

Hedge Funds



Dechert
LLP

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‘Best law firm –
client service’
*HFM European
Services Awards 2022*

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Represented 3 of the 4
largest and most high-
profile European hedge
fund start-ups in 2021

Increased market volatility and associated price dislocations, an inflationary environment and material changes in monetary policy have highlighted the importance of investors maintaining exposure to absolute return strategies that seek to offer effective risk management through the current market cycle as well as significant investment opportunities. This should drive strong demand for hedge fund products across asset classes.



Our leading global hedge funds team understands what it takes to grow a hedge fund business having built an exceptional client base of both boutique and institutional billion-dollar hedge fund managers on a global basis. By choosing Dechert, clients benefit from detailed insights into the industry coupled with full-service, global support. We continue to adapt and innovate with our clients and have been at the forefront of new products in the alternatives space. In particular, in recent years, Dechert has worked with fund managers structuring products that are designed to meet the demands of investors seeking comingled access to both liquid and illiquid investment opportunities (as the public and private space continues to converge). Other areas of innovation and growth have been seen in the structuring of co-invests (both closed- and open-ended products), designing products with ESG features and launching funds focused on digital assets and blockchain technology.

Dechert's Expertise at a Glance



Serving the Hedge Fund Life Cycle

Drawing on the expertise of Dechert lawyers across a range of disciplines and geographies, we know what it takes to support a hedge fund business and provide full-service, global support to our clients.

Investment Manager Establishment

We support clients through the investment manager set-up, navigating the key issues that arise, including choice of legal structure, regulatory requirements, setting up service agreements and compensation and incentive schemes for staff, and related tax considerations. Our global team has extensive experience in supporting hedge fund start-ups, including spin-outs from a broad range of fund managers and financial institutions. We regularly work on complex manager set-ups with recent experience including working with managers operating out of the UK, the United States, Europe, the Middle East and Asia.

Hedge Fund Formation

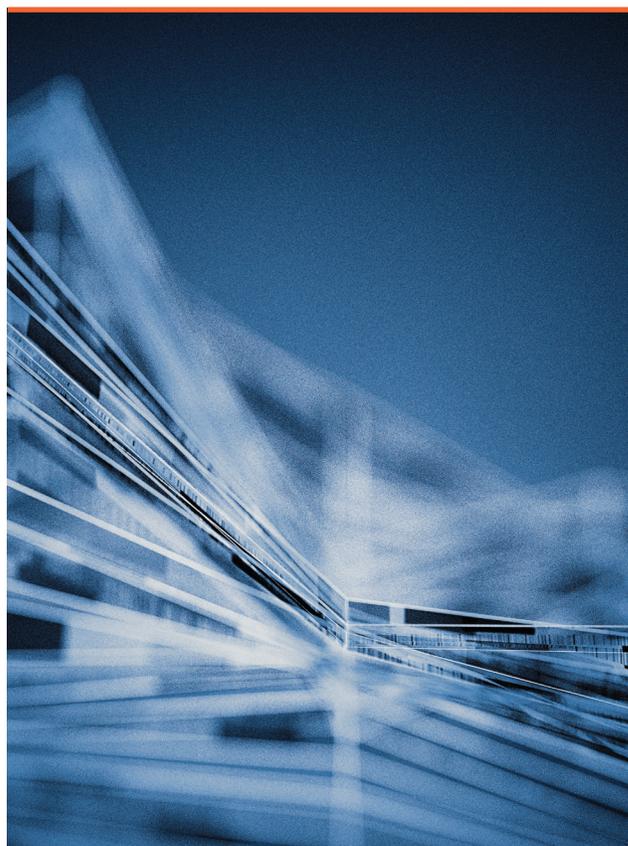
The team advises on the structuring of hedge funds with a keen eye on investor preferences and market trends. We also advise on key tax, legal, regulatory and marketing issues affecting hedge funds.

