Regulation and Domiciliation:

The views of the alternative fund industry

Research survey 2012

IFI Global

Foreword

Over the months of June and July 2012 IFI Global's research department contacted a substantial number of the organisations around the world in the alternative investing industry to conduct this survey. The vast majority of these were investors and managers (both private equity and hedge fund) with a number of law firms and consultants based in London or New York included too. Most of those that participated did do so by phone interview. IFI Global spoke to 96. The remaining 39 replied by e-mail. Overall, 135 responses were received.

The overall breakdown of categories was: investors 32%, managers (including fund of funds) 52%, lawyers 11% & consultants 5%.

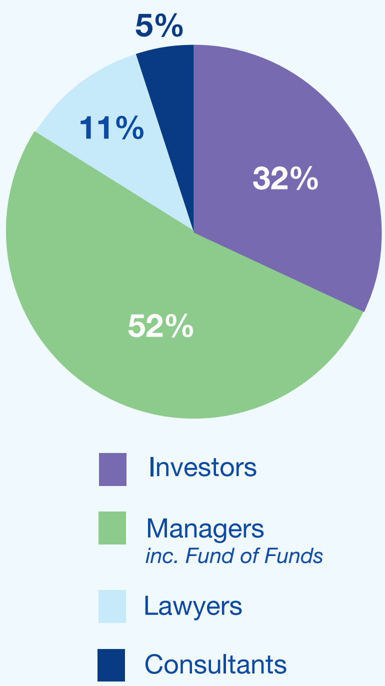
We would like to thank all those that gave up their time to respond to this research study. In particular, we would like to give special thanks to the investors that participated in this survey. A significant number of them said that this was the first time that they had been asked questions on domiciliation and the related subjects included in this study.

It is hoped that these research results will provide the alternative fund industry, both the hedge fund and private equity sides of it, with a detailed assessment of how regulation is affecting domicile and service provider selection decisions. We believe that this study breaks new ground. As mentioned, many of those that we spoke to, not just investors, said that it was the first time that they had participated in research on these subjects.

The investors that agreed to be interviewed are amongst the world's largest institutional alternative fund allocators. Others were private banks, wealth managers and family offices. The overwhelming majority of them are well practiced at allocating to funds that are domiciled offshore as well as in the EU. Attempts were made to reach investors that are less well practiced in this area, for example institutions that might be prohibited from allocating to offshore funds. However these interview requests were generally declined. Therefore the views provided by investors for this survey are largely those of the largest and most sophisticated allocators in the industry.

Recognition should go to Komal Shakeel and Matthew Robson from IFI Global's research department who did most of the fieldwork for this survey.

Catagory breakdown



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Introduction

As is widely known, there has been a sizeable increase in the regulation of investment services since the arrival of the market crash and credit crunch. According to Thompson Reuters the number of regulatory changes has gone up steeply over the last few years. In 2008 it was 8,704 rising to 14,215 in 2011. The alternative investment industry has been very much front and centre of all of this. Equally the jurisdictions where most private equity and hedge funds are domiciled have come under renewed scrutiny over this same four year period.

The broad scope, as well as the sheer quantity of regulation, is changing the private equity and hedge fund businesses, as many studies that have published since 2008 have pointed out. But what has been researched far less, if at all, is how all this might influence domicile and related service provider selection decisions.

If this survey had been conducted in 2009, for example, in the initial aftermath of the unearthing of the Madoff fraud and when the first draft of the EU's AIFM Directive came to light, many respondents would have likely said that the era of offshore domiciliation was on the wane. 2007 would have been thought of as the high-water mark for hedge fund domiciliation in Cayman or private equity domiciliation in the Channel Islands, for example, by a large number of likely survey respondents.

Redomiciliation, at least as a trend rather than as just the odd one off, was being spoken of for the first time. Some EU jurisdictions enacted fast track procedures to welcome in the expected large number of refugee funds fleeing the offshore centres. Back then some even thought that alternative UCITS would come to dominate the European hedge fund market, in place of offshore funds.

However the results of this survey, conducted as it was in 2012, indicate a much more complicated picture than most would have supposed back then. There is something in the results for almost everyone – both offshore and onshore jurisdictions. The one possible exception is niche service providers. The results do indicate a strong preference by investors and managers for well known names, particularly in accounting and fund administration.

