



The Association of Real Estate Funds

AREF FUNDamentals

Training Series – Session 2

Introduction to Fund Regulation & Structures

8 July 2025

#AREFFUNDamentals

Proudly sponsored by:



This webinar will be recorded.

Thanks for joining.
This call will begin
shortly



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Welcome from our Sponsors
Ben Grainger & Chloe Morris
Aztec Group



NXTGEN

Private Markets' Future Leaders



AZTEC GROUP



About Aztec NxtGen

NxtGen is an Aztec Group initiative for young professionals within the private funds industry.

The aim of the group is to provide members with opportunities for networking, creating meaningful connections and supporting professional growth for the future leaders in our industry.

Aztec NxtGen journey so far

- May 2024 - Rooftop drinks – The Madisson
- In September 2024 - Breakfast Networking – The Happenstance
- December 2024 Breakfast networking - Duck & Waffle
- March 2025 – Networking drinks - Oche The Strand,
- March 2025 NxtGen panel event (Luxembourg)
- July 2025 – Rooftop drinks (London)
- September 2025 – Breakfast Networking with guest speaker (London)



Scan the QR code to join our Aztec NxtGen LinkedIn group today!



168+ members on LinkedIn



Initiative rolled out in our UK, Luxembourg, Jersey and Guernsey offices



5 successful events across the UK and Lux, hosting 126 attendees



Presenters



Will Lawrence
Partner, CMS



Paul Dennis-Jones
Fund Manager
Waypoint Asset Management

Agenda

09:15 Welcome and housekeeping

09:20 - AIFMD
- Open v closed ended funds
- Joint ventures and club deals
- Co-investments and segregated mandates
- Carry and co-investment

10:05 Q&A

10:15 Close

The FUNDaментals Series

- Session 1** Introduction to Funds Foundation – available to view on AREF website
- Session 2** Introduction to Fund Regulation & Structures (Q3 2025)
- Session 3** Introduction to Fund Taxation (Q4 2025)
- Session 4** Introduction to Fund Terms (Q1 2026)
- Session 5** Introduction to Fund Financials & Performance (Q2 2026)
- Session 6** Introduction to Fund Transactions (Q3 2026)



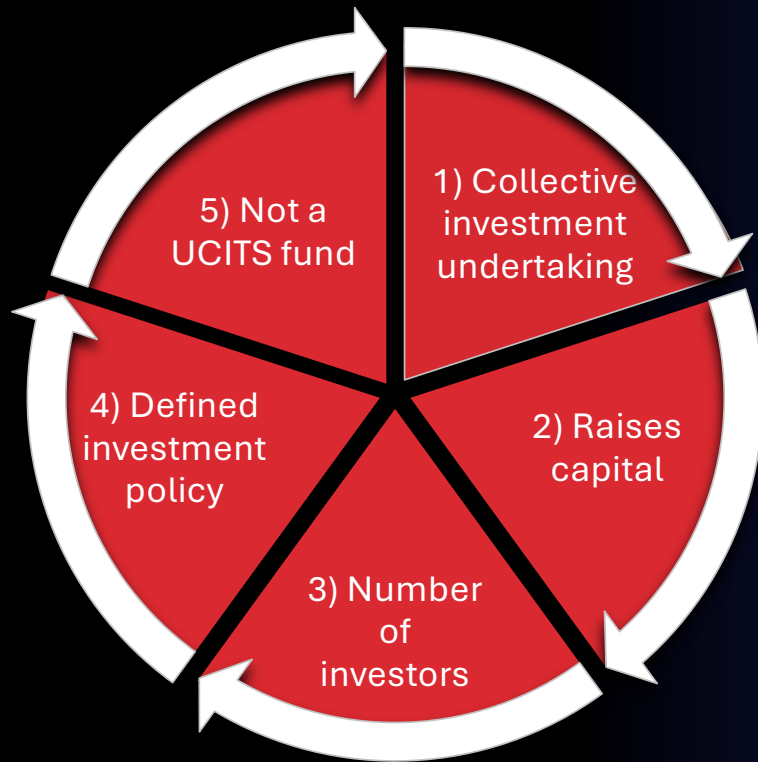
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AIFMD

AIFMD – what is it?

- Alternative Investment Fund Managers Directive - EU regime for unregulated funds (AIFs)
- Implemented into national law – e.g. UK AIFM Regulations / Lux AIFM Law.
- AIFM, not fund, is regulated – in UK by FCA / in Lux by CSSF
 - Responsible for risk and portfolio management
 - Delegation permitted subject to letter box entity rule

What is an AIF?

