



KING & WOOD
MALLESONS
金杜律师事务所

Webinar Covid-19 Series

Impact on Alternative Funds

(Part II – May 7, 2020)

Speakers



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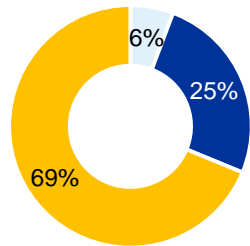
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Agenda

- Welcome address
- Covid-19 impact on alternative investments
- Lessons learned for PE funds from the 2007-2009 GFC
- Covid-19 and alternative investment funds lifecycle
- Our experience from since the beginning of the outbreak
- Legal, regulatory and tax actions relating to Covid-19
- Potential opportunities for 2020-2021

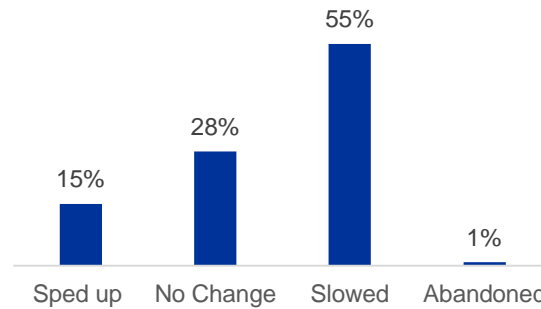
Covid-19 impact on alternative investments ^(1/2)

Fund Managers on How Travel Restrictions and Social Distancing Have Impacted Their Business Operations

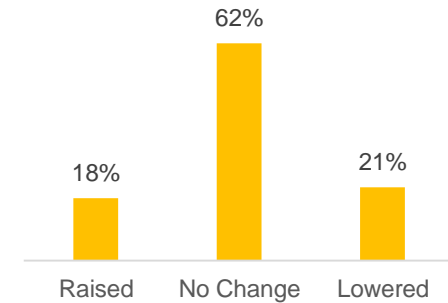


Positive Impact ■ No Discernible Impact ■ Negative Impact

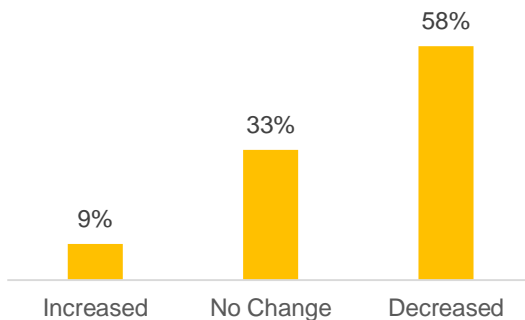
Fund Managers on How COVID-19 Has Impacted Their Fundraising Process



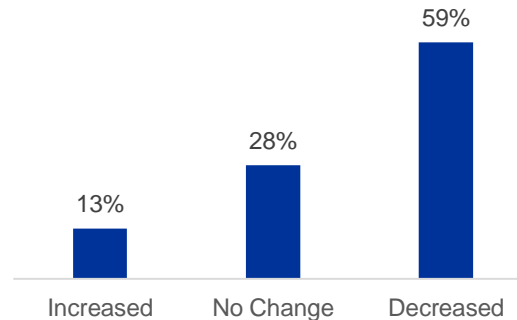
Fund Managers on How COVID-19 Has Affected Their Targeted Returns



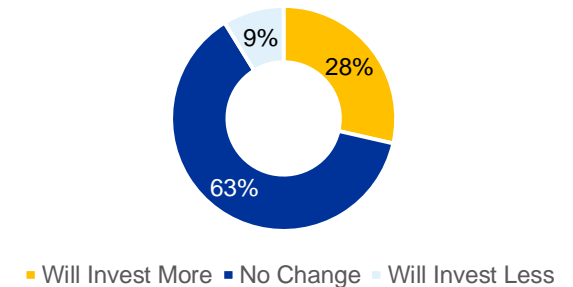
Investors on How COVID-19 Has Impacted the Number of Planned Commitments to Alternatives in 2020



Investors on How COVID-19 Has Impacted the Size of Planned Commitments to Alternatives in 2020