The main conclusions

- Investors surveyed want to allocate to funds that are domiciled in tried and trusted jurisdictions. This is more important than whether the location is onshore or offshore. Equally investors want to see the names of well known service providers on a fund's prospectus. Familiarity is all.

- Investors' preference for well known named service providers and jurisdictions feeds through to managers. Many managers interviewed then take the "path of least resistance," as one put it, when deciding on where to go – and with whom. The majority of managers surveyed will pay more for service providers if it provides reassurance for their prospective clients. Equally, they will pick jurisdictions that might be frustratingly slow and bureaucratic rather than those that are quicker at setting up funds, or generally more flexible, if this will help them win allocations. Investor reassurance trumps other considerations. However, if everything else was equal, managers would of course prefer flexible and inexpensive service providers and domiciles.

- This survey found no general trend to redomiciliation. A number of the managers interviewed have launched additional funds in the EU for certain classes of investors but few have done this in replacement of their offshore funds. Launching parallel ('mirror') funds in the EU is a generally a tactical decision. In other words, it is done to reach certain investors for a specific purpose. It is not done as part of some wider strategy to reconfigure the manager's overall business.

- In future managers are likely to use a variety of different domiciles for different purposes. Larger managers are developing different fund ranges for different classes of investors. They will seek to pick the most appropriate jurisdiction for each class of investors that these funds are designed for. Just as it is now standard practice for hedge fund managers to use multiple prime brokers so it will become standard practice to use multiple domiciles.

- The results of this survey suggest that the offshore jurisdictions that are likeliest to be successful are those that develop their own areas of expertise – and are recognized as such by investors and managers. For example, Guernsey is well known in the private equity world and has well respected service providers with many years experience in this business. Cayman has achieved dominance in the offshore hedge fund industry and also has well known and experienced service providers.

- In contrast to growing offshore specialization, Ireland and Luxembourg are likely to develop yet more of a generalist role in this business. They have become the asset management industry's warehouses covering a wide variety of fund categories such as long only mutual funds, money market funds, ETFs etc whilst at the same time catering for private equity and hedge funds. Over the last 20 years one of these jurisdictions has often taken the lead over the other in different areas of the asset management business, particularly on the alternative side of it. For example, Ireland became the dominant player in hedge fund administration whilst Luxembourg took a lead in private equity service provision in the EU. In future that kind of distinction in their roles is less likely to occur.

- Whilst only a few of the respondents to this survey were based in Asia their replies were amongst those of the most value to the overall results. They suggest that we may be at the beginning of a fundamental shift in attitudes to domiciliation and service provision from this part of the world. To date, the Asian alternative market has been dominated by funds whose legal base is either in the Caribbean or the Channel Islands. (Additionally, on the long only side of the business, UCITS funds are popular in the region.) A small number of those interviewed said that might change as Asians seek to take more control over their investment activities. One respondent suggested that Hong Kong, with all its infrastructure and expertise, could become Asia's own (alternative) fund domicile "almost overnight".

- There was a considerable degree of annoyance about the growth in regulation from most managers interviewed. (The immediate reason for conducting this research was to gauge the industry's reaction to the growth in regulation and to assess whether it would impact domiciliation and service provision selection decisions.) Unfortunately the fieldwork was conducted prior to the Level II AIFM Directive announcement, which was due out in June but has been postponed. Many interviewees said that they would wait to see what was in this measure before making any strategic business decisions. Interviewees from the hedge fund side of the business are much better informed on the issues in the AIFM Directive than those on the private equity side.

- There is a degree of anxiety amongst a few interviewees that AIFMD will have a negative impact upon efforts to improve alternative fund governance. The Directive focuses upon the manager, rather than on the fund (which is often offshore whilst the manager is more easily regulated as he is based in London or elsewhere in the EU). This means that the manager, not the fund's board, is held responsible for the protection of investors. The concern is that European managers complying with AIFMD will not want to spend more time or money on board issues than necessary.

- Concern that the growth in regulation will lead to overlap in requirements placed on the manager and the fund, in other words between the jurisdiction where the fund is domiciled and where the manager is located was expressed by a number of respondents. Some also believe that investors may be lulled into a false sense of security by the extra regulation and consequently not do the requisite level of due diligence. Also, FATCA is a grave concern for the few that interviewed that knew anything about it. As the implications of FATCA sink in there are likely to be substantial costs for the alternative fund industry. As one interviewee put it, the consequences could be worse for certain players than all the other regulatory measures combined.

