Forecasts for 2012 to 2015

• Investors will have more influence on managers’ domiciliation and fund servicing decisions

• Offshore centres will prosper and gain market share

• More specialisation in fund jurisdictions

• Service provider consolidation

• Growing role of non executive fund directors
1a  Do you anticipate redomiciling any of your funds over the next two years? Or have you done so recently?

Just 13% of interviewees have re-domiciled their funds or are planning to do so in the foreseeable future.
If you are redomiciling, or have done so recently, please say why you are doing this.

Reasons given:

“There were some specific reasons for wanting to move out of Bermuda. We have chosen to move to Ireland.”

‘We have done this because of investor demand. It has also helped us in Switzerland as well as the EU………in particular German insurance companies will only invest in EU domiciled funds’.

“A decision was made to locate our fund range closer to home.”

“It was all about consolidation …… a strategic decision was made to concentrate in one location.”

“We thought that the (investment) climate had changed and we are after the institutional dollar.”
2a  Do you anticipate launching ‘mirror’ funds (ie onshore – or offshore – equivalents of funds based in other locations) over the next two years? Or have you done so recently?

39% of manager interviewees have launched, or are planning to launch, additional ‘mirror’ funds.
2b In which jurisdictions have you launched funds in addition to your original domicile?

- Ireland: 52%
- Luxembourg: 28%
- Malta: 20%
2c Where are your original funds located?
What were the main reasons that you decided to launch additional funds in new jurisdictions?

Overwhelmingly it is for access to EU investors that do not want to allocate to offshore funds.

Luxembourg has become a popular location for private equity to reach the EU market. Ireland and Malta are more popular for hedge fund managers.
Do you think that recently announced regulatory changes such as the AIFM Directive in Europe or the Dodd-Frank Act in the US will have any effect upon your domiciliation decisions? If so please could you say what they might be?

Managers interviewed said that it was necessary to move domicile as a result AIFM (at least just because of this). No one interviewed has said that Dodd-Frank has had any impact upon their fund domiciliation.
4 How satisfied are you with the overall standard of service provision in international fund domiciles? Are you:

- Very Satisfied: 15%
- Reasonably satisfied: 7%
- Dissatisfied: 7%

79%
Have you ever changed any of your service providers since you launched your fund? If so, why?

23% of interviewees work for managers that have changed their fund administrator. Consolidation was the chief reason given for this. Cost was the second most common reason with poor service being third.
6 Do you anticipate changing your fund administrator, auditor or lawyer in the foreseeable future? If so, why?

No one interviewed said that they anticipate changing their lawyer. One manager may be about to change its auditor. 8% of the managers interviewed expressed some dissatisfaction with their administrators but did not say that this necessarily meant they were about to change.
Please score out of 10 the service that you receive from the following:

- **Fund administrator**
  - Average score: 6.79

- **Auditor**
  - Average score: 7.05

- **Lawyer (in fund domicile)**
  - Average score: 7.17
Survey results: Questions for Managers

8 Do your investors do due diligence on your service providers and has the level of their interest changed in any way since the market crisis, Madoff etc?

70% of respondents said that the level of investor interest in service providers has increased since the market crisis. And many of the remaining 30% replied in the negative because they said interest in their service providers was substantial before 2008.
Survey results: Questions for Managers

9. Do you anticipate that there will be consolidation in the fund servicing industry over the next three years? If so in which category of fund service provision do you think that it will be most prevalent?

- Fund administrator
- Auditor
- Lawyer (in the fund domiciles)

Source: FundDomiciles.com
### How satisfied are you by your choice of domicile? Please score this out of 5.

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<th>Location</th>
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### 10b How satisfied are you by the standard of fund servicing in your jurisdiction? Please score this out of 5.

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1. Would you prefer to allocate to funds that are domiciled in offshore or onshore locations (assuming similar performance for a similar strategy) or does this make little difference to you?

The real dividing line is between well known and not well known domiciles. Investors interviewed have a preference for well established jurisdictions that they know well.

As one respondent put it “we like to know how it would be handled (by the authorities in the jurisdiction) if something goes wrong.” Well known and established domiciles therefore benefit from a virtuous circle. Investors like allocating to funds from a well known jurisdiction that is familiar to them which means that the well known location then attracts more funds to its shores.
2 Have your views on fund domiciliation changed at all over the last three years (particularly since the market crisis)?

The market crisis has made investors focus more on liquidations and other issues surrounding fund failures. But nobody had any conceptual points to make on fund domiciliation as a result of the market crisis. However a number of investors currently have frustrations with Cayman as a result of situations occurring out of the market crisis.
3  **Do you do more due diligence on your funds’ service providers since the market crisis?**

Most of those that said no emphasised that they were already doing extensive due diligence checks on service providers before the market crisis. Therefore there hasn’t been a need to do more.
Please could you state what it is that you are looking for when you do due diligence on service providers? (Is it, for example, size of firm, well known name etc?)

Typically this is a verification process. Investors follow up more diligently, and often in more detail, on operational issues than they did before the market crisis.

Many said that they like to see firms acting as service providers that they are familiar with and ideally will have worked with before.

There was considerable variety of responses in answer to this question. Investor due diligence varies from rigorous on site checks through to just being comfortable with the service provider’s name provided by the manager.
Survey results: Questions for Investors

5 Do you have any views on future of domiciliation and fund servicing?

Investors want more consolidation allied to a general rise in standards. One interviewee called offshore fund servicing “a cottage industry.”

No one wished to make any specific forecasts on how these businesses will develop over the next three years – save for the general view that there will be more consolidation. And no one interviewed that is allocating to offshore funds today said that they anticipate this will change within the next three years.