HARDMAN&CO. BESPOKE

LIMESTONE – LUXEMBOURG CALLS

Exploiting Opportunities in a Booming Market

Limestone operates in the Fund Services Provider (FSP) market. Through a ManCo, it offers a range of key financial products, third-party and hosted fund solutions and IT-driven services for asset management companies. Limestone's CUBE technology is advanced and is scalable; it also runs a low-cost back-office and service centre. From its Estonian base, Limestone is increasingly focussing on Luxembourg, where financial services are booming. FSP opportunities have also been boosted by increased regulation, cyber security concerns, MiFIDII requirements and by the deep uncertainties still surrounding Brexit: one-third of hedge funds' capital is raised from mainland EU investors.

- **Strategy:** Limestone seeks to exploit the opportunities in the EU market for out-sourced FSP services. Its priority is to grow its customer base, especially in Luxembourg – a location that is increasingly popular for asset management undertakings, including hedge funds. Deploying its sophisticated CUBE technology – a key intangible asset - and scaling up its back-office services will be key in expanding its client base.

- **Management:** Limestone has a dynamic and experienced management team, with Executive Chairman, Markku Malkamaki, being pivotal – he has a 30-year record in the financial services sector. Antonio Thomas, the Managing Director in Luxembourg, will also play a crucial role, along with Miika Peura in Estonia and Paavo Pold, a compliance specialist: strong Supervisory and Advisory Boards are in place.

- **Growth opportunities:** Given the expertise of its management in the asset management space, Limestone is set to embrace the many opportunities that are arising, especially within Europe where c5,000 asset management companies are registered. Undoubtedly, the sector is undergoing major change - Limestone is well-placed to derive tangible benefits from this trend which is driving the out-sourcing market; moreover, its range of services is competitively priced.

- **Consolidation:** As it seeks to develop its business, Limestone is keen to participate in the consolidation of the FSP sector. This process is already underway as regulation becomes more complex and expensive to undertake. Hence, more out-sourcing by asset management companies, seeking economies of scale, seems inevitable. CUBE's portfolio and client reporting capabilities will be sought after as further out-sourcing is undertaken.

- **Challenges:** Amongst the material risks faced by Limestone, we have identified some market-related risks and some which are specific to Limestone. In the former category, a reversal of the buoyant out-sourcing market, the entry of well-capitalised, technically proficient, IT vendors and data protection issues are obvious risks. For Limestone itself, a lack of new clients at decent margins, the ability to scale upwards, the departure of key personnel and the lack of finance to underpin its expansion plans.

- **Financial Commentary:** By 2023, Limestone expects to have grown its revenues to over €6m, compared with just over €0.4m for 2018 and an estimated €1.2m for the current year. At December 2018, Limestone's net assets were €0.8m and there was no net debt on its balance sheet. It has plans, though, to raise funds of €1.5m to €2.5m shortly: €0.42m was raised from existing shareholders in December 2018. Thereafter, depending upon its level of growth, it is expected to seek to raise a further €3m to €5m, part of which will finance planned consolidation transactions.

Description

Limestone offers a wide range of FSP services to asset management companies, especially in Luxembourg whose financial services sector is growing very strongly. Central to its offering is its CUBE technology, which provides sophisticated order management, portfolio and client reporting data.

Company information

Exec.Chairman	Markku Malkamaki
MD Luxemburg	Antonio Thomas
MD Estonia	Miika Peura
UK	Peter Winders
Switzerland	Kaj-Erik Relander
Sweden	Stefan Wilhelmson
Finland	Markku Malkamaki
	www.limestone.eu

Key shareholders

Malkamaki Family	37.3%
Relander Family Office	28.7%
Kallasvuo Family Office	13.4%
Leskinen Family Office	13.0%
Others	7.6%

Diary

April 2019	Planned fund-raising
May 2019	Office opening - Spain

Key points:

Out-sourcing is popular;
Luxembourg set to boom;
Major FSP opportunities;
CUBE is key IT driver;
Revenues - €6m+ by 2023

Analyst

Nigel Hawkins 020 7194 7622
nh@hardmanandco.com

Table of contents

Background

Helsinki origins

In 2007, Limestone established its first Luxembourg domiciled funds; at that time, the business focus was on Emerging Market equites and Private Equity. In 2011, Northern Star, an asset manager based in Helsinki, Finland, bought Limestone to centralize its back-office functions in Tallinn, Estonia. Subsequently, in 2015, Limestone was re-organised, with the setting up of the Limestone Platform AS Fund Administration Business Strategy.