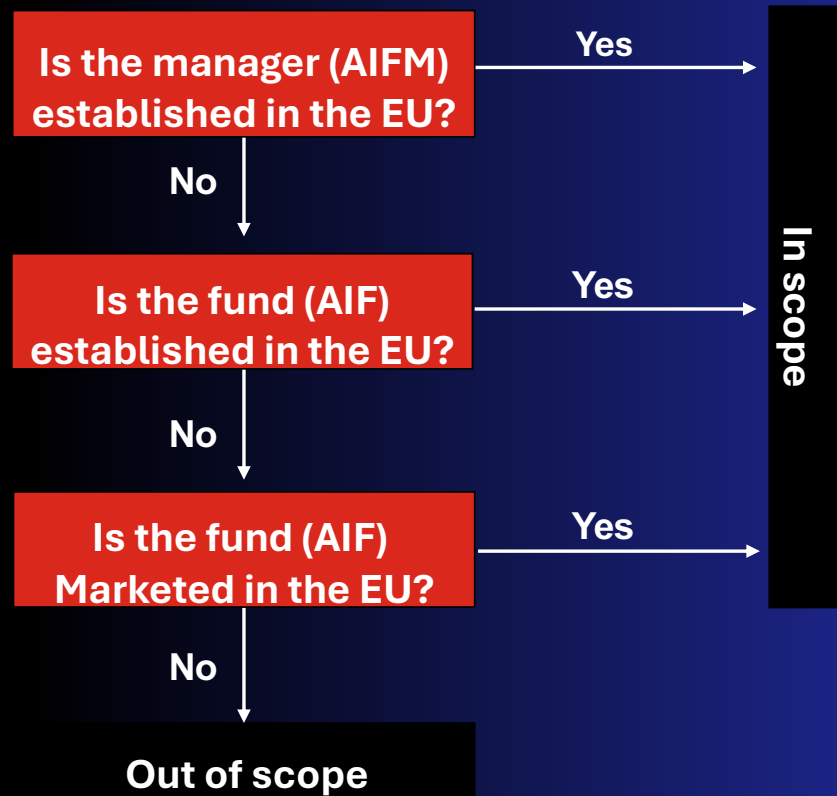


Alternative Investment Fund (“**AIF**”) means a collective investment undertaking that:

“raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors”

All of these elements need to be present.

What is caught by AIFMD?



So what?

If managing a AIF, fund managers will require:

- authorisation by the FCA/CSSF as a AIFM

Requirements relating to:

- depositaries
- risk management
- compensation/remuneration
- prudential capital
- transparency and reporting
- valuation
- disclosure
- restrictions on asset stripping



COST



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TIME



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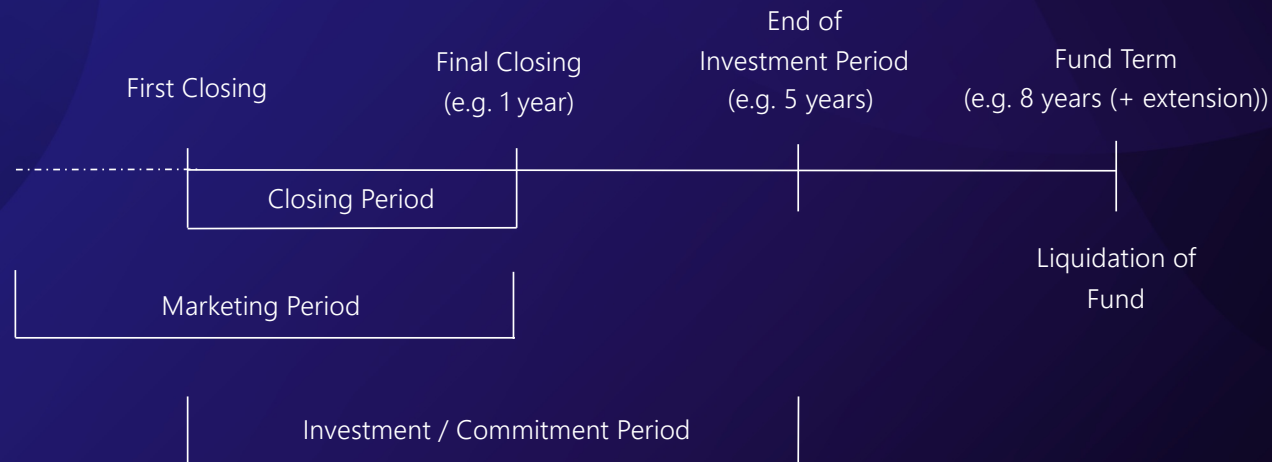
Open v closed ended funds

Open-ended funds

- Perpetual life
- Interests priced on NAV:
 - Pure NAV pricing
 - Bid offer spread
 - Capitalisation and amortisation
- Regular subscriptions / redemptions
- Recycling of capital
- Fees typically based on valuations (i.e. NAV / GAV)
- Liquidity management
- Promote / Carry

Closed-ended fund

- Finite life with limited subscription window- manage multiple closes
- Equalisation
- Investors have no right to withdraw – secondary market in fund interests- can create sub opportunity
- Issues around end of fund life / market cycles
- Promote / Carry
- Fund of “One” increasingly common

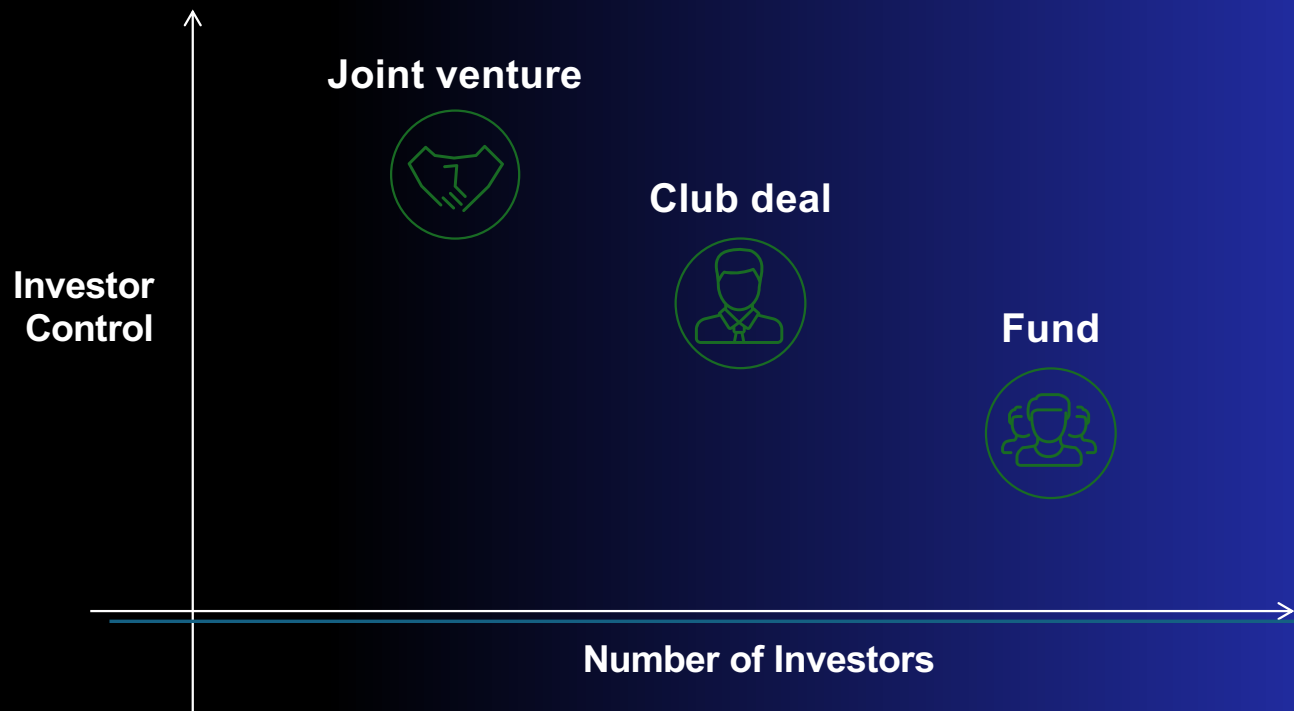




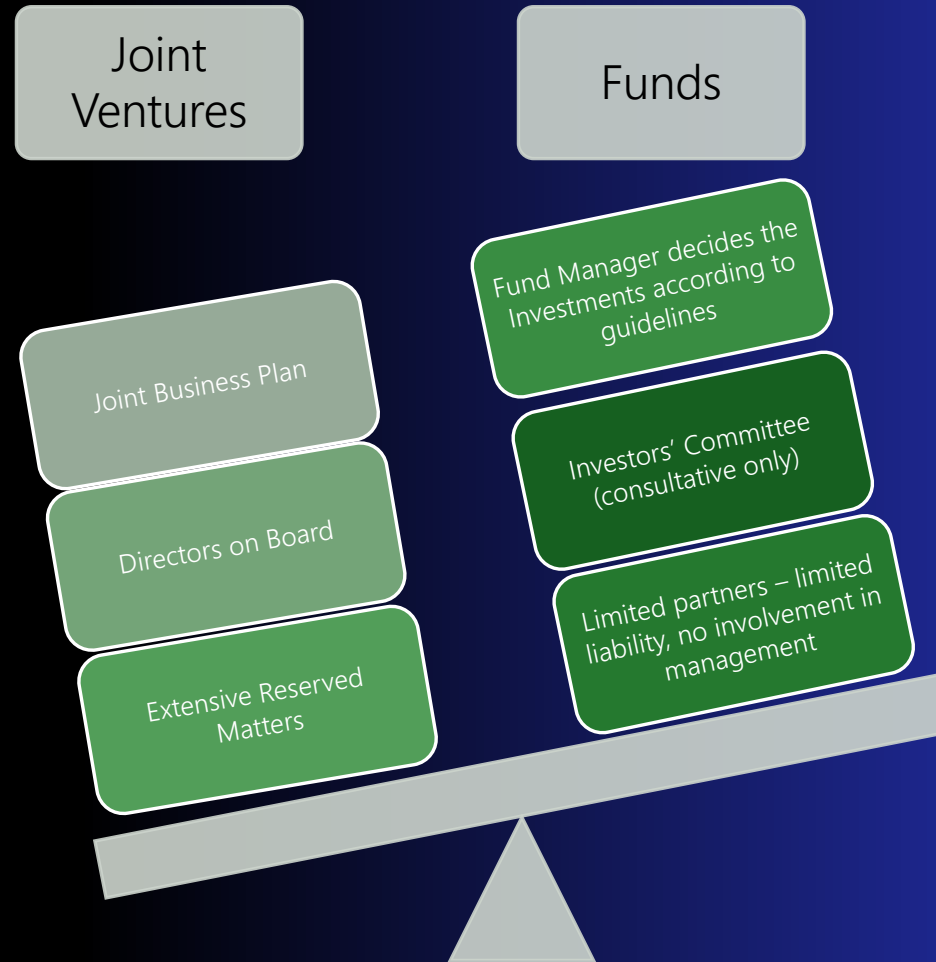
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Joint Ventures and Club Deals

