

MAPLES



Irish Funds Trends

2013-2017

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Introduction

We are often asked what we are seeing in the Irish funds market. To assist our clients to make informed decisions on Irish projects, we have conducted a statistical analysis on every fund that we have helped launch since 2012. We have analysed key terms from each of the funds to identify the trends set out in this analysis. All information is collected on a strictly confidential basis and does not disclose client names or commercially sensitive data.

Our informed view of the market

We are independently ranked as the number one legal adviser in Ireland for funds, based on number of funds advised and number of new funds established, as per the Monterey Insight Ireland Fund Report 2017.

557 | Most new sub-funds established 2010-2017

#1 | Maples market share ranking for 8 consecutive years
- FOR NEW SUB-FUNDS ESTABLISHED

47 | Most new sub-funds established 2016-2017
21% MARKET SHARE

Source: Lipper Ireland Fund Encyclopedia 2010-2011/ Monterey Insight Ireland Fund Report 2012-2017.

This gives us cutting edge expertise in supporting innovative product development, whether in the area of UCITS or AIFMD and whether related to mutual funds, hedge funds, real estate funds, private equity funds, ETFs, loan funds or managed account platform structuring. In maintaining and strengthening our market share, we have extended our regulatory expertise across a range of issues impacting UCITS and Alternative Investment Funds ("AIFs") as well as launching a number of ancillary services. Our expertise also covers ancillary legislation in the areas of MiFID, EMIR, SFTR, PRIIPs and all other major laws or regulations in the investment management sector.

UCITS and AIFs

Sustained Asset Growth:

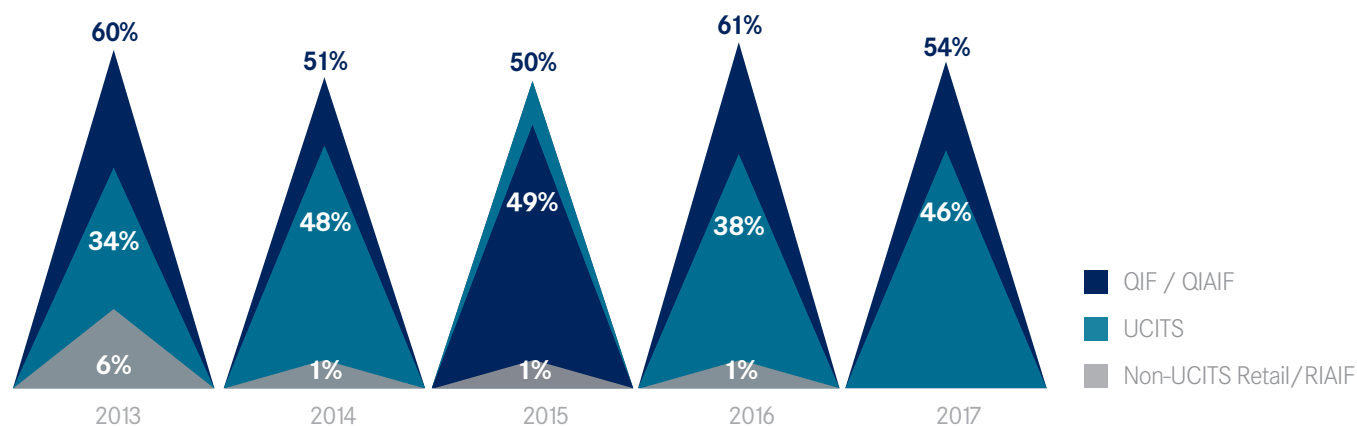
353% | €**1.831** trillion in assets in Irish UCITS representing a **353%** increase in asset levels since the end of 2008

33% | €**242** billion net sales in Irish UCITS in 2017 representing **33%** of the overall net sales in UCITS across Europe

14% | €**60** billion in net inflows into Irish QIAIFs in 2017, representing an annual **14%** increase in asset levels (total assets €**476** billion)

Source: Irish Funds / Central Bank of Ireland / EFAMA, December 2017.