- Back office outsourcing is universal in the European hedge fund industry and common in the US one. But it is less common in the private equity industry – including in Europe. This has been predicted to change but based upon the responses from at least some interviewed for this study from the private equity industry this is not going to happen very quickly, if at all.

Questions for Investors

a) Regulation

1) Has the introduction of new regulations and directives (such as the Alternative Investment Fund Managers Directive in Europe, the Dodd–Frank Act in the US, FATCA etc) caused your organisation to reassess its willingness invest in funds with managers and/or investment vehicles that are domiciled in any particular jurisdiction?

Whilst many of the investors surveyed have views of the regulatory measures being introduced none have said that it has caused their organisation to reassess their willingness to invest in certain categories of funds - for example, offshore funds. (But please note that the fieldwork for this survey was done before what is in Level II of AIFMD is known.) As one interviewee put it, "We will carry on doing what we are doing until someone tells us we can't." (Advisor to Nordic pension funds.)

The overwhelming majority of European investors interviewed are aware of the AIFM Directive and some have a significant degree of knowledge on the subject. Dutch pension funds contacted were particularly knowledgeable. UK institutional investors on average had less knowledge of the Directive than their counter-parts in continental Europe. But none said that it is likely to have an effect upon their allocation decisions – unless funds they are interested in do not comply with the Directive (for example, on its disclosure rules).

North American investor interviewees (15% of the overall investor sub set and 7% of all respondents) are all well aware of Dodd-Frank but none said that it has had any effect on their investment decisions. Some of the larger US pension funds interviewed said that they were consulted on the measure before the legislation was drafted. (This contrasts markedly with Europe where no investors were consulted by the EU Commission prior the publication of the first draft of the AIFM Directive.)

Knowledge of FATCA was extremely low amongst all investors interviewed.

Larger US pension funds were consulted on Dodd-Frank. But no European investors were consulted by the EU prior the publication of the first draft of the AIFM Directive

2) **What do you think of the increase in regulation of alternative investments that is being implemented by authorities following on from the market crisis? Will it encourage you to invest more (or less) in alternatives? Please state what you like and dislike about the increase in regulation.**

No one has said that the increase in regulation will encourage them to allocate more to alternatives. The overwhelming view is that AIFMD is intended to protect retail or novice alternative investors – not those that have experience here. There does not appear to be any correlation between regulation and allocations to alternatives. (Please note that investors interviewed were very largely amongst the most experienced and largest allocators to alternatives.)

"I hope they haven't done this for us .... it is not going to help."

- UK Pension fund

No one has said that the increase in regulation will encourage them to allocate more to alternatives

3) **There has been some concern that the AIFM Directive focuses too much on the responsibilities of the manager of the fund, rather than on its directors. The fear is that this will undermine the corporate governance practices of the directors. Do you have any views of this?**

One pension fund manager from Sweden said that the growth in regulation in general, and the AIFM Directive in particular, would mean that that governance of alternative funds would become less important in the future. He thought that it is good that the Directive focuses on the manager and believes that it will be beneficial for institutional investors.

A small number of interviewees made the point that the AIFMD focuses upon the manager because that entity is based in the EU (whereas the fund and its directors are mostly offshore). But no one sees why this should cause a problem for the governance of the fund.

4) **In terms of regulatory reform, what would be the most, and least, helpful, changes to the current regulatory environment from your organisation's point of view?**

Regulation that improves transparency is welcomed (both portfolio and operational transparency). There appears to be frustration from investors in not getting all the information that they want, when they want it. If regulation can help them here it would be serving a useful purpose.

Fund of fund interviewees, in particular, and some others mentioned that they were dissatisfied with the way that some hedge fund managers had dealt with market crisis by imposing restrictions on redemptions. A Swiss private bank said that it was attracted to alternative UCITS because of its liquidity guarantees.

5) **Do you think that there is a clear demarcation of regulatory responsibilities between where the portfolio manager is based (ie the FSA and SEC in the UK or US) and where the fund is domiciled? Are you clear about which responsibilities rest with which regulator?**

Few said that there is a clear demarcation. If it was clearer this could reduce some of the regulatory burden.

b) General

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?**

Overwhelmingly, what is important to investors are the fund's performance, general accountability and its service providers. The fund's legal jurisdiction generally ranks below these other criteria. When investor survey respondents consider domiciliation issues they want to see that the fund that are might allocate to is based in a well known location that is familiar to them. As one family office put it, "we don't like surprises."