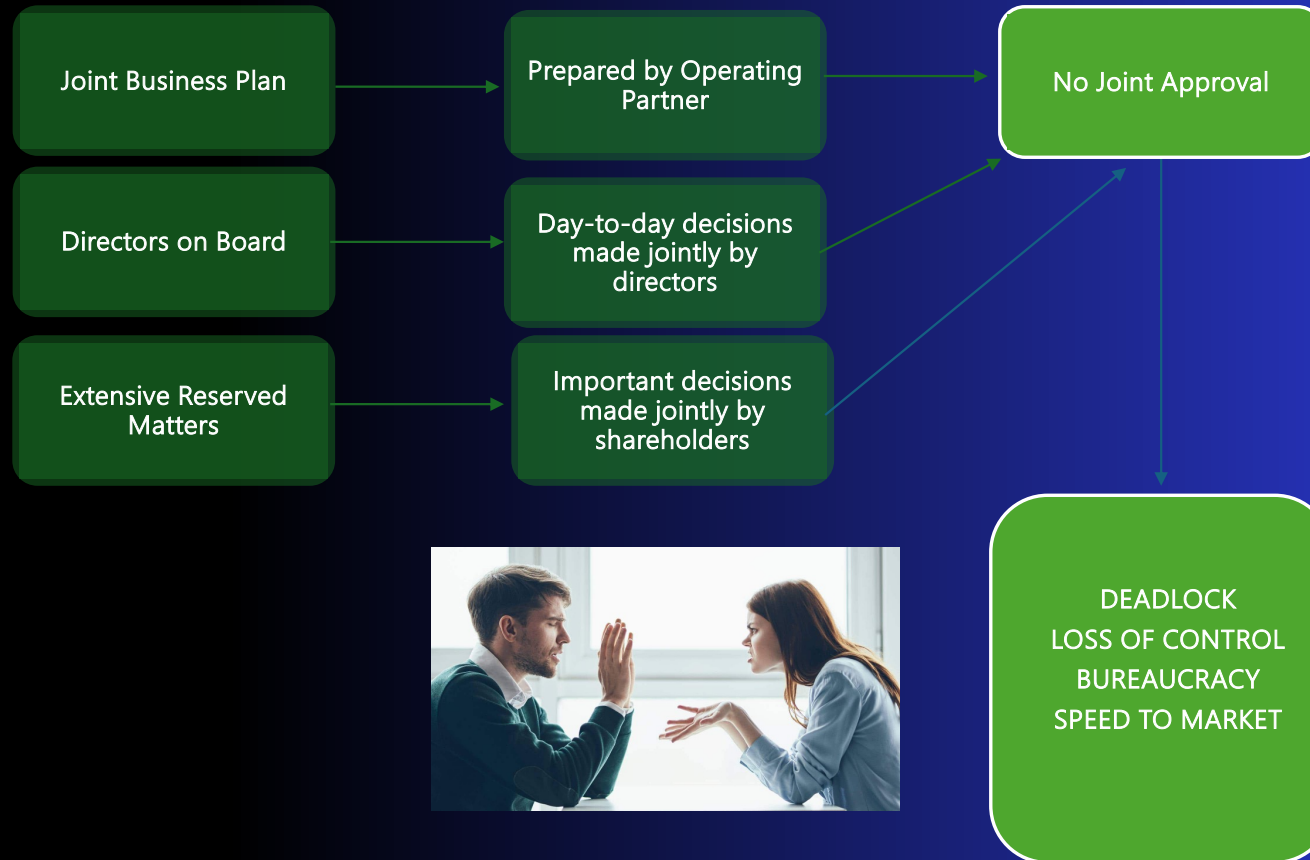
Governance – parties & control



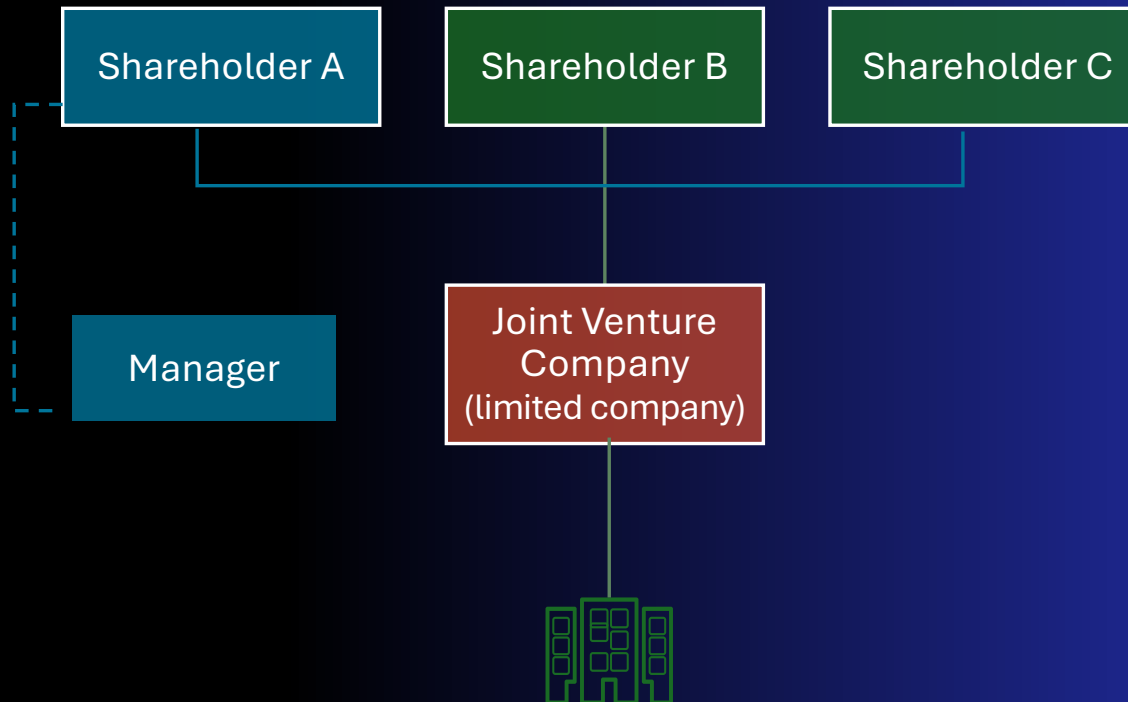
Governance – investor control



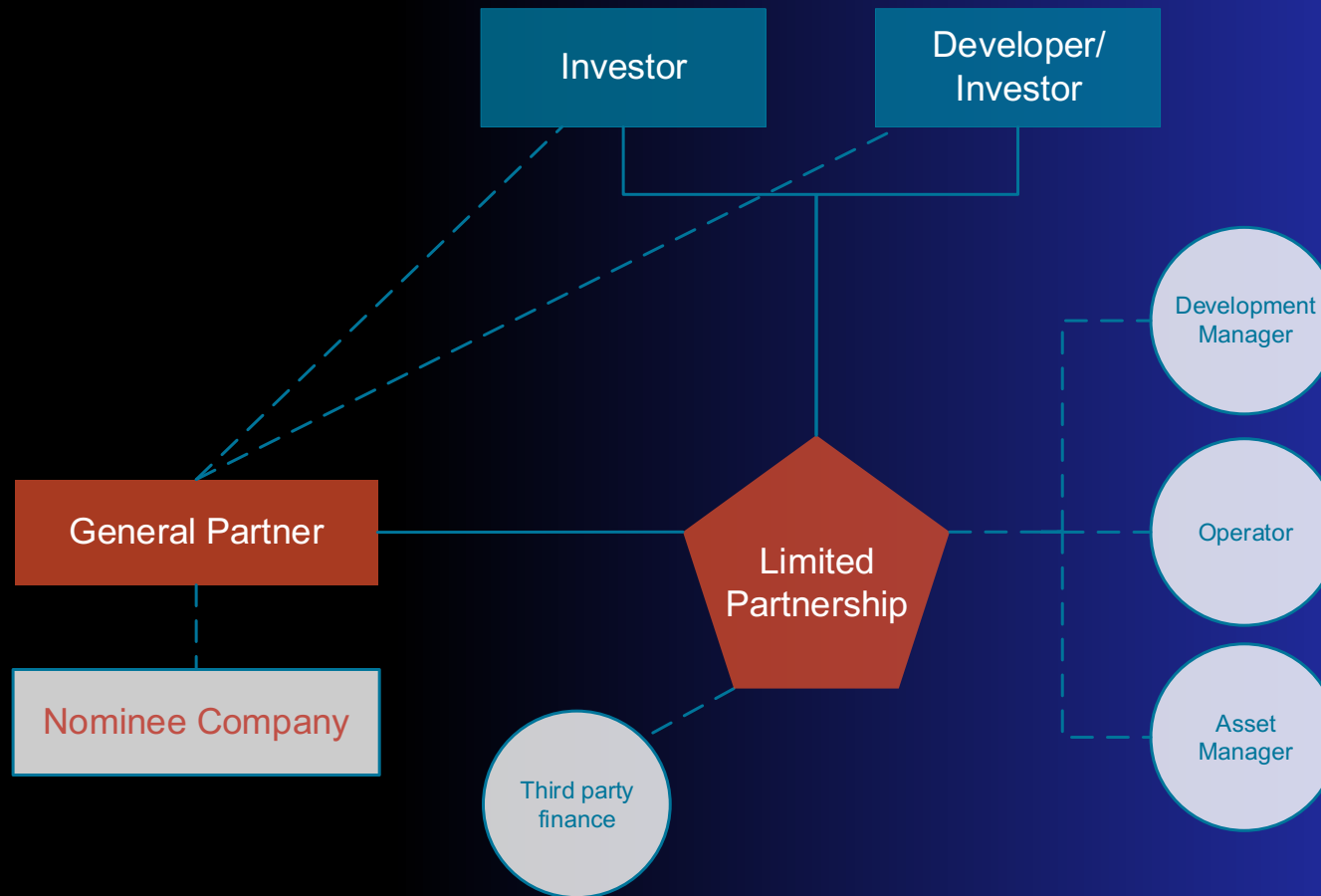
