BNP PARIBAS
SECURITIES SERVICES

EXECUTIVE SUMMARY

OFFSHORE FUNDS SYMPOSIUM

6th - 8th, November 2012 / Rio de Janeiro / São Paulo

OFFSHORE FUNDS SYMPOSIUM

HAVE YOU CONSIDERED ALL THE POSSIBILITIES?

On 6 November 2012 in Rio de Janeiro, and on 8 November 2012 in São Paulo, BNP Paribas Securities Services Brazil conducted presentations and workshops for asset manager clients interested in deploying various international and offshore distribution structures as a means to expand their investor base and generate additional assets for their traditional and alternative funds. Also attending were local institutional investors such as family offices, pension funds and private banks interested in potential investment in offshore fund structures.

The events, both identical in content and format, covered current issues, trends and regulations that drive managers' decisions to launch funds in the principal offshore markets: Luxembourg and Ireland for UCITS (Undertakings for Collective Investment in Transferable Securities), Non- UCITS funds; and the Cayman Islands for privately placed investment funds and hedge funds. Presentations by a global funds expert from PricewaterhouseCoopers (PwC) and BNP Paribas Securities Services country development heads from those jurisdictions covered the dynamic characteristics of offshore markets. They were followed by a panel discussion by senior officers of Brazil-based investment managers --- DXA, Fidelity and BTG Pactual --- who offered their personal views and practical advice on organizing, launching and raising new assets via offshore investment structures.

This note is an executive summary of the main points and key takeaways covered at the proceedings.

OPENING REMARKS – OPTIMIZING YOUR DISTRIBUTION STRATEGIES

Alvaro Camunas, Regional Manager, Spain, Portugal & Latin America, **BNP Paribas Securities Services**, based in Madrid, and Member of the firm's Executive Committee, welcomed clients to the symposium and made the following opening remarks.

- In order to increase fund managers' assets under management, diversify their investor base and take advantage of global investor interest in the potential of Brazilian assets and securities, managers ought to consider organizing offshore fund structures to access very active demand by investors located in the Americas, Europe and Asia-Pacific. Through the use of public and private funds established in well respected jurisdictions such as Luxembourg, Ireland and Cayman Islands, local managers can then launch marketing programs to access global investors for both their traditional and alternative products.
- BNP Paribas' symposium today addresses the dynamics of the global distribution markets for funds registered offshore as either UCITS, non-UCITS and private placements. Our experts will explore the particular characteristics of the global distribution markets and the three principal offshore markets. To illustrate case histories for success in going offshore, we are pleased to have local managers discuss how their offshore registered vehicles have enhanced their asset growth strategies.
- Given today's current macro economic environment of low interest rates and higher inflation that have provided limited investment returns in fixed income and equities, many global investors see Brazilian assets as a way to diversify into a higher growth potential market. Increasingly, global investors are quite comfortable with UCITS and private funds that are offered in the offshore jurisdictions as vehicles to gain diversification into emerging markets such as Brazil and Latin America.
- With a long-term focus on offshore markets registration, global funds services and custody, BNP Paribas is a strong and solid partner to facilitate local managers' entrée and growth into these markets.

GROWTH TRENDS IN DISTRIBUTION MARKETS FOR GLOBAL FUNDS VIA OFFSHORE STRUCTURES

João Santos, Asset Management Partner, PricewaterhouseCooper (PwC), the global audit and consulting firm, provided an overview of the size and growth trends for the main offshore fund markets --- Luxembourg, Ireland and Cayman Islands --- that serve as gateways for global distribution. Mr. Santos, based in São Paulo, expressed the following key observations on the markets for global funds. The data and surveys presented were gathered by PwC.

- Worldwide funds industry. The worldwide asset management industry accounts for EUR 21 trillion in AUM. US and European fund groups account for approximately 50% and 30% of the market, while Brazil ranks third in assets with 6% of all funds, ahead of Australia at 5.5%, Japan at 3.7% and Canada at 3.6%. In Brazil, local rules limit external distribution, but in the medium-term, more flexible distribution rules are being expected. This development, along with global investor interest in the Brazilian market which could be accessed through UCITS offshore fund structures, should lead to asset growth.