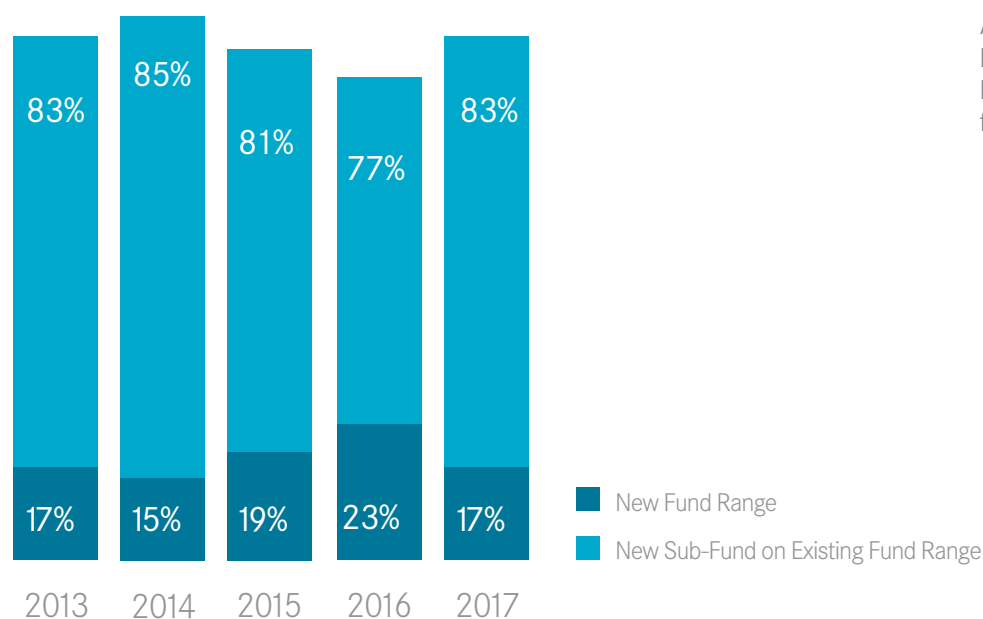
Product Regime 2013-2017 - UCITS v AIFs



Since the Irish funds industry started, a high proportion of funds have been established as UCITS (which is why asset levels in Irish UCITS are significantly higher than in Qualifying Investor Alternative Investment Funds ("QIAIFs")). However, there has been a surge in the launches of alternative products in the last five or six years with the QIAIF being the most popular product for new launches. The reasons for this include: (1) growth of managed account platforms; (2) co-domiciliation/re-domiciliation of offshore alternative products in response to AIFMD; and (3) increased appetite among EU institutional investors for regulated AIFs.

Fund Launches

New / Existing Fund Ranges 2013-2017

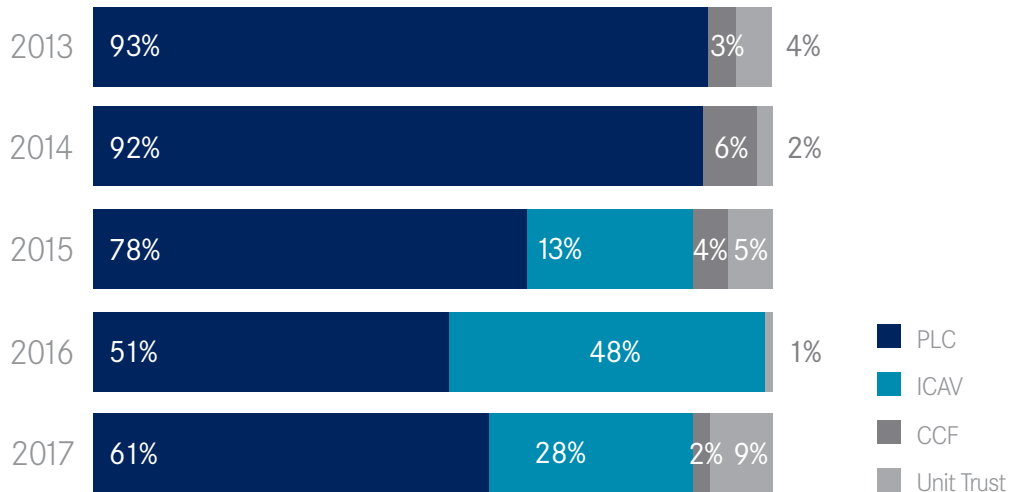


A large majority of the funds being launched in recent years have been sub-funds on existing fund ranges.

