

Will AIFMD lead to a migration towards UCITS and other investment fund vehicles and structures?

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SECTION 1

Some initiatory observations on regulation in general, and on AIFM-D in particular

From a single one-pager...

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unum. Si in guerra vel discordia in diebus de pater libera fuit. hys una largientur iudice. Et satisfactione in eis recipere plenam vobis defendere tenent. Supra
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cuius universales et vobis est iuramentum. Acto Anno dno. 1200. pater. Incipiente mense Au gu st



...to a lawyer's nirvana



European Securities and
Markets Authority

Final report

ESMA's technical advice to the European Commission on possible implementing measures of the Alternative Investment Fund Managers Directive

From a single one-pager...

- Regulation makes the model more homogeneousand destabilizes the system
- If everybody has the same model, the behaviour is synchronized
- Advice of technocrats to bureaucrats makes the markets even more homogeneous and therefore prone to accidents
- Some “accidents” did not happen despite but because of regulation
- Complexity went “exponential” → Reduction of planning certainty

Conclusion

- Adequate and suitable regulation and supervision are key in order to respect heterogeneity of asset management business models
- Importance of business proximity

...to a lawyer's nirvana

SECTION 2

Alpha!? – What are and what is the role of Alternative Investments?

What is a Hedge Fund?



“Traditional” Fund vs. Hedge Funds*

* Source: hedge fund marketing brochure. It has to be noted that hedge funds are only one amongst several AI classes

“Traditional” Funds

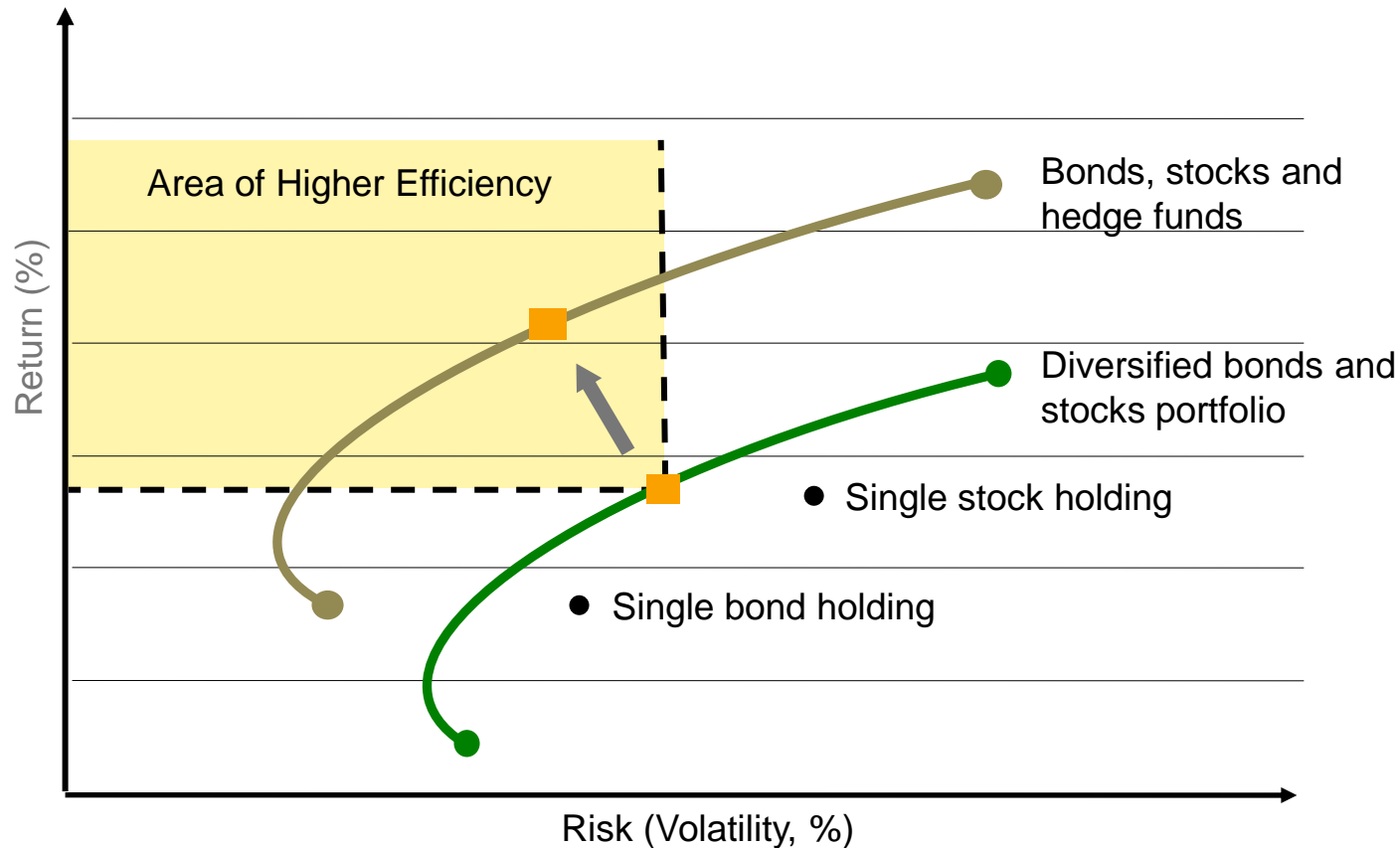
- Market-based strategies
 - Returns are beta driven
- Legally restricted (SEC, FINMA, UCITS etc.)
- Relative performance to indices
- Limited use of derivatives (for hedging purposes only)
- Long-only investment style
- No/low leverage
- Public mutual funds