Over time, the focus switched away from running a small Nordic asset management company and towards involvement in the burgeoning market for the provision of various financial services to such businesses – and especially to those running traditional and Alternative Investment Funds (AIFs).

Third-party offerings

This new policy derived from the response to Northern Star's offering of back-office services to third party clients. Exciting opportunities have arisen outside the Baltic markets, which the revitalised Limestone wishes to exploit. With the background of much of its personnel in fund management, it is particularly well-placed to do so.

Luxembourg calling

Although its headquarters are now in Tallinn, Limestone's prime interest lies in Luxembourg, where Assets under Management (AuM) have been growing rapidly. In 2017, there was an 11.2% increase in AuM over 2016; for varying reasons, such robust growth seems set to persist.

Limestone's team

Fund management background is a distinct advantage

The experience of much of Limestone's management team derives predominantly from the fund management sector – a distinct advantage given its plans to become a major FSP, especially in Luxembourg.

Devolved management under executive chairman

Limestone operates with a small management team; the key members of the Management Committee are:

Markku Malkamaki - Executive Chairman and Founder

He has spent 30 years in financial services, including 11 years at the Bank of Finland where he held senior positions. In 2004, he joined Pohjola Private where he was instrumental in building up a family office business - almost from scratch - to a €3.4 bn AuM business in seven years.

Antonio Thomas - Managing Director

He has been employed in the asset management sector for 30 years, including 15 years with the UK-based F and C Asset Management. Thereafter, he worked with RBS in Ireland and in Luxembourg; in the latter market, he was the key figure in the growth of RBS Luxembourg.

Miika Peura – Managing Director, Estonia

He has worked in the financial sector for a decade, mainly at Northern Star. He has close involvement with both the Estonian and Luxembourg ends of Limestone's business.

Paavo Pold - Director of Sales and Marketing

He has held senior positions in the financial sector, including six years at Swedbank. Subsequently, he was one of the founders of Limestone, and he has specialist knowledge of compliance issues.

Given the range of experience on offer, this management team is undoubtedly strong, with the role of Markku Malkamaki being pivotal. As the Founder and Executive Chairman, notwithstanding his 37.3% shareholding, he has every incentive – and sector expertise – to ensure that Limestone delivers.

The Opportunities

Booming financial markets in Luxembourg

There is no doubt that opportunities in the EU abound for Fund Service Providers (FSPs), such as Limestone. After all, regulatory issues have become very high-profile of late and the EU asset management sector, especially in Luxembourg, continues to grow.

EFAMA data is revealing

Data from the European Fund and Asset Management Association (EFAMA) shows that there were almost 4,200 asset management companies registered in Europe in 2016 – a figure that will have risen in recent years. The table below shows the dominance of the UK, which accounts for around a quarter of total registrations.

Number of asset management companies

Number of Asset Management Companies [1]

Country	2016	Country	2016
Austria	26	Liechtenstein	16
Belgium	64	Luxembourg	314
Bulgaria	31	Malta	120
Croatia	21	Netherlands	224
Cyprus	102	Norway	31
Czech Republic	22	Portugal	72
Denmark	50	Romania	21
Finland	25	Slovakia	9
France	630	Slovenia	7
Germany	325	Spain	101
Greece	52	Sweden	100
Hungary	27	Switzerland	190
Ireland	253	Turkey	50
Italy	261	United Kingdom	1,050
		Europe	4,194

[1] The figures give the number of management companies registered in the countries concerned, except for Austria, Czech Republic, Hungary and Romania where the figures refer to the members of the national trade association. For Ireland, the number refers to the number of UCITS Management companies and AIF Managers in 2017. For Slovenia, the number includes subsidiaries of foreign asset management companies. For the UK, the number is an estimation; there were 138 asset management companies that were members of The IA in 2016; these members managed 85% of the AuM in the UK.

Source: EFAMA Report 2016

In the case of the UK, the on-off issue of Brexit remains unresolved as it seeks to leave the European Union following the 2016 Referendum. But, for many UK financial companies, it is prudent to have made alternative arrangements to deal with whatever outcome, if any, is reached – and the degree to which 'passporting' is permissible after March 2019.