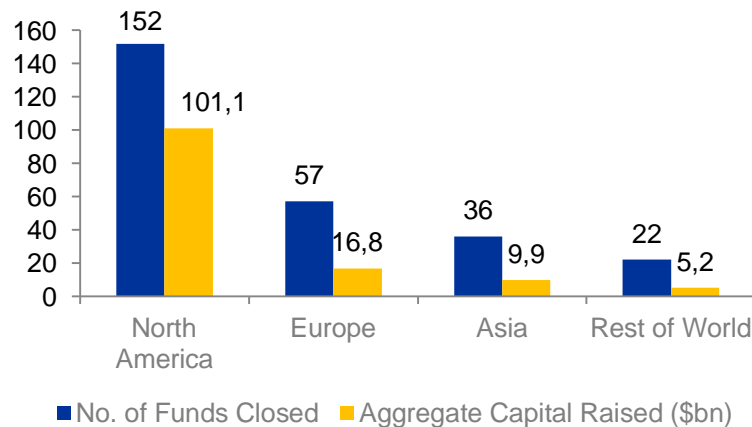
Investors on the Long-Term Impact of COVID-19 on Their Future Alternative Investments Strategy



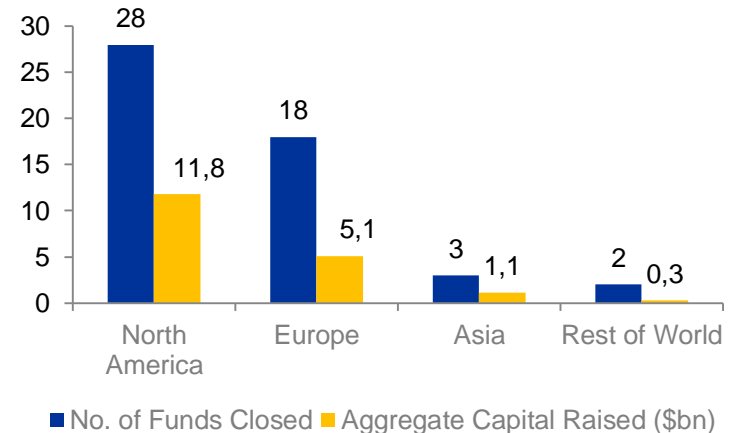
Covid-19 impact on alternative investments (2/2)

- In Q1 2020, a total of **USD133 billion** was raised globally across **267** private equity funds, and a total of **51** private real estate funds were closed, raising **USD 18 billion**.

