

SIF SPECIALISED INVESTMENT FUND

DEFINITION

A Specialized Investment Fund (“SIF”) is a regulated, operationally flexible and fiscally efficient multipurpose investment fund regime for an institutional and qualified investor base.

OBJECTIVE

A SIF shall be any undertaking for collective investment located in Luxembourg:

the sole object of which is collective investment of its funds in assets with the aim to diversify investment risks and to make its investors benefit from the results of its management of such assets, and which reserves its securities to one or more informed investors, and the constitutive or issuing documents of which provide that they are submitted to the provisions of the current laws.

Investments into a SIF are limited to institutional investors, professional investors, other types of investor who declare to be informed investors and either invest a minimum of 125,000 EUR or have an according appraisal with this respect from a bank, an investment firm or a management company.

LEGAL BASIS

The Law of 13 February 2007 (“SIF law”) as amended by the Law on 6 March 2012 and the CSSF Circular 07/309 on risk diversification requirements.

LEGAL FORM

A SIF may be structured as:

- a common contractual fund (fonds commun de placement – FCP)
- an investment company with variable capital (société d’investissement à capital variable– SICAV) or fixed capital (société d’investissement à capital fixe– SICAF).

A SICAV/SICAF can choose one of the following legal forms:

- SA- société anonyme (Public Limited Company);
- Sàrl - société à responsabilité limitée (Private Limited Company);
- SCA- société en commandite par actions (Partnership Limited by Shares);
- SCoSà- société coopérative organisée sous forme de société anonyme (Cooperative in the Form of a Public Limited Company).

A SIF may be set up as an umbrella structure with multiple compartments. A SIF Law also permits the creation of specialized investment funds under a contractual arrangement, i.e., a co-ownership (fonds commun de placement - FCP).

The minimum capitalization amounts to 1,250,000 EUR (including a share premium, if any) to be reached within twelve months after approval by the CSSF.

ADMINISTRATION

A SIF has its registered office and central administration in Luxembourg, which is usually provided by specialized domiciliation agents, together with ancillary services such as bookkeeping, filing and reporting or services of directors.

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The central administrative agent must be a professional of the financial sector and thus hold a special license pursuant to the 1993 Banking Law.

A SIF shall appoint a depositary bank to act as the custodian of its assets. A depositary bank must either have its registered office in Luxembourg or be established in Luxembourg, if its registered office is in another EU Member State.

A SIF organized as a FCP shall be managed by a Luxembourg management company regulated under Chapter 15 or 16 of the Law of 17 December 2010 on UCIs.

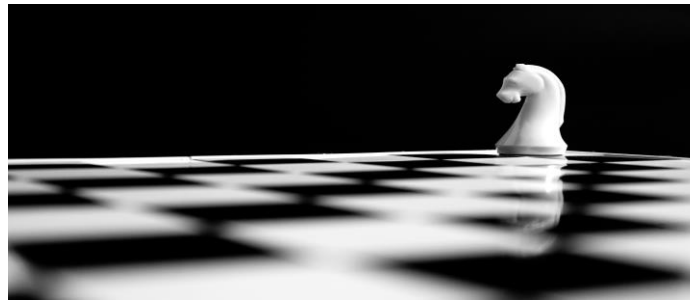
INVESTMENT SCOPE

A SIF may invest in all types of transferable securities, instruments and assets, including but not limited to shares, bonds, derivative instruments, money market instruments, portfolio companies, real estate, hedge funds, private equity funds, real estate funds, commodities, debt instruments and other instruments. A SIF may furthermore be used as a feeder fund or a fund of funds.

A SIF is subject to the principle of risk spreading, except where a SIF is organized as a feeder fund. In that case, the diversification requirement has to be examined at the level of the master fund.

A SIF may choose fixed or variable share capital. Where a SIF has a variable capital structure, its capital is at all times equal to the SIF’s net asset value.

A SIF incorporated under the legal form of an SCA or an SA may issue different types of securities such as shares, bonds, founder shares, beneficiary shares or other financial instruments.



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SUPERVISION

The initiator of a SIF is not subject to any authorization from the CSSF.
 A SIF as such is subject to authorization and continuing supervision by the CSSF.
 An application must be filed within one month after set-up. An appointment of a Luxembourg custodian bank entrusted with the safeguarding of the fund's assets and the daily administration thereof is needed. Annual account of a SIF must be reviewed by an independent auditor (réviseur d'entreprises).

PROTECTION OF INVESTORS

Protection of investors is secured by following various steps.
 Only informed investors are able to subscribe shares of a SIF. Individuals that would like to invest a minimum of 125,000 EUR have to be sponsored by a bank or a financial sector professional (an individual should receive a passport to invest into a SIF).
 Audit has to be undertaken by an external auditor.
 The principle of risk spreading applies. No quantitative, qualitative, geographical or other type of investment restrictions apply. 30% safe harbor rule applies. Net assets may not be less than 1,250,000 EUR (to be reached within twelve months).

TAX TREATMENT

At the level of SIF

A SIF is subject to a subscription tax at a rate of 0.01% levied on the fund's net assets. The portion of the assets invested in other Luxembourg UCIs that have already been subject to the subscription tax, as well as exchange-traded funds, certain money market funds and pension pooling funds will be exempt from subscription tax.

If a SIF is organized as a capital company, it may benefit from an exemption which relates to ordinary corporate taxes on both income and capital gains. All its current income from both domestic or foreign sources as well as capital gains (whether realized or not) are therefore tax exempt in Luxembourg.

If a SIF is organized as type of contract, it is considered to be transparent for tax purposes. Income is therefore attributed proportionally to its investors, and any investor resident in a jurisdiction having a treaty with Luxembourg may therefore be able to take advantage of certain treaty benefits.

At the level of investors

Investors are not subject to capital gains, income or withholding tax in Luxembourg, except for those domiciled, residing or having a permanent establishment in Luxembourg.

In addition, dividend payments and other distributions of income made by a contractual SIF (i.e., in the form of an FCP) or payments of sale/redemption proceeds of the units in such SIFs, may be subject to withholding tax and/or the exchange of information pursuant to the domestic implementation of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments.