- The global UCITS market. The UCITS fund product is a well established brand with more than 25 years of history, with the majority of fund vehicles domiciled either in Luxembourg or Ireland. Today, there are nearly 36,000 UCITS funds representing EUR 6 trillion in assets. UCITS prime characteristics are their uniform disclosure structure which permits cross-border fund marketing across Europe, Asia-Pacific and Latin America. (UCITS cannot be marketed in the US, which has its own mutual funds regulations.) The main distribution channels of UCITS are retail and private banks, as well as pension funds.

  - ✔ The main markets for UCITS funds distribution in Europe are: Germany, Switzerland, Austria, UK, Netherlands, France, Spain, Italy, Sweden and Finland.

  - ✔ The top countries for distribution outside of Europe are: Singapore, Hong Kong, Chile, Macau, Taiwan, Bahrain, Peru, Korea and South Africa. Once our fund distribution rules have been amended, we expect that, in a medium-term period, Brazilian investors will become relevant buyers of Irish and Luxembourg domiciled funds.

- The UCITS market in Latin America. Investors in Chile and Peru, with high concentrations of pension funds, are active buyers and owners of Luxembourg and Irish UCITS funds. Chilean investors are invested in some 973 UCITS funds, while Peruvian investors are invested in 481 different UCITS funds.

- Luxembourg fund market. Luxembourg is the leading domiciliation center for global funds. More than 72% of all globally distributed UCITS funds are domiciled in Luxembourg. Forty of the top 50 cross-border fund groups use Luxembourg-based UCITS platforms for their global distribution strategies. In the past ten years, the number global funds domiciled in Luxembourg has increased 160%, from 3,300 to more than 8,500. The main region for Luxembourg UCITS distribution is Europe, but the Asian markets of Singapore and Hong Kong have been gaining rapidly.

- Ireland fund market. While Ireland is the second major centre for cross-border domiciled funds, it is experiencing high growth. Over the past ten years, net assets in Irish UCITS have have grown more than 500 percent. Net inflows to Irish UCITS in 2011 were EUR 62 billion. More than 50% of Irish funds distributed around the world are equity-based strategies. The main region for Irish UCITS distribution is Europe, but the Asian markets of Singapore, Hong Kong, Taiwan and Macau have been increasing their participation, and also Peru in Latin America.

- Cayman Islands fund market. The Cayman Islands, with more than 10,500 funds and nearly USD 2 trillion in net assets, are the leading offshore jurisdiction for private placement investment funds, primarily hedge funds. It's estimated for more than 70% of all offshore hedge funds are domiciled here. The structures available in Cayman Islands --- companies, unit trusts and limited partnerships --- are used by asset managers seeking to market their funds primarily into North and South America, Asia and Europe. Asset allocation among Cayman Islands funds is mainly to equities, bonds and derivatives.

GLOBAL DISTRIBUTION STRATEGIES & ASSET DIVERSIFICATION: LUXEMBOURG, IRELAND AND AMERICAN CENTERS

In each of these markets, BNP Paribas provides one-stop and integrated services for fund organization and administration. As stated by **Nelson Fernandes**, Head of **BNP Paribas Securities Services Brazil** (São Paulo), who introduced the next speakers, the Brazil office can coordinate and advise on the global markets most appropriate for its Latin American clients seeking offshore funds given their particular investment strategies and objectives. The firm's main goal and expertise is to provide one-stop shop fund advisory, registration, administration, custody and distribution services for its clients to access all global markets, whether they are in the principal offshore markets or in any of the Americas, Asia-Pacific or European countries.

