

Offshore investment funds: A festive look at a changing landscape

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As the year winds down and the holiday season begins in earnest, investment and financial professionals take a moment to reflect on the year's financial trends and start strategizing for the upcoming one.

For those who manage or are interested in offshore funds, the holiday season offers an opportunity to consider how shifting global economic conditions, technological advances and changing regulations are impacting investment strategies.

As a lawyer, I'm not in the predictions game, but if past truly is prologue, even I can make some observations on what may be coming down the road. So, don your paper hat, pop that festive cracker and let's look at the key offshore fund trends that have defined 2024 and consider what's likely to shape the landscape in the coming year...

The continued growth of alternatives

Alternative investments have been a growing trend in the offshore investment sector for several years now, and 2024 has only reinforced this. We have seen funds increasingly diversify their portfolios, moving beyond traditional equities and bonds into alternatives such as private equity, real estate, hedge funds, and cryptocurrencies.

One of the most significant drivers of this trend has been the search for higher returns in a low-interest rate environment. As inflation remains elevated in many countries, investors are seeking ways to generate higher yields than can be found with traditional bonds or cash holdings. Offshore funds are perfectly positioned to offer exposure to these alternatives, allowing high-net-worth (**HNW**) and institutional investors to tap into more profitable markets globally.

The growing popularity of sustainable investing has also fuelled this trend. Funds that focus on green energy projects, sustainable agriculture, and other environmentally friendly sectors have attracted considerable interest, aligning with global efforts to combat climate change and offering investors a way to put their money into industries that align with their values. With offshore funds' ability to manage complex, cross-border transactions, they are well-suited to capitalise on these opportunities.

Technological advances and the rise of digital platforms

One of the most notable developments in offshore investing is the increasing role of technology. Digital platforms have made significant strides towards making investing in offshore funds more accessible to a broader range of investors. Historically, such investment funds were reserved for those with access to traditional institutional platforms or the ultra-HNW crowd, but

with the advent of fintech and digital wealth management platforms, more investors can access these opportunities than ever before.

Blockchain technology is another potential game-changer for offshore funds. The ability to securely and transparently record transactions across borders is particularly appealing for global investment strategies. This has already resulted in the creation of digital asset funds that target cryptocurrencies and tokenized real-world assets, like real estate or art. Although still a nascent field, digital asset funds are gaining traction with investors looking for exposure to this high-risk, high-reward space.

The impact of geopolitics

Geopolitical uncertainty was a major factor influencing investment strategies in 2024. Political unrest, trade wars, and economic sanctions are all considerations for investors when deciding where to place their money.

Factors such as trade-related tensions between the U.S. and China, the ongoing conflict in Ukraine and the new UK government making an early incursion into fiscal policy, have caused many investors to seek stability in other regions. The trend has been towards more diversified portfolios, with investors spreading their investments across multiple asset classes and geographies, with growing interest in some of the less conventional markets, such as Latin America, Africa, and Southeast Asia.

Family offices and the growth of private funds

In 2024, the UK government introduced one of the largest shifts in tax policy when it comes to non-doms and HNW individuals in years (you can read more detail of that in my colleague's article about that [here](#)), creating an incredible amount of work for wealth advisors and tax-planners in 2024 as they scrambled to analyse existing trust structures and work out how best to mitigate the effects.

A topic of discussion that came up far more frequently with friends and contacts in London during that time was around how and whether investment funds would be a useful alternative to traditional private trust structures. There are several advantages to using an investment fund to manage inter-generational wealth instead of a trust structure, from flexibility in allocation and management of assets and being able to be involved in investment decisions, to privacy and confidentiality (most offshore jurisdictions' beneficial ownership registers remain unavailable to the general public). I expect an increased interest in family offices opting to do down the private investment fund route in 2025.

The outlook for offshore investment funds in 2025

Looking to 2025 and beyond, offshore funds will continue to evolve in response to changing global dynamics. The increasing focus on sustainability and ESG factors, the growing integration of technology, and a more complex regulatory landscape are all trends that will continue to shape the future of this sector.

For investors, the key takeaway this holiday season is the importance of adaptability. As the world of investment funds becomes more sophisticated, there will be an increasing need for investors to stay informed and make strategic decisions

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that align with both their financial goals and ethical values. With these emerging trends, the investment landscape in offshore jurisdictions is well positioned for continued growth, innovation, and opportunity.

Happy holidays, all.

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