Governance – investor control



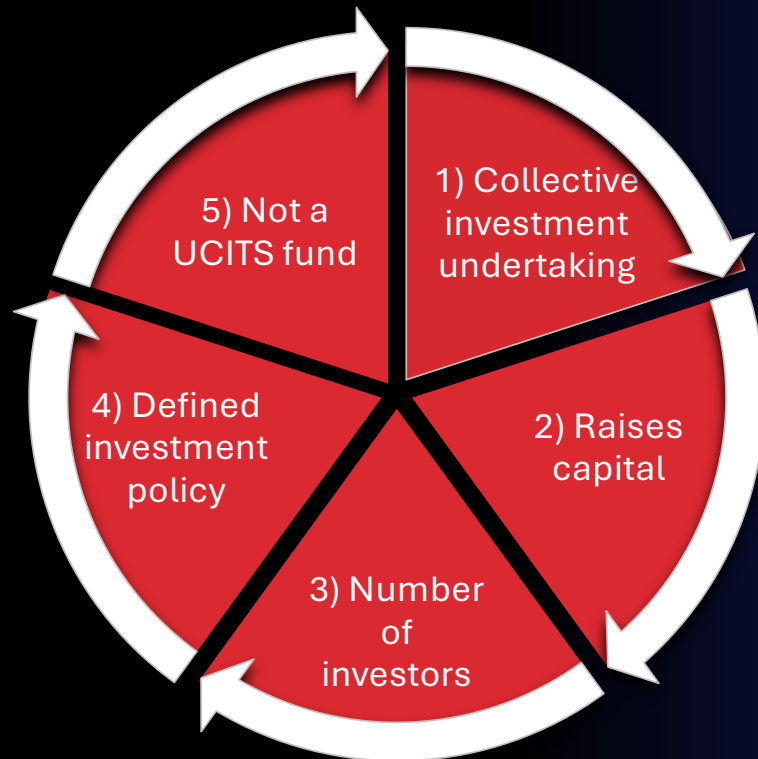
Typical Structures



Typical Structures



Regulatory status of JVs / Clubs



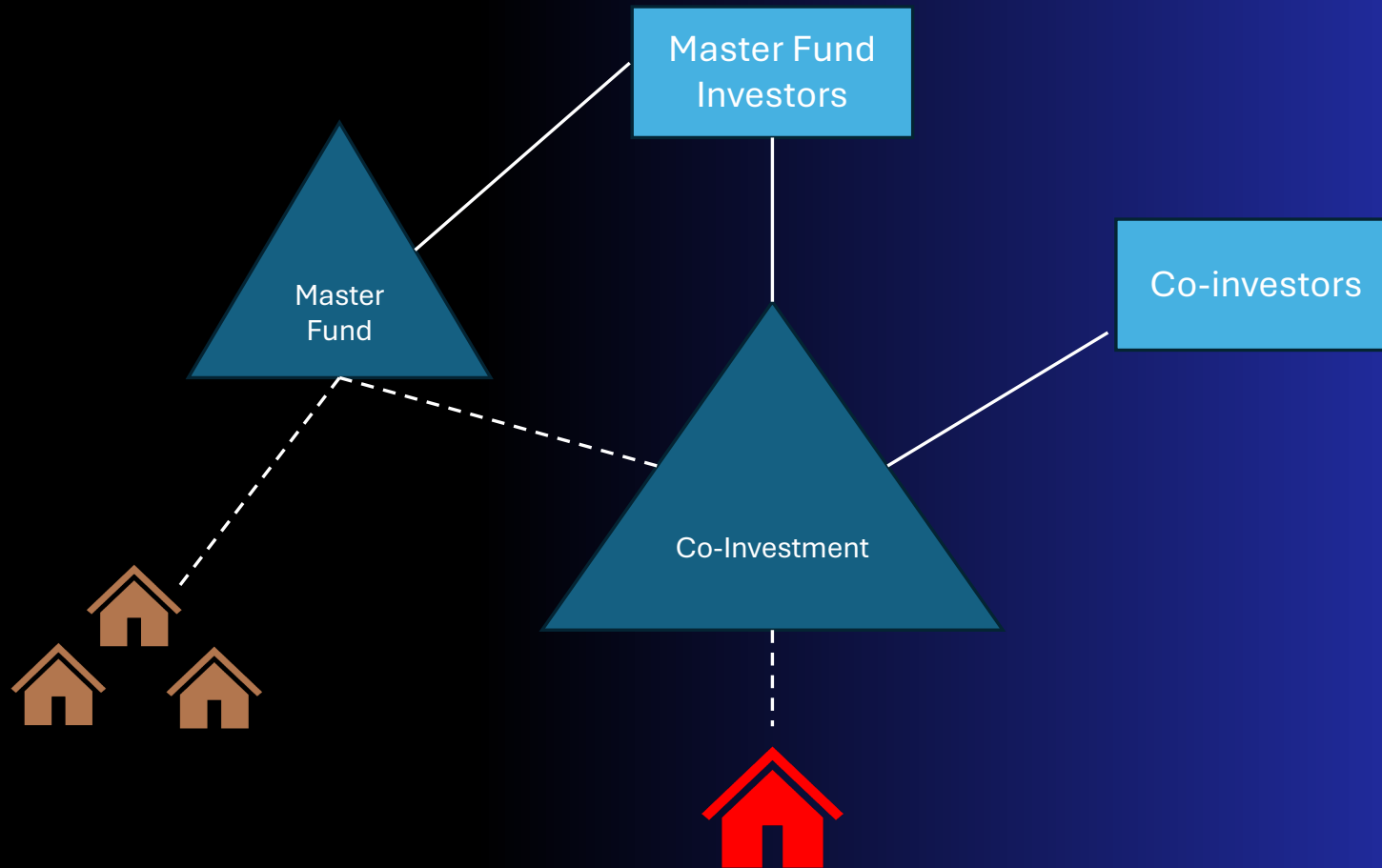
- Raising capital?
- Parties coming together in the proposed project before the structure of the venture is determined
- The parties both have day to day control
- Entered into for commercial purposes relating to existing business