The bank's global operating model is first to provide strong asset protection by safekeeping directly over 95% of its global client assets. In total, BNP Paribas Securities Services safekeeps over USD 6 trillion of assets. Our fund services, globally provided across various offshore centers and jurisdictions, are supported by a unique and integrated platform. This approach facilitates global connectivity and timely and precise performance reporting to clients. As a client-focused organization, our client window in Brazil ensures client activities are treated seamlessly around the world, and in a partnership mode. The bank is close to clients locally to bring the tools and solutions necessary to help them minimize risks, maximize returns and grow their businesses.

An examination of these three fund centers will help clients chose the best solutions to meet their investor base diversification objectives. While every jurisdiction has its pros and cons, the main factor driving a jurisdictional choice for fund managers should be the market where the targeted end-user investor is typically most comfortable with the legal and regulatory scheme.

The discussion group leaders who provided overviews on the merits of each these markets for fund domicile, registration, and launches included the following country experts from BNP Paribas Securities Services.

- Luxembourg: **Georg Lasch**, Head of Client Development, **BNP Paribas Securities Services**, Luxembourg. BNP Paribas is now the largest financial institution in Luxembourg with a staff of 4,000 --- 25% of whom are dedicated to securities services. The bank has been in Luxembourg for more than 90 years.

- Ireland: **Paul Daly**, Head of **BNP Paribas Securities Services**, Dublin, Ireland. The bank has been active in Ireland for more than 40 years and has a staff of 250 people, including more than 100 dedicated to securities services.

- Cayman Islands/Americas: **Andrew Dougherty**, Head of Alternative & Institutional Solutions USA, **BNP Paribas Securities Services**, New York. The bank has had an active presence in the United States and in the Cayman Islands for more than 30 years, with more than 160 securities services personnel exclusively dedicated to the US onshore and offshore markets.

Main points from each of the country sessions:

<u>**Luxembourg Overview**</u>

- Market distinction and characteristics. In general, Luxembourg is the center for UCITS products slated for global distribution, whereas Dublin and the Cayman Islands are more centers for alternatives with the former for distribution throughout Europe, and the later for distribution in the Americas and Asia to a lesser degree.

- Why choose Luxembourg? The promoter needs to consider the type of investors you're aiming for --- retail or institutional might be the first consideration. As for Luxembourg, the market provides a high degree of comfort for investors. The country is financially stable with the lowest ratio public debt to GDP in Europe, plus AAA long-term ratings and A-1+ short-term ratings.

  - ✔ It's the domicile of choice for UCITS --- 85% of the country's funds are UCITS products and Luxembourg UCITS represent about 75% of all UCITS sold across the world. It's the #1 market for fund domiciles in Europe and the #2 largest fund domicile in the world (behind the US) with EUR 2.3 trillion in AUM and a base of 13,400 funds. Growth in assets is up 10% in the past year.

  - ✔ It's the #1 private banking center in the Euro area with 142 banks in operation from 24 different countries.

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  - ✔ The workforce is multi-cultural and multi-lingual workforce. In fact, 16% of the population is Portuguese.

  - ✔ The country's legal and regulatory framework is modern and proactive. For example, the market is AIFM (Alternative Investment Fund Managers Directive)-ready, the new EU law requiring enhanced disclosures for hedge funds and private equity funds. BNP Paribas Luxembourg also offers a fast track fund set-up known as a "rent-a-compartment offer."

  - ✔ The composite of AUM is relatively conservative mix, with 45% of strategies invested in fixed income, 27% in equities, 18% in balanced funds, 7% in fund of funds with the balance in alternatives.

  - ✔ While not a distribution market per se, the UCITS brand from Luxembourg is well regarded by investors all over the world. The UCITS product can be sold across the world using the same product set (e.g., disclosure and transparency rules). It's the easiest product to create in a single location and to export somewhere else. Accordingly, more than 700 fund promoters from all over the world have chosen Luxembourg to domicile their funds. While two-thirds of fund promoters originate from just four countries --- US, Germany, Switzerland and United Kingdom --- there is an increasing client base coming from Asia and Latin America.

- Type of funds domiciled in Luxembourg: UCITS and Non-UCITS.

  - ✔ UCITS. UCITS are essentially open-end collective funds that invest in listed securities that are designed for retail distribution across EU and other jurisdictions (e.g., Latin America and Asia). The single set of regulations provides economies of scale for fund promoters. To create a UCITS, one needs a promoter-corporate entity, a local management company and a depositary bank such as BNP Paribas.

  - ✔ Non-UCITs. These are local entities, often known as Specialized Investment Funds (SIFs), organized to seek investment from alternative investors globally, and are offered on a private placement basis and are similar to most Cayman Island offerings. These products will be subject to pending AIFM directives regarding disclosure, risk management and governance that will come into force between 2015 and 2018. These new rules will make these non-UCITS available for pan-European distribution, and potentially across the world in those timeframes.

- BNP Paribas offers a proprietary platform for an asset manager to set up a UCITS without investing in a full Luxembourg local infrastructure of a promoter and local manager, called "rent a compartment." The bank offers the entity, organizational and disclosure structure that an investment manager can use to create their own sub-fund to make its strategy quickly available to UCITS investors. While the manager runs the distribution, BNP Paribas handles all the authorization and organizational responsibilities. In the future, if desired, the manager can establish its own UCITS entities. For Brazilian managers, this product could offer a first-mover advantage for those interested in creating a competitive advantage against local peers.

- Regulatory developments. The UCITS V directive will impose more responsibilities on depository banks, effective from 2013, having them restitute assets in custody. This new regulation works to enhance the worldwide UCITS brand as a safe investment and is in response to concerns arising from both the Madoff fraud and Lehman collapse.
- Fund approval timelines to set up a UCITS fund are around 13 weeks. This includes the time to draft the legal documents, submit them to Commission de Surveillance du Secteur Financier (CSSF), the regulatory authority in Luxembourg, and get all approvals. Managers should expect another 2 weeks within Europe for distribution and another month or two for jurisdictions outside of Europe.
- Taxation notes. Luxembourg does not tax revenue but it does tax capital. There is a 1 basis point stamp tax and an annual subscription tax of EUR 1,750. Luxembourg UCITS are generally subject to some 35 double taxation treaties with other countries. All in, most funds are run on a tax-exempt basis.
- Conclusion. Luxembourg UCITS are the domicile of choice for fund managers across the globe seeking European and worldwide distribution of UCITS. The regulatory environment always runs in front of pending EU directives, and it's a very stable jurisdiction especially given the present European debt issues. And finally, the BNP Paribas "rent-a-compartment" solution offers managers to participate in the UCITS market at a reduced cost.

Ireland Overview

- Market distinction and characteristics. While Luxembourg is very successful as a UCITS location, so is Ireland, but its reputation is largely as the location of choice for servicing alternative asset funds. Many clients in fact have both Luxembourg and Irish domiciles for their funds. Many of the largest European money market funds are domiciled in Ireland. On the regulatory front, Ireland is AIFM-ready and the depository banks are gearing up for their new responsibilities under UCITS V directive, when it becomes effective next year.
- The scope of the Irish funds administration industry:
  - ✔ Centered in the Dublin area, around 20,000 people service more than 12,000 funds, representing EUR 2.2 trillion in assets (up 20% year-over-year) under

administration at local depository and custodial institutions, accounting and law firms.

