The Growing Popularity of Private Funds

During the last decade the continued evolution of family offices to enable the management of more complex and varied investment strategies that secure more effective diversification away from the sectors in which the family and/or successful individual originally made their money has been remarkable.

These increasingly institutional investment requirements from family offices, combined with the regulatory changes of recent years often make it legally or commercially difficult to transact investment deals without the counterparty having comfort as to the source of funding and the extent of other compliance and governance features.

The result has been the continued growth in the use of private funds with regulated service providers.

Given its dominance in the qualified investor space generally and volume of resident professionals with international investment experience, the Cayman Islands is the preferred jurisdiction for such qualified investor funds internationally.

Characteristics of a Private fund

- **Not required to register**
  Having fewer than 15 investors, private funds are not required to register with the financial regulator in the Cayman Islands and they generally do not do so unless third party, external investors are also involved.

- **Flexibility of Strategy**
  As with all Cayman funds, there is complete flexibility of strategies. Subject to public policy limits, there are no regulatory or other restrictions on portfolio concentration or investment type; Cayman funds are focused on enabling investment structures for qualified investors and on high quality offering documents with comprehensive disclosures.

- **Choice of Legal Format**
  Private funds can be of the traditional single strategy variety using a partnership, unit trust, Limited Liability Company or standard company although there is also an option to accommodate multiple strategies with legal segregation between each one using a Segregated Portfolio Company.

Segregated Portfolio Companies

Segregated Portfolio Companies ("SPCs") are increasingly popular for private, hedge and private equity strategy-oriented funds of all forms as a result of the potential to use them for creating a multi-asset manager platform. In such a platform, a family office or other investor can establish an SPC entity, set a different strategy per segregated portfolio ("SP") and change investment manager in respect of any one or more SPs as they see fit.

This potential to create a diversified portfolio across several strategies which are legally segregated, while removing some of the repetitive costs of establishing multiple funds is very attractive.

The Ideal Co-Investment Vehicle with Governance Appropriate for Purpose

The flexibility to have greater levels of governance through some or all of the appointment of a regulated fund administrator, independent directors, voting share trustee, auditor and registration with the financial regulator (and others) means that external investors can easily be accommodated in a private fund structure. Establishing a co-investment vehicle which is flexible and efficient enables sharing of risk in cutting edge investments and the ability to ensure stable capital with like-minded investors on any commercial terms agreed between co-investors in advance.

Varied Terms of Investment

As with all Cayman investment funds, private funds enable a raft of options to vary terms of investment between share classes – whether in a standalone fund or a segregated portfolio of an SPC. This enables fund sponsors to co-mingle investment with external investors in the same strategy on different cost or other terms.

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JP Integra clients include sovereign nations, hedge funds, high net worth families & individuals as well as institutional investors among its clients. We work with clients in the long term to help them and their professional advisers to establish and operate mutual, private equity and private funds as well as establishing and administering trusts and foundation companies for private and transactional purposes.

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