Private Equity Funds

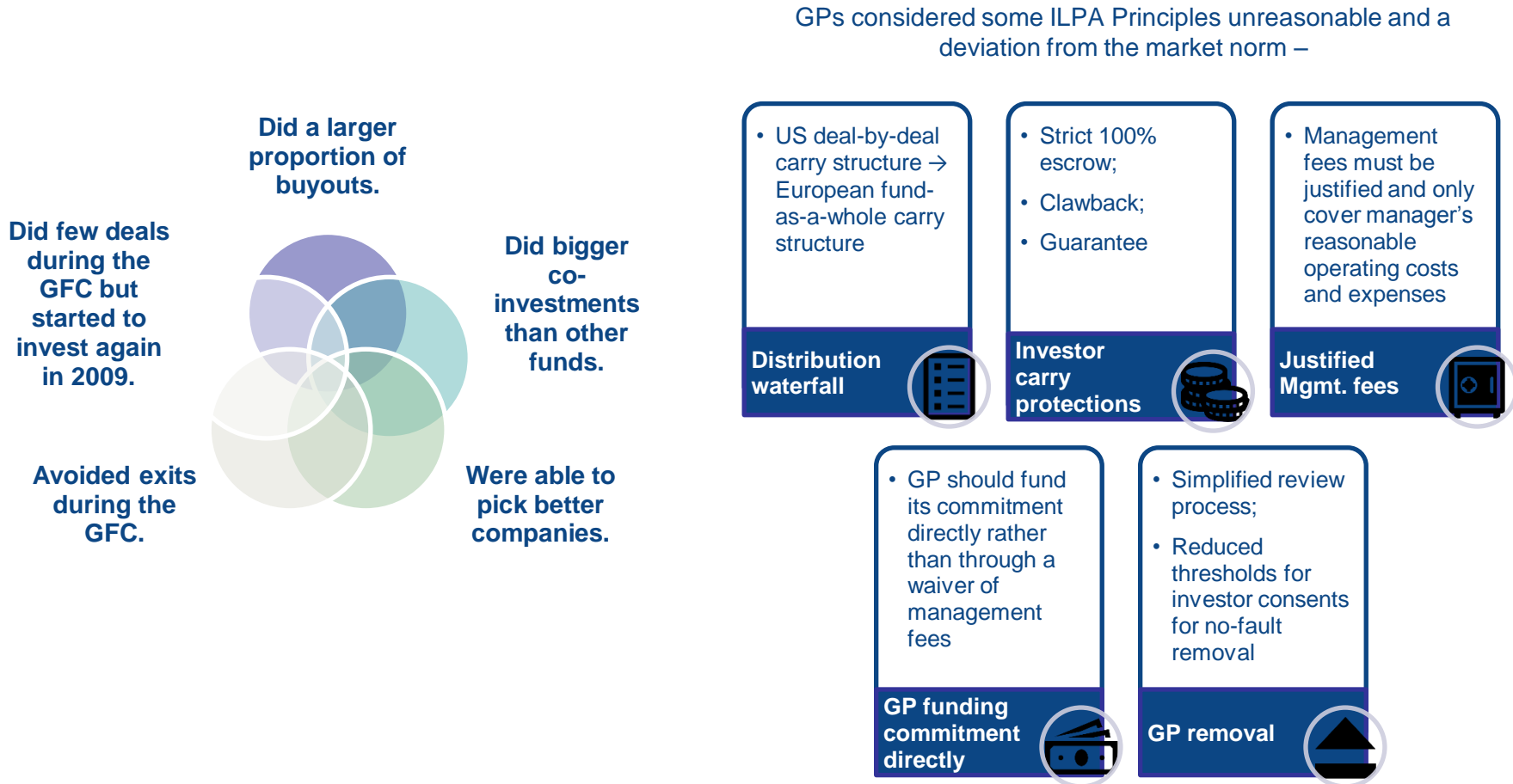


Real Estate Funds

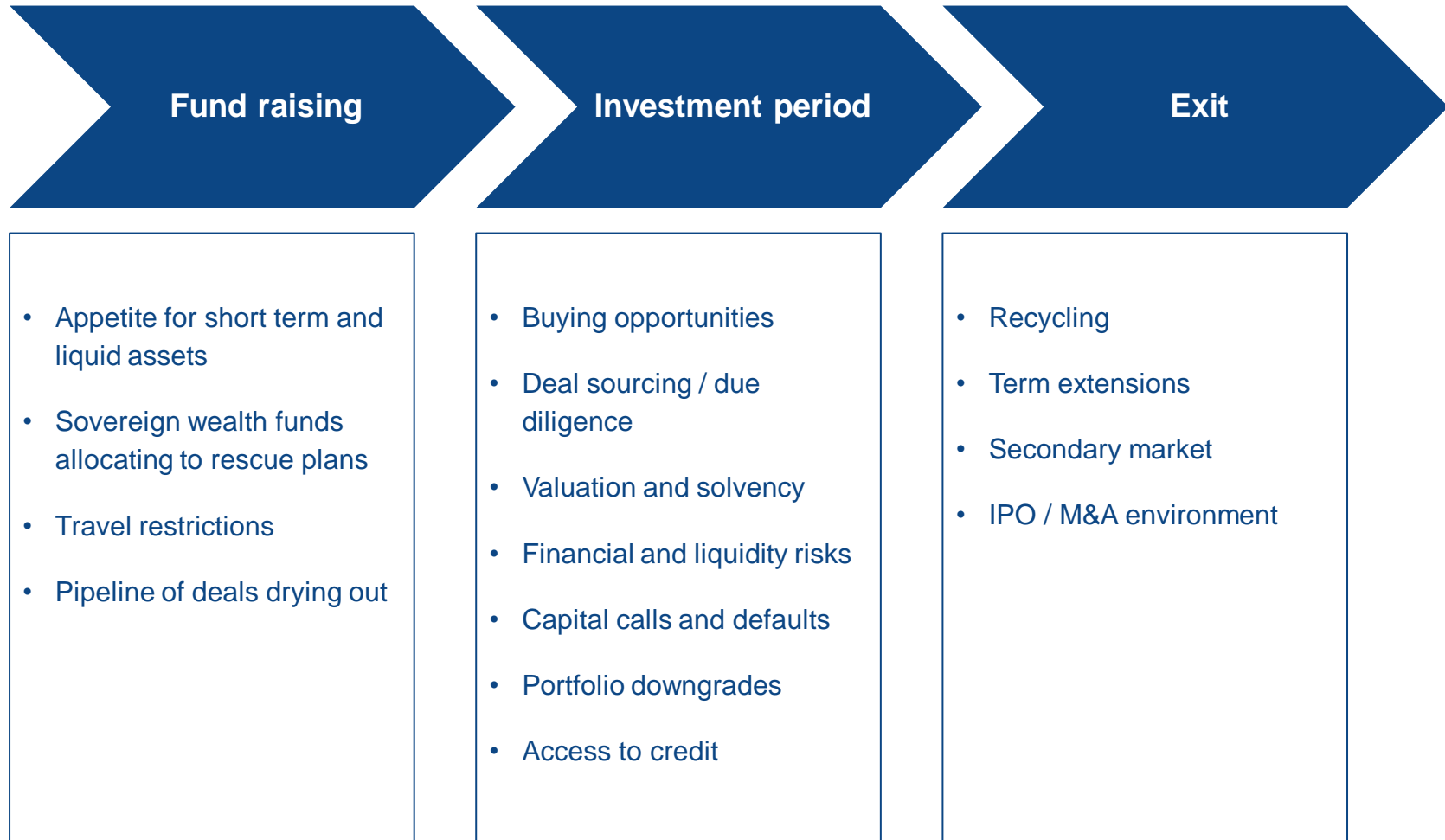


- As of April 2020, the estimated total **dry powder** of all types of private funds globally is **USD2,295 billion**, with **USD1,256.4 billion** in North America, **USD465.8 billion** in Europe, **USD439.6 billion** in Asia and **USD97.7 billion** for the rest of the world.

Lessons learned for PE funds from 2007-2009 GFC



Covid-19 and alternative funds lifecycle

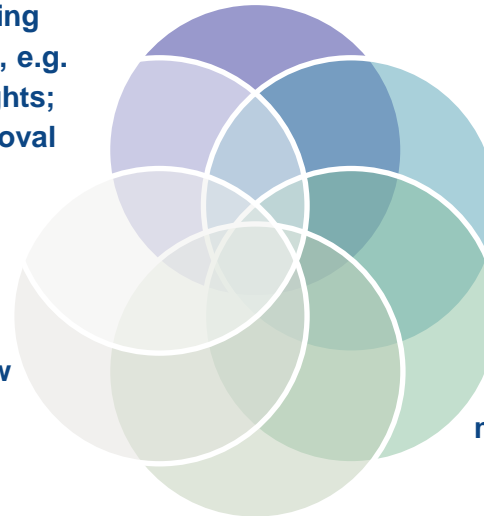


Legal actions for fundraising

Delaying the start of the investment period to a later date

More drastic steps, such as offering incentives to first closing Investors, e.g. (i) discounts; (ii) co-investment rights; and (iii) pro-investor manager removal mechanisms)

Holding regular meetings with Investors to discuss the start of the investment period and to showcase the pipeline of deals



Giving investors the ability to withdraw or pausing the investment period if future pandemic events occur again

During this pause period, the fund manager should still be able to call capital for costs and expenses but not fees