Passporting is key

'

'Passporting' underpins the EU market for financial services. It provides the right for firms registered in the EU to undertake business in other EU jurisdictions without needing specific authorisations for individual markets.

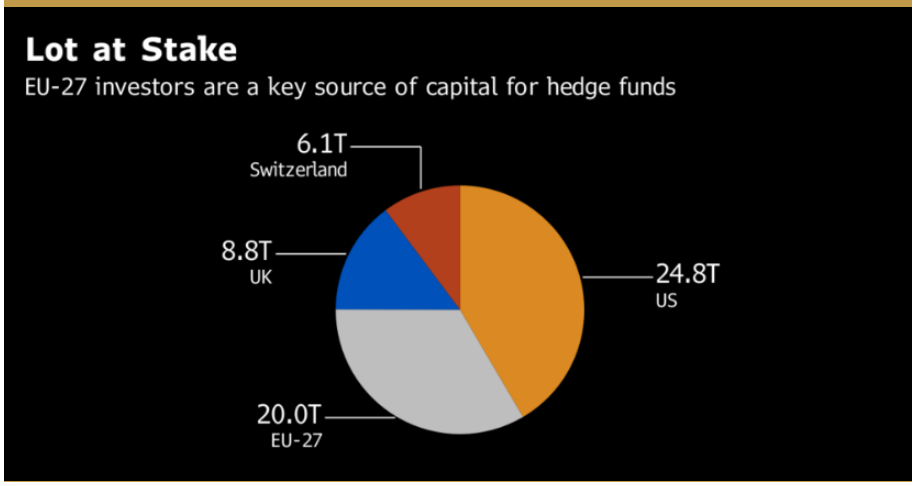
Hedge funds in limbo

Many hedge funds are concerned about their regulatory position, all the more so given the ongoing uncertainty about Brexit and, more specifically, how financial services – with strong mainland EU exposure - will be impacted. Similar principles extend to other funds, such as AIFs.

c£20bn market

As the Preqin pie-chart below demonstrates, the mainland EU market is a major source of capital for hedge funds; at c£20bn, it accounts for around one-third of the total. The UK's total is just below £9bn, accounting for around 15%.

Hedge fund asset split



Source: Preqin

Private equity opportunities

It is also the case that the growth in Luxembourg of private equity, including the debt and credit elements, along with real estate funds offer real opportunities to FSPs, such as Limestone.

The Nordics and Baltics not forgotten

Aside from Luxembourg, Limestone has also announced further initiatives in its home region of northern Europe. Whilst Helsinki and Estonia are comparatively small markets, neighbouring Sweden undoubtedly offers attractive – and sizeable - opportunities.

The real estate initiative in Sweden

As such, Limestone has just appointed Norama Real Estate Funds as its representative for that country, with offices in both Stockholm and Malmo. Due in part to this initiative, Limestone expects to become increasingly involved in providing services to real estate funds, including their valuations. Indeed, Limestone is set to become the AIFM for Norama's real estate investment funds in Luxembourg.

Limestone's EU representation

Elsewhere in Europe, Limestone has built up several representative offices. Apart from its Tallinn and Luxembourg bases, these now cover London, Zurich, Stockholm, Malmo and Finland; a representative office in Madrid is planned shortly.

The ManCo target areas

Third party and hosted fund ManCos

ManCo services include delegated risk and portfolio management as well as a broad set of back-office and reporting services. Limestone itself, through a ManCo, provides third-party and hosted fund services.

In particular, Limestone has identified five specific – and major - growth opportunities as an FSP, with a focus on Luxembourg; these are as follows:

- The increased regulatory burden requires specific expertise – Limestone is well-placed to act as an out-sourcer for funds, including hedge funds, which require that characteristic;
- The offering of FSP solutions to third parties and Reserved Alternative Investment Funds (RAIFs);

- The increasing complexity of IT requirements which bring Limestone's CUBE technology to the fore;
- The uncertainties surrounding Brexit present FSPs, such as Limestone, with a one-off opportunity to win new clients, especially in Luxembourg, the leading EU financial centre;
- The scope for cost efficiencies, based – in part – on Limestone's ability to scale up without major difficulties.

