased in value by 185% over the last 10 years. These assets are physically vaulted and managed using cutting-edge technology, making them accessible to both professional and retail investors.

Of course, fractional investment is nothing new. But while other collectibles like art, whiskey, wine, and property have their place in the fractional ownership market, automotive assets offer a unique advantage: a well-established historical data set that enables accurate valuation. Unlike the challenges of pricing one-of-a-kind artworks, the automotive world has a rich history of recorded market values.

Rise in liquidity

The rapid growth of electronic, automotive auction platforms echoes the trend we witnessed two decades ago in the commodity markets. While these platforms are still in their infancy, they're proliferating globally, attracting growing attention and investment.

By democratising access to automotive investments through a global network of electronic marketplaces, these new platforms are paving the way for future liquidity increases, spread compression and speed

of trade. This is creating the ideal conditions for investors to incorporate passion asset exposure into their portfolio. Forget the fund manager: individuals can directly invest in the tangible assets that interest them, whether that's a specific gold bar or an especially desirable chassis.

Like bullion, investment in rare, luxury cars caters to both professional and retail investors. It's part of the rapidly expanding alternative and collectible investment market, which now includes hedge funds, family offices, and wealth managers with a thirst for non-listed assets.

Ultra-high net worth investors have long used automotive assets as a tool for wealth generation and preservation. With the electronification of the marketplace and a surge of liquidity, the broader investment community now has the potential to achieve higher returns and gain unprecedented access to opportunities that were once out of reach.

Emanuel Georgouras, Co-Founder, PistonDAO

www.pistondao.com

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...technology has cracked open the world of collector cars and is being embraced by the world's financial regulators. New platforms are emerging that allow investors to own fractional shares of the world's most coveted sports cars...

Emanuel Georgouras, PistonDAO



Liquid Gold: Fine Wine & Whisky as an alternative asset

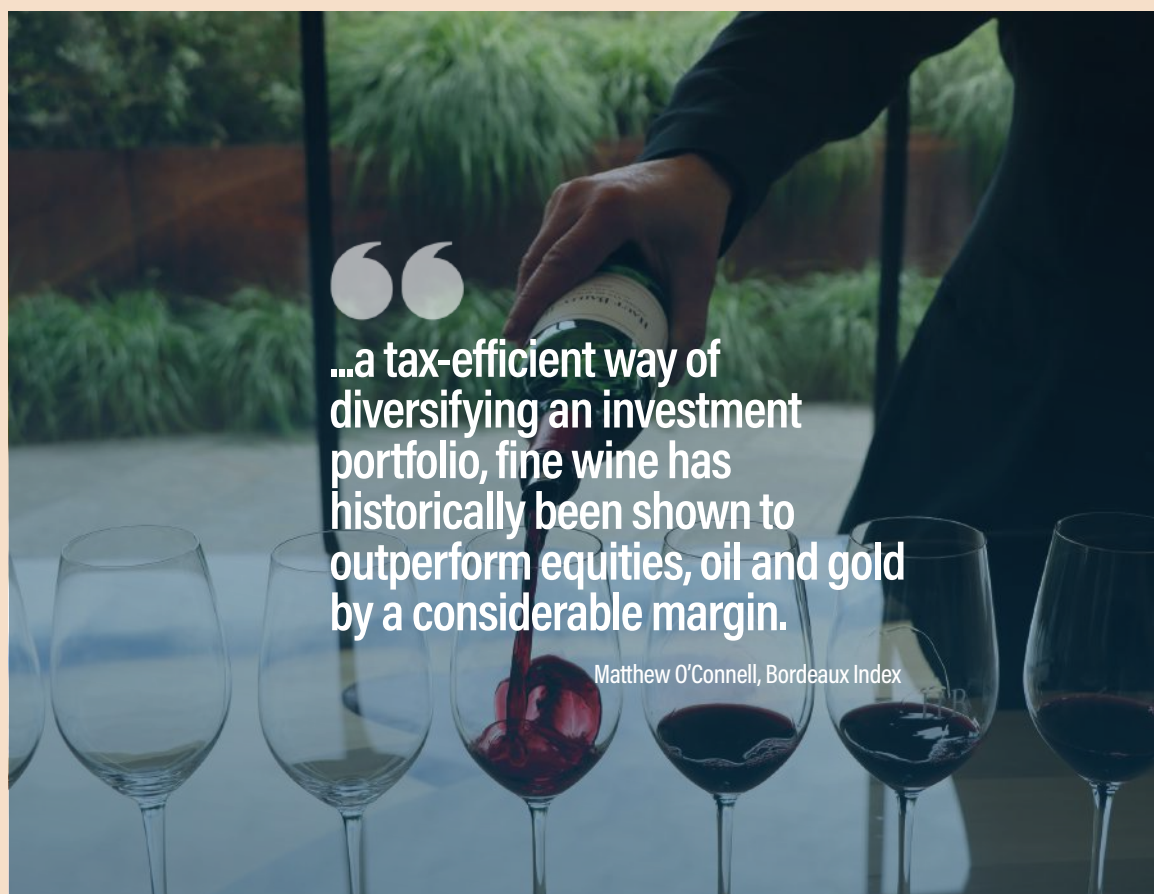
Matthew O'Connell, CEO of LiveTrade & Head of Investment, Bordeaux Index

Ever-changing, the fine wine and whisky market has evolved well beyond its buy-on-release model to become a serious, dynamic investment category with a global client base. Utilised by many as a tax-efficient way of diversifying an investment portfolio, fine wine has historically been shown to outperform equities, oil and gold by a considerable margin. Whilst the wine market, in 2024, has not boasted such soaring statistics as prior years, it has tilted the table towards buyers, with price declines allowing buyers to secure top wines at lower-than-average prices.

There continues to be strength in the rare whisky market, with the global thirst for hard-to-source old and rare bottlings continuing to remain high. The secondary market for rare whisky remains exceptionally strong and has diversified significantly as new names see ever-increasing demand alongside

the ongoing growth of longtime leader, The Macallan. There is particularly strong activity in the cask market which many participants see as especially attractive given the ability to own old and rare liquid that is still ageing in an environment where the asset is increasingly scarce. Some distilleries saw price rises of over 50% in casks of 25 years old and over with Springbank, Bowmore and Highland Park being good examples.

Once operating behind closed doors, the trading of fine wine and whisky has been modernised by companies such as Bordeaux Index, thanks to the introduction of online trading platforms. Offering a seamless, transparent and secure way to trade fine wine and whisky, LiveTrade, Bordeaux Index's trading platform, promises that it is not just capable of keeping pace with contemporary demand, but of enabling this sector to reach even greater heights. Individuals



GUEST ARTICLES (cont.)

looking to invest in fine wine may find this a fitting time to embark on such a journey, with this accessible platform making it easy to place competitive bids on top wines across the globe.

Recent developments to the platform have seen the introduction of 'My Portfolio', a tool showing all valuations on a net basis. Users of the platform can see at a glance how far apart bids and offer lie, as well as areas of the market where activity may be imminent. The provision of ongoing two-way prices encourages greater market liquidity and gives collectors and investors confidence to buy and sell more actively. In its growth, LiveTrade has recently extended into the complementary world of whisky, offering a platform for the buying and selling of whisky as well as fine wine.

Ultimately, when deciding to invest in wine or whisky what is

of utmost importance is transparency and security. In times of economic shift, a purpose-built trading platform offers its users the tools they need to begin building or developing their personal portfolio, taking advantage of fluctuations in the market to seek out areas of imminent activity. LiveTrade, as a platform, is constantly growing and evolving with the market, boasting firm bid and offer prices 24/7 on wine and whisky from across the globe. Today, LiveTrade sees over 100m in transaction values per annum across over 200,000 bottles traded. It has been recognised for its achievements winning Trading Platform of the Year for five years in a row with The Drinks Business.



Matthew O'Connell
CEO of LiveTrade & Head of
Investment, Bordeaux Index



The secondary market for rare whisky remains exceptionally strong and has diversified significantly as new names see ever-increasing demand alongside the ongoing growth of longtime leader, The Macallan.

Matthew O'Connell, Bordeaux Index

GUEST ARTICLES (cont.)

The watch market has been through the mill but is back on time

Dominic Carr, Founder of Carr Watches

During Covid and the aftermath, the watch market went through a turbulent time to say the least. But over the last 18 months, we have seen secondary prices settle and stabilise, as well as retail prices across all brands rise.

Encouragingly, the global markets in Rolex, Richard Mille, Audemars Piguet and Patek Philippe are once more very busy as the luxury buyer demand returns to normal.

The world of horology is a tricky one for newcomers to break into, consequently many of the most desirable models are the same as they have been for decades and by the same Swiss manufacturers.

There are only a handful of

models that trade for a healthy premium out of a range of around 70 watches. These include the Rolex Daytona range, some AP Royal Oak's and all PP Aquanaut and Nautilus, which trade way over the list prices.

New watches are released annually by the luxury brands, which always creates an air of excitement around the most popular models.

Examples, to name a few, include the new Daytona line up of which the platinum model has been very popular, with an exhibition sapphire crystal case back and many other cosmetic improvements. The Patek Philippe Aquanaut and Nautilus ranges have also been expanded, using different materials and colours for straps and dials variations, which appeals to a younger audience.



“Encouragingly, the global markets in Rolex, Richard Mille, Audemars Piguet and Patek Philippe are once more very busy as the luxury buyer demand returns to normal.”

Dominic Carr, Carr Watches

GUEST ARTICLES (cont.)

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Dominic Carr, Carr Watches

It is also the idiosyncratic nature of a particular watch that adds to its value (and rarity), with the type of metal and dial colour making a huge difference to value.

AP and RM constantly have collaborations with sports stars to add to the hype, such as Rafael Nadal and Lando Norris with RM, and Carlos Alcaraz with Rolex.

When it was released, the Rolex Daytona Le Mans was only sold to a handful of VIP clients, where the retail price was £50,000. This gave it rarity value, particularly as it has since been discontinued. I recently sold one for £175,000 on behalf of a client, making the client a healthy profit by supplying an incredibly rare watch that was in production for less than a year and giving the buyer the best opportunity for future profit.

You may think you can just order one from your local Authorised Dealer but that would be too easy. All agents now carefully vet who they “allow to buy” signature watches at list price - I hasten to add that it is only the most desirable models that will trade over brochure price.

Used prices are also offering excellent entry points now, for

example a rose gold Rolex GMT master preowned can be found at £10,000 under list price or a white gold Calatrava 5226 with a £5,000 saving brand new.

I have seen many buyers come back to the market over the past year and while the market has largely stabilised, there are still some excellent entry points. The great thing about watches is the opportunity to invest, but also the opportunity to enjoy the aesthetics and mechanics of that investment.

Dominic Carr, Founder of Carr Watches

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REGULATION

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**UK****Sustainability Disclosure Requirements**

Two Sustainability Disclosure Requirements developments:

- i. **FCA sets out temporary measures for firms on “naming and marketing” rules; and**
- ii. **Update on extending the regime to portfolio management**

i. Naming and marketing rules

On 9 September 2024, the FCA [announced](#) that it was allowing firms temporary flexibility – until **2 April 2025** - to comply with the “naming and marketing” rules under the Sustainability Disclosure Requirements (“SDR”).

The [final rules](#) on SDR and the investment labels regime were published on 28 November 2023, with the aim of promoting genuinely sustainable investment, while assisting those seeking environmental, social and governance (“ESG”)-oriented assets make informed investment decisions.

On 31 May 2024, the [Anti-Greenwashing rule](#) came into force and since 31 July 2024, investment labels have been available for use by managers of eligible UK-based investment funds.

At this point, firms should be working towards compliance with the “naming and marketing” and disclosure rules, in force from 2 December 2024. Further disclosure requirements will take effect in December 2025 and December 2026.

The FCA recognises that the SDR is a new regime which raises the bar and welcomes the progress firms have already made to comply with the rules, including many fund applicants wishing to use the labels. However, through the industry and representative trade bodies, the FCA has learned that some firms need more time to rename their products or prepare their disclosures. Noting the importance of getting this right for investors, the FCA wishes to support those firms which need more time.

The FCA therefore offers temporary flexibility, until 5 pm

on 2 April 2025, for firms to comply with the “naming and marketing” rules in relation to a [sustainability product](#) which is a UK authorised investment firm, in exceptional circumstances, if the firm:

- Submitted a completed application for approval of amended disclosures for that fund by 5pm on 1 October 2024; and
- Is currently using one or more of the terms “sustainable”, “sustainability” or “impact” (or a variation thereof) in its name and is intending either to use a label, or to change the name of that fund.

The FCA maintains that firms able to comply by the existing deadline should do so, as soon as they can, and without waiting until 2 April 2025.

Firms must still comply with all other relevant rules, including the [Anti-Greenwashing](#) rule.

ii. Extending SDR to Portfolio Management

On 23 April 2024, the FCA consulted on [extending](#) the SDR and investment labels regime to portfolio management.

Per the [consultation](#), portfolio managers (which includes firms conducting the “managing investments” permission for segregated accounts) may begin to use labels, and would be subject to the naming and marketing rules, from 2 December 2024.

Following feedback to the April 2024 consultation, and due to the fund management sector taking longer than expected to comply with SDR, the FCA further announced on [27 September 2024](#) that the proposed timeframe for portfolio managers had been pushed back. The FCA intends to publish a Policy Statement in Q2 2025 which will contain further information about implementation.

FCA sets out its evolving approach to enforcement

In a [speech](#) delivered on 24 September 2024, Therese Chambers, the FCA's joint executive director of enforcement and market oversight, set out how the FCA is adapting its approach to enforcement.

The backdrop to this is that reducing and preventing serious harm from financial crime is a focus of the regulator's current strategy and it will remain a significant pillar in the 2025 strategy.

Ms. Chambers notes that enforcement action is not just about punishment; it's also about deterrence through educating the market on FCA expectations, and where others have fallen short.

The FCA often works with other enforcement agencies. Recent examples have included working with the French regulator when censuring asset manager H2O LLP for failures and with the UK Prudential Regulation Authority (“PRA”) when fining

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Citigroup £61 million for failures in their systems and controls.

Acknowledging that the deterrent effect of enforcement action is greater the closer in time it is to misconduct occurring, the FCA aspires to improve its timelines. Investigations closed in 2023/24 took an average of 42 months to complete, and the regulator aspires to shorten this average.

Whilst this aspiration is non-contentious, the initiative to increase transparency around enforcement activity has been anything but. In February 2024, the [FCA proposed changing](#) its approach to enforcement by announcing enforcement action at an earlier stage of proceedings. These early announcements must be in the public interest and where appropriate the identity of the subject of the investigation would be publicly disclosed.

The proposals received feedback from 130 stakeholders. Concerns were raised, among others, by the (then) [UK Chancellor of the Exchequer](#) and the [Financial Services Regulation Committee](#), chaired by Lord Forsyth of Drumlean.

The FCA acknowledges the concerns and will engage with all sides of the debate on how best to develop the transparency proposals. This includes addressing issues such as the lack of specificity in the proposals, and the situations that would satisfy the “public interest” test, and firms lacking sufficient time to make representations prior to a public announcement.

In view of this, it is likely that the proposed changes to the FCA's enforcement approach will take effect at some point in 2025.



FCA feedback on missing data in AIFMD “Annex IV” reports

The FCA has asked alternative investment fund managers that submit information for their AIF002 returns to check that they have completed all relevant fields in their submissions.

These fields include:

- 6A – Legal Entity Identification code (“**LEI**”) (if the AIF has a LEI code);
- 7A – International Securities Identification Number (“**ISIN**”) (if the AIF has an ISIN); and
- 209A – “Does the AIF offer redemption or withdrawal rights in the ordinary course?”

Firms should review submitted returns as well as ensuring that these fields are completed for future returns.

The AIF002 return is the alternative investment fund (“**AIF**”) specific return within the “Annex IV” reporting framework, which was introduced in 2013, with the first returns submitted to the FCA in January 2014.



FinCEN requires registered investment advisers and exempt reporting advisers to develop AML/CFT programs

The US Treasury Department's Financial Crimes Enforcement Network (“**FinCEN**”) adopted a [rule](#) that broadens the definition of “financial institution” under the Bank Secrecy Act (“**BSA**”) to include registered investment advisers (“**RIAs**”) and exempt reporting advisers (“**ERAs**”). The rule requires RIAs and ERAs to establish an Anti-Money Laundering

(“**AML**”) and Countering the Financing of Terrorism (“**CFT**”) program and file certain reports.

The BSA was created to address gaps in the current regulatory framework to combat the misuse of money and financing of terrorists or other actors with illicit aims.

REGULATION (cont.)

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Primarily, the rule requires covered investment advisers to:

- Implement and maintain a written AML/CFT program, including:
 - » Designating an AML/CFT compliance officer;
 - » Establishing and implementing risk-based internal policies, procedures, and controls designed to combat money laundering, terrorist financing, and other illicit financial activity;
 - » Conducting independent testing of the AML/CFT program;
 - » Providing ongoing training for relevant personnel; and
 - » Conducting ongoing customer due diligence.

