# Alternative Domicile Intelligence

News, research and advice on the future structure of the alternative fund industry

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## Delegation de-stabilisation

The generally accepted view in London, at present, is that alternative managers have little to fear from Brexit. Thanks to AIFMD's delegation model AIFMs based in say Ireland, Luxembourg and Malta – who have delegated portfolio management to asset managers in the UK – will be able to carry on much as before. But that may not be correct, according to Louise Harvey, of FTI Consulting in Brussels.

First, the received wisdom. It was well presented by Peter Astleford, a partner at Dechert, who spoke at IFI Global's January London conference on Brexit. He made the point that, unlike in many other industries, we can see what will happen to the fund business post Brexit, at least in terms of its engagement with continental European markets. This is because of tried and trusted third country arrangements. They are already in place for the US and other countries that wish to have their funds distributed in the EU. Peter Astleford said that 'the UK will not be treated any worse than the US and the US is fine'.

There is no way that the EU would want to threaten the delegated investment management model, he added. Doing that would have a have a serious knock-on effect in the US.

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## Managers yes, funds no

**Investor shifts are dangerous for fund jurisdictions**

There is a long term, and perhaps permanent, shift in thinking by UK institutional investors taking place at present. This has so far gone largely unnoticed by many in the industry. And it has not yet been picked up or comment upon in the media. But service providers need to know what is going on.

For the jurisdictions that are home to alternative funds this is a good news-bad news story. The good news is that there appears to be a really significant shift away from the kind of traditional equity and fixed income assets that one would expect to find in a typical institutional portfolio at present. The consensus is that equities and bonds are expensive and at the top of their respective market cycles. Real estate is also believed to be well over-priced and due for correction as well.

In past market cycles this would have been good news for hedge funds, private equity funds other alternative asset classes.

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