Dechert was the first and is the leading law firm with a funds practice in all five of the principal European fund jurisdictions (the UK, Ireland, Luxembourg, Germany and France) as well as the United States, Middle East and Asia, so clients are able to rely on us for truly “jurisdiction neutral” advice focused on their interests. We regularly set up hedge funds in a range of domiciles, including the Cayman Islands, Delaware, Ireland, Luxembourg and Malta.

We have experience in providing tailored advice across the full range of hedge fund strategies, knowing the key issues affecting each such strategy, whether that be understanding the importance of certain IP and tax issues applicable to quantitative funds, identifying the key regulatory issues affecting activist campaigns (and managing litigation risk in respect of such campaigns) or recognizing the key withholding tax issues affecting credit strategies. We ensure that the

structures we develop for hedge fund managers reflect our vast global experience across the whole range of hedge fund strategies, including:

- long/short equity in both developed and emerging markets and whether concentrated, fundamental, market neutral or directional
- activist strategies
- credit (both liquid and illiquid strategies)
- macro
- event driven
- fixed income and arbitrage strategies
- quantitative and systematic funds
- special situation and distressed
- digital assets
- UCITS reflecting a manager’s flagship strategy



Tax

Tax issues are often a key driver in investment manager establishment and ongoing operations and fund formation. Our tax capabilities extend to tax advice in the UK, Europe, the United States, Middle East and Asia.

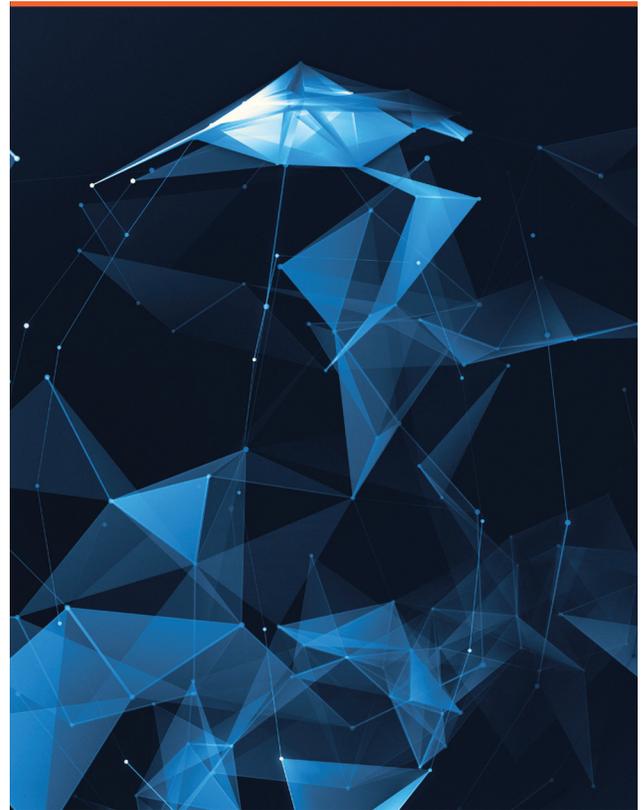
We deliver inventive tax solutions to meet the challenges and objectives of our hedge fund clients' most complex business needs when establishing a management business, ranging from the choice of legal structure and domicile to compensation and incentives and have a wealth of experience in this field, working with managers from small boutiques to global brands.

On the product side, we similarly advise on sophisticated fund structures and across the spectrum of tax issues that arise in fund set-ups and downstream work, including ATAD I, II and III, QAHCs and DAC6. Our funds and tax teams maintain specialist knowledge of the range of structures and approaches used across the industry to facilitate tax optimized and flexible arrangements.

Hedge Funds as UCITS

Investment managers may look to structure a hedge fund as a "UCITS" (Undertakings for Collective Investment in Transferrable Securities), the most marketable and common form of investment fund in Europe. UCITS can be used for hedge fund-like investment strategies and can be structured as a standalone fund (for a single strategy) or as an umbrella structure (able to 'house' multiple strategies) and are generally domiciled in either Ireland or Luxembourg.

UCITS are highly regulated and so there are a number of considerations to take into account, some of which include the eligibility of assets, concentration and diversification limits, liquidity, leverage and counterparty exposure. We have extensive experience in establishing and servicing UCITS and are at hand to take you through the UCITS regulatory framework, regulator interaction and UCITS authorization process. We also advise on the distribution of UCITS on a cross-border basis under the "UCITS Passport" or on a private placement basis.