CUBE

Cube is Limestone's magic box

The CUBE technology, developed by Limestone, is a key element of its financial offering. In short, CUBE's role is very much front of house – being a key tool, especially in terms of risk management and efficient portfolio reporting, in persuading clients to sign up for Limestone's services as well as processing the on-going requirements of Limestone's existing client base.

CUBE provides automated and cloud-based financial technology solutions for fund managers; it covers a broad range of front office and client reporting functions. After all, many fund managers find it a challenge to identify an investment monitoring and decision-making system that meets their specific requirements.

Furthermore, the CUBE system offers robust compliance with full audit trails and pre-compliance checks. Recently, new advisory functions with CUBE have been introduced.

Within the Limestone platform, CUBE offers four specific advantages, namely:

- Wide-ranging coverage, with multi-currency support;
- Very flexible portfolio and exposure reporting features;
- Real-time collaboration is possible, along with data correctness;
- Via web-based client application, a broad range of front office and client reporting functions are available.

Advice functionality

CUBE's range of services, which embrace both functions and instrument coverage, are set out in the table below. It should be noted that the recently introduced advice functions post-date the compilation of this table.

CUBE's structure

Source: Limestone

CUBE is Limestone's USP

In offering its range of products, both to potential clients – as well as to existing ones – CUBE is Limestone's Unique Selling Point (USP). It will play a pivotal role in driving Limestone's overall revenue numbers. As a part of an on-going development programme, CUBE is the subject of third-party validation to ensure that it will meet the high demands on cyber security and data protection – a process that should be seen as a positive initiative.

Luxembourg

For decades, Luxembourg has been well-known as a major centre for EU institutions and especially for hosting the European Court of Justice. Furthermore, Luxembourg is a country with reassuring political stability, a strong economy and an enviable location at the centre of western Europe.

Financial services base

Although operating with a low profile, it has built up a formidable reputation for financial services; as such, many sector companies have established offices there.

Luxembourg now hosts c€2,400bn of net assets under management – a vast sum. Indeed, it is the largest investment centre in Europe and the second largest globally after the US. Furthermore, Luxembourg is the largest global distribution centre for investment funds – over 70 countries participate in this business.

The case for Luxembourg

Against that background, it is no surprise that Limestone should choose to expand its operations there. Specifically, it seeks to benefit from:

- The sheer size of the fund domicile there, with the c€2,400bn in net assets under management, notwithstanding its dominant EU role in financial services;
- The state-of-the art nature of Luxemburg's legal and regulatory network for investment funds – something widely accepted by the international investment community;
- The concentration of investment fund experts locally;
- A widely respected record in investor protection – despite some shortcomings of late;
- Expertise in cross-border financial, legal, tax and regulatory issues;
- The development of Undertakings for Collective Investment in Transferable Securities (UCITS), an increasingly important asset class – 2017 also saw a major rise in new AIFs;
- The legal protection for 'umbrella funds', which have various segments within a specified single legal structure;
- A well-educated and professional work-force, with English, German and French all being widely spoken.

Alfi reports continued growth

Significantly, the Association of the Luxembourg Fund Industry (Alfi) has confirmed that assets, in 2017, grew by no less than €418bn when compared with 2016: this represented an increase of 11.2% when set against the 2016 figure. Over 70% of this figure constituted new money, with UCITs remaining the most popular vehicle followed by growing demand for AIFs, including private equity and real estate.

M & G's €34.2bn OIEC fund initiative

More specifically, given the contentious Brexit background, the decision in 2018 by M & G Investment, part of Prudential plc, to transfer the non-sterling share class of 21 of its UK-domiciled Open-ended Investment Company (OEIC) funds to their equivalent Société Investissement à Capital Variable (SICAV) status in Luxemburg reflects current thinking amongst some leading UK fund managers: the valuation of these 21 funds was a formidable €34.2bn.

Brexit/UK

The Brexit saga drags on

The seemingly never-ending saga of the UK's planned exit from the EU, following the 52% in favour vote in the 2016 Referendum, continues to cause real uncertainty. It is not clear how the issue will finally be resolved as the Government undertakes ever more tortuous efforts to ensure a withdrawal agreement is reached with the European Commission and subsequently ratified by Parliament.

'Passporting' and 'equivalence' are key

Central to the financial services sector is the subject of 'passporting' under which, with EU membership, the UK has – to date - been able to operate on the basis of 'equivalence'. Under this doctrine, the European Commission can determine that a third country's regulatory, supervisory and enforcement regime is equivalent to the corresponding EU framework.