  - ✔ There are about 5,000 Irish-domiciled funds and 7,000 non-Irish (mostly Cayman Islands) domiciled funds serviced in the country.
  - ✔ Ireland recorded the largest net inflows of assets (EUR 62 billion) in Europe in 2011. Assets in Qualifying Investment Funds (QIFs or non-UCITS funds), vehicles for alternative assets are at an all-time high of Euro 254 billion, representing 2,000 funds.
  - ✔ There are nearly 900 fund promoters active in Ireland representing over 50 countries, predominantly US, UK, German, Irish and Italian entities with a fair amount of representation and growing interest from Asia and Latin America.
- Types of Irish investment funds. 80% of all Irish funds are UCITS funds, primarily aimed at retail investors and distributed globally. On a composite base, Irish-domiciled funds by asset class include 25% allocations each to fixed income, equities and money markets, with the remainder in alternatives, balanced and other strategies, including derivatives.
- Ireland is the world's leading center for the administration of alternative funds, specifically hedge funds and fund of hedge funds because of the local expertise and infrastructure residing in the country. Today, more than 40% of global hedge fund assets are serviced in Ireland, and more than 60% of European hedge funds are domiciled in Ireland.
- The legal and regulatory environment. The Central Bank of Ireland needs to approve the fund prior to launch as well as its fund promoter, investment manager, custodian and administrator. Two Irish resident fund directors are also required. Further, the Irish fund industry is working progressively with international colleagues to ensure preparedness for the Foreign Account Tax Compliance Act (FACTA) which takes effect in 2013. FACTA is a US law which mandates non-US financial institutions to identify their US account holders as well as entities under US control, and provide the IRS with information on their fund assets, income payments and trade flows.
- Timeline for establishing an Irish investment fund. A UCITS fund requires about 10 weeks to prepare fund documents and through final approval by the Central Bank. A non-UCITS fund or a QIF takes about 4 weeks to gain approval.
- Taxation rates are quite favorable. The corporate tax is 12.5% the lowest rate in the EU. Funds are exempt from VAT and there are no subscription, fund or transfer taxes. Further, Ireland is in full compliance with international tax standards and has an extensive tax treaty network with over 60 countries, including all major EU, Asian, Middle East and OECD jurisdictions. The country continuously negotiates new tax treaties to maintain its competitiveness.

Cayman Islands Overview

- Market distinction and characteristics. The funds registered in the Cayman Islands are geared more toward a private placement regime. It is generally considered not a center for retail funds, but rather institutional investors, sophisticated investors and high-net worth individuals.
  - ✔ The jurisdiction is well established for its numerous regulatory, tax and legal advantages for managers and their investors. Notably, fund structure regulations permit managers to maintain a wide scope for their investment policies and strategies.
  - ✔ The country's regulators are very proactive with US and European regulators for compliance purposes to ensure the jurisdiction's advantages and viability long into the future.
  - ✔ The decision of choosing a particular offshore jurisdiction for a manager is not necessarily binary. To maximize global distribution, managers frequently decide to launch both Cayman Islands and Irish or Luxembourg domicile products.
- Market size. There are approximately 10,500 registered funds, representing nearly USD 2 trillion in net asset value. Nearly 70% of all hedge funds have a Cayman Islands registration.
- Benefits of Cayman Islands fund structures. The fund regulator, Cayman Island Monetary Authority (CIMA) is a very responsive, resilient and proactive body which has decades of experience through the many market and product cycles.
  - ✔ CIMA works with asset managers on developing structures such as the Segregated Portfolio Company (SPC) which allow multiple portfolios within one structure with no "anticipated" cross-liability between portfolios. (This being said, it should be noted that the cross-liability aspect has yet to be well tested.)
  - ✔ CIMA consults with many other countries to maintain strong international fund structure standards and best practices. The Organization for Economic Cooperation and Development (OECD) has placed the Cayman Islands on its "white list" of jurisdictions in terms of taxation transparency.
  - ✔ CIMA maintains very strong legal foundations and practices with respect to anti-money laundering (AML) and know-your-customer (KYC) regulations and best practices.
  - ✔ Similar to Ireland and Luxembourg, Cayman Islands has a modern and professional funds service industry infrastructure, including tax and audit consultants, attorneys, and custodial and depository banks. Many of these Cayman Island firms have satellite offices in Brazil to acquaint the local fund industry with their operations and capabilities.

