

Waystone emerges as big gorilla in the Raif market

Raymond Frencken and Mike Gordon – 142 January 2023



By a landslide, Dublin-headquartered investment services firm Waystone has emerged as the biggest issuer in the Luxembourg market for Reserved Alternative Investment Funds, or Raifs, the latest data analysis by Investment Officer Luxembourg shows.

Based on public data from Luxembourg’s business register, a record total of 472 new Raifs were created last year, bringing the total issued since 2016 to 2125 funds. That reflects year-on-year growth of 29 percent from 2021, when 417 new Raifs were created. Although it was still strong, year-on-year growth slowed last year from a stellar 39 percent during 2021. Quelle est la stratégie sous-jacente de cette acquisition ?

STEADY GROWTH IN NEW RAIF FUNDS



As CSSF-regulated Alternative Investment Fund Manager, or AIFM, Waystone’s Luxembourg unit supported the creation of a record total of 35 new Raifs last year. That is more than double the 17 new funds each created by ONE Fund Management and

Frankfurt-headquartered Hauck Aufhauser Lampe, who shared the number two spot. Swiss-based Carne Global and New York-based Stepstone completed the top five.

Early educator

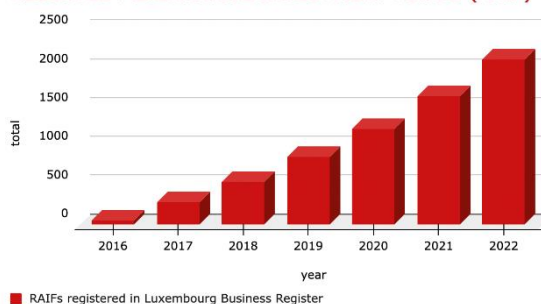
The outcome was no surprise for Waystone, an international asset services firm and third-party ManCo created in March 2020 through the merger of DMS, MontLake and MDO.

“We are delighted to be one of the top 10 manufacturers of these funds,” Derek Delaney, Global CEO of Waystone, told Investment Officer. “Waystone has certainly benefitted from being an early educator to the EU and US investors on the use, merits and market acceptance of Raifs. We have to give a lot of credit to the Luxembourg regulators and legislators for creating such an innovative product, which provide numerous benefits including speed to market, favourable tax treatment and flexibility in terms of investment strategies.”



“As a result, we’ve found that these Raif fund structures have been adopted by our clients as the fund structure of reference when launching illiquid strategies, providing certainty in both cost and service delivery,” he said. “Our knowledgeable Lux team, which is the most dept at prudent and efficient use of Raifs, look forward to continuing this momentum and supporting to grow the local ecosystem further.”

RESERVED ALTERNATIVE INVESTMENT FUNDS (RAIF)



The data again confirmed that Luxembourg Raifs remain highly popular as alternative investment vehicles that target professional investors such as pension funds and insurance companies. A Raif can be created relatively quickly and does not involve direct interaction with financial supervisors. Its management companies nevertheless are subject to supervision by Luxembourg's CSSF.

Top 10 Raif issuers in 2022:

1. Waystone Management Company (Lux) S.A.	35
2. ONE Fund Management S.A.	17
Hauck & Aufhäuser Fund Services S.A.	17
4. Carne Global Fund Managers (Luxembourg) S.A.	14
5. Stepstone Group Europe Alternative Investments Limited	12
6. Ardian France	11
Alter Domus Management Company S.A.	11
JPMorgan Asset Management (Europe) S.à.r.l.	11
9. Sanne LIS S.A.	10
Partners Group (Luxembourg) S.A.	10

Collectively, the top 10 Raif issuers created a total of 148 new funds last year and accounted for 31 percent of all new Raifs issued.

Although fund sizes are not required to be reported, many Raifs tends to have a target size of roughly 500 million euros. The minimum required size is 1.25 million euro. Most of these funds are invested in illiquid assets such as real estate, infrastructure and private credits and target professional investors that prefer a long-term perspective. In some cases, Raifs are also used for special financing arrangements, such as Bill Gates' new hotel in Rome. Institutional investors in Australia and Singapore have also created Luxembourg Raifs to serve their long-term needs.

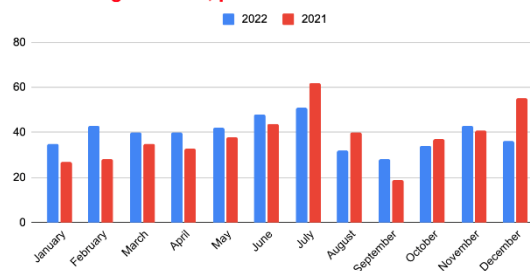
At the end of last year, Luxembourg was home to some 300 AIFMs that collectively held 24.2 billion euro in assets under management.

In recent years, Raifs have become their investment vehicle of choice due to the relatively light supervisory requirements.

Slowdown during second half

The data analysis also revealed a relative slowdown in the Raif market in the second half of the year. In December, 36 new funds were created, compared to 55 new ones in the same month a year earlier. Fewer new Raifs were created also during July, August and October, although the pace of new creations was steady during September and November.

New Raif registrations, per month:



Source: Investment Officer Luxembourg, with LBR data.

The slower growth is attributed to two factors. Firstly, general uncertainty in financial markets due to inflation, geopolitics and rising rates. And secondly, new rules for pre-marketing alternative funds that entered into force last year. This new regime makes it possible to market a fund even when it is not yet formally registered and means that Raif issuers can already start their pre-sale activities without the funds being registered.

The new pre-marketing rules mean that some issuers are lifting registration of their funds to the beginning of the new year, evading double reporting requirements. An uptick in new Raif registrations for January would confirm that development.

This article is taken from Investment Officer, a journalistic platform for investment professionals.

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