However approximately a third of investor respondents did say that the domicile of a fund was becoming more important to them. But this did not mean that they would not be allocating to offshore funds. Rather it implies that they would in future be expressing a preference for well run and familiar jurisdictions – offshore or onshore.

Set against this were a small minority who said that domicilation was no concern of theirs. One pension manager said that "the domicile is the choice of the manager not us."

"The domicile is the choice of the manager not us"

- Swedish Pension fund

A third of investors said that the domicile of a fund was becoming more important. But this did not mean that they would not be allocating to offshore funds

2) **Have your views on fund domiciliation changed at all over the last three years (particularly since the market crisis)?**

A small number of interviewees said that initially, in the wake of the crisis, it looked as if there would be a switch from offshore to onshore locations but that this seems not to have materialized. They say that they are being offered as many offshore funds as before. The vast majority of respondents say that their views have not changed (ie those allocating offshore are still happy to continue to do so).

However alternative fund governance issues have grown immeasurably since the market crisis and some of the fund of funds interviewed have been pressing for reforms on this matter in Cayman. One of those surveyed has said it will not allocate to Cayman based funds if reforms are not introduced there.

3) Do you do more due diligence on your funds' service providers since the market crisis?

70% have said yes. The remaining 30% said that they were already doing significant due diligence on their funds' service providers before the crisis.

4) 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?)

Overwhelmingly investors like to see names on a fund's prospectus that they know. Familiarity with service providers is becoming more important for investors. Having a recognised name is becoming ever more critical.

A wealth manager said the following, "Obviously seeing names of service providers that are known to us makes our lives easier."

5) Have fund governance issues grown in importance since the market crisis? Do you do due diligence on the directors of the funds that you invest with?

There was some division in responses to this question. The wealth managers and fund of funds that have been interviewed have all said yes. One family office has said the same. But the pension funds and some family offices said that it had not grown in importance.

6) Do you have any general views on future of fund domiciliation?

As mentioned, approximately a third of investor interviewees said that the legal base of funds that they invest in is becoming more important to them. But this has not led to a shift away from offshore (or onshore) funds.

Domiciliation is not as important to investors as a fund's service providers such as its administrator or prime broker. Above all investors want to see are recognised named service providers and domiciles that they are familiar with.

Overwhelmingly, what investors want are professional and responsive fund service providers. Insofar as they have views on individual domiciles their preferences are based upon where they people are. (Conversely they have relatively little interest, or indeed knowledge, on the specifics of any particular offshore location's regulatory regime.)

Investors want to see recognised named service providers and domiciles that they are familiar with

Questions for Fund Managers and their Advisors

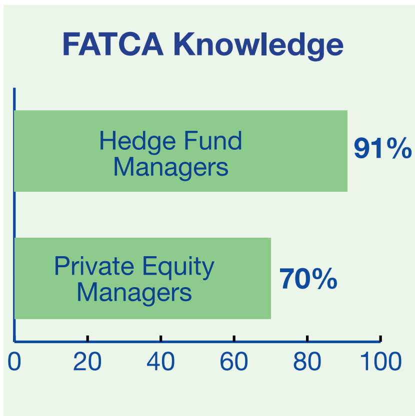
a) Regulation

1) Has the introduction of new regulations and directives (such as the Alternative Investment Fund Managers Directive in Europe, Dodd–Frank Act in the US, FATCA etc) caused your organisation to reassess where your funds are domiciled? If yes, please say how.

The responses from manager interviewees have been remarkably consistent: each has said that they are following the regulatory initiatives closely (particularly the AIFM Directive) but no one has stated that it has resulted in a reassessment of where they will domicile their funds – at least yet. The overwhelming majority of European based respondents have said that they are waiting for the Level II AIFMD provisions before making any further assessment of the Directive.

Managers interviewed in the US and Asia are broadly satisfied with their domiciliation arrangements. But many of those in Europe are in a general state of regulatory uncertainty because of the "never ending AIFMD drama," as one put it. However, whilst the Directive is expected to cause disruption and possibly difficulty, it is not necessarily expected to affect domiciliation.