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- Taxation. As a "tax neutral" jurisdiction, Cayman Islands does not add a layer of taxation locally. There are no direct personal, corporate or property taxes. There is no taxation on management companies, investor dividends or distributions. Investors do owe taxes in their own home jurisdictions however. The country has cooperation and tax transparency initiatives with approximately 30 countries at this time.
- Legal system. Local law derives from a British common law foundation based on well tested precedent and high fiduciary standards. For example, highly regulated US pension funds are quite comfortable in Cayman Island investment vehicles. Globally, investor perception of Cayman Islands legal regime is quite high. Fund structures can be typically established in one-half the time required in the European offshore jurisdictions.
- Pending global regulations. With AIFMD regulations to become the new standards in EU disclosure and transparency in the years ahead, Cayman Islands funds may become challenging to distribute in Europe. But with respect to US regulations such as Dodd-Frank and FACTA, Cayman Islands is actively coordinating its compliance, or is already compliant.

LOCAL MANAGERS DISCUSS HOW THEY USE OFFSHORE FUND STRUCTURES TO MARKET THEIR BRAZIL/LATIN AMERICA FUNDS GLOBALLY

With the key offshore markets characteristics provided, the symposium agenda turned to a panel of local fund managers to comment and discuss their personal and practical experiences and learnings in launching offshore funds.

The panel consisted of the following investment managers:

Pablo Anabitarte, Head of **Fidelity, Brazil** (FIL Investimentos Brazil Ltda), São Paulo. Fidelity Worldwide Investment is one of the world's largest providers of financial services, with managed assets of USD 280 billion.

Ricardo Carlos Kaufmann, Executive Director, **BTG Pactual** Asset Management, São Paulo. The firm is the largest asset manager in Brazil (excluding retail banks) with more than R$120 billion in assets under management and/or asset under administration.

Oscar Decotelli, Managing Partner and CEO, **DXA Investments**, an alternative investments company, based in Rio de Janeiro which specializes in emerging markets.

The discussion was led and moderated by Antonio Nascimento, Head of Sales & Relationship Management, BNP Paribas Securities Services, São Paulo.

The following is a condensed summary of the questions presented by Antonio Nascimento and the managers' responses.

Q: How can the Brazilian investor position themselves now in relation to market opportunities abroad?

A: There are certainly good opportunities abroad for a Brazilian investor. International equity markets offer interesting opportunities both from a diversification perspective as well as a return profile. In fact, they have outperformed the IBOVESPA index in the last 2 years with some sectors like health care and technology that are better represented in international benchmarks. With regards to international fixed income, there are also interesting opportunities with returns well above YTD CDI returns, although with more volatility and currency risks. We think that the Multimercado Funds can be the right vehicle to explore these opportunities by investing 20% of the portfolio abroad in order to build an attractive risk-return portfolio. **(Pablo Anabitarte, Fidelity Brazil)**

Q: Some of the Brazilian bank's asset managers seem to be in a more advanced stage of moving to global distribution for offshore funds. What's your opinion on how the banks will be successful in the push toward global distribution of offshore funds investing in Brazilian products?

A: The learning is that you have to understand your target investor, and does it match the profile and objectives of the fund? And then you have to assess which jurisdictional registration will best suit that product? If the product is not meant to be liquid, you'll need to use a Cayman Islands domicile to attract the institutional investor. If the product is meant to be liquid, retail-oriented or directed to the private bank customer, a UCITS solution in Luxembourg or Ireland may be appropriate. Either jurisdiction may be appropriate for registration, depending on how one differentiates and positions the product for particular investor types. You have to know your product and be faithful to its purpose to achieve the proper global distribution. (Ricardo Carlos Kaufmann, BTG Pactual Asset Management)

Q: Representing the smaller-size asset manager, what's your view on the keys to successfully distribute your funds globally?

A: My opinion is that the big game changer has to be in front of investors. Most of the

smaller asset managers believe that they should be of a certain size to travel to visit potential investors. But from my experience, I can assure you that there are investors interested in all sizes. Yes, there are investors that must have big managers, but there are hundreds of investors that prefer to invest in small managers. That's because these investors want to have closer relationships with the senior officers at the asset manager. (Oscar Decotelli, DXA Investments)

Q: While UCITS is a term that most Brazilian funds managers have heard of, their relative experience with global funds distribution is very limited, probably because of historical regulatory restrictions against global distribution. As Fidelity is a dominant global manager with wide offerings of Luxembourg domiciled UCITS funds and in other offshore centers, how do you see the adoption of UCITS funds going forward in the Brazil funds industry?

A: We still have a lot of work to do to promote and make the UCITS brand well known to the local Brazilian investor base. In that regard, ALFI, the Luxembourg Fund Industry Association was here in Brazil some weeks ago for a promotional mission. Fund managers here are becoming more aware that the UCITS structure is a very straightforward vehicle, and well known for its liquidity. I think awareness is growing that the UCITS structure provides a very high level of investor comfort. Events from the ALFI and BNP Paribas Securities Services contribute very positively in getting out the message regarding UCITS' mainstream qualities.

In Fidelity's case, we use a Dublin UCITS structure for money market funds and a Luxembourg UCITS structure with a broad range of more than 100 products covering fixed income, equity and balanced products. It has more than 22 year's history, and total assets under management are more than USD 86 billion. The Luxembourg funds have been very successful for us thanks to the European passport that enables efficient distribution in Europe. We are also using this Luxembourg SICAV for distribution throughout Asia and Latin America. (Pablo Anabitarte, Fidelity Brazil)

Q: In your opinion, what are the challenges on launching a UCITS fund with Brazilian products knowing that the equity products are not performing well, and fixed income products have lower returns?

A: Having the fund made available to foreign investors is positive from any point of view no matter what the recent fund performance has been. It's more important to have the facility in place to raise assets because at any time the fund's strategy can become in favor. You learn so much about the international investor from establishing an offshore distribution network. Just having this capacity to draw on the funding source is quite valuable. Establishing the rent-a-compartment facility as Georg Lasch discussed, seems to me a cost-effective way to enter global distribution.

Having the structure available doesn't mean you immediately have to fund it. It just means you're prepared for the international investor opportunity when the timing is right. The important thing is to have the product available out there, and to start knocking on doors to get wider recognition among potential investors and consultants. You never now where the first international order will come from, but knowing the market and types of investors in advance gives you a head start. In one of my meetings in a Nordic country, it took only 30 minutes to get a commitment, because the investor was looking for a Brazilian equities manager and my product was ready to go and that I could tell the fund's story so well. You may ask why BTG is here selling BNP, but all this marketing of Brazil funds, and the marketing of Brazil and Latin America in general, is better for all of us. (Ricardo Carlos Kaufmann, BTG Pactual Asset Management)

Q: What's your view on the necessity for opening a UCITS product or any offshore structure?

A: In my view, any credible fund manager needs to have the international fund distribution network available ---- I think of it as a good investment in my business. If you don't have a facility, you are potentially missing out on an opportunity. So why not create the product anyway, even if it sits unfunded for a year or more? Investors will be more interested if the fund has been open more than a year anyway. It's a common due diligence question for an international investor, like checking off a box on a form. I had a personal experience where we opened an offshore institutional fund of USD 5 million. We did not have any client money in it at initiation. But we thought the fund had potential and as performance grew, we had the facility in place to capture investment at the right time. Today, this fund is one of the largest funds in the business. Getting the facility is rather simple, and using a rent-a-compartment product you can cheaply create the structure to fund it, perhaps up to a year later, when you know the potential investor pool and the fund's performance has a track record. I think fund managers should start talking with banks and consultants that provide comprehensive fund administration services, like BNP who explain the best structures and provide networking for you with other market participants. (Oscar Decotelli, DXA Investments)

Q: In Brazil, we have seen the rapid development of alternatives fund management industry focused on private equity industry and real estate. Given that such assets are not very well known, how would you assess the local and international demand for these funds?