Managed Accounts (and Funds-of-One)

We regularly negotiate managed accounts for clients (as well as funds-of-one). We advise on the key legal and regulatory issues affecting such products, including how they interplay with the flagship fund. Of particular importance is our understanding of how the liquidity terms of the managed account (or fund-of-one) product impacts the flagship fund, including from a 'treating clients fairly' perspective. Further, we have extensive experience of the way in which fees are charged to such products, including alpha focused and benchmarked fees. We also regularly work on a number of 'first loss' products.

Seed Deals

The team regularly negotiates with major and boutique hedge fund seeders and supports managers on the structuring of a broad range of other seed and strategic investor deals, from family-office backed through to large institutional, pension fund and sovereign seed deals and anchor investments. Our priority is to ensure we help clients secure a seed deal which prepares for long-term growth plans.

Side Letters and Investor Negotiations

We negotiate vast numbers of side letters for hedge funds and managers every year and understand the key commercial issues in depth, including MFNs, capacity rights, liquidity and transparency rights. We also understand the issues that hedge fund managers need to control, both to remain in compliance with legal and regulatory requirements affecting existing investors and clients as well as ensuring hedge fund managers are not hamstrung in respect of future investors and investments (which may be much larger in size).

Ongoing Support

We support hedge fund clients in all aspects of their ongoing business including advising on investor negotiations, fund terms, global marketing activities, tax, ESG, service provider contracts, custody arrangements including derivatives, prime brokerage and other margin financing arrangements and trading documentation, AML and sanctions issues, IP, employment matters, and other applicable law and regulation. We have strong corporate, restructuring and finance teams who can assist with deal work, including for activist managers, credit managers, private equity and credit investments and other less liquid strategies. If required, we have strong litigation and M&A teams.

