

Isle of Man private funds.

Abacus Financial Services Limited

INDEPENDENCE • INTEGRITY • INSIGHT



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Private funds.

1.

For high-net-worth individuals, families, and family offices, a private fund offers an alternative to companies, trusts, and foundations as a tool for effective wealth management.

They are well-established, flexible, and cost-effective, particularly popular for holding investments, property, and luxury assets.

The vehicle for a private fund in the Isle of Man is an exempt scheme. It is an attractive option for small groups of connected parties and has become known as a 'Friends & Family' arrangement.

Designed for small groups of connected investors, it offers flexibility, confidentiality, and broad investment options without the regulatory burdens of a fully regulated fund.

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2.

Key features:

The Isle of Man is a well-established, stable environment for funds and a jurisdiction that offers the confidence and credibility global investors demand.

- **Private arrangement:**
Not marketed to the public and available only to a select group of investors.
- **Limited investors:**
Maximum of 49 participants, ensuring exclusivity.
- **No minimum subscription:**
There is no prescribed initial regulatory minimum investment required.
- **Flexible legal structures:**
Can be structured as a Unit Trust, Open-Ended Investment Company, or Limited Partnership.
- **Minimal regulatory oversight:**
Exempt schemes are subject to only limited regulation with no requirement for pre-approval by the regulator, mandatory audits, or strict reporting standards.
- **Regulatory licensing:**
Isle of Man functionaries providing services, including administrators and custodians, licensed by the Isle of Man Financial Services Authority (FSA).

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3.

Typical asset classes:

An exempt scheme is not subject to rigid controls on asset classes or investment limits, enabling investors to tailor their portfolios. Common asset classes include:

- **Real estate and commercial property:**
Residential developments, commercial properties, and large-scale infrastructure projects.
- **Art and collectibles:**
Valuable artworks, antiques, and rare collectibles.
- **Luxury assets:**
Yachts, private jets, and other high-value personal assets.
- **Traditional and alternative investments:**
Equities, bonds, hedge funds, commodities, and exchange traded funds.
- **Private equity and venture capital:**
Early-stage investments, private company acquisitions, and strategic holdings.
- **Infrastructure:**
Transportation systems, utilities, and large-scale development projects.
- **Currencies (Forex):**
Foreign exchange investments and currency-based funds.
- **Intellectual Property (IP):**
Patents, trademarks, copyrights, and licensing arrangements.

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Advantages:

- **Quick and efficient establishment:**
With fewer regulatory hurdles, an exempt scheme can be launched rapidly by a licensed fund administrator.
- **Unrestricted investment scope:**
Unlike many regulated investment vehicles, an exempt scheme can invest in almost any asset class.
- **Estate planning and asset protection:**
Consolidating multiple asset types under a single fund enhances wealth preservation strategies.
- **Customised portfolio management:**
Investments can be tailored to suit investors risk appetite and financial goals.
- **Cost-effective structure:**
Lower compliance costs compared to regulated funds.
- **No requirement for offering documents:**
There is no obligation to produce a placement memorandum.
- **No set functionary requirements:**
There is no requirement for a custodian, although frequently one is utilised.
- **Enhanced confidentiality:**
The private nature of exempt schemes ensures high levels of discretion, appealing to HNWIs and family offices.
- **Tax efficiency:**
The Isle of Man offers a highly attractive tax regime, including:
 - 0% corporate tax
 - No capital gains tax
 - No inheritance tax
 - No withholding tax on dividends paid to non-residents.

Case study.

5.

Scenario:

A geographically dispersed, multi-generational high-net-worth family with a diverse asset portfolio sought a centralised structure to manage their wealth. Their holdings included a luxury yacht, a fleet of rare classic cars, shares in private and blue-chip companies, and real estate across multiple jurisdictions.

Solution:

The family established an Isle of Man exempt scheme to consolidate and efficiently manage these assets. The structure allowed different family members to participate proportionally while preserving wealth for future generations.

Outcome:

- **Efficient asset pooling:**
The exempt scheme enabled seamless management of diverse assets under one umbrella.
- **Confidentiality and security:**
The private nature of the scheme ensured discretion in ownership and transactions.
- **Estate planning advantages:**
Clear succession planning was implemented, ensuring a smooth transition of assets.
- **Custom investment strategies:**
The holdings within the scheme can be adjusted to meet the family's needs and to respond to market conditions and investment opportunities.

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Why Abacus?

6.

Abacus Financial Services Limited (AFSL) works in partnership with private client advisers to establish and manage bespoke structures for HNWIs, families, and entrepreneurs.

AFSL is the fund administration arm of the Abacus Trust Group, a well-respected independent provider of professional, fiduciary, and management services.

Originally part of Coopers & Lybrand, which later became PricewaterhouseCoopers, Abacus has a 40-year history of providing technical expertise and outstanding customer service – giving our clients the peace of mind they require.

AFSL was established in 1994 to complement the existing trust and corporate services provided to wealthy private clients. Both companies are licensed by the Isle of Man Financial Services Authority (FSA), presenting a fully integrated and seamless offer.

The experience and background of our key staff ensures we consistently deliver cost-effective, timely, and practical support to investors.

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Why the Isle of Man?

7.

The Isle of Man is a self-governing dependent territory of the British crown. Tynwald, the Island's 1,000-year-old parliament, makes its own laws and oversees all internal administration, fiscal and social policies.

The Manx legal system is closely based on English law, but has been developed to meet the Island's special circumstances, particularly with regard to taxation, company law and financial supervision.

The jurisdiction has worked hard on building its reputation as a well-regulated, innovative international finance centre with access to global markets.

The Isle of Man offers a tax neutral regime, with no tax at fund level and no withholding tax on shareholders.

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