Hedge Funds

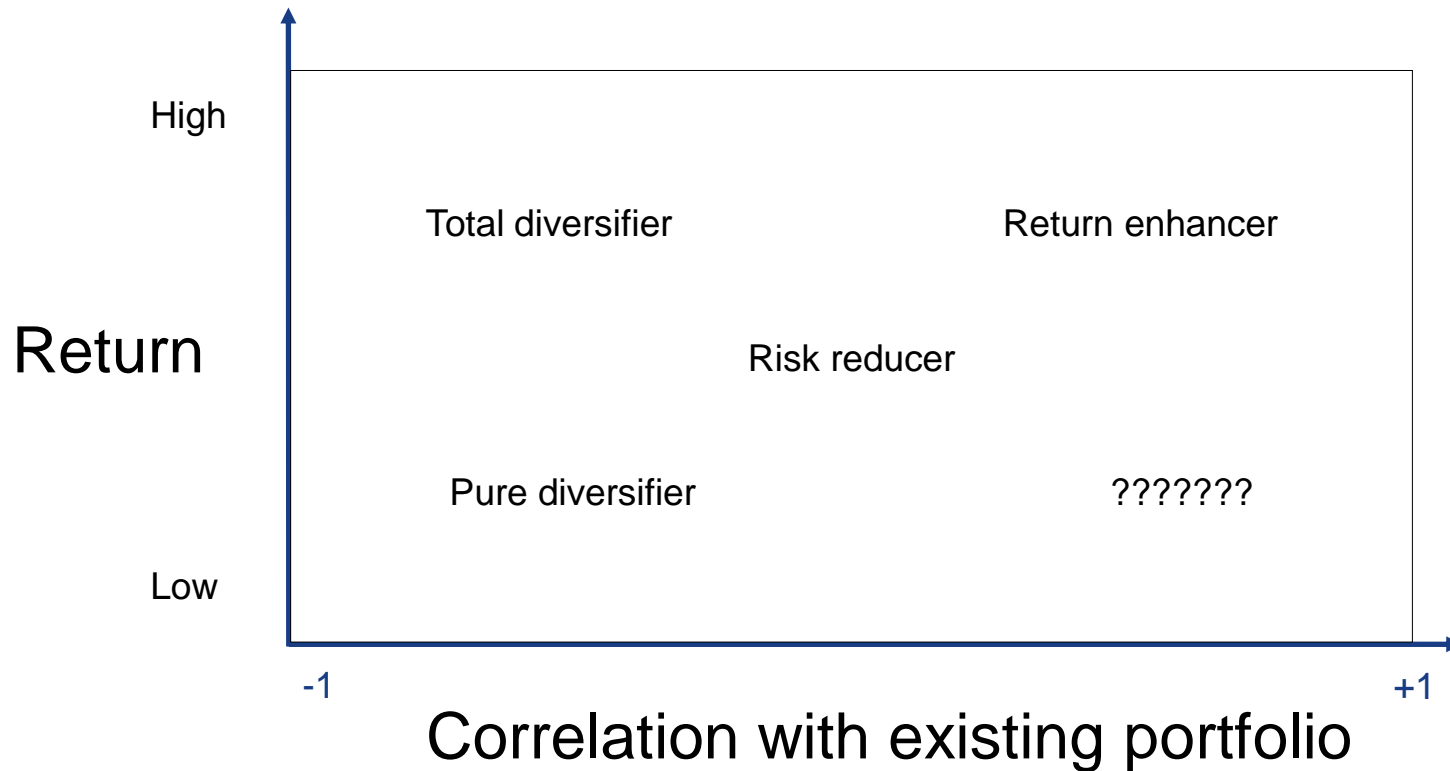
- Skill-based strategies
 - Returns are alpha**-generated
- Legally less restricted
- Absolute performance
- Use of derivatives and other advanced financial techniques
- Long and short investments
- Use of leverage
- Private investment vehicles
- Low correlation with traditional asset classes

**Definition of Alpha: Alpha is the difference between a portfolio's risk-adjusted return and the return for an appropriate benchmark portfolio

Increasing a Portfolio's Effectiveness



Definition of Roles



SECTION 3

Will AIFMD blur the line between traditional and alternative funds?

Convergence is ongoing and not a recent trend

Investor protection and wealth protection not synonymous

(Former) Constraints for “long-only” managers		Traditional AM	Hedge funds
Investor protection	Regulation	High	Low
	Transparency	High	Low
	Benchmark	Yes	No
Wealth protection	Derivatives	No	Yes
	Leverage	No	Yes
	Short selling	No	Yes

Trend (Left arrow) indicates convergence from High/Yes to Low/No for Investor protection.

Trend (Right arrow) indicates convergence from No to Yes for Wealth protection.

A circle highlights the 'Derivatives', 'Leverage', and 'Short selling' rows, with an arrow pointing from the 'Investor protection' label to it.

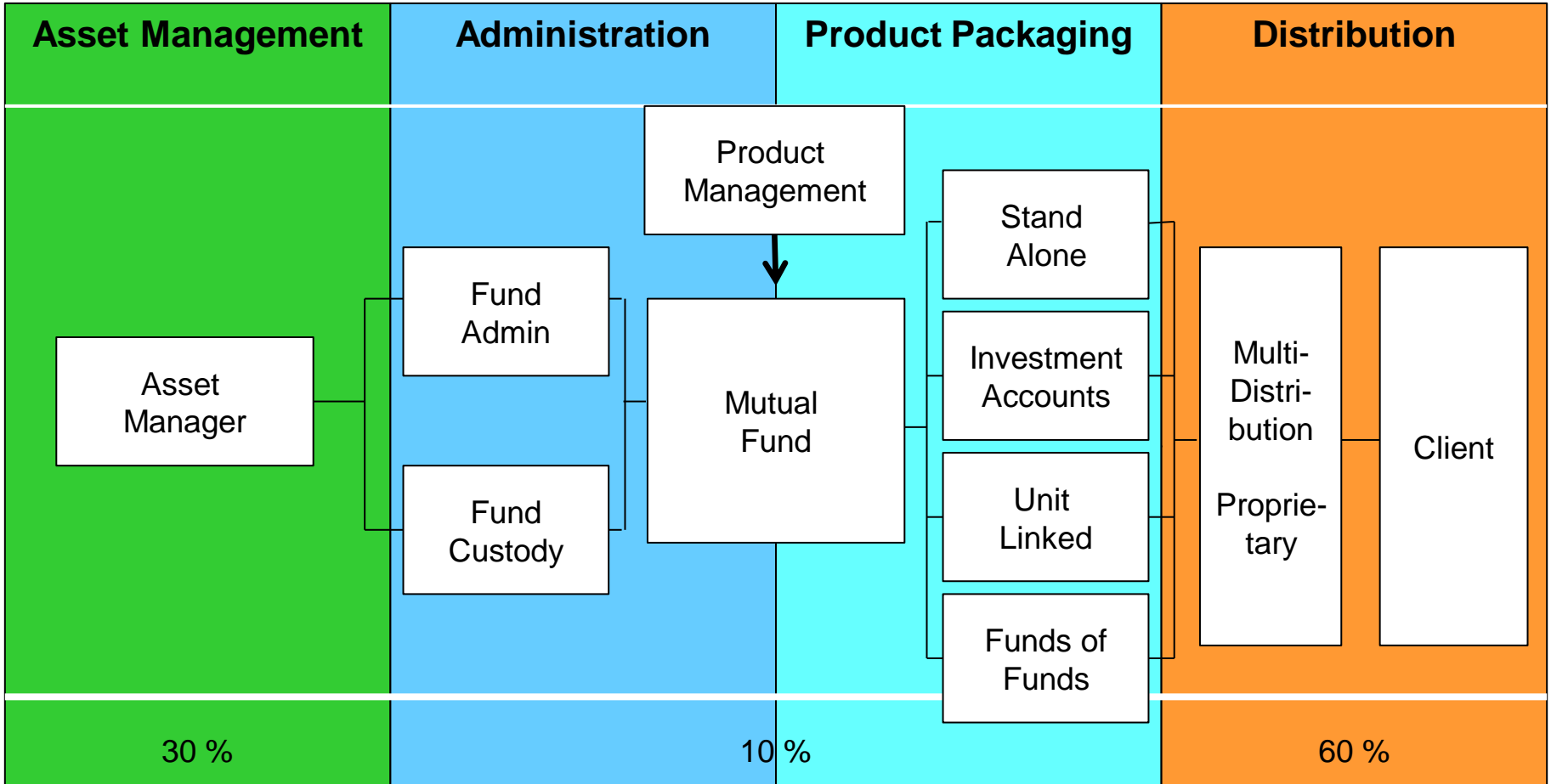
Transposition of AIFMD into Swiss Law

Three main topics*:

