

Key Facts Fund Services

Since their introduction in 2003, SMART funds have become popular with high net worth families, family offices and emerging managers as a flexible and low-cost way in which to establish a regulated investment fund. SMART funds are used for a variety of purposes, including succession and wealth planning, targeting specific niche investment opportunities and as an incubator for new strategies and managers.

SMART Funds

The Bahamas Specific Mandate Alternative Regulatory Test ("SMART") Funds concept recognises that many funds do not fit a predefined classification of retail or professional third party funds. The SMART funds legislation permits the Bahamas Securities Commission to approve templates for alternative fund structures.

Features of SMART Funds

- There is no requirement for a formal offering memorandum.
- SMART Funds may be licensed by the Investment Fund Administrator under the authority of the Securities Commission which allows for a short set up and licensing period.
- The fund can waive the requirement for annual audited financials with the prior approval of all investors.
- Funds can upgrade their licenses to either Professional or Standard Funds at the election of their promoters.

One of the unique aspects of the SMART Fund is that the legislation does not prescribe the requirements for licensing. As such, promoters can present the Securities Commission with an innovative concept for which the Commission will in turn design a specific type of investment fund license.

SMART Fund Templates

To date seven SMART Fund templates have received Securities Commission approval:

Discretionary Managed Client Fund (SMART Fund 001): This template provides an investment vehicle for client funds managed under a discretionary management service. It includes the use of term sheets and waiving of the audit requirement, where investors execute a discretionary mandate of a recognised financial institution and the fund is established for administrative rather than asset gathering purposes. In a Discretionary Investment Management Fund, the investor benefits from a lower expense ratio due to lower costs for structuring and the elimination of annual management and audit fees relating purely to the fund structure.

Incubator Fund (SFM 002): This template provides for an incubator structure to generate performance history prior to upgrading to a third party fund. Investment managers can utilise an Incubator Fund to receive seed capital from a limited number of institutional investors on the basis of a term sheet and an investor approved waiver of a statutory audit.

Transitional Exempt Fund (SFM 003): This template permits funds previously exempt due to the existence of no more than 15 investors

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with the power to remove the promoter so that the fund is brought within the full regulatory scope of the Commission.

Private Client Fund (SFM 004): This template offers a licensed holding vehicle for a small group of persons, such as under a Family Office structure. It is envisaged that the Private Client Fund will not have the same risk profile as a third party fund. There is no statutory audit requirement.

Private Client Fund II (SFM 005): This template allows for a Fund with a maximum of five investors each holding equity interests and operating as a private investment structure for either individuals or families. Each investor in this fund must be a person to whom a Professional Fund could be offered.

Private Client Fund III (SFM 006): This template is a special purpose vehicle designed to hold the illiquid or "hard-to-value" assets of another Bahamian investment fund and offers a significantly lighter administrative and cost-effective environment for the assets whilst respecting the ownership rights of the investors and creditors (if any) of the original fund.

Super Qualified Investor Fund (SFM 007): This template is designed for 'super qualified investors', to better accommodate professional asset managers, institutional investors and ultra high net worth individuals. The fund can accommodate up to 50 investors, approached on a private placement basis and who must make an initial minimum investment of US\$500,000.

Services

Trident can offer a wide range of services for SMART Funds inclusive of the following:

- The establishment of the underlying International Business Company and provision of Registered Office and Agent services
- Assistance in preparation of Term Sheet through local counsel
- Licensing of the fund and providing fund administration services
- Preparation of NAVs
- Preparing periodic Shareholder statements

Fees

Please contact us to learn more about our competitive fixed fee packages for standard SMART fund services.

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