

5TH PENSION FUNDS AND ALTERNATIVE INVESTMENTS AFRICA CONFERENCE



14 - 15 JULY 2022 | MAURITIUS

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SESSION 2

***THEME: INTERNATIONAL INVESTMENT STRUCTURES FOR A NEW CONTEXT –
THE MAURITIUS INTERNATIONAL FINANCE CENTRE***

Investment Vehicles used in Mauritius
Yan Ng, Executive Director, Intercontinental Trust

Legal Structures available in Mauritius



Non-Fund Vehicles /SPVs

Global Business Company (GBC) or Authorised Company (AC)

Majority of shares /
voting rights / legal or
beneficial interest are
held or controlled by a
non-citizen of Mauritius

Business is conducted
principally outside of
Mauritius

Control and
Management are in
Mauritius

The Core Income
Generating Activities
(CIGA) should be carried
in, or from, Mauritius,
as required under the
Income Tax Act

Majority of shares /
voting rights / legal or
beneficial interest are
held or controlled by a
non-citizen of Mauritius

Business is conducted
principally outside of
Mauritius

Control and
Management are
outside of Mauritius

**ELIGIBILITY
CRITERIA**

Important Features – Global Business Company (GBC)

Tax resident company

Benefits from tax treaties

Taxed at 15% but benefits from Partial Exemption of 80% on certain streams of income

No capital gains tax

No withholding tax on dividend payments

Central Management and Control (CMC) in Mauritius

No minimum capital requirement except for financial services

Needs to implement substance in Mauritius

Needs to have its Core Income Generating Activities (CIGA) in Mauritius (minimum employment and local expenditure criteria may apply)

Required to file audited financial statements and annual tax return

Eligible to conduct financial services

Foreign Investors/Directors may apply for Occupation Permit

Important Features – Authorised Company (AC)

Not resident for tax purposes

Not eligible to benefit from tax treaties

Needs to file an annual tax return

No audit requirement – only financial summary to be filed

No minimum capital requirement

CMC outside of Mauritius

No substance in Mauritius

No CIGA in Mauritius

Corporate directorship is permitted

Not eligible to conduct financial services

Foreign investors/Directors cannot apply for Occupation Permit

Fund Structures in Mauritius

- 2 main types of Funds used in Mauritius:
 - Closed Funds (CEF): PE funds / Venture Capital Funds
 - Open-Ended Fund (OEF): Hedge Funds
- Other types of funds:
 - Unit Trusts
 - Fixed Income Funds
 - Equity Funds
 - Money Market Funds
 - Umbrella Funds