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Co-Investments and Seg Mandates

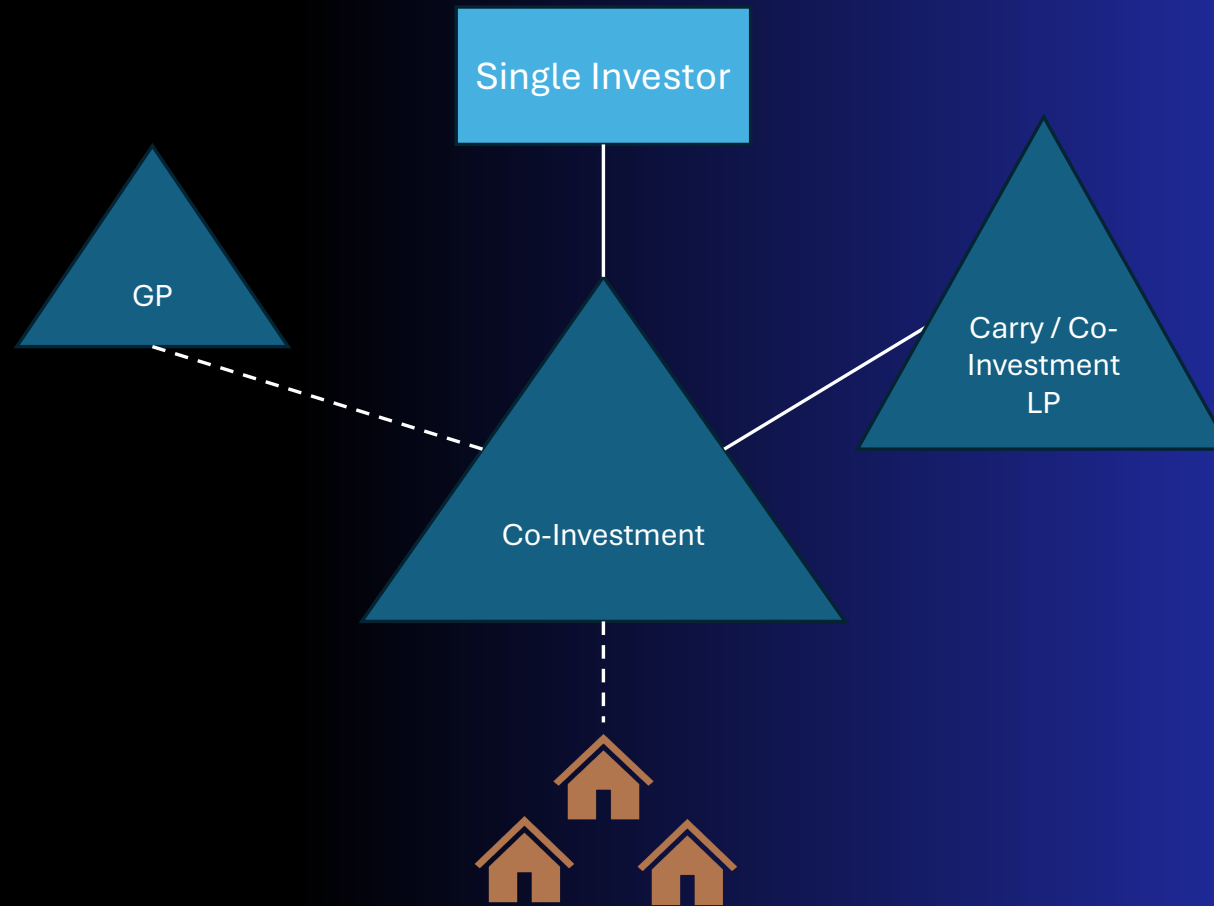
A typical Co-Investment Structure



Co-Investment – Key Considerations

- Allocation of the opportunity to LPs
- Marketing / reverse solicitation?
- Exclusivity / strategy overlap with existing products
- Interaction with Master fund:
 - Life / term
 - Investment limits of master fund
- Fees / carry