UCITS

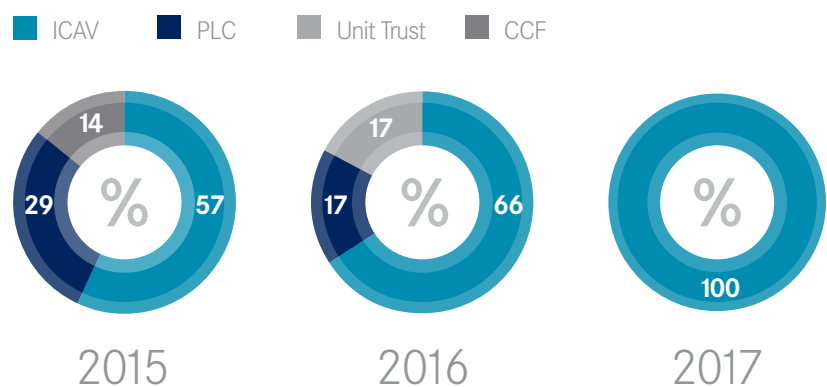
UCITS Legal Structures 2013-2017

- New funds and new sub-funds of existing umbrellas



UCITS Legal Structures | New Funds Only | 2015-2017

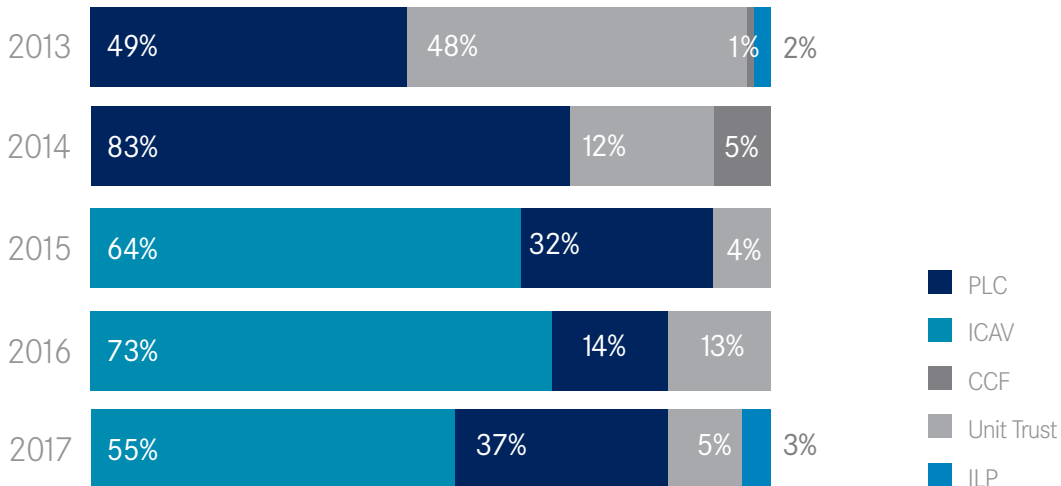
The investment company (plc) structure was traditionally the default vehicle of choice. However, since the introduction of the Irish Collective Asset-management Vehicle ("ICAV") in March 2015, it is now the preferred structure and we expect that this will only increase in the coming years. We have also analysed non-ICAV set-ups in 2016 and ascertained in each case that the choice of legal structure was driven by client specific commercial considerations. In 2017, it is notable that all new UCITS were established as ICAVs. See the ICAV Key Features graphic on page 9.



QIAIFs

QIF / QIAIF Legal Structures 2013-2017

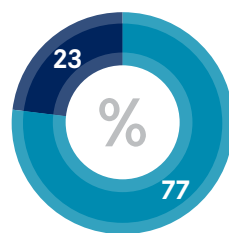
- New funds and new sub-funds of existing umbrellas



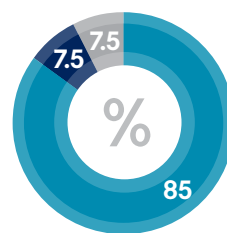
QIAIF Legal Structures | New Funds Only | 2015-2017

Traditionally the preference for the QIAIF lay with the investment company (plc) structure. The unit trust structure was also commonly used by US managers for tax transparency purposes. However following the introduction of the ICAV, there has been a marked shift towards ICAVs as the vehicle of choice, as the ICAV has the ability to "check-the-box" from a US tax perspective along with a number of other benefits. See the ICAV Key Features graphic on on page 9.

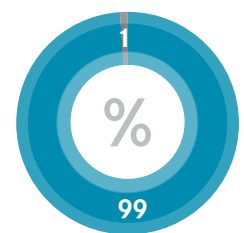
■ ICAV ■ PLC ■ Unit Trust ■ CCF



2015



2016

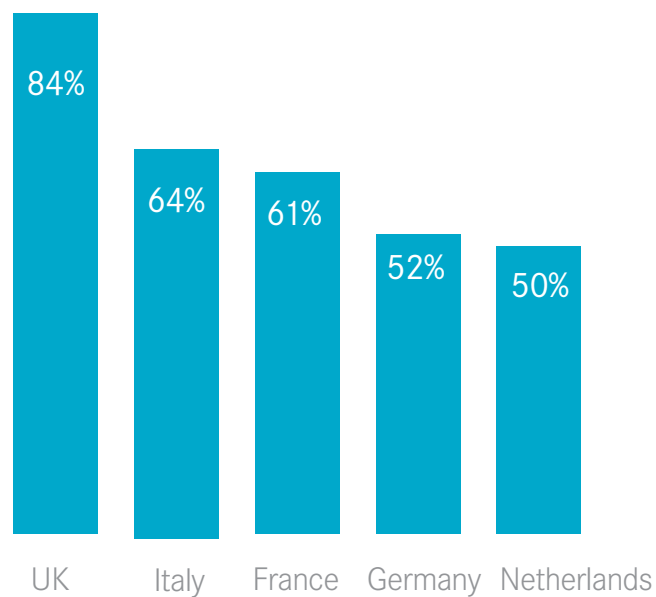


2017

Distribution

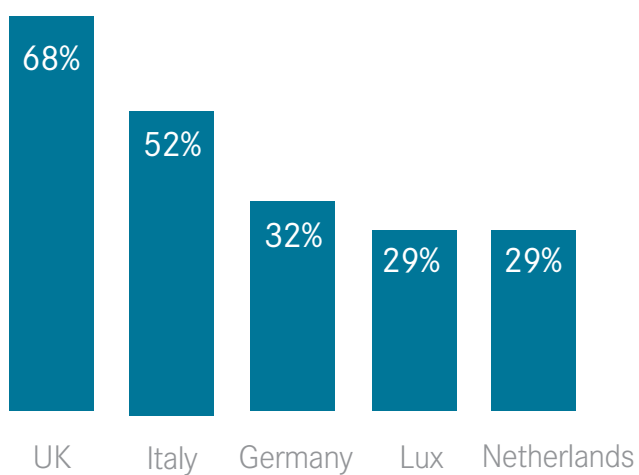
Top 5 Jurisdictions for Registrations 2013-2017

UCITS



Figures represent the overall percentage of Irish UCITS and QIAIFs represented by Maples registered between 2013-2017 in each jurisdiction.

QIAIFs

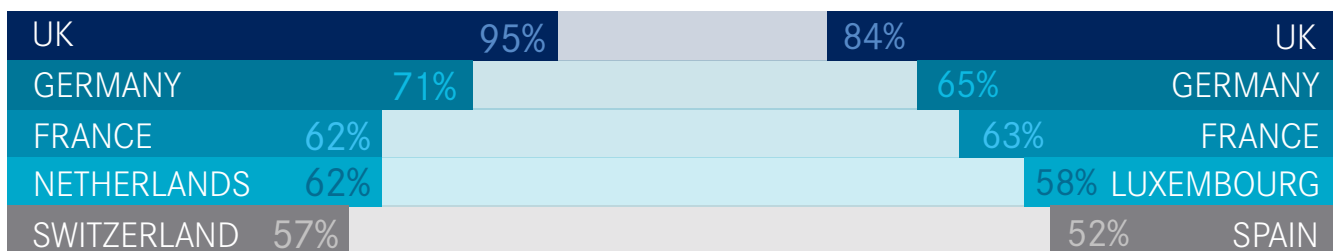


UCITS

Top 5 Jurisdictions for Registrations 2016-2017

2016

2017



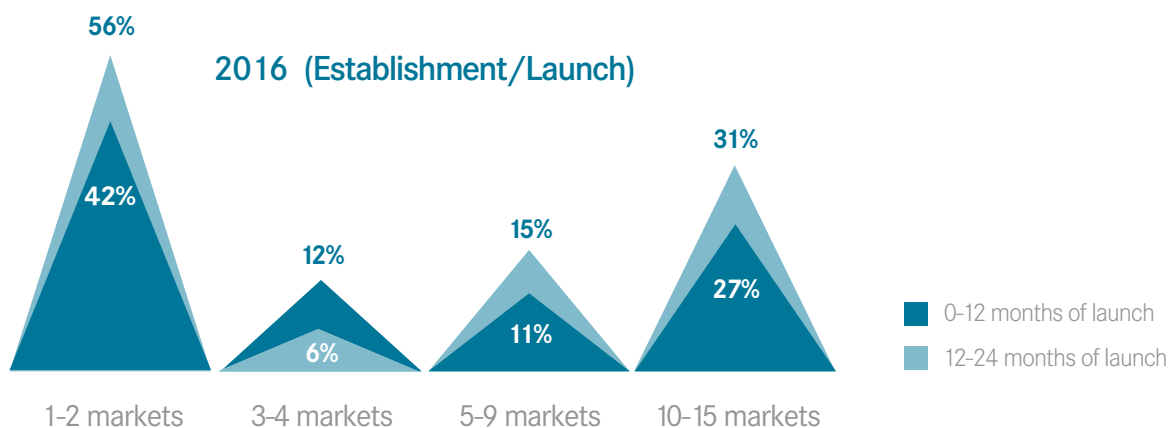
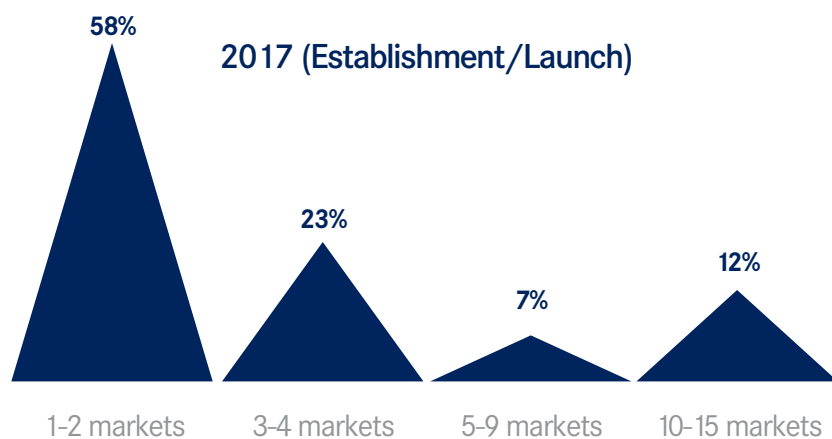
Figures represent the percentage of newly established / launched products which are passported. Registration remained strong during 2017, with products being registered in up to 20 jurisdictions, the top 5 of which are indicated above. The UK is consistently the most popular country for registration of Irish UCITS, followed in 2017 by Germany and France. Luxembourg and Spain were new entrants into the top 5, with Netherlands and Switzerland falling narrowly outside the top 5 during 2017.

Distribution Footprint 2016-2017

This demonstrates the number of markets where newly established / launched UCITS funds were registered from 0-24 months of launch.

Of the UCITS which were established / launched and first registered in 2016, 50% were registered in additional markets during 2017.

There are currently no 12-24 months statistics available for 2017.

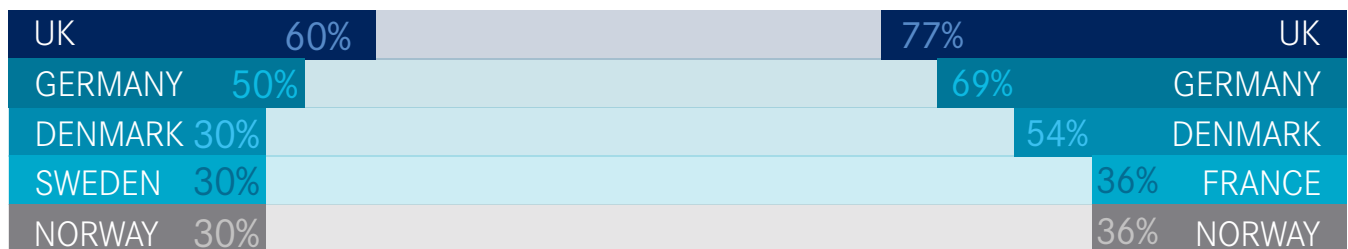


QIAIFs

Top 5 Jurisdictions for Registrations 2016-2017

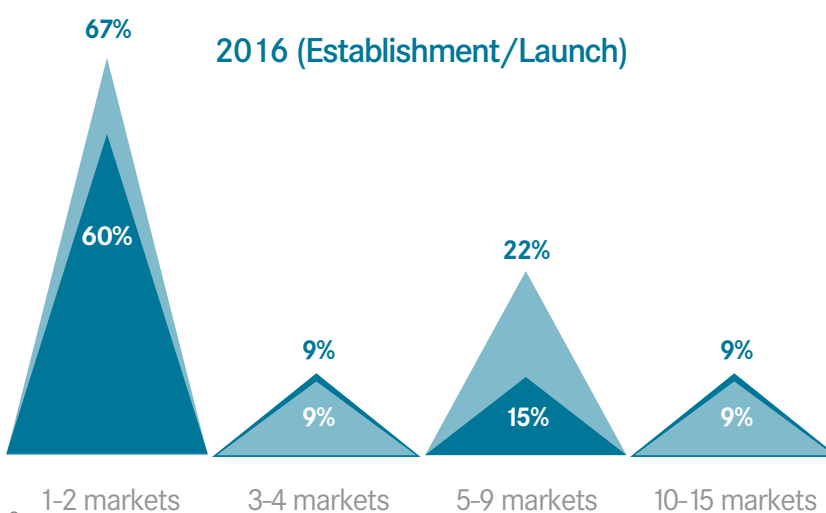
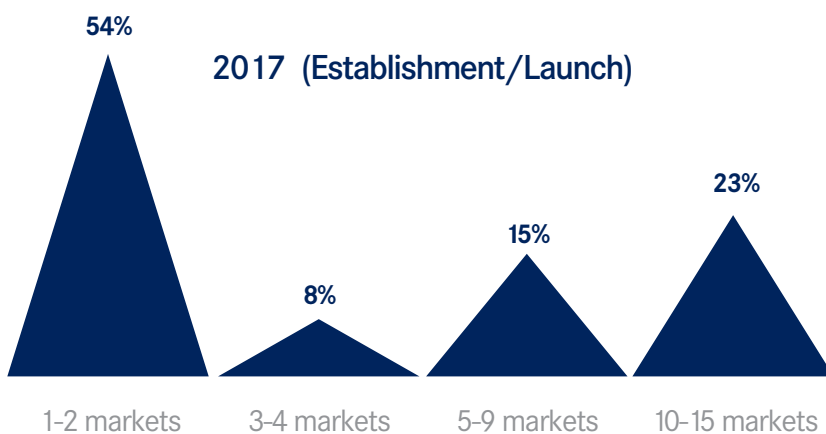
2016

2017



Figures represent the percentage of newly established / launched products which are passported. Registration remained strong during 2017, with products being registered in up to 15 jurisdictions, the top 5 of which are indicated above. Similar to UCITS, the UK is the most popular country for registration of Irish QIAIFs, followed in 2017 by Germany and Denmark. While Sweden dropped outside the top 5 in 2017, registration in the Nordics remained strong during 2017. France was a new entrant in the top 5 in 2017.

Distribution Footprint 2016-2017



This demonstrates the number of markets where newly established / launched QIAIFs were registered from 0-24 months of launch.

Of the QIAIFs which were established / launched and first registered in 2016, only 10% were registered in additional markets during 2017.

There are currently no 12-24 months statistics available for 2017.