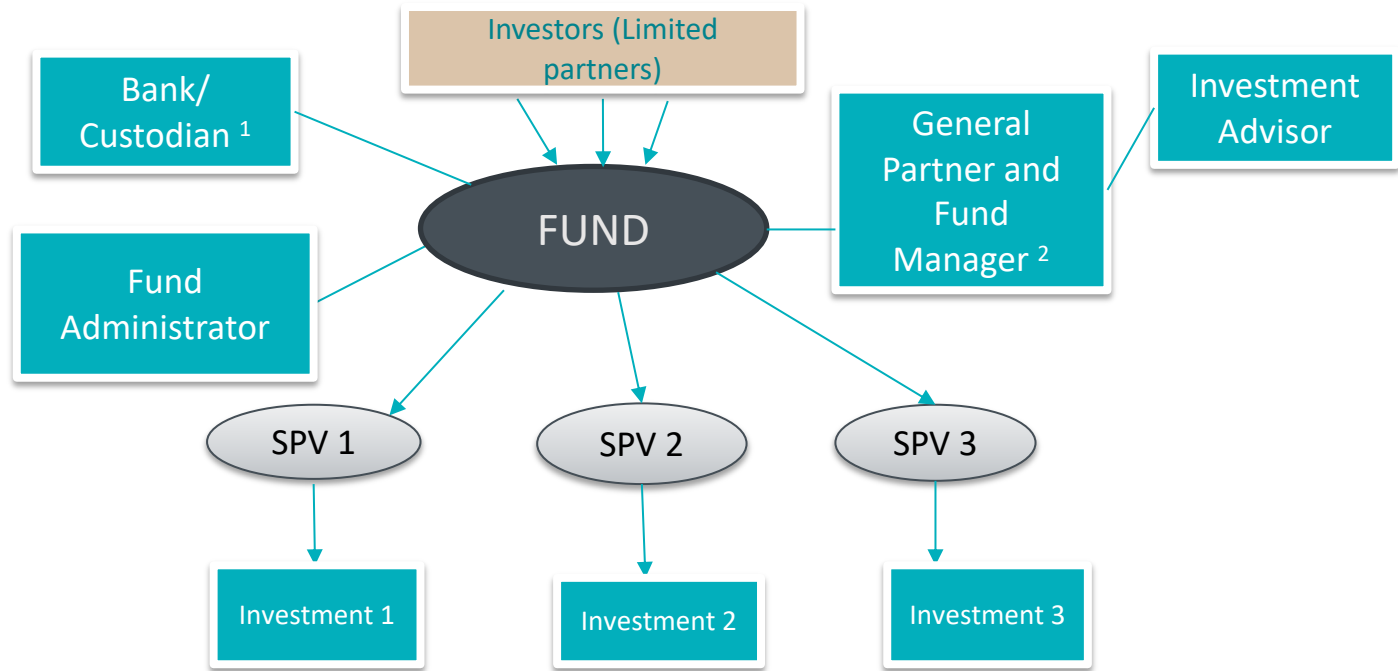
Closed end Fund

Closed end Funds (CEF) - A mutual fund that has issued a fixed number of shares or units, which are generally not redeemable at the option of the investors. Closed end funds invest mainly in illiquid assets – most suited for PE Funds & Venture Capital Funds.

Legal structures commonly used in Mauritius:

- Limited Partnership (most popular)
- Company
- PCC

Closed end Fund – An illustration of a Limited Partnership Structure



Note 1: A private equity fund is not required to have a custodian

Note 2: Sometimes the General Partner and the Investment Manager are two different entities.

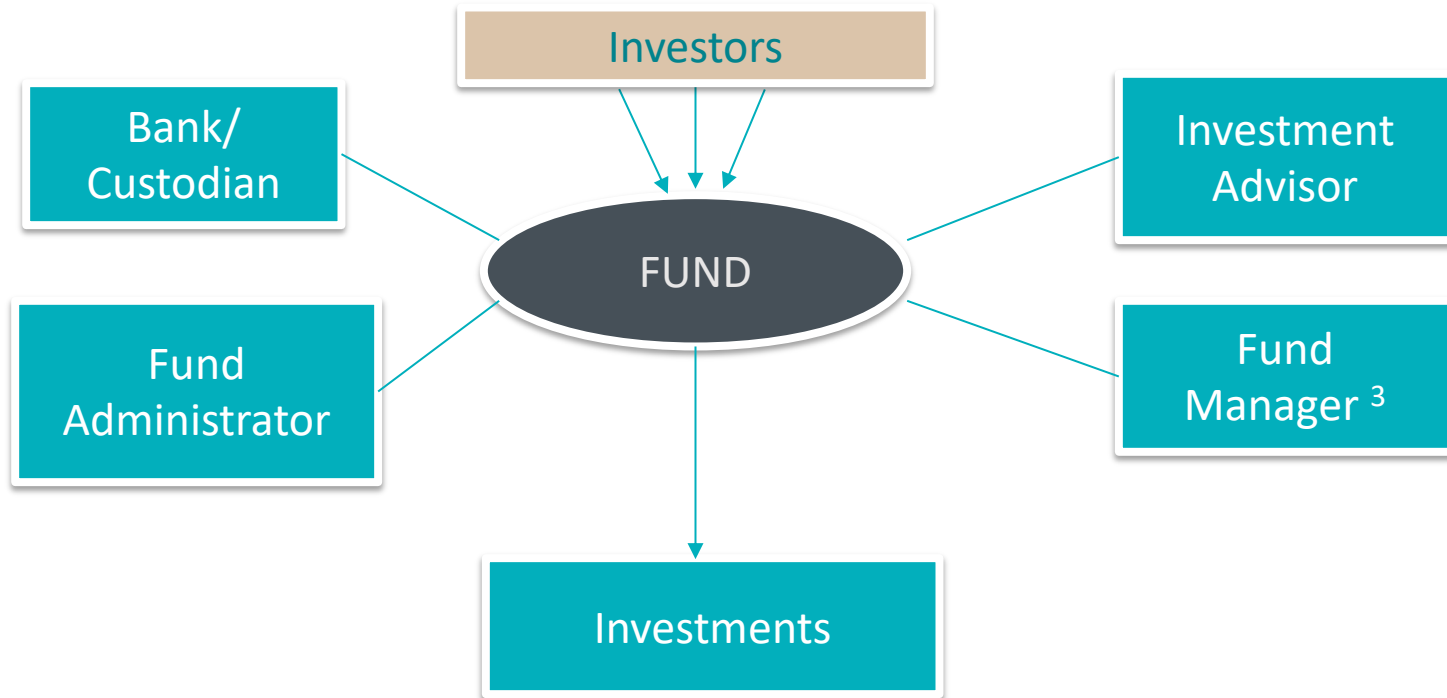
Open-ended Fund

Open-ended Fund (OEF) - A fund that is structured to invest in other companies with the ability to adjust constantly its investment criteria and fund size. Shares can be issued to investors throughout its lifetime at the net asset valuation. Most suited for hedge funds.

Legal structures commonly used in Mauritius:

- Company
- PCC

Open ended Fund – An illustration



Note 3: A fund can be self managed, i.e., it does not have a Fund Manager. All the decisions are then taken by the Board of the Fund or the Investment Committee

Protected Cell Company (PCC) Fund Structure

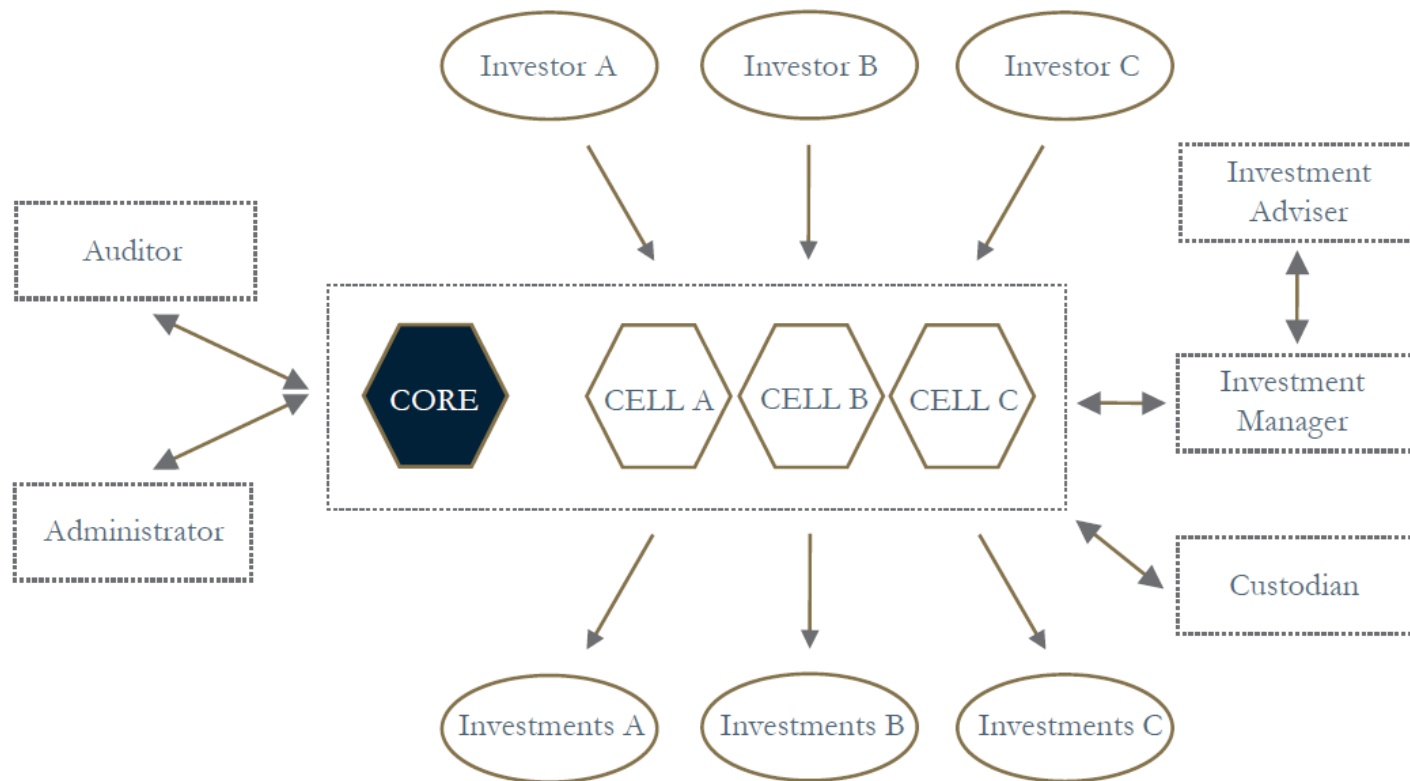
- **What is a Protected Cell Company?**

The main feature of a PCC is the provision to divide its assets into one or more self-contained classes called “Cells” for the purposes of separating and protecting individual Cell assets from financial contagion i.e. the losses incurred from/on its other assets.

- **Main features of a PCC:**

- A PCC may create one or more Cells.
- A PCC is a single legal person.
- The creation of a PCC does not create in respect of that Cell, a legal person separate from the company.
- The assets of a PCC can be either Cellular assets or non-Cellular (Core) assets. The Cellular assets of a PCC consist only of the assets attributable to each of the specific cells and should be kept separately from the non-Cellular assets.
- A PCC may in respect of any of its Cells, create and issue “Cell shares”.
- A PCC may pay a Cellular dividend in respect of Cell shares by reference only to the cellular assets and liabilities attributable to the cell.

Protected Cell Company (PCC) Fund Structure



Variable Capital Company (VCC) Structure –

Newly introduced in 2022

- Standalone entity or an umbrella structure comprising sub-funds.
- SPVs can also be set up under the VCC or its sub-funds
- Sub-funds can hold open-ended or closed end fund licence
- Primary objective of a VCC is to operate as fund through sub-funds and SPVs