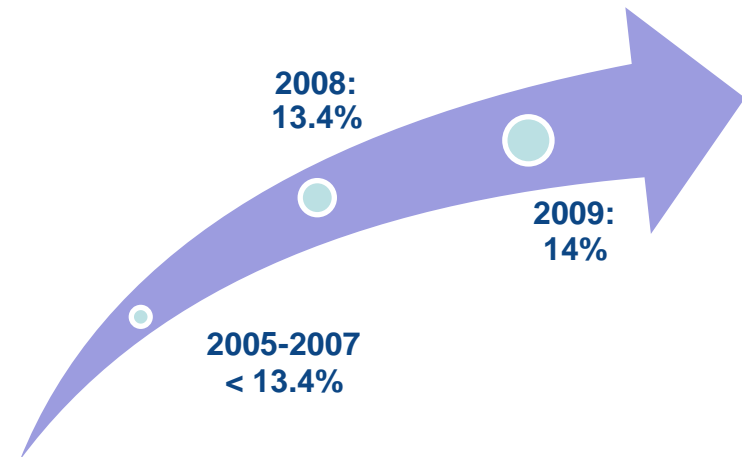
Having a long stop date when either the investment period will automatically start or investors can withdraw from the fund

KWM experience from the COVID-19 outbreak

Fundraising in recent years



Buyout funds IRR around GFC



Arendt experience from the COVID-19 outbreak

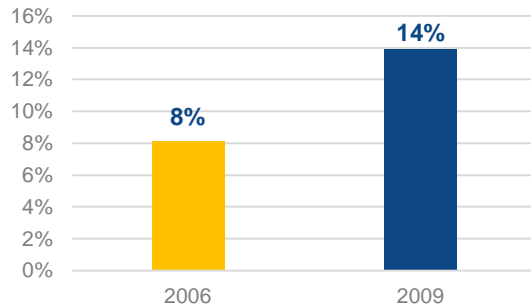
- ***Questions on markets, volatility and valuations***
- ***Questions on convening and holding of meetings***
- ***Questions on legal and regulatory reporting***
- ***Questions on internal organization***
- ***Other frequently asked questions by asset managers***

Legal, regulatory and tax actions relating to Covid-19

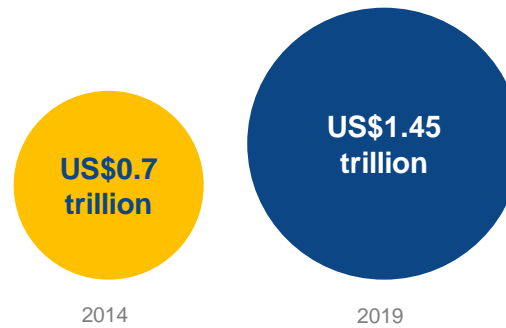
- ***Regulatory actions for the benefit of the alternative fund industry***
- ***Legal actions around governance***
- ***Tax action of OECD***
- ***Potential impact on policy making for EU and Asia***

Potential opportunities for 2020-2021

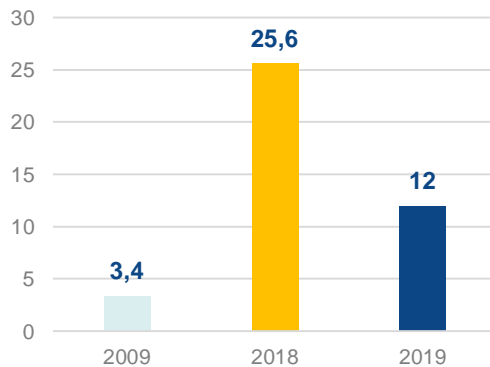
Median return of 2009/06-vintage PE funds



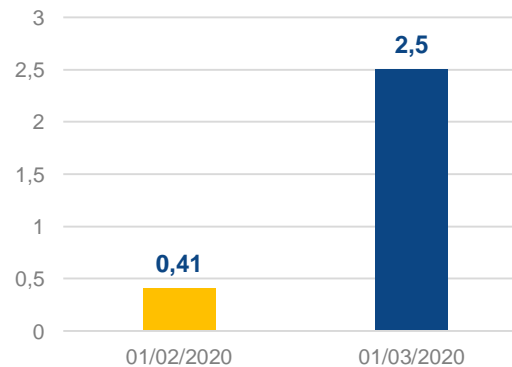
Dry powder of PE/VC funds



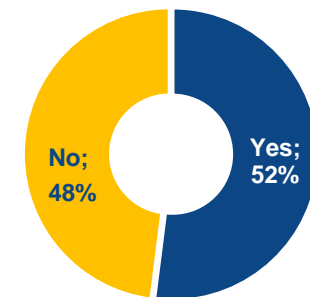
VC fundraising in China (US\$ Billion)



VC deal value in China in 2020 (US\$ Billion)



Is PE the most appealing asset class going forward?