- A) Distribution
- B) Regulation of Asset Managers
- C) Depositary Banks / Custody

*in German also called the „3V“: Verwaltung, Verwahrung, Vertrieb

Fund Business – „The Value Chain“

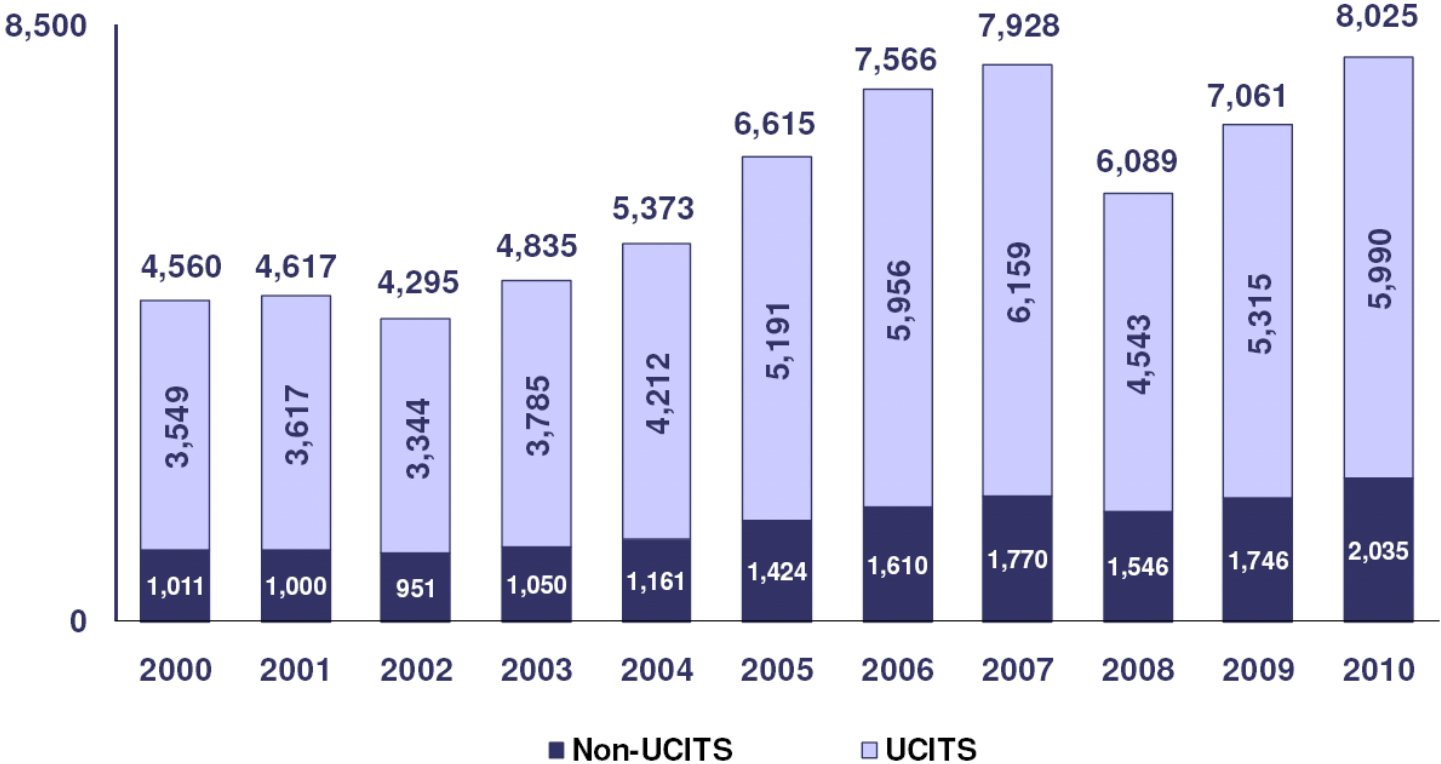


SECTION 4

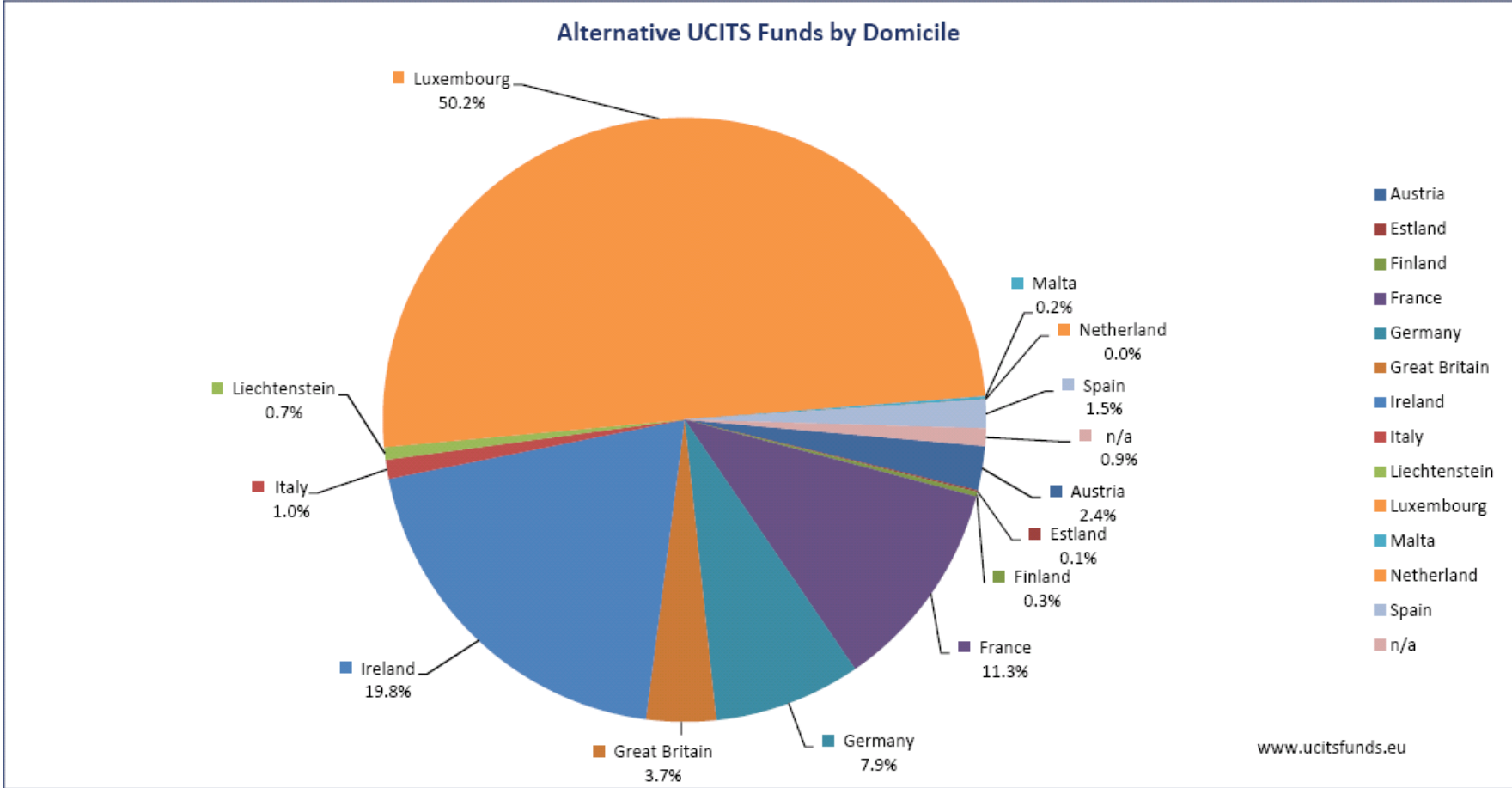
Migration towards UCITS and other investment vehicles - Really?

European UCITS Funds

Net assets of European Investment Funds
(EUR billions)

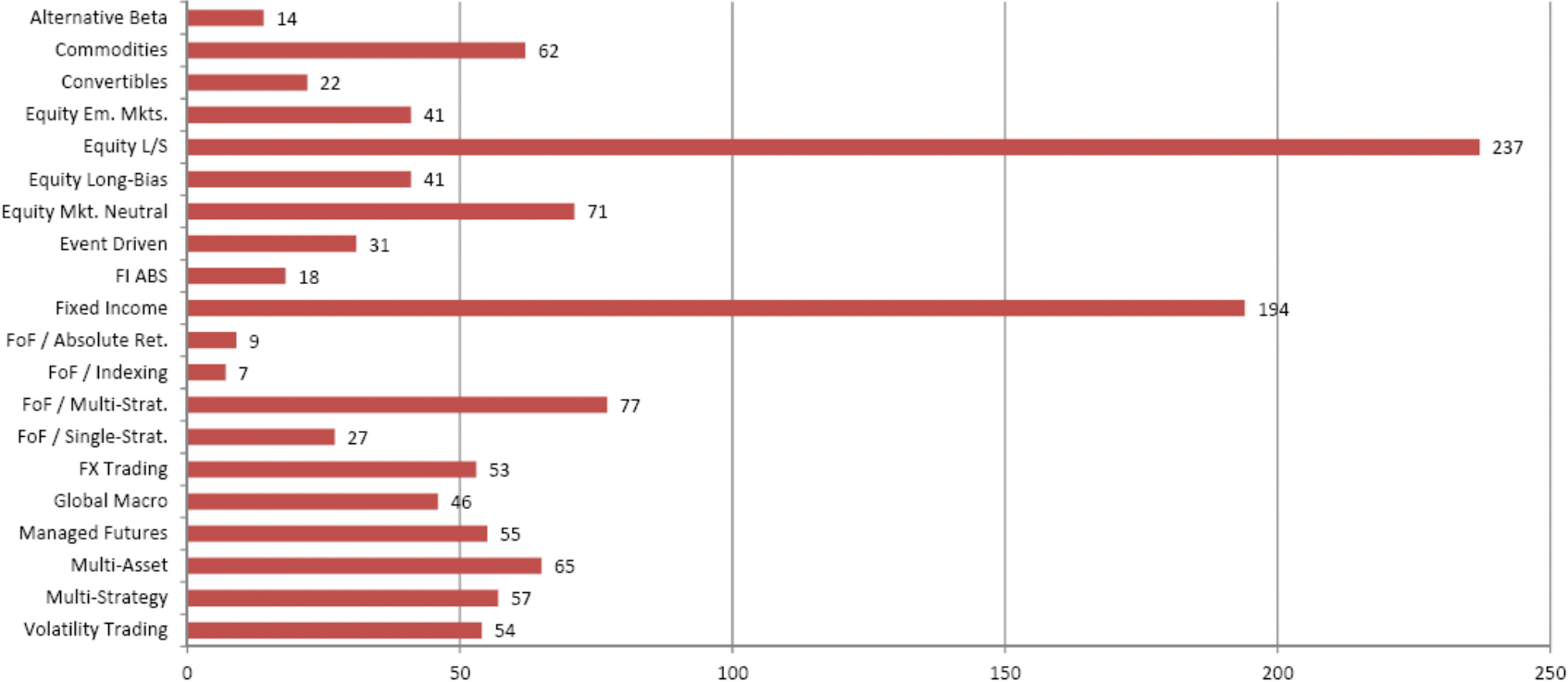


Alternative UCITS Funds by Domicile



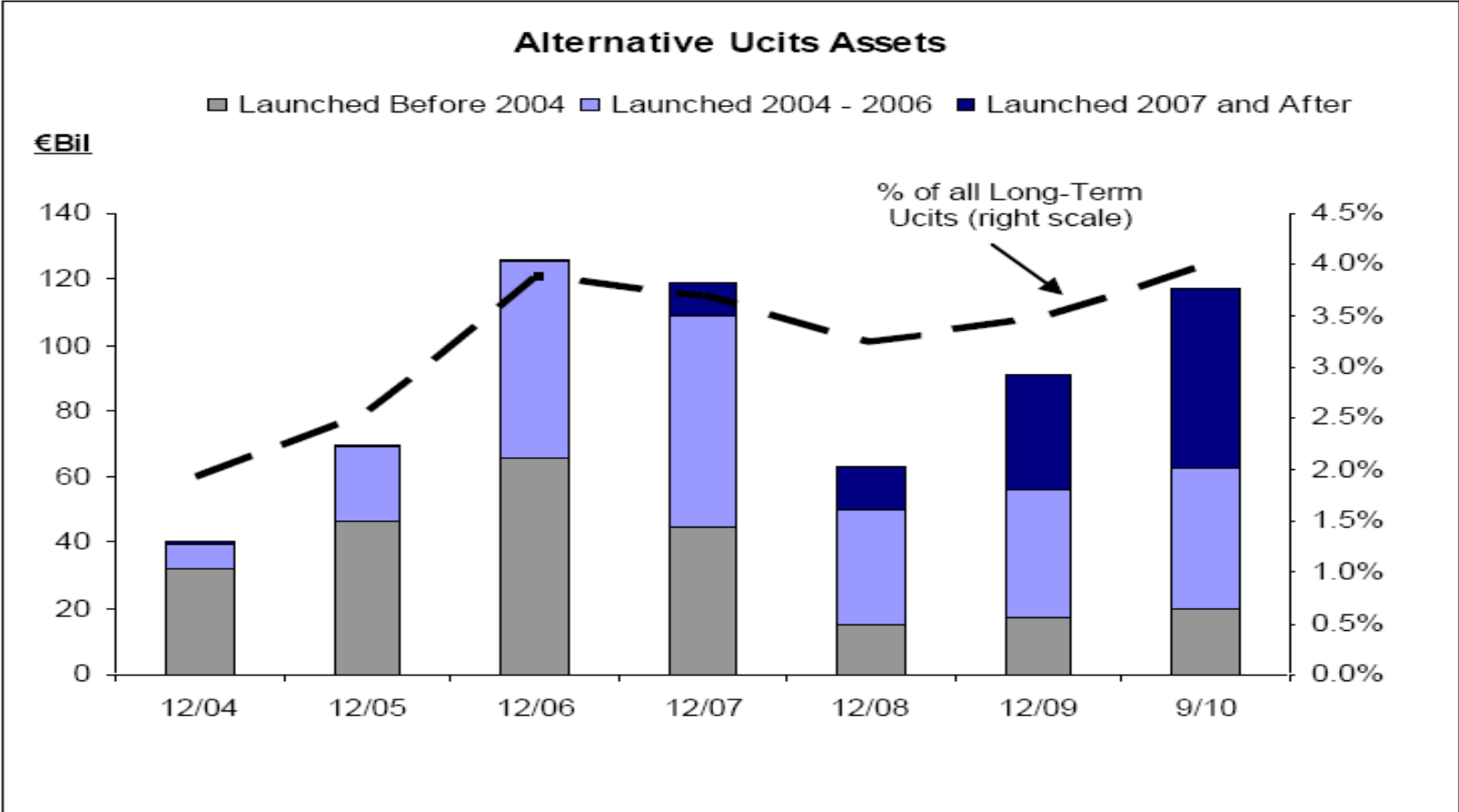
Alternative UCITS Funds by Strategy

Alternative UCITS by Strategy



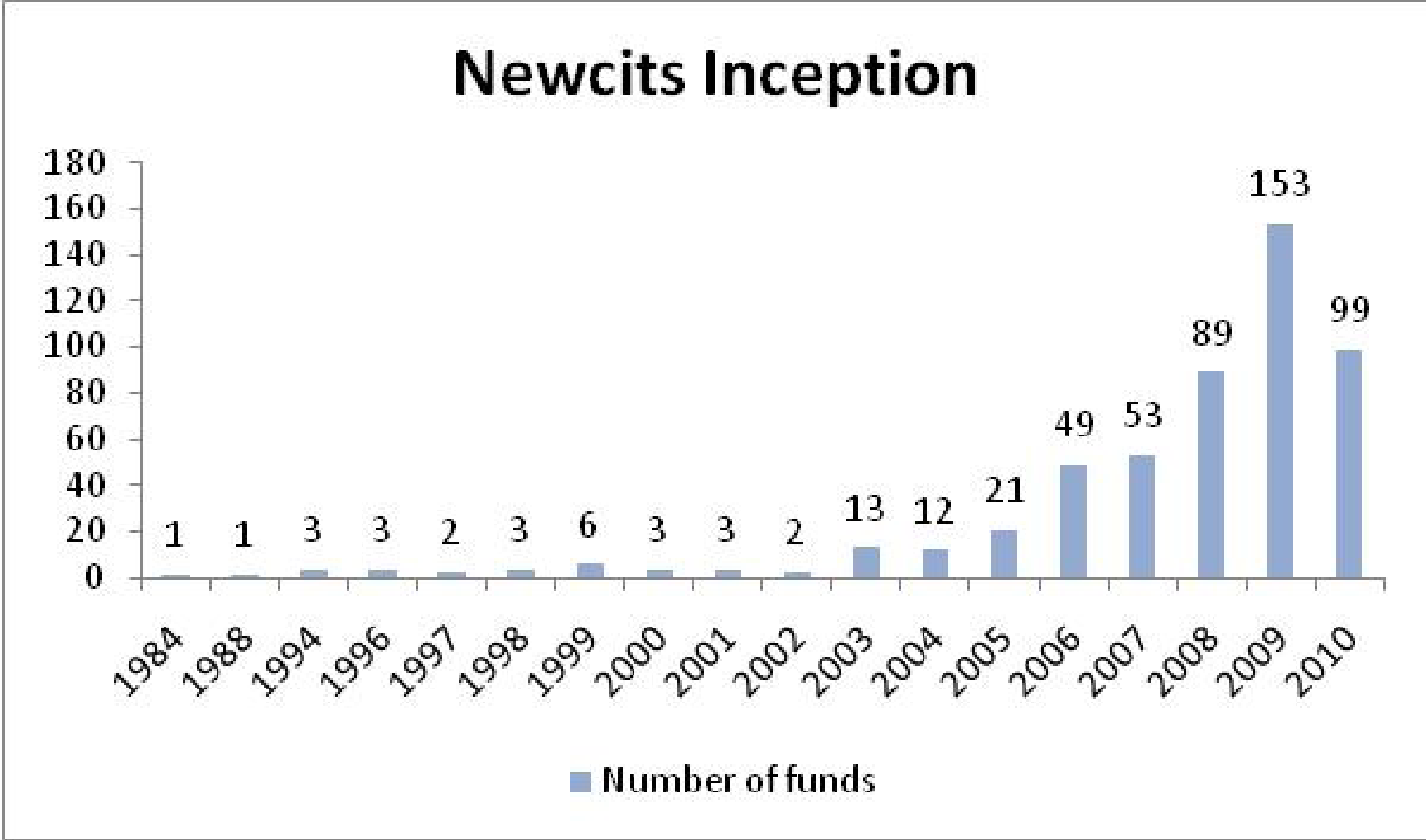
www.ucitsfunds.eu

Alternative UCITS Assets



Source: Strategic Insight Simfund Global

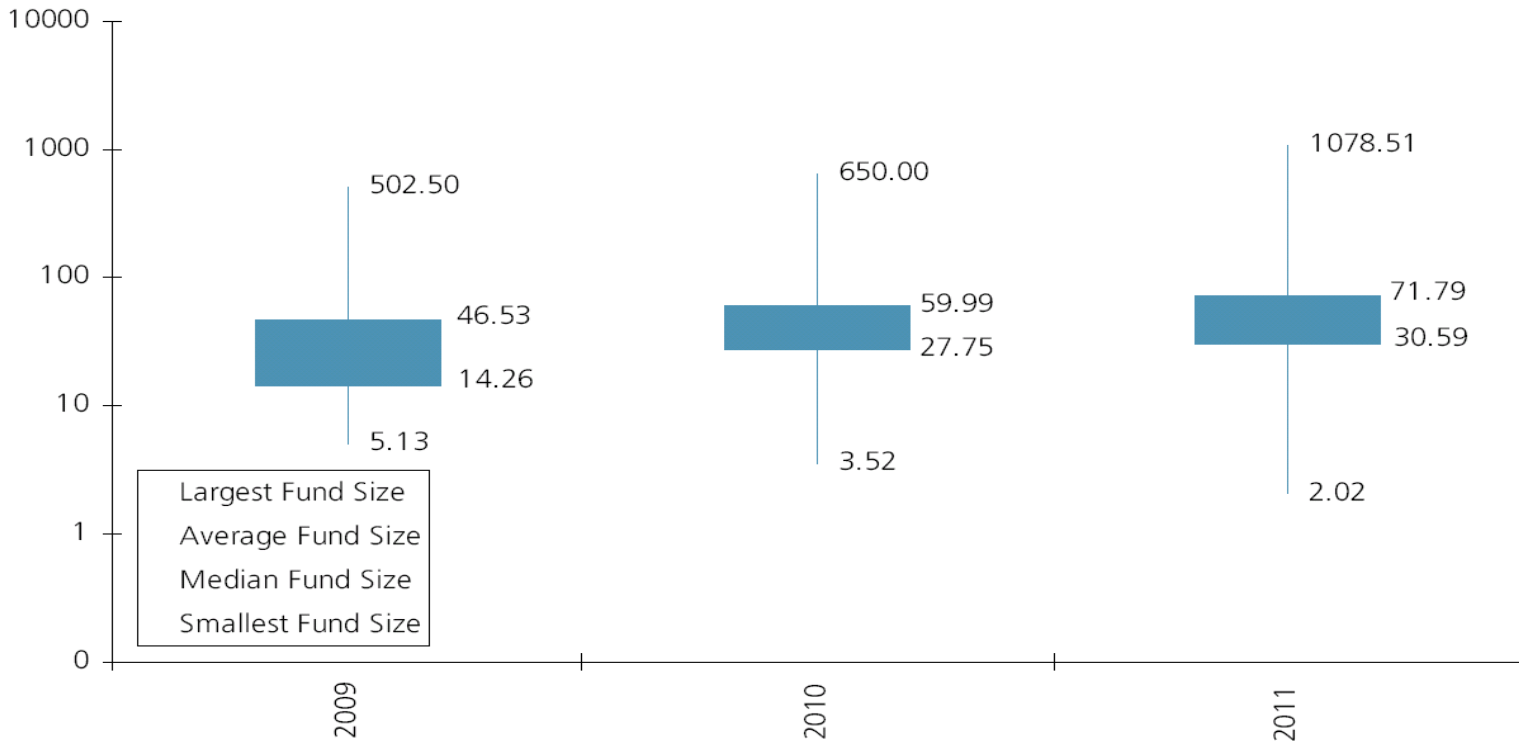
Alternative UCITS Funds Inceptions



Source: EFAMA

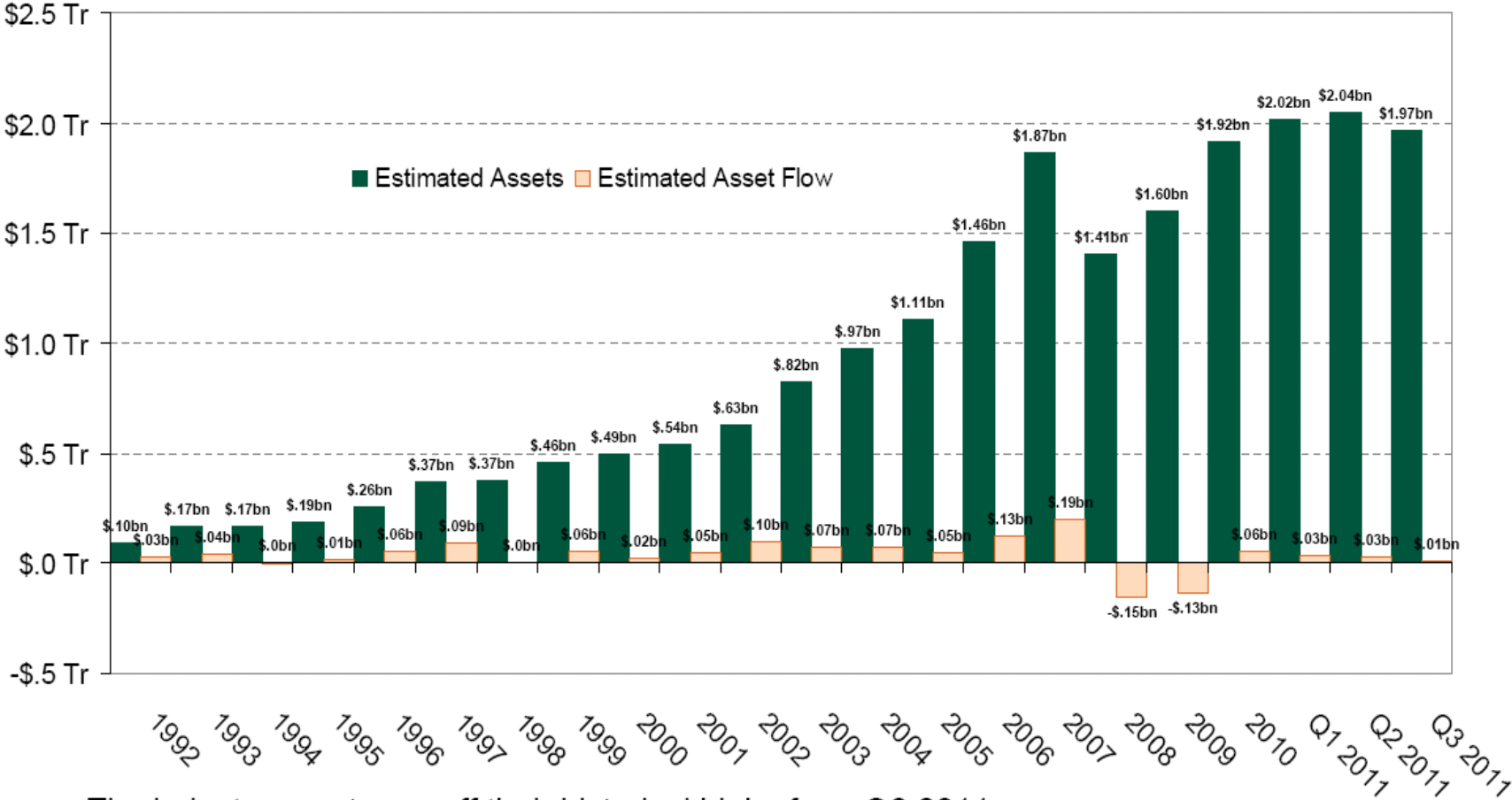
UCITS FoHF – Fund Size

UCITS funds of hedge funds – Fund Size