Brexit debates have clouded the validity of 'passporting' and, despite the efforts of several organisations, notably the Financial Conduct Authority (FCA), it is not totally clear how 'passporting' will endure as the Brexit machinations continue.

Funds need to respond and not procrastinate

For asset fund managers, decisions must be taken to address this uncertainty – as M & G Investment has already done. They cannot simply wait for the Government to prescribe new regulatory regimes, which it may seek to do with little warning.

The exit to mainland Europe or Dublin

Hence, in most cases, large asset fund management undertakings have either set up or scaled up offices in mainland Europe, with Luxembourg, Frankfurt and Paris being favoured destinations: Dublin, too, has benefited from the recent influx of such business.

Limestone's 'sweet spot'

For smaller asset management undertakings, including hedge funds which are disproportionately based in London, different criteria apply. The complexity of regulation, its many uncertainties, the IT-related challenges, including cyber-security issues, combine to drive the market towards further out-sourcing – a trend that directly plays to the strengths of Limestone.

It should be added that, even if Brexit were resolved shortly, uncertainty will persist. It is expected that trade deals will still need to be negotiated and that considerable doubt will continue to apply to the selling of financial services within mainland Europe.

Competitors

Drawn like moths to a lamp

Whilst the attractions of Luxembourg loom large, Limestone accepts that other FSP businesses will be drawn there. Limestone itself will be focussing on the smaller asset management players and will seek to persuade them that out-sourcing some services, especially those in the back office, has many advantages for them. Furthermore, Limestone will also seek to grow its business with custody banks and FSPs to provide a full-service chain to its clients.

Moving up the value chain

There is also scope for Limestone to increase the average AuM size of its client base – with obvious benefits for its future revenues.

Out-sourcing by asset mangers

Interestingly, but hardly surprisingly, other FSPs have already sought to access new opportunities in Luxembourg's financial services market. In particular, they recognise the marked increase in out-sourcing by asset management businesses, who are keen to retain focus on their prime responsibilities – growing the value of funds under their management and delivering financial out-performance.

For Limestone, it is important that the FSP out-sourcing trend continues. In analysing its prospects in a competitive landscape, it is appropriate to separate competitors into three specific groupings.

First, there are still many leading asset management businesses that undertake their own FSP and related services. Some may continue to do so, some may not.

ACA Compliance's big guns

Secondly, there are various financial businesses, with substantial back-office expertise, which are focussing on the Luxembourg market, drawn – no doubt – by its robust growth record in recent years.

Within this grouping is ACA Compliance, a leading US consulting business, which recently acquired the London-based Cordium. It has also bought Mirabella, which is located in Malta.

Sanne and JTC are expanding players

Sanne and JTC, both with Jersey fund administration origins and clear expansion aims, have undertaken IPOs in recent years: their capitalisations are currently £747m and £322m respectively.

SGG in expansion mode

SGG is also a major sector player, with c65 years of experience in the Luxembourg market alone: its financial services are wide-ranging and it is undoubtedly in expansion mode.

The privately-owned Universal Investment Luxembourg, with its head office in Frankfurt, has long been a key player in the German fund management market; it is also now operating in Luxembourg.

Another high-profile overseas name in the FSP sector is the Dublin-based KB Associates; it has derived considerable benefit from winning some of the financial services business that has moved away from London to the Irish Republic.

The local players

Thirdly, there are various FSPs - based in Luxembourg - which are active in the market providing an infrastructure for UCITs and AIFs. Within this group of ManCos, are such names as Alter Domus – spun out of the fund administration activities of the UK's big four accountancy companies in 2001 - Crestbridge Management and LRI Group: this list is far from complete.

Consolidation

The quest for economies of scale

In recent years, there has been considerable consolidation in the financial services sector, both in the EU and in the UK, driven – in part – by the quest for economies of scale. The list of recent deals within the fund administration sector is lengthy, both in the US and in Europe.

Many of the acquisitions in recent years have been in the €70m to €150m bracket, such as Northern Trust's acquisition of UBS Fund Services.

The Capita deal

SGG has been particularly active, with two major deals – the acquisition of CIM Global and the First Names Group – whilst Link Group spent c€1.1bn in buