Institutional investors support external ManCos

Interview with Andrew Frost & Daniel Maycock

Lawson Conner operates a specialist fund manager platform providing FCA license coverage as well as compliance and regulatory oversight on behalf of alternative fund managers. Over the last few years, the firm has seen a dramatic shift to ManCo structures as new managers, and, more importantly, institutional investors, appreciate the virtues of using an outsourced AIFM solution. By working with an established AIFM platform, emerging managers can focus on producing returns and managing their trading strategy.

"Recently, the sentiment for launching new fund structures has been strong and there is clear interest among managers in using an AIFM structure with a hosting solution," says Andrew Frost, Director, Investment Solutions at Lawson Conner. "It can take a long time for managers to set up all the agreements and relationships with various service providers and become a licensed AIFM. We can get a fund manager up and running in a regulatory and compliant way in three to four weeks and provide either an efficient fund structure via our fund platform, or simply provide AIFM capabilities for a fund vehicle that they bring to us. This saves on both time and cost."

As non-EU managers become more comfortable considering Europe to market their funds, third party management companies are likewise becoming easier to conceptualise. Frost says that having launched a number of managers under AIFMD, "we are experts in how to handle the marketing requirements. US managers appreciate there are USD20trn of investable dollars in Europe and are looking for the most effective way to capture those dollars."

Daniel Maycock, Director, Investment Management Services at Lawson Conner, confirms that previously, when start-up managers joined the regulatory platform

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– either to avail of Lawson Conner's FCA license while they waited to become FCA-approved, or simply to remain on the platform as they built their track record and AUM – investors could see that there was an extra layer of governance and risk management in place. This was reassuring, even if they were writing small tickets.

"Now we are starting to see some of the biggest institutional investors encouraging fund managers to use third party ManCo structures because it is the better solution. We see this as huge support in how far the third party ManCo has come. It is definitely the future for fund management," says Maycock, who continues:

"Pre-AIFMD an insurance company approached us. A group of traders had just left a hedge fund but lacked the operational expertise, or experience in running a business. We provided everything for them under our regulatory umbrella. At the time, the allocation was less than USD100m. Now we are seeing allocations of hundreds of millions to us, acting as the appointed AIFM to the manager."

Not that this option is the preserve of start-up managers. A major asset management with billions in AUM recently spoke to Lawson Conner on appointing an external AIFM. That, says Maycock, speaks volumes about where the market is headed.

"They don't want to spend several hundred thousand dollars setting up a structure if they don't know exactly what the investor appetite will be for a particular strategy. Our AIFM solution gives them exposure to Europe without having to build out that entire infrastructure," says Maycock.

Frost concludes: "Having a third party AIFM take on the compliance and regulatory responsibility has universally become the best solution, provided the right counterparties are in place." ■