European based managers had few comments to make about Dodd-Frank and US ones had little knowledge of AIFMD. FATCA is however something that many interviewees are becoming much more aware of. Overall, 84% said that they had information of it. However, whilst those with knowledge of it, fear that it will be highly disruptive, nobody said that it will impact their domiciliation arrangements. But it will cause them to focus on their relationship with their administrators. (Manager interviewees with knowledge of FATCA generally said that they were relying upon their administrators to meet the requirements in the Act.) 91% of hedge funds (including fund of funds) but only 70% of private equity managers had knowledge of FATCA.



2) **What do you think of the increase in regulation of alternative investments that is being implemented since the market crisis? Do you think that benefits will outweigh the costs – or will it be the other way around?**

There has been a wide variety of responses to this question. But not one interviewee has said that the benefits outweigh the costs.

Some have complained that the increase in regulation adds to costs without achieving any real benefit to investors. One interviewee said that the number of regulatory changes per year, affecting fund management, had gone up from 8,704 in 2008 to 14,215 in 2011 – an increase of 63%.

There were some complaints of regulatory overlap – between different measures being enacted and between what managers are required to comply with in the location where they are based and where their funds are domiciled. For example. managers mentioned that there is overlap between MiFID and the AIFM Directive.

Larger managers report that they are increasing headcount to deal with what is now required. Smaller managers are spending more money with third party regulatory compliance firms. (Something that they some say they can ill afford at present.) Managers report that they are required to invest in new systems to deal with the growth in regulatory requirements.

Many hedge fund interviewees, in particular, complained that the regulatory Tsunami risks killing boutiques and start-ups in their sector. They fear that the industry's creativity will be lost. There is also concern that regulation could, paradoxically, be dangerous as it might provide investors (including professional allocators) with a false sense of security, meaning that they do not do the requisite amount of due diligence that they would otherwise undertake (in an offshore fund). At the same time it could also encourage the retail market to invest in funds that they do not properly understand. (Alternative UCITS was mentioned by a number of respondents in this regard.)

Other respondents have said that they are supportive of good regulation that can, if done properly, help reduce risk and increase transparency. As one interviewee put it, regulation lays out objectives and expectations so it can influence behaviour in a positive way and reduce risk. Some larger managers see regulated schemes, such as alternative UCITS funds, as a means of increasing the market for their products.

Many hedge fund interviewees complained that the regulatory Tsunami risks killing boutiques and start-ups. They fear that the industry's creativity will be lost

3) There has been some concern that the AIFM Directive focuses too much on the responsibilities of the manager of the fund, rather than on its directors. The fear is that this will undermine the corporate governance practices of the directors. Do you have any views on this?

The implications for corporate governance of the AIFM Directive is not something that managers have considered. However some did say, when asked this question, that there could be some long term implications but that it is far too early to say that, at present.

The Directive makes the fund manager, not its board, responsible for the protection of investors. The concern is this will not help improve standards of corporate governance oversight. Whilst the Directive does nothing to stop this occurring the view is that European managers complying with AIFMD will not want to spend more time or money on board issues than they have to.

However an interviewee said that governance issues are being addressed by ESMA. It is anticipated that ESMA will come up with recommendations to ensure that alternative managers make sure that their funds are run for the benefit of its shareholders.

4) In terms of regulatory reform, what would be the most, and least, helpful, changes to the current regulatory environment - both to you and to your investors?

Overwhelmingly, what respondents want is a substantial slow down in the quantity of regulatory change being imposed upon them. (As mentioned, it has gone up by 63% in the last 3 years.)

Respondents have made the point that what matters to investors is having confidence in the supervisory regime – rather than the measures themselves. A number of managers have mentioned that Madoff was supervised by the SEC. Ineffective supervision allied to ever increasing regulation does not help investors.

"There are not enough qualified people in the world to supervise all these measures effectively."

- Hedge fund manager

"Regulation can have unintended consequences. It can have the opposite outcome from what is intended."

- Fund of fund manager

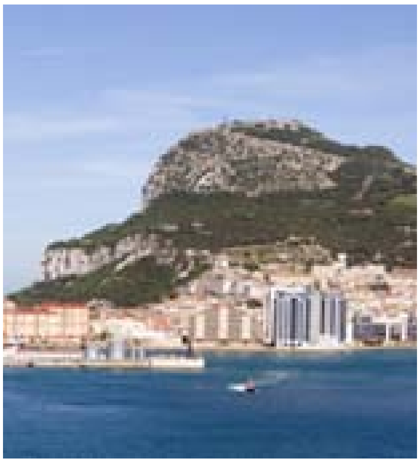
5) Do you think that there is a clear demarcation of regulatory responsibilities between where you, as the portfolio manager, are based (ie the FSA and SEC in the UK or US) and where your fund is domiciled? Are you clear about which responsibilities rest which regulator?

Most respondents say that it is reasonably clear where the division lies as there is a demarcation between the manager and the fund. Nonetheless a number of respondents have complained of regulatory overlap.

Others have pointed out that it is inevitable that regulators in different jurisdictions will require some of the same information. This is an inevitable consequence having a fund in another territory from where the manager is based.

As mentioned in response to question 2 managers are focused on the overlap between different measures that are being enacted (such AIFMD and MiFID) as well as between regulations in the domiciles and with the FSA or SEC.

> "We spend too much time on regulation as it is."
>
> *- Private equity manager*



6) Do you have any comments on the regulatory regime in:

Bermuda	Ireland
BVI	Isle of Man
Cayman	Jersey
Gibraltar	Luxembourg
Guernsey	Malta

EU jurisdictions

Respondents have said that Luxembourg, in the face of some criticism, has made an effort to become more responsive than it used to be. However managers say that it is still necessary to go through lawyers in Luxembourg when wishing to address issues with regulators. This is not the case in either Ireland or Malta.

The regulator in Malta has reputation of being flexible and is said to be happy to meet with managers at relatively short notice. One interviewee said that Malta is tightening up on its regulations on corporate governance in order to contrast its practices here with those in Cayman, in particular.

Despite the fact that many managers interviewed use Ireland (either as an administration base and/or as a legal domicile) there were relatively few comments have been made on the regime in Dublin. One interviewee, however, said that its decision to allow a 'fast track' procedure for offshore funds to redomicile to Ireland would prove to be a mistake. Others made positive references to Ireland's new Fitness and Probity regime and directors code.

Offshore

A number of managers said that they expect there will be changes to the regulatory regime in Cayman occurring this year. As result some thought it would unwise to comment at present. However there has also been criticism from a number of respondents of the time that it has taken CIMA to address concerns raised by various outside interested parties (particularly by some large fund of hedge funds) into governance issues on the island.

Guernsey's regulatory regime was praised. Jersey's was also commented on favourably but respondent suggested that Jersey's regulatory regime is in danger of being seen as "all things to all men." The other interviewee said it had got the balance "about right".

No one wished to comment on the BVI, Bermuda or Gibraltar.

b) General

1) Do you anticipate redomiciling any of your funds over the next two years? Or have you done so recently?

Only two respondents have said that this is in their plans at present. However a significant number of interviewees left the door open if regulations or investors require it in future. Redomicilation seems to be more of a tactical, rather than a strategic, decision.

Redomicilation is a tactical, not a strategic, decision

2) 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?

37% of respondents have launched mirror funds since the market crisis. These range from QIFs to SIFs and alternative UCITS funds. QIFs and SIFs are popular with some managers for the more flexible liquidity arrangements that they offer fund managers.

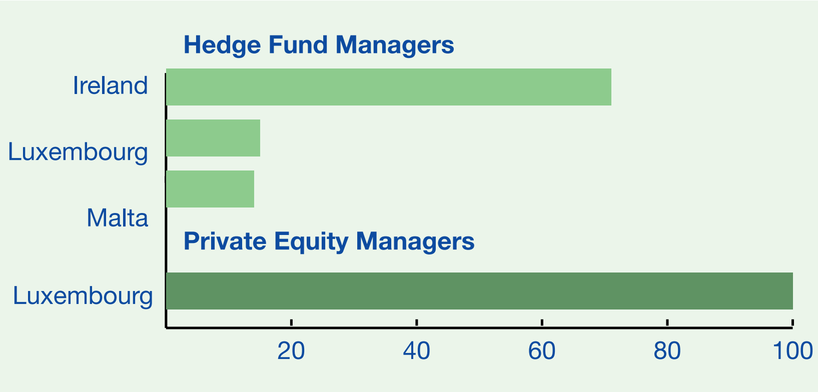
Those managers that were interviewed that have launched alternative UCITS funds have mixed feelings. There was general recognition that this fund category is growing. One manager mentioned that alternative UCITS assets are now in excess of $150 billion. But no one felt that these funds are, to date, succeeding in attracting the numbers of new investors into alternatives that was anticipated. (One manager said that much of the inflows that his alternative UCITS fund had attracted were from investors that had switched from his offshore funds. The switch is being done for the liquidity and transparency that these vehicles offer.)

In other words much of the $150 billion is from existing hedge fund investors. Alternative UCITS have not made much of a contribution to the overall growth of hedge fund assets.

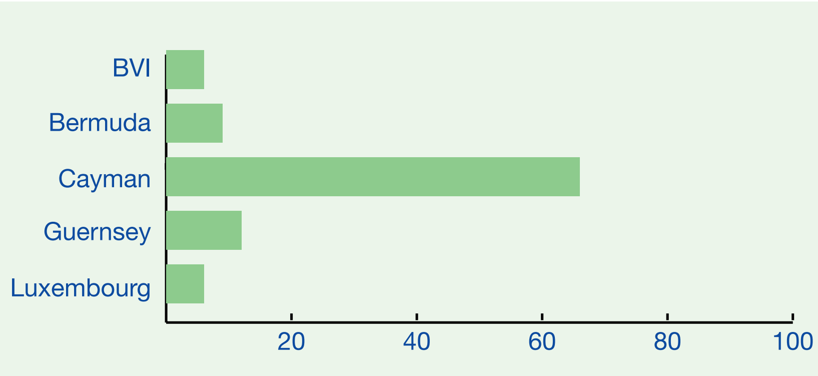
Alternative UCITS have not made much of a contribution to the overall growth of hedge fund assets

3) In which jurisdictions have you launched funds in addition to your original domicile?

(37% of managers)



4) Where are your original funds located?



5) What were the main reasons that you decided to launch additional funds in new jurisdictions?

Overwhelmingly the reason given is to gain access to the regulated market in Europe.

However one manager, that has done this, said that this was done primarily for the Swiss market (which is outside the EU). The decision was made in the wake of the Madoff scandal, allied to credit crunch. This manager discovered that the clients of Swiss private banks were turning against illiquid offshore hedge funds. They would only invest in hedge funds if they offered guaranteed liquidity. They have therefore been using their alternative UCITS fund for this market with its liquidity guarantee.

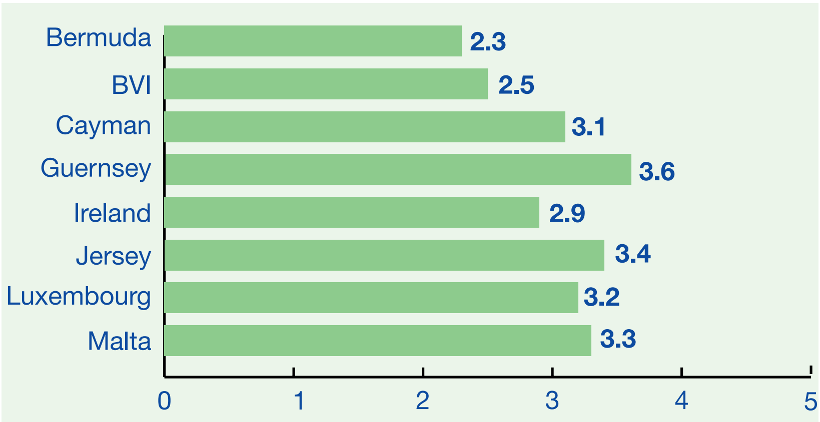
Managers that have launched additional funds in EU markets are speaking to investors that that told them that they would only allocate to regulated funds. In particular, the insurance sector is said to be in this category.

Re setting up EU hedge fund platforms,

“there has been a lot of talk but little action.”

German institutional investors were also quoted by managers interviewed as being in this camp. One manager is setting up a platform in Ireland to cater for these investors and said that the level of interest has been very encouraging. But, as another interviewee put it, there has been “a lot of talk but little action.” He added that this is doubtless due to the precarious state of markets rather than because of the validity of the structures of the regulated funds being offered to these investors.

6) How satisfied are you with the overall standard of service provision in the domiciles where your funds are located? (Out of 5, with 5 being fully satisfied.)



