

LumX to grow its AIF platform offering

Interview with Eric Bissonnier

LumX Asset Management has been at the forefront of developing innovative alternative investment solutions for more than 25 years. One of the central tenets of its business model is its structured funds platform and structuring business, LumMap, designed to give a highly tailored solution to fund managers and investors, with strong governance, risk controls and deep position-level transparency thanks to its affiliation with LumRisk, an independent subsidiary of the LumX Group.

Previously operated from Jersey, in June 2018 LumX established a platform offering in Ireland, structured as an ICAV master/feeder, giving global institutional investors access to regulated AIFs. All funds on the platform are AIFMD-compliant and can be freely distributed and marketed to investors in the EU.

The platform has been designed to meet high fiduciary standards of governance and is unique in the sense that it is fully integrated with LumRisk, a risk aggregation and reporting platform that offers investors daily, position-level transparency on their investments.

Eric Bissonnier is CIO of LumX Asset Management, and a member of the LumX Group's Executive Committee. He confirms that one manager is already on the platform, running a commodities trading strategy and discussions are at advanced stages with more managers.

"We have a long/short equity strategy which is in the pipeline, and we have a couple of less liquid strategies with a family office we are working on. We also have a fixed income arbitrage manager in the pipeline so it's quite a broad range of strategies. Even though the ICAV is flexible, these set-ups take a while," says Bissonnier.

LumMap gives fund managers who do not



Eric Bissonnier, CIO of LumX Asset Management

have an AIFMD license or who otherwise do not have the operational set-up the ability to structure and launch AIFs (which are established as sub-funds underneath each of the LumMap ICAV Master Fund and LumMap ICAV Feeder Fund) with full freedom to replicate an offshore strategy, in contrast to the UCITS regime where the guidelines are demonstrably more stringent.

"An AIF provides a lot of flexibility, which is important in a hedge fund investing context," says Bissonnier. "The closer it is to the offshore fund, the better. An AIF allows investors to meet their objectives within a regulated structure.

"Some institutions still require UCITS, of course, but increasingly there is an understanding of the limitations of UCITS. With an AIF, you have an onshore regulated fund that looks like a Cayman fund, to all intents and purposes, in terms of flexibility for a fund manager to replicate their strategy."

The LumX team has the expertise to model a broad range of securities in considerable detail, which is advantageous when the fund strategy is more complex or illiquid. The platform uses a range of independent service providers, meaning independent pricing and independent risk management can be offered, in doing so reducing two common areas of conflict that tend to arise between fund managers and investors in traditional offshore funds.

If the fund manager prefers, LumX can create a dedicated structure for them. Obviously, there are clear economies of scale and benefits to those fund managers who share the LumMap platform "but if the manager thinks they can cover the costs from growing AUM over time, we can and do, set up their own platform," says Bissonnier. "For us, the operational backbone



is just the same. If the fund manager opts for their own master/feeder fund, as opposed to sub-funds, the costs are not shared so there is more of a cost burden to consider.

“Whether they have their own structure or not, fund managers are unlikely to get the same flexibility from other larger managed account platforms. We approach this with an asset manager background and heritage, so we know exactly the sort of challenges fund managers face. In my view, that helps to differentiate us in the market.”

As it builds the platform manager universe over the coming years, LumX will look to favour smaller and emerging managers who have a trading pedigree but who, for example, might have less sophisticated operational capabilities; making it difficult for European institutional investors to allocate to them as a result.

Bissonnier is very clear in stating that every manager they partner with must have a clear AUM strategy.

“We are not a distributor in the formal sense. This is something fund managers appreciate because it means they have full

control of distribution and any fee-sharing arrangements when they join the LumMap platform. The platform is, I believe, more suited to managers that have potential investors lined up but simply lack the organisational structure. It pre-disposes that their strategies are of interest to allocators, either because they have demonstrated idiosyncratic returns or because the strategy is novel; or both,” he says.

In respect to LumRisk, there are two ways this helps fund managers and investors.

Firstly, LumRisk provides risk control checks on a daily basis to make sure portfolios remain within predetermined guidelines, and that any breaches of investment guidelines will be immediately flagged and acted upon.

“Secondly, it gives managers the ability to share transparency through LumRisk’s web-based portal. Investors look at the same T+1 information as the fund manager, so there is no inconsistency in reporting. It provides investors with additional comfort in having a detailed position-level granular view of their portfolio and allows for constructive dialogue between fund managers and investors.

“LumRisk is seamless in that sense because it is based on the same transparency as that used for the investment guidelines,” says Bissonnier.

LumRisk can be tailored to the fund manager’s desire for transparency, where it can be controlled at the exposure level or extend all the way down to the position level. As the tool is easy to use, it allows for a nice turnkey solution; once the AIF is up and running on the platform, risk reports can set up to be sent on a daily, weekly or monthly basis. “For smaller and emerging managers, that ability for information sharing is something they really value because of the quality of the tool and the level of integration with the portfolio data,” comments Bissonnier.

As investors move into more illiquid hedge fund strategies, having the right partner who can handle the complexity and provide robust risk oversight and transparency, is likely to grow evermore important. Factor in the regulated nature of AIFs, and LumX is hoping that fund managers and investors alike will turn to its platform solution and the myriad benefits it can provide. ■