Source: UBS AG

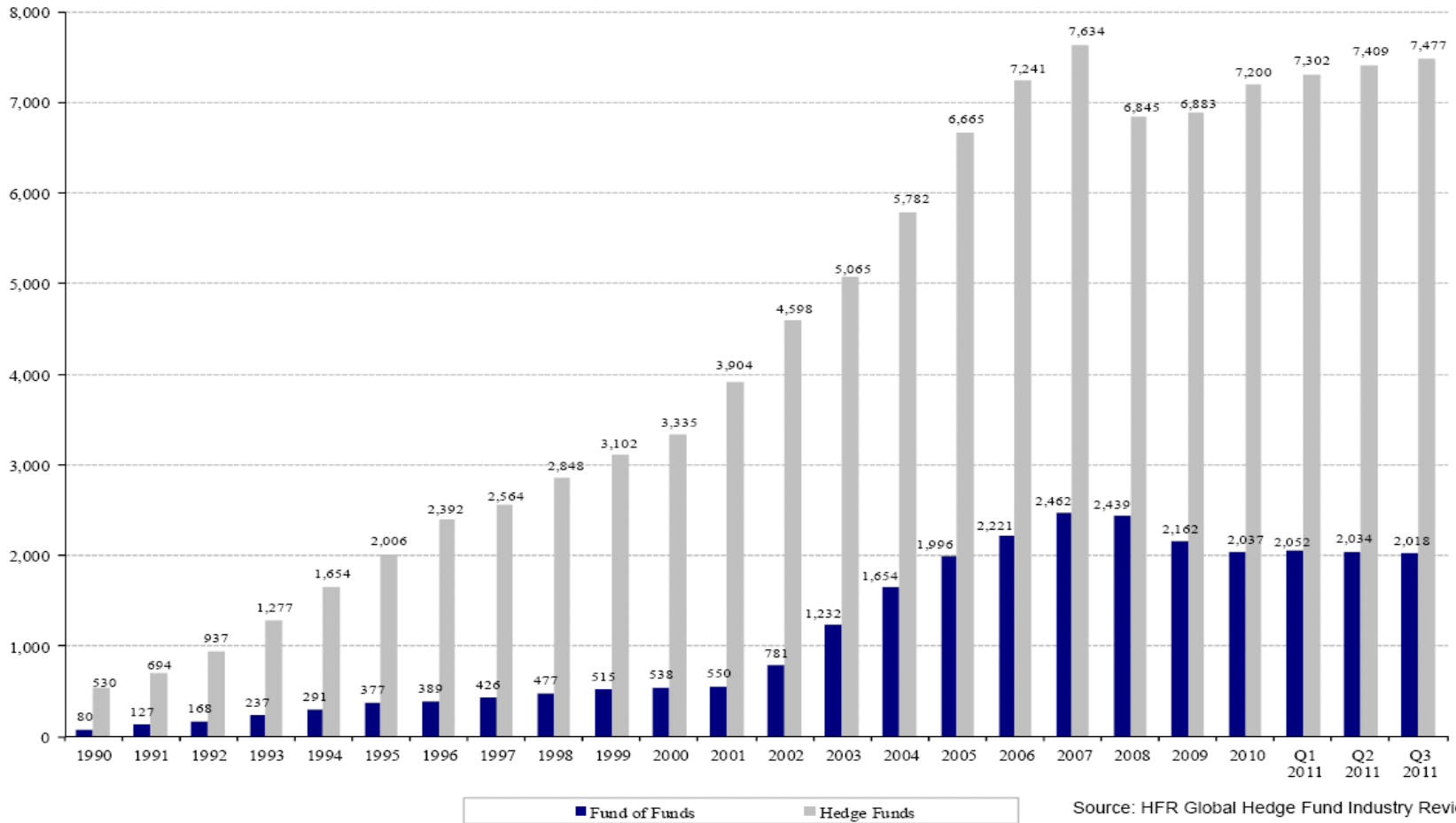
Growth of total hedge fund assets



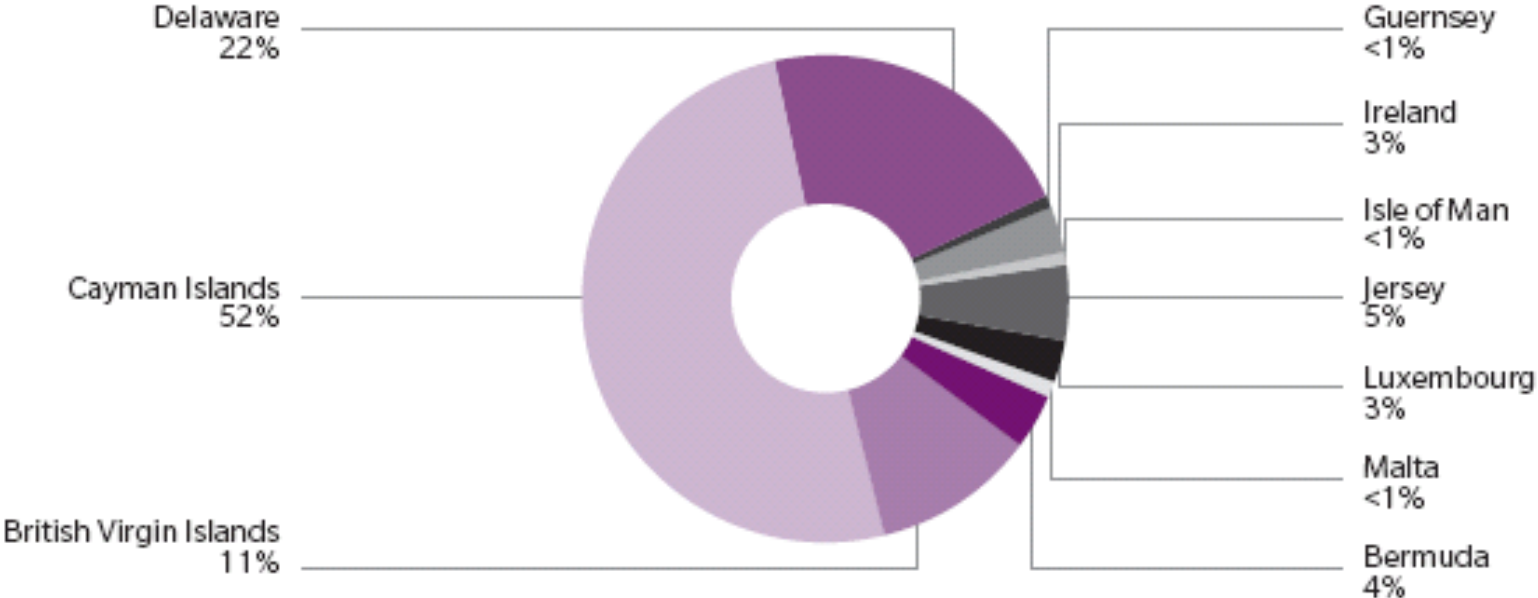
■ The industry assets are off their historical highs from Q2 2011.