■ 0-12 months of launch

■ 0-12 months of launch

■ 12-24 months of launch

ICAV Key Features

Key Features	PLC	ICAV
Facility to 'check the box' for partnership status/disregarded entity for US tax purposes	✗	✓
Separate accounts for sub-funds	✗	✓
No statutory requirement to apply risk spreading	✗	✓
Facility to make (non-material) changes to constitutional document without investor approval	✗	✓
Not required to be incorporated with the Irish Companies Registration Office	✗	✓
Facility to dispense with AGM in certain circumstances	✗	✓
Flexibility on type of accounting standards that may be used for financial statements	✗	✓

Increase in the use of Ireland for Cross-Border Management Company Solutions

17 | Number of **top 20 global fund sponsors** operating a **Manco** in Ireland

3 | Number of **top 20 fund sponsors** operating only self-managed **UCITS** and /or internally managed **AIFs**

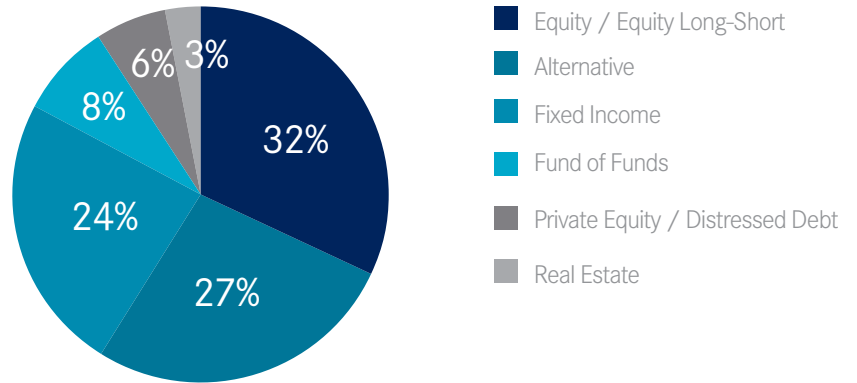
To support the operation of EEA authorised UCITS and AIFs, an increasing number of international fund sponsors are establishing Management Companies ("**Mancos**") in Ireland. These Mancos are authorised as AIFMs, UCITS Management Companies or dual authorised under both regimes.

In light of Brexit we are seeing an increasing trend in Mancos applying for MiFID top-up permissions. In addition, we are starting to see more asset managers looking to establish new MiFID firms in Ireland with a view to authorisation in 2018-2019.

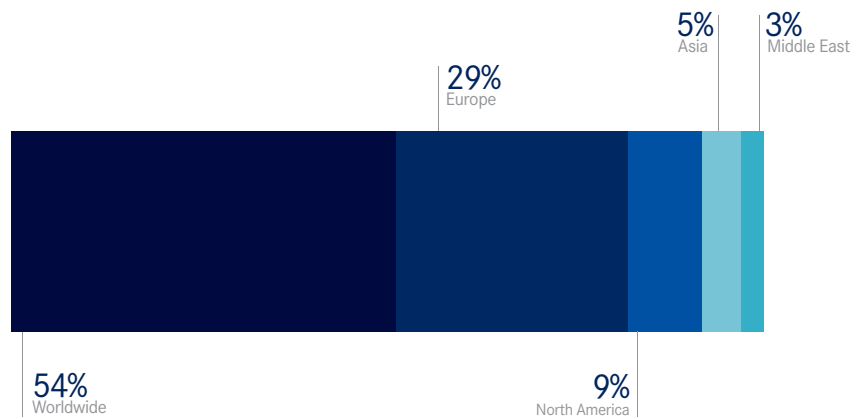
It is notable that 17 of the top 20 sponsors (i.e. 85%) of Irish authorised funds (ranked by AUM) operate a Manco in Ireland. For further details, please refer to our client update entitled "Setting up a Manco in Ireland – Key Considerations".

Investment Strategy 2017

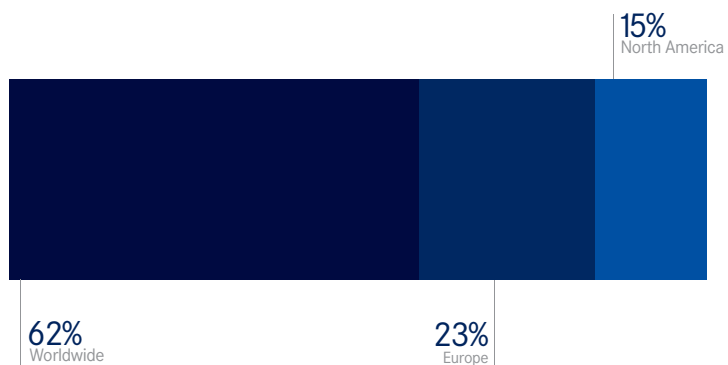
Equity focused strategies are down from 46% in 2012 and there has been a growth in alternative strategies to 27% in 2017.



