

# Luxembourg Private Label Funds: An Ideal Avenue for Asia's HNWI Portfolios

*Eduard von Kymmel, Head of VP Fund Solutions, told delegates at the Hubbis Independent Wealth Management Forum why they should think about using the Luxembourg private label funds. Not only do such funds represent excellent vehicles for a wide variety of assets, but they offer discretion, can be created swiftly, offer ISIN-compliance, and are cost-efficient. They free up the initiators to concentrate on what they do best – fund management and distribution for example - while outsourcing the more pedestrian administrative services to experts such as VP Fund Solutions operating within a highly regulated and well-respected jurisdiction such as Luxembourg.*

**“W**E HAVE THREE LANGUAGES IN LUXEMBOURG,” von Kymmel began light-heartedly, “but don’t worry I won’t confuse you, I will use English today. Now, I have just 10 minutes, and those who know me well would probably say I need 10 hours to explain what we do and all about Luxembourg. But I promise to be concise, to explain what a private label fund is, why Luxembourg, the costs, especially compared to those funds most commonly used in Asia, and a little bit about our company.”

He explained that the mission is, therefore, to highlight how these funds offer an exciting vehicle for asset managers, family offices, and optionality to access other instruments like certificates, managed accounts, and how VP Bank and Fund Solutions is continuing to build activity levels amongst wealth managers and advisers based in Asia, and especially in Singapore.

## **The private label fund demystified**

A private label fund is generally initiated by an entity such as a family office, or an independent asset manager who, for reasons



EDUARD VON KYMMEL  
VP Bank

[Link to Content Summary page](#)

[Link to Article on website](#)

[Link to Presentation](#)

[Link to Event Homepage](#)



of efficiency and cost, wants to bundle their asset management activities in a vehicle.

It is private label because the initiator, von Kymmel explained, usually acts as a manager and he wants to outsource everything in the entire value chain to a service provider such as VP Fund Solutions.

“But the initiator,” he reported, “will define the name of the fund, the fee, the investment strategy, the lifetime of the fund, whether it is closed-end or open-end, where the fund will be distributed, whether it will be publicly marketed, whether in Asia, Latin America, Europe, or other locations, and finally they will determine the asset management fees. The can then focus mainly on two core elements, the actual asset management, as well as the distribution and marketing of the product.”

Von Kymmel explained that the advantage of this structure over a certificate, for instance, is that there are no counterparty risks and a European-registered Luxembourg fund is a highly regulated vehicle.

### **Many advantages**

He also highlighted the role of such a private fund in succession planning. “If, for example, you have real estate or an unlisted company, it is quite challenging to hand over all these assets to your children, partners, and other. If, however, you wrap everything into one fund it is quite easy to hand over the shares issued by a fund. This is a core reason for ultra high-net-worth individuals making us of this highly regulated product, which is audited, supervised, and has a great comfort factor.”

And for asset managers, he elucidated, instead of managing 50 different accounts for 50 clients it is much easier to manage only one product and distribute to the end investors.

### **Clubbing together**

And club deals are appealing, he remarked. “If you have clients with real estate, unlisted securities, art, or other assets, you cannot usually book them, there is no ISIN code, but aggregating these assets into a fund allows for the issuance of an ISIN code and then it can be booked.”

The vehicles also afford investors asset protection. “Fully declared money but where the investors do not feel comfortable in the country where they live, they want to want to diversify their money and put it in a safe haven, so Luxembourg, like Singapore, offers an excellent, stable political environment, a strong sovereign rating and complete safety. And should the custodian for such a fund go bankrupt all the assets are duly ring-fenced. Again, this is ideal for UHNWIs from across the globe.”

### **Efficiency for originators**

The structure offers great efficiency. “If I am a family office or an asset manager, I have a core business and this is asset management, so why should I take care of calculating NAV, why should I take care of producing the annual report, why should I take care of the risk management, why should I take care of organising audit meetings, and many other duties?” von Kymmel asked, rhetorically. “The originators often prefer therefore

to outsource all these services, outsource these operational challenges, and to delegate the operational and legal duties. They can then concentrate on the marketing, the investment strategy and the end client.”

Luxembourg, von Kymmel elucidated, has many great strengths, like Singapore. “Yes,” he said, “for sure, there are reasons why you advisers here today should maybe make use of Singapore funds, if you have only maybe Singapore-based clients. But if you want to start distributing and you want to register the fund in Hong Kong, in Taiwan, in Europe, Luxembourg has much more experience and expertise.”

### **Luxembourg – the best in a small package**

Luxembourg, he explained, is just 650,000 people but immensely global. “Some 60% of people there are foreign, virtually every bank is there, 19 of the 20 biggest private equity fund managers globally are domiciled in Luxembourg, 98 of the top 100 global asset managers run Luxembourg-based funds, and growth in assets has been enormous, to USD4.3 trillion currently.”

“What we have seen in the last years in Luxembourg,” von Kymmel added, “is growing appetite for non-traditional funds, private equity, real estate, infrastructure, and this interest is spreading in Asia.”

He also showed the delegates figures such as 69% of the UCITS funds distributed in Singapore are Luxembourg-domiciled funds. And the figure is 72% in Hong Kong. A similar story emerges in Taiwan, Japan and other Asian countries.

### **Three-plus decades of excellence**

“We have the brand, the experience, the reputation and the background over more than three decades,” he concluded. “Whether this is UCITS funds, retail funds, investment companies, trust forms, regulated funds, nonregulated funds, funds which have very detailed diversification routes, funds which have huge flexibility, everything is available. Even funds such as the non-regulated vehicles we introduced about three years ago have proven to be very successful.”

Finally, von Kymmel focused on costs. “Luxembourg is very competitive compared to offshore funds, the BVIs, Caymans, and so forth,” he stated. “If you talk about simple fund investing in listed securities, the setup cost could be something like USD15,000 to USD20,000. We can move fast, this can be done within two weeks, depending of course on the complexity of the fund. Ongoing and running costs can range from as low as EUR50,000 up to EUR60,000 including custody and management company fees.”

Von Kymmel receives a large number of private labelled fund requests from independent asset managers based in Asia looking for Luxembourg investment fund solutions.

### **Ideal solutions**

Von Kymmel closed his fascinating presentation by saying that Luxembourg can offer a plugin and play solution for smaller asset managers where they want to delegate everything, where they just want to concentrate on asset management and the marketing. “These are ideal solutions that can be expedited rapidly and efficiently and that can also be tailored precisely to the initiators’ needs,” he concluded.

### **About the speaker**

Von Kymmel is the Head of VP Fund Solutions - the private label funds competency centre of the internationally active VP Bank Group - as well as a member of the Board of Directors of VP Fund Solutions (Liechtenstein) AG and the CEO of VP Fund Solutions (Luxembourg) SA. He previously held several functions and management positions at Credit Suisse in Luxembourg and Zurich. He has a master’s in law degree from Johann-Wolfgang-Goethe University in Frankfurt and an MBA in Finance from the University of Wales, Great Britain. ■