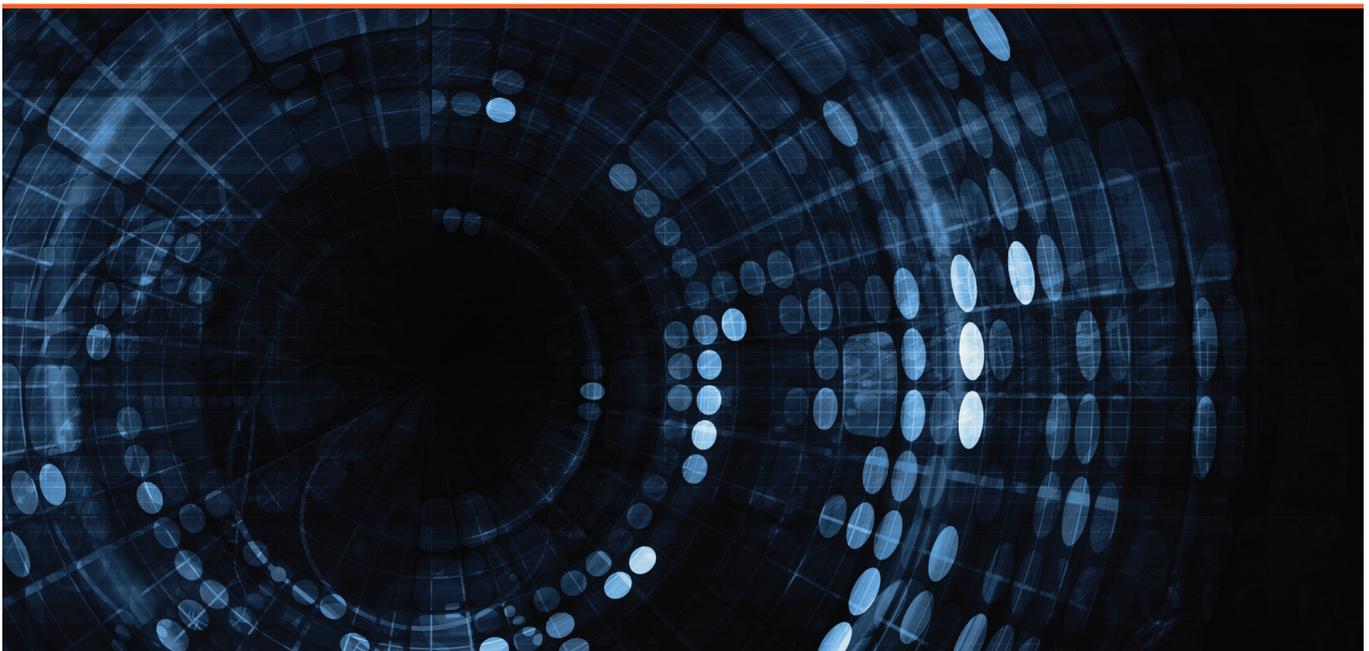
ESG

Navigating the ever-evolving ESG and sustainability-related regulatory landscape can be challenging. Dechert's market-leading and extensive ESG team helps clients navigate the practical and commercial implications of key regulatory developments including in relation to the formation of new funds and investment products, advising on ESG disclosures in fund documentation and managing increased levels of investor due diligence and reporting obligations.

Our global, multi-disciplinary ESG team (including representatives from all of our major practice areas in Europe, the U.S. and Asia) monitors for and provides actionable advice related to legal, regulatory, enforcement, market, business and other ESG trends and developments in jurisdictions around the world. As a result, Dechert is well positioned to help investment managers and other financial services industry participants to anticipate and respond to emerging ESG trends and developments in a comprehensive and cost-effective manner.

Service Provider Contracts

Clients look to us for support across the entire range of service provider contracts. We negotiate on behalf of our clients and provide advice in relation to all material agreements,



including investment management agreements, administration agreements, depositary agreements, trading agreements and custody and sub-custody agreements as well as assist with the full range of regulatory and compliance issues in relation to the same. We consistently negotiate with the leading service providers in the market, meaning our clients benefit from our familiarity with market standard terms and our deep insight of the commercial terms.

Trading Documentation

We have a dedicated and specialized team of lawyers who review and negotiate trading documentation for our hedge fund clients, ranging from prime brokerage agreements to ISDAs, GMRA's and other trading documentation. Our global team has a strong understanding of the regulatory requirements associated with the fund's trading activity and we routinely advise on such regulatory compliance matters, including U.S., UK and European regulatory requirements.

World Passport and Marketing Advice

Our international World Passport team is well placed to advise investment managers on all aspects of "marketing" across the globe, including in Europe under AIFMD, in the United Kingdom under the relevant UK regulations and FCA guidance and in the U.S. in accordance with federal and state level requirements (SEC, CFTC, BlueSky etc). We advise clients on their active marketing strategies, regulatory passporting and registration requirements (including under AIFMD and UCITS), private placement, 'pre-marketing' and reverse solicitation. In addition to the UK, Europe and the U.S., we regularly assist clients in navigating marketing in, without limitation, the Middle East, Asia, Canada and Australia.

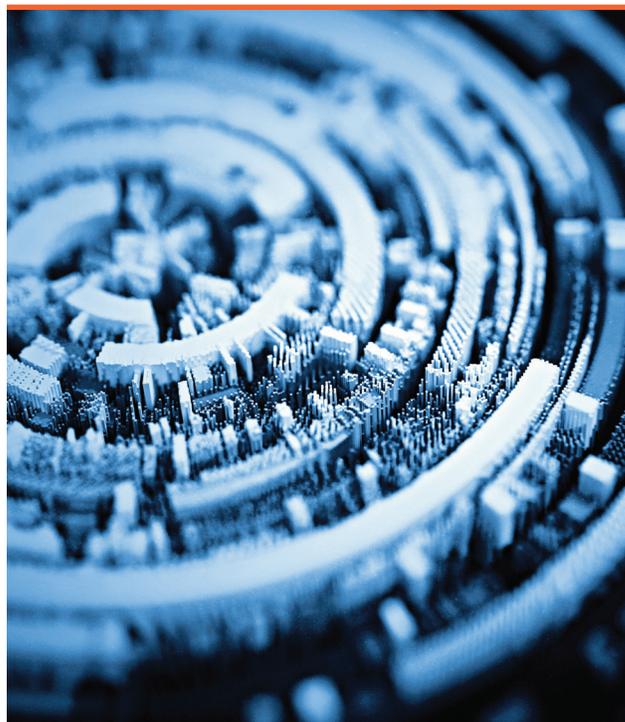
Dechert monitors, and can advise on, regulatory updates and evolving market practices in this area tracking key changes through our innovative World Compass product (see below). Our team can also review and advise on marketing materials, investor decks, regulatory disclosures in fund documentation and (depending on the domicile of the fund and the investment manager) can assist with the relevant passporting filings, registrations, and/or notifications.