A: These innovations present a lot of alpha potential for investors and that's underlying

the demand. However, these strategies are not without risk, and investors, while optimistic, are still cautious because we are still in the post-crash environment. Speaking specifically of foreign investors, we realize that our small size is our differentiator. Today, many foreign investors still have only one manager in Brazil, but they are open to subsequent mandates because they are still assembling the portfolio investments over the next 4 to 5 years. For our firm, our pitch to international investors stresses the advantages of our small size and our actionable market knowledge. The current interest rate environment is beneficial for us --- we realize investors are more open to alternatives as traditional fixed income allocations and returns have fallen. Oscar Decotelli, DXA Investments)

A: In our meetings with foreign investors for our private equity funds, the feedback we hear is investors value local players and want the best local Brazilian managers as their allocations to Brazilian managers is very limited. To illustrate the demand for private equity, back in 2005 we launched a fund focused on local infrastructure --- it was 100% subscribed by local investors. Now, with another tranche of this fund being offered, which should close in the first quarter of 2013, 95% of investors will be offshore. This clearly shows the foreign investor appetite for Brazil-themed private equity. (Ricardo Carlos Kaufmann, BTG Pactual Asset Management)

HIGHLIGHTS AND CLOSING REMARKS

Nelson Fernandes, Head of **BNP Paribas Securities Services Brazil**, (São Paulo) concluded the symposium with a few points for clients to bear in mind about the opportunities inherent with offshore fund registration.

- Global investors located throughout the Americas, Europe and Asia-Pacific are keen to access unique growth opportunities offered by Brazilian managers who have expertise on Latin America and specifically Brazilian securities and private equity.
- Offshore fund structures allow Brazilian managers with investor diversification potential.
- Brazilian fund managers can take advantage of the offshore fund centers to grow their assets under management and profitably grow their business. It is worth the attempt to test the offshore waters. Fidelity's head in Brazil started with his first UCITS funds with Luxembourg registration in 1990, and today this asset class represents EUR 88 billion in AUM.
- The 8,000 people of BNP Paribas Securities Services located worldwide are dedicated to your success. We have the global footprint and expertise to ensure the success of your global strategies. We consult with our clients on their asset management objectives, advise on the most advantageous markets to register and market their funds, and execute and administer your offshore programs.

BNP PARIBAS SECURITIES SERVICES BRAZIL VALUE-ADD FOR ASSET MANAGERS

- As a global bank with extensive product and geographic expertise, BNP Paribas has a range of securities custody and fund administration services to help its Latin American clients successfully organize and manage their offshore fund management operations for their UCITS and alternative investment assets. Globally, the bank's securities services staff numbers 8,000 employees with a presence in 34 countries, covering 100 markets. Assets under custody total more than USD 6 trillion.

- BNP Paribas is engaged on all current and pending UCITS and non-UCITS and country-specific fund regulations and market trends in all key offshore fund domicile markets and in all global markets for fund distribution. The bank's long presence in the EU UCITS fund centers of Luxembourg and Dublin, and in the Cayman Islands, positions it with strong expertise on the product, distribution strategies and the regulatory environment.

- For the launch of new funds, BNP Paribas has proven expertise in providing clients with required performance measurement and risk reporting, including attribution, back-testing, and stress testing. We continuously monitor and report to clients on regulatory and compliance developments and market trends that can positively impact their fund management strategies.

- We encourage asset management clients to express their views and expectations on their UCITS, alternatives and private fund management endeavors in the key offshore jurisdictions. BNP Paribas can advise and implement market-specific solutions and systems that are fully regulatory compliant and provide cost-efficiency and growth potential for the asset manager, and best-in-class service levels for their investors. If you have further questions on any UCITS, non-UCITS or alternative investment fund matters, please do not hesitate to contact the following people:

BNP PARIBAS SECURITIES SERVICES
Contacts:

Nelson Fernandes
Head of BNP Paribas Securities Services Brasil
Phone: + 55 11 3841-3604
E-mail: nelson.fernandes@br.bnpparibas.com

Antonio Nascimento
Head of Sales & Relationship Manager
Phone: + 55 11 3841-3055
E-mail: antonio.e.nascimento@br.bnpparibas.com

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