Appendix - Tax actions in Asia-Pacific

- **PRC**

- Exempting from VAT – income from providing public transportation services, living services, and services of express collection and delivery of daily necessities
- For Enterprise income tax (EIT) – the maximum carry over period for losses for enterprises in severely affected industries will be extended from 5 years to 8 years.
- Regarding Individual income tax (IIT) – benefits in kind such as medicines, medical supplies and protective supplies provided by an employer for preventing COVID-19 will not be included in the employees' salaries and will be exempt from IIT.

- **Hong Kong**

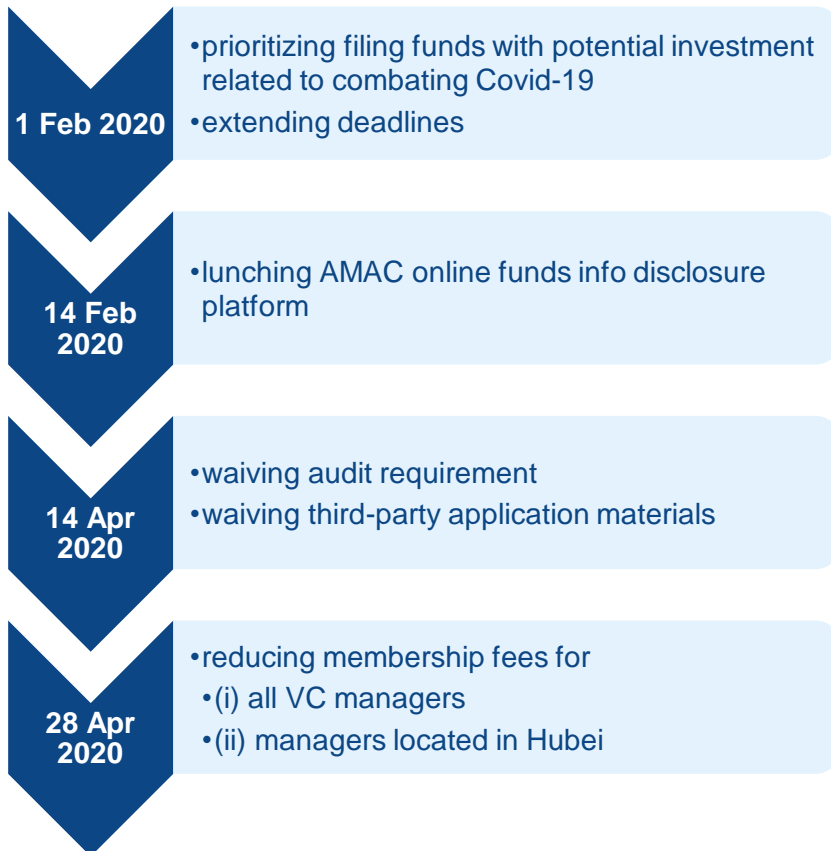
- Deferred tax filing to 4 May 2020
- Extended payment deadlines by 3 months
- Extended lodgment deadlines to 4 May 2020
- Extended CbC reporting to 1 June 2020
- Reduced interest on Tax Reserve Certificates to 0.2333% against the previous 0.3167%

- **Australia**

- Deferring lodgements of income tax returns
- Deferring (to 12 September 2020) or varying certain tax payments without attracting penalties or interest
- Allowing access to GST refunds quicker
- Deferring state payroll tax payment

Appendix - Regulatory actions in Asia-Pacific

- **PRC**



- **Hong Kong**

- Three-month extension for licensed individuals to pass post-licensing exams and complete additional CPT hours
- Individual licence applicant can send a electronic copy of the Signature Pages of his or her temporary licence application
- Extension for submitting audited accounts or other documents

- **Singapore**

- Extension of permissible period for distribution of taxable income for real estate investment trusts listed on the Singapore Exchange (S-REITs)
- Higher leverage limit and deferral of interest coverage requirement



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Visit our dedicated page ***Arendt Covid-19 Solutions*** and install the ***Arendt Insights App*** to find the most frequently asked questions and our answers



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