Seg Mandates



Seg Mandates – Key Considerations

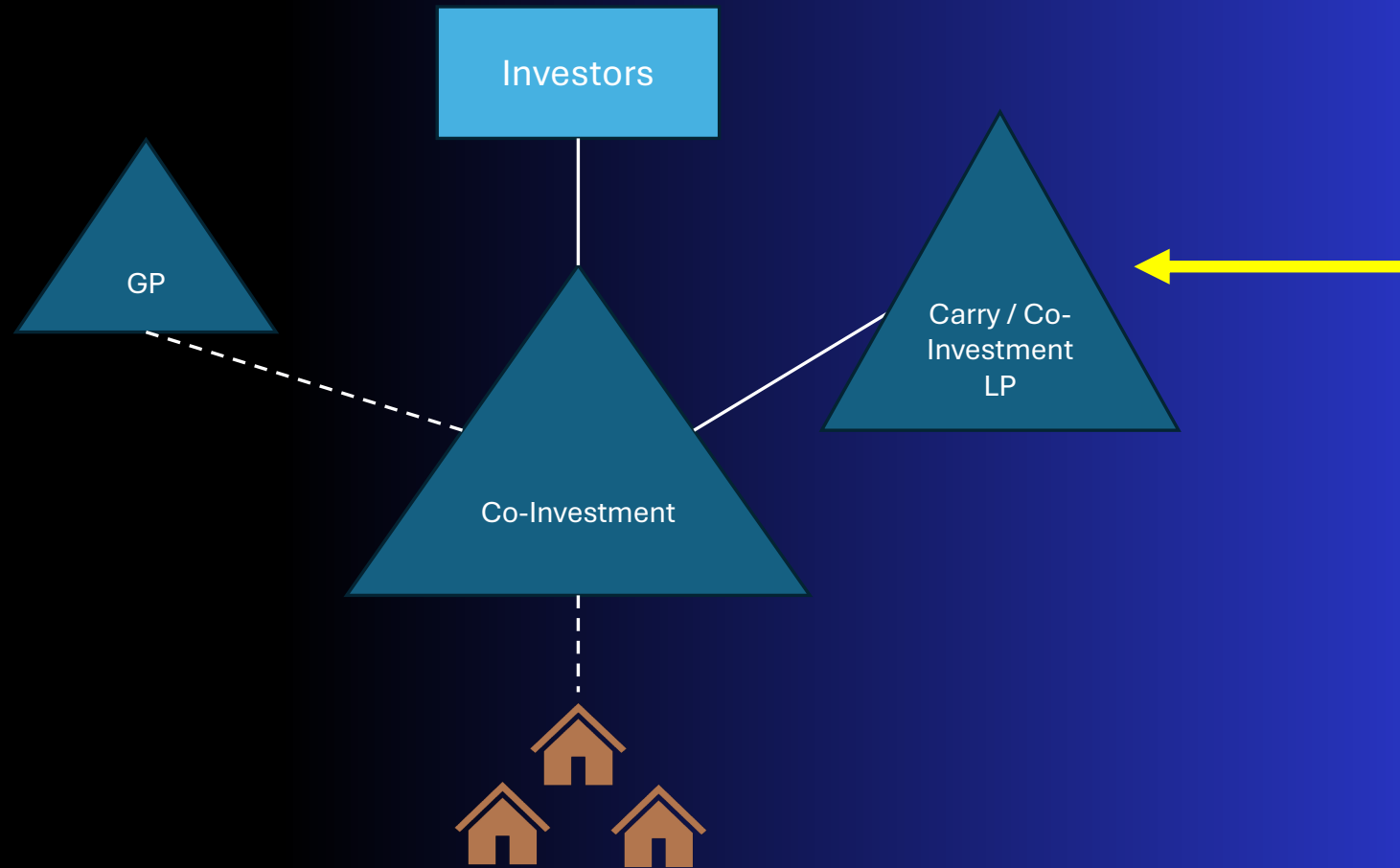
- Governance: level of investor control and manager discretion
- Exclusivity / strategy overlap with existing products
- AIF or not?
- Evergreen optionality – interaction with carry



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Carry and Co-Investment

Carry and Co-Invest



Carry – what is it?

Carried Interest

- A performance fee / share or super profits over a hurdle – e.g. 8% IRR
- “Carried Interest” generally refers to regimes which allow individuals a preferential tax regime in relation to profit share from a fund which they manage
- Varies by jurisdiction

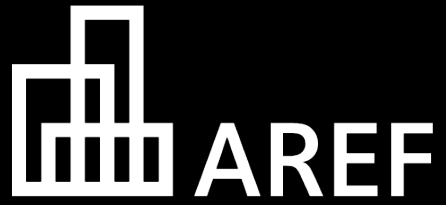
Co-Invest – what is it?

Co-Invest

- Not to be confused with LP Co-Invest
- Refers to the Manager / GP's "skin in the game"
- Invest on the same terms as other LPs

Carry/Co-Invest – Key Considerations

- Carry:
 - Deal by deal vs fund as a whole
 - Clawback / escrow / guarantees
 - where are the individuals based?
 - direct vs synthetic schemes
- Co-Invest
 - What level is appropriate? Generally 2-10%
 - Bearing fees/carry?
 - Regulatory considerations for individuals
- AIF or not?
- One vehicle or two?



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Q&A



Thank you to our speakers

Thank you to Aztec for sponsoring

Thank YOU for attending