EU - Based Managers | Regional Investment Focus 2017

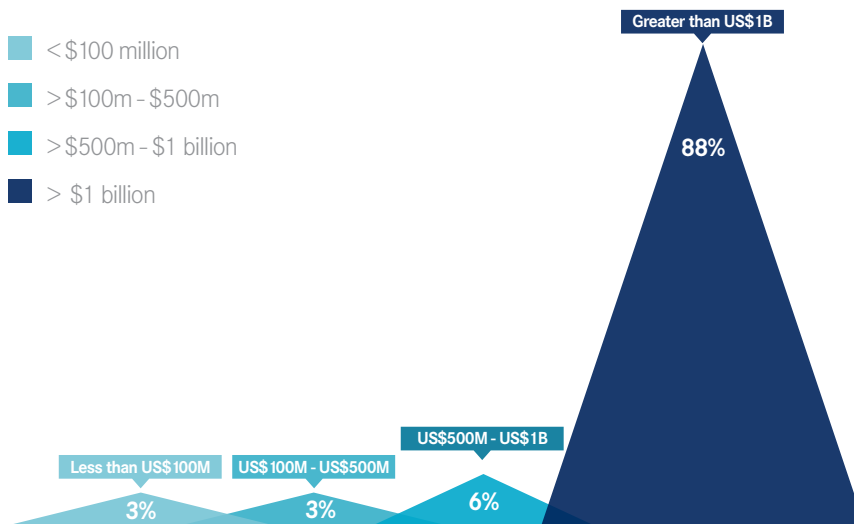


North America - Based Managers | Regional Investment Focus 2017



Investment Manager Profile

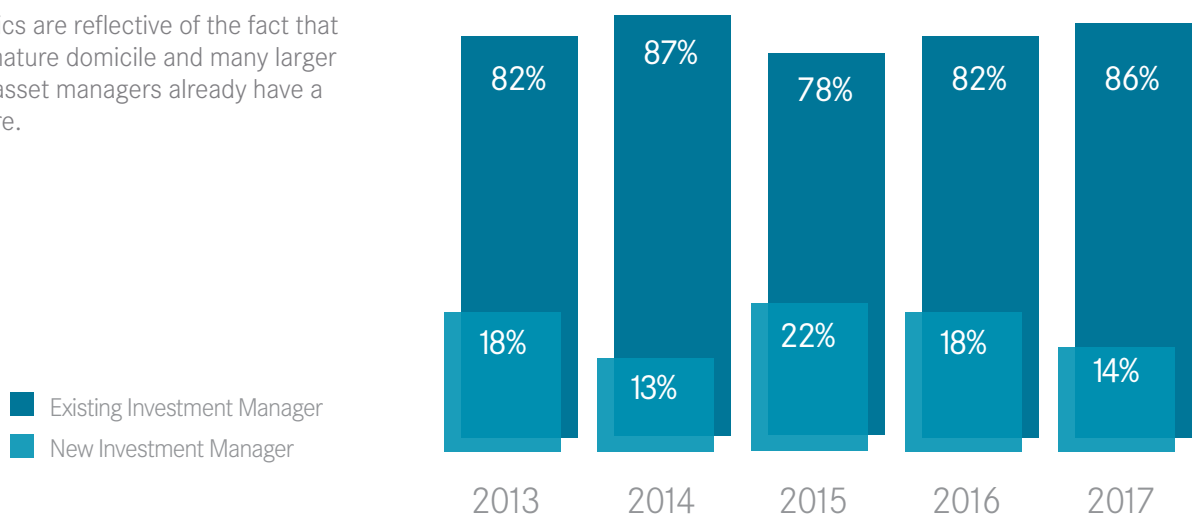
Profile of Managers – AUM 2017



In 2012, 27% of managers who we helped launch funds had less than \$500 million under management, with 65% greater than \$1 billion. That has now moved to 6% below \$500 million and 88% greater than \$1 billion. Increasingly, the majority of in-flows to Irish funds are from institutional investors. Institutional money has typically favoured larger managers and this trend is reflected in our statistics.

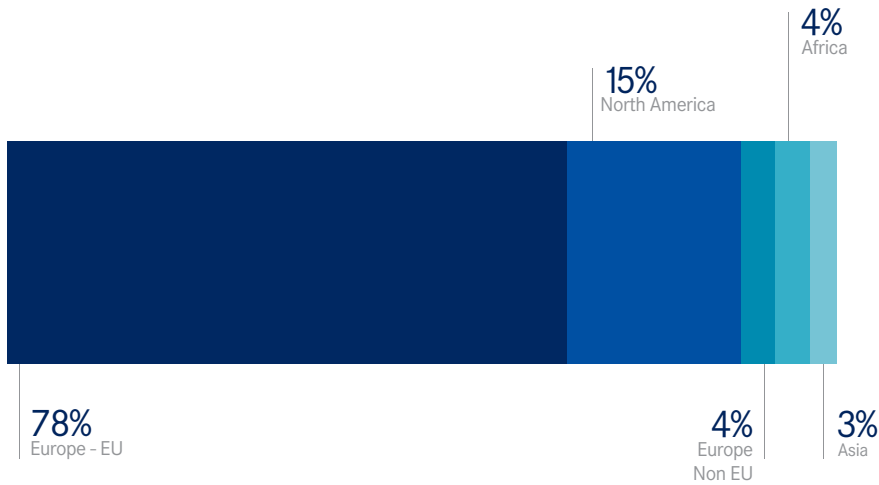
Existing Irish Presence / New Market Entrant 2013-2017

These statistics are reflective of the fact that Ireland is a mature domicile and many larger institutional asset managers already have a presence here.