- File Suspicious Activity Reports (“SARs”) and Currency Transaction Reports (“CTRs”); and
- Maintain certain records, including records of compliance with the BSA’s requirements, records related to SARs, and records related to fund transfers of \$3,000 or more.

The rule exempts RIAs who register solely because they are mid-sized advisers, multi-state advisers, pension consultants or have no assets under management on their Form ADV.

For covered advisers with their principal office and place of business outside the US, the rule only applies to activities within the US or providing services to a US person or a foreign located private fund with an investor that is a US person.

The rule is effective January 1, 2026.

**SEC Enforcement Round-up****i) SEC fines twelve more firms for recordkeeping failures**

The SEC announced [settled charges](#) against twelve firms for failing to preserve electronic communications properly.

All firms are accused of using unapproved communication methods, often entailing senior members of the firm. In many cases, even senior personnel of the compliance team were alleged to have sent or received off-channel communications.

As a result, the SEC charged all twelve firms with supervision failures and violating the recordkeeping provisions of the Exchange Act and rules of the Municipal Securities Rulemaking Board and cumulatively fined them over \$1.3 million.

ii) Self-reporting firm not fined amidst continued off-channel communications sweep

The SEC announced settled charges against a [registered investment adviser](#) for off-channel communications recordkeeping [violations](#).

In response to a 2021 subpoena concerning a third party, the firm discovered it had failed to preserve certain off-channel communications, some of which were part of the subpoena.

The firm reported its violation to the investigating staff, fully

cooperated with the staff, and promptly undertook remedial actions. This included an internal review to address the scope of the violation, attempts to capture missing communications, changes to its compliance program and in person training by outside counsel.

As a result of its cooperation, self-reporting and remedial actions, the firm was censured but not fined. This starkly contrasts with a contemporaneous announcement by the SEC in which [eleven firms](#) were fined over \$88 million and with a [CFTC order](#) against a bank for \$30 million.

iii) SEC fines nine firms amidst ongoing examination sweep into Marketing Rule

The SEC announced [charges](#) against nine investment advisers as part of an ongoing sweep into the Marketing Rule.

Previous Marketing Rule violations have mostly focused on hypothetical performance, but these enforcements targeted multiple aspects of the Marketing Rule, including:

- Third-party ratings;
- Testimonials; and
- Material statements of fact.

The SEC found that all firms committed at least one of the following violations:

REGULATION (cont.)

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- Publishing advertisements with untrue statements on third-party ratings;
- Including third-party ratings that were as much as five years old without disclosing such dates;
- Posting advertisements claiming they were a member of a nonexistent organization;
- Disseminating unsubstantiated claims as to conflict free advisory services, while reporting conflicts of interest in their respective Form ADV Part 2A brochures;
- Distributing testimonials that did not come from current clients; and
- Delivering testimonials that failed to disclose that the endorser was paid.

The SEC found that all nine firms violated the Marketing Rule's provisions on truthfulness, substantiation and disclosure and cumulatively fined the firms \$1,240,000 in civil penalties.

iv) SEC fines two firms for custody failures

The SEC [announced](#) settled [charges](#) against former registered investment adviser Galois Capital Management LLC ("Galois") and registered investment adviser [ClearPath](#)

Capital Partners LLC ("ClearPath") for failing to properly safeguard clients' assets within a private fund.

According to the SEC, in July 2022, Galois failed to maintain certain crypto assets with a qualified custodian, violating the Custody Rule. Instead, the firm held the assets across various online trading platforms, many of which did not meet the qualified custodian requirements. One such platform was FTX Trading Ltd., where Galois lost approximately half of the fund's assets following the platform's collapse. Additionally, the SEC found that Galois provided inconsistent redemption terms to investors, stating that redemptions required at least five business days' notice while permitting others to redeem in a shorter timeframe. The SEC fined Galois \$225,000 for its actions.

The SEC found that ClearPath failed to deliver audited financial statements in a timely manner from 2018 through 2022, violating the Custody Rule. Additionally, the firm used hedge clauses in some of its agreements regarding its fiduciary duty, potentially misleading investors into believing they had waived unwaivable causes of action. The SEC fined ClearPath \$65,000 for its violations.

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