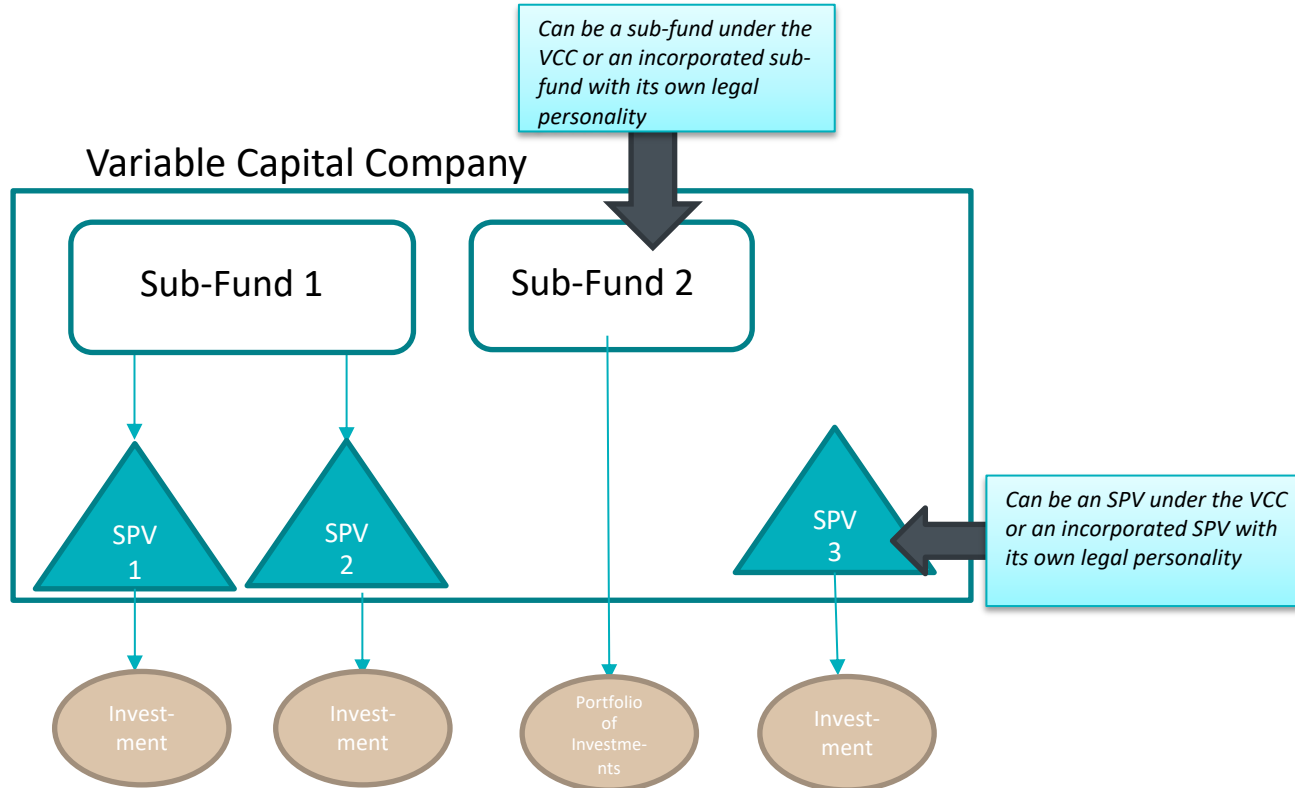
Structure of a Mauritius VCC

- Company structure. Can be domestic or a GBC. Therefore, entity is tax resident.
- In the basic VCC, first sub-fund must be set up at minimum
- Establishing any other SPVs or sub-funds under the VCC requires FSC approval
- The SPVs and sub-funds under the VCC can elect to have separate legal personality, in which case it must be a company incorporated under the Companies Act 2001

Key Advantage

- Different strategies under one roof. The sub-funds can have one or more investment strategies and can seek to be authorised with different licences (CEF, CIS, Expert, Retail etc.)

Variable Capital Company (VCC) Structure – An illustration



PCC vs VCC

Main features	PCC	VCC
Activities	<ul style="list-style-type: none">• Asset Holding• Structured finance businesses• CIS or CEF• Specialised CIS or CEF• Insurance business• External pension scheme• Real Estate Development	Primary object of the VCC is to operate as a fund
Ring fencing of assets & liabilities	Yes	Yes
Election to present separate financial statements?	Yes	Yes
Election to have separate legal personality?	No	Yes
Dividends	A PCC may declare and pay a Cellular dividend in respect of Cell shares by reference only to the cellular assets and liabilities attributable to the cell	A VCC can declare and pay dividend in respect of shares of a sub-fund or SPV by reference only to the assets and liabilities attributable to that sub-fund or SPV

PCC vs VCC

Main features	PCC	VCC
Directors	Only 1 board of directors	Same board of directors unless it is stated in its constitution for sub-funds or SPVs to have their own board of directors.
Open-ended or Closed End Fund strategies	Either open-ended or closed end. Cannot be both	Both through sub-funds
Appointment of different functionaries	No	Yes
Cross sub-fund investments	No	Allowed
Core Shares	Yes	No. All shares are in the sub-funds or SPVs
Legal Proceedings	Legal proceedings can be undertaken against a specific cell without affecting the assets/ liabilities of the other cells. However, creditors could have recourse to the assets of the Core cell if the assets of the cell being sued are insufficient.	Any order or judgement of court shall be restricted to that sub-fund or SPV which is subject to legal proceeding

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Thank You

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