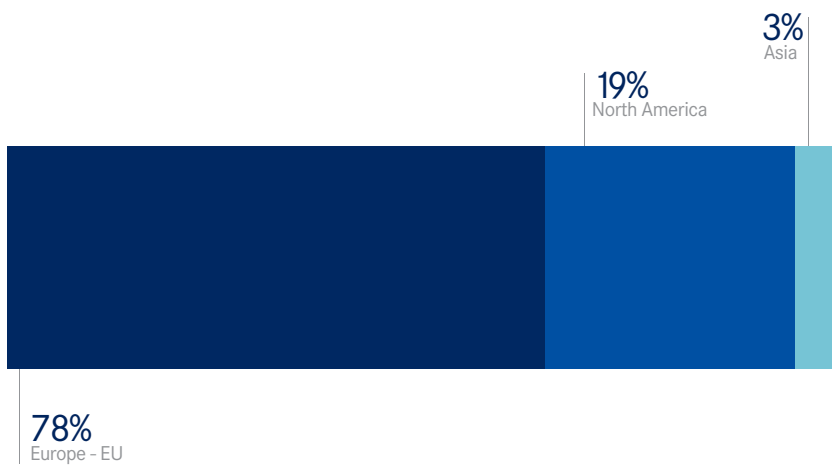


Investment Manager Location

2016



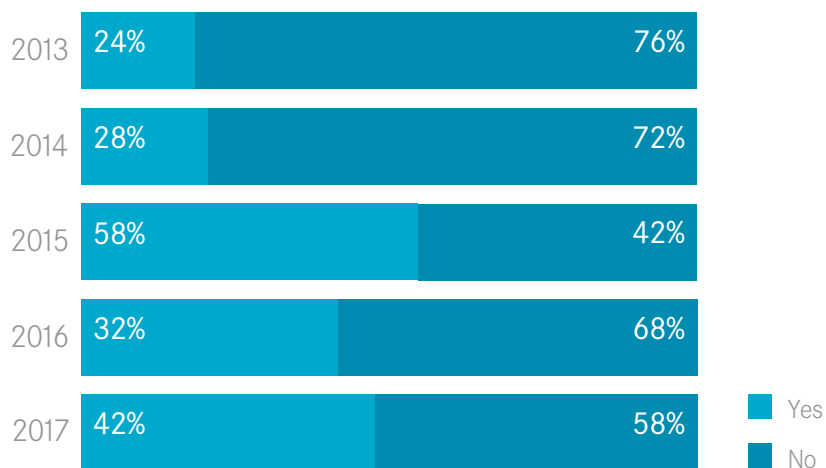
2017



There is a broad fluctuation year-on-year on the North American based managers that we work with. In 2017, 19% of investment managers we worked with were based in North America. In 2015, this figure was 32%, while in 2012 it was 23%. The recent increase in EU based managers, particularly UK based, may be symptomatic of Brexit.

Fees

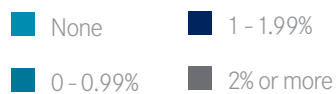
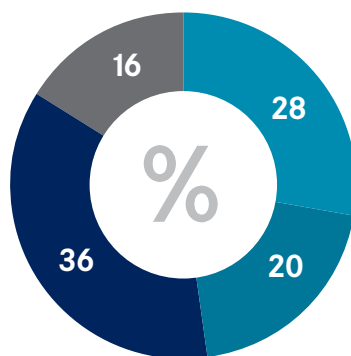
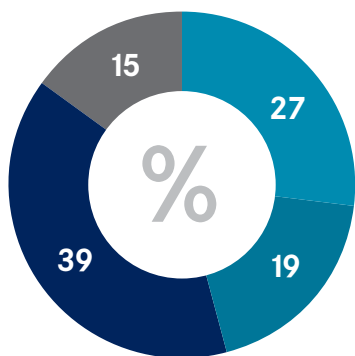
Anti-Dilution Levy 2013-2017



Investment Management Fees

2016

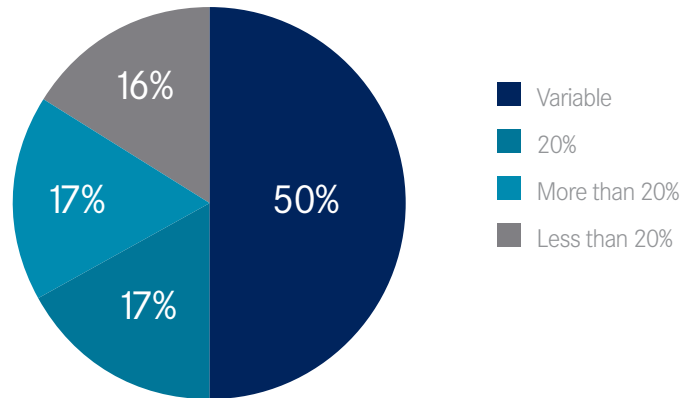
2017



We have tracked the changes to fee structures since 2012. Management fees have come under significant pressure with only 16% of funds having a 2% management fee in 2017.

Performance Fee Breakdown 2017

Performance fees have also come under pressure. In 2016, 69% retained a 20% or more performance fee for their main class of shares / interests. This dropped to just 34% in 2017.



Performance Fee Analysis (UCITS only)

Key Findings:

Percentage level ranges from **10% - 20%** of positive performance

% | Often different classes in same fund have different **% levels**

69% | Percentage of classes that measure performance against **prior high NAV** and apply a high watermark: **69%**

38% | Percentage of classes outperforming a **benchmark: 38%**

33%/66% | Where a benchmark is applied proportion that apply a cash level benchmark v reference index **33%/66%**

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