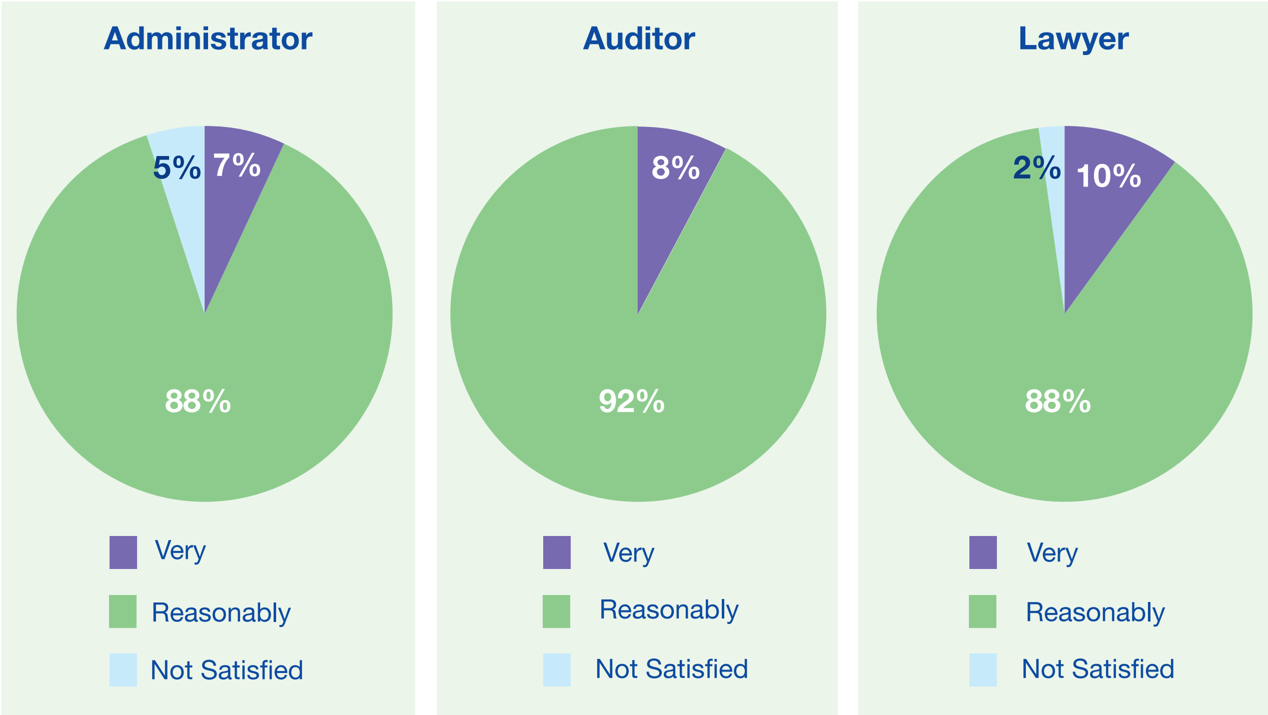
7) Have you ever changed any of your service providers since you launched your fund(s)? If so, why?

Just four managers have changed administrators. In two cases this was due to consolidation rather than criticism of the service provider. The other two were due to dissatisfaction and/or staffing issues.

8) Do you anticipate changing your fund administrator, auditor or lawyer in the foreseeable future? If so, why?

No one said yes.

9) How satisfied are you with the service that you receive from the following: Administrator, Auditor, Lawyer (in fund domicile)



(There was some criticism of auditors' fees in Cayman which is not reflected above.)

10) Do you have any general views on the future of alternative fund domiciliation?

Respondents say that their domicile selection is primarily governed by investor acceptance. Managers that answered this question make the point that they want to be in a jurisdiction that is well known to their prospective investors.

Other factors that are important are the overall reputation of the jurisdiction and familiarity of use. If managers have had positive experiences in a location they are generally reluctant to change (and would only do so to comply with investor or regulatory demands).

There was little comment made on the regulatory regimes in each of the domiciles. Interviewees leave this for their lawyers whilst assuming that each location they might look at is generally well run.

Overwhelmingly, what managers want is a jurisdiction that is well known to their prospective client base, has large numbers of service providers to choose from, is flexible and not expensive. Client acceptance is top of the list for almost everyone.

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