Source: HFR Global Hedge Fund Industry Review

Estimated number of hedge funds

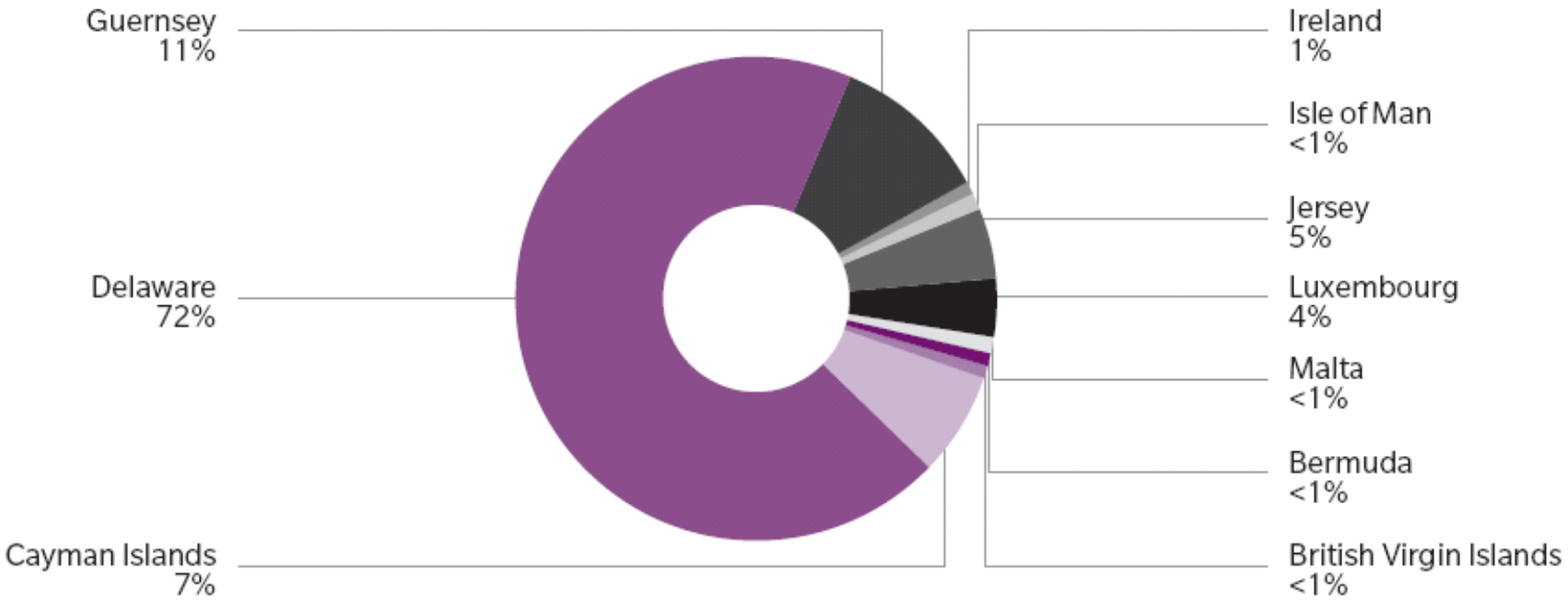


(Offshore) Hedge Funds by Domicile



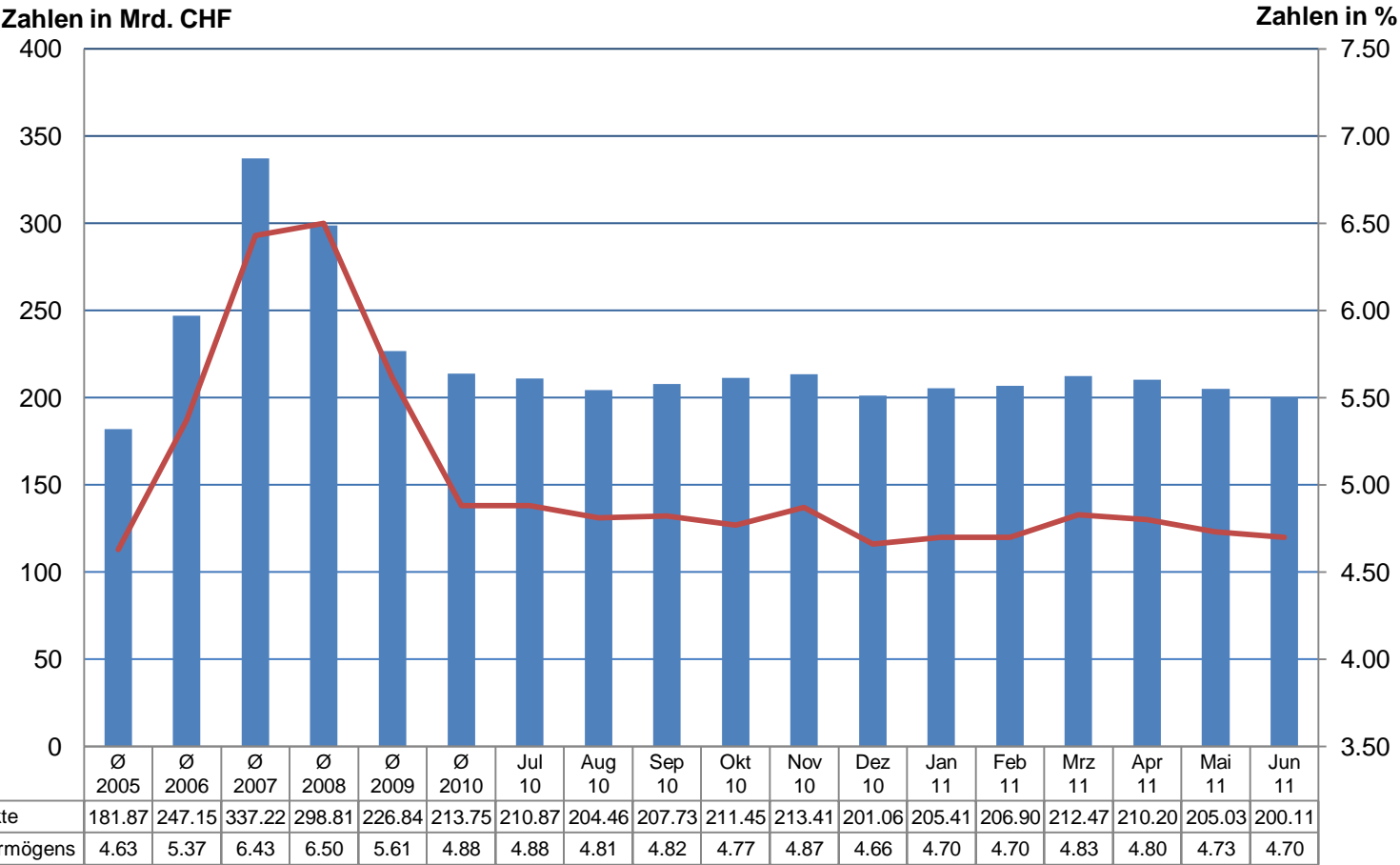
Source: Oliver Wyman analysis

Private Equity Funds by Domicile



Source: Oliver Wyman analysis

Structured Products – Volumes overall



Quelle: Statistisches Monatsheft SNB, aktuellste verfügbare Zahlen

Thank you for your kind attention!

Any Questions?

SWISS FUNDS ASSOCIATION SFA

Association for Funds & Asset Management

The Swiss Funds Association SFA was established at the end of 1992 and its activities are focused primarily on ensuring optimal frameworks for its currently 178 members in Switzerland. Its members currently include almost all Swiss fund management companies, numerous representatives of collective investment schemes, custodian banks and institutional asset managers, as well as law firms, audit companies and other service providers in the fund sector. These cover more than 95% of the fund assets placed in Switzerland. The SFA is also a member of EFAMA, the Brussels-based European umbrella organization of national fund and asset management associations.