



A Review of Current Opportunities for the Alternative Investment Industry

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ENTERPRISE IRELAND

Introduction

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Agenda



- I. Global Opportunities for Ireland's Financial Services Industry
- II. Macro Trends in Alternative Investments
- III. Opportunities for the Alternative Fund Sector
- IV. An Investment Manager's Perspective
- V. Contact Information



Section I.

Global Opportunities for Ireland's Financial Services Industry

Kevin Sherry

Divisional Manager Internationally Traded Services

Ireland – Key facts

- Population 4.2m. Youngest workforce in Europe with 36% under 25.
- 41% of population aged 25-34 has attained at least tertiary education. - Ranked 1st in the EU*.
- Ireland ranked 2nd in Europe for Entrepreneurship.
- Exports are 80% of GDP - 43% of Ireland's exports are in services.
- Exports from Ireland equal Sweden and India and exceed Australia, Brazil and Denmark.
- Biggest exporter of software in Europe.
- International Financial Services a key sector in Ireland.

* IMD World Competitiveness Survey 2008

IFSC – Key Statistics September 2009

- Irish funds industry services €1.35 trillion in over 10,700 funds as of September 2009
- Providing administration services to approx. 50% of the global alternative investment funds assets
- Global Hub – 358 fund promoters from over 50 countries have established Irish domiciled funds
- Over 20,000 people are employed in Ireland's fund serving industry

Ireland – Location of Choice for companies in the Funds Industry

- Ireland is a mature onshore funds jurisdiction
 - Integrated high quality service providers
 - Highly skilled labour supply
- Sophisticated and respected regulatory environment
 - Replicate international best practise
 - Matthew Elderfield recently appointed as “Head of Financial Supervision” at the Irish Central Bank. He previously led the Bermudian Financial Regulator
- Favourable tax environment
 - Comprehensive range of tax transparent fund structures
 - Extensive range of tax treaty network (50 countries)
 - 12.5% corporation tax rate
 - No Irish Capital gains tax on funds
- Leading stock exchange fund listing facilities – 1,900 funds and sub funds listed on the exchange (Sept 2009)

Enterprise Ireland & IDA

Growing the Financial Services Sector

- Government agencies supporting the growth and development of the international financial services sector in Ireland
- We support both international and Irish firms operating in the sector
- Industrial Development Authority
 - Focus on foreign direct investment into Ireland
 - Support for innovation, research and development activities.
- Enterprise Ireland
 - Focus on Irish owned / controlled companies.
 - Direct funding to support companies in start-up and development phases
 - International market access through network of 32 international offices



Section 2.

Macro Trends in Alternative Investments

Brian Ruane

CEO BNY Mellon Alternative Investment Services

BNY Mellon

- More than US\$926bn in AUM
- Top 15 global asset manager
- More than US\$49.9bn in alternative assets

Asset Management

Wealth Management

- Top 10 U.S. wealth manager with approx. US\$139bn client assets
- Extensive network of offices in the U.S., U.K. and Asia

- **USD 20.7 trillion** assets under custody
- #1 Global Custodian vs. our peers in 3 industry surveys
- Servicing 30% of UK pension funds
- Largest global provider performance & analytics
- Leading offshore fund administrator – “Ireland Fund Administrator of the Year”
- Largest lender of US Treasury securities
- Leading provider of foreign exchange services

Asset Servicing

High return businesses with enhanced growth opportunities
Balanced business, revenue and earnings mix

Other Business Areas

- Global Markets and Capital Markets
- Global Client Management
- Capital Funding
- Treasury

- #1-ranked provider of correspondent securities clearing
- One of two U.S. securities clearance agents
- USD 1.6 trillion of **collateral management** balances.

Clearing Services

Financial Markets and Treasury Services

- Leading provider of treasury management services
- Corporate trust, **#1 overall global trustee** and #1 trustee in nearly all domestic and international debt categories
- Best FX Service Overall, #1 ranking in 24 categories *Global Investor 2008* FX Survey
- Market leader in **depository receipts** with more than **1,300** sponsored programmes from 930 issuers in 63 countries
- Top 4 participant in CHIPS funds transfer
- 7th largest shareholder worldwide (SWIFT)
- Leading **Hedge Fund** administrator
- “Global Hedge Fund Administrator of the Year 2009”

The Alternative Fund Sector Today

Market Overview

- Industry up 12% from March 2009 lows, Capital is still on sidelines due to concern over recent market rally's stability
- Redemptions are slowing and fund closings have stabilized (20% of hedge funds have closed since 2008)
- Onshore vs. Offshore

Market Forecast: 2010

- Long balances are being reinvested in the markets
- New Product launches leveraging current market conditions
- Recovery of fund performance
 - Redemption activity presently flat; Asset Values up, average 12% - positive impact to revenue

The New Operating Paradigm

Legacy Paradigm

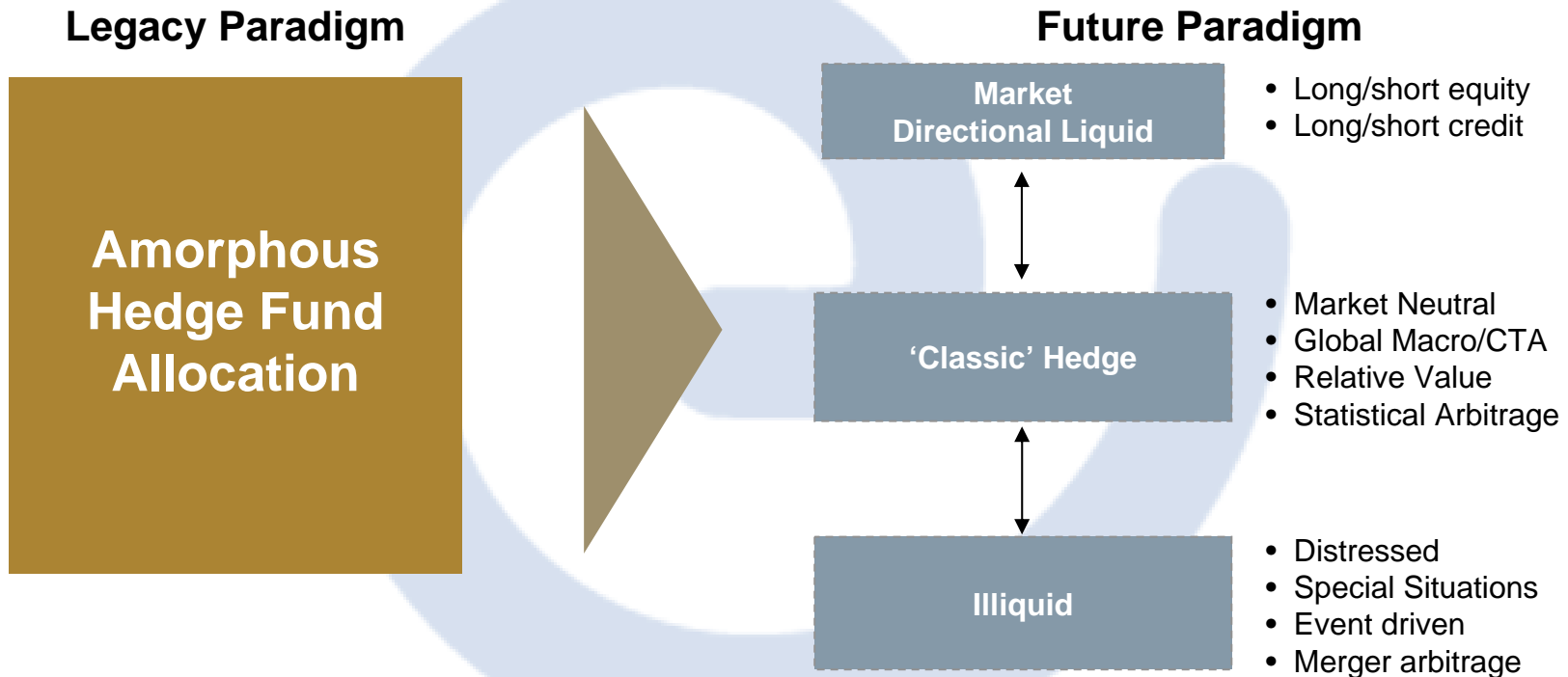
- Primarily 1-2 prime brokers
- Custody: prime broker
- Cash: at prime broker, passive
- Pricing: in-house (US), 3rd party (Europe)
- Administrator role: clerical
- Cost: prime broker subsidized

New Paradigm

- Multiple prime brokers
- Custody: 3rd party
- Cash: 3rd party, actively managed
- Pricing: 3rd party (all domiciles)
- Administrator role: operational
- Cost: higher, borne by managers

Investors Are Moving Away From A Single “Hedge Fund” Allocation...

Hedge Funds Re-Categorized



Evolution in Alternative Investment Management

A decorative graphic consisting of a yellow circle with a white center, positioned to the right of the title. Below it is a large, light blue swirl that loops around the text.

- Investors want:
 - Increased transparency and independence
 - More frequent and comprehensive reporting and disclosure
 - Understand their risks better
 - Focus on controls and independence
 - Strong service providers
- Fund Managers are:
 - Outsourcing more and more of their operational needs to third parties
 - Focusing on cost effectiveness and resource allocation
 - Difficult fundraising environment which impacts on operational decisions
 - Changing compensation structures to better align with interests of investors



Section 3.

Opportunities for the Alternative Investment Sector

Marc Russell-Jones

Managing Director, BNY Mellon Alternative Investment Services

Changing Regulatory Landscape

- More proactive role of government and greater regulatory oversight at International and National level
- Increased:
 - Capital and liquidity requirements
 - Counter party risk and portfolio diversity
 - Due diligence
 - Heightened corporate governance => role of CRO
 - Uncertainty over AIFM Directive
 - Threat to European Alternative Fund Industry as may push managers offshore
- Too much intervention will deter investors

UCITS Funds - Overview



Overview

- Forefront of the shaping the introduction of UCITS IV
- Expected to meet demand from investors for more regulated and transparent products
- Hedge fund managers view it as new way to tap investor money.
- Will offer improved fund distribution opportunities as well as creating cost efficiencies, and providing a full ‘management company passport’ (MCP).

Speed to market

- Authorisation for QIFs within 24 hours of filing.
- Authorisation for UCITS, retail funds and PIFs within 4 – 6 weeks
- A promoter can be fast-track approved in under a week.

Alternative Investment Sector - Growth Areas



Private Equity

- Industry in difficult stage but remains strong
- Downturn presents good value for allocations
- Servicing model evolves

Real Estate Funds

- Investors flock to more tangible allocations
- Low interest rate and low inflations rate, where else can you buy yield and cash flow?

Example of Strategic Thinking

- Ireland has recognised the importance of Islamic finance by creating a Shariah funds specialist unit within the Financial Regulator



Section 4.

An Investment Manager's Perspective

Peter Van Dessel
CEO Newgrange Fund Management

Ireland as a Base for Front Office Activity

- Front office opportunities in Ireland
 - Specific Investment Strategy Sectors
 - Corporate Finance
 - Project Finance
 - Debt Finance
 - V.C.
 - Credit Funds
 - C.T.A.: Macro funds
 - Fund of Funds structure
- Newgrange Fund Management Limited

Section 5.

Contact Information

Contact Information

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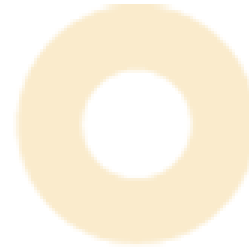
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