World Compass

Dechert's World Compass, a user-focused online platform, provides fund managers with legal, regulatory and practical guidance on cross-border activities (including marketing, management and other regulatory activities (and includes information on threshold and shorting reporting)). Subscribers receive 24/7 access to concise and easy-to-use guidance on key areas, including marketing and distribution of funds and tools, such as fly-in guides, disclaimer tools, shareholder reporting requirements, wrap accounts and commercial lending. "Commended" by the *Financial Times* in 2017 in its "European Innovative Lawyers" Report, our World Compass untangles the regulatory landscape in over 100 jurisdictions ensuring that subscribers have the latest guidance and information they need.

Broader Asset Management

Our hedge funds capabilities form part of Dechert's renowned alternative asset management practice, which represents many of the world's largest fund complexes. With hedge fund managers increasingly turning to structures that facilitate the comingling of liquid and illiquid assets our extensive experience across all asset classes ensures critical perspective and 360 degree awareness.



Leading Hedge Fund Managers Rely on Dechert

BlueCove

Cheyne Capital Management

EnTrust Permal

Exor

FIFTHDELTA

Gemcorp Capital

Investcorp-Tages

Kairos and Engadine

Kryger Capital

Natixis

Nekton Capital

OxFORD Asset Management

Palm Lane Capital

Palmerston Capital

Pearlstone Alternative

Soloda Investment Advisors

Sparta Capital Management

TT International

Tresidor Capital Management

Westbeck Capital

International Recognition

HFM EUROPEAN SERVICES AWARDS, 2017, 2018, 2020-2022

“Best Law Firm – Client Service”

HFM EUROPEAN SERVICES AWARDS, 2015, 2019

“Best Onshore Law Firm”

HFM EUROPEAN SERVICES AWARDS, 2016

“Best Onshore Law Firm – Hedge Fund Start-Ups”

THE LEGAL 500, 2022

Ranked among the top law firms for investment funds in France, Germany, Ireland, Luxembourg, the UAE, UK, specifically for hedge funds, and the U.S. Ranked as a leading firm in the UK for financial services: non-contentious regulatory, partnerships corporate tax and derivatives and structured products.

CHAMBERS AND PARTNERS, 2022

Ranked among the top law firms for investment funds in Asia, France, Germany, Ireland, Luxembourg, the Middle East, UK (specifically for hedge funds), and U.S. as well as globally for hedge funds. Ranked as a leading firm in the UK for advice on LLPs.

IFLR1000, 2021-2022

Ranked as a leading firm in 39 practice areas globally including hedge funds and 82 Dechert lawyers recognized.

IFLR EUROPE AWARDS, 2022

Finalist for “Financial Services Regulatory Team of the Year”

PREQIN SPECIAL REPORT, 2020

Top Hedge Fund Law Firm

HEDGE FUND JOURNAL AWARDS

Worldwide Funds Practice – Europe, U.S., Middle East and Asia

PRIVATE DEBT INVESTOR, 2021

Ranked #2 in the Hall of Fame after winning six “Law Firm of the Year” titles

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Ranked as a
leading firm for
hedge funds by
Chambers and Partners

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Dedicated
hedge funds practice
for 25+ years

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Attorney advertising. Prior results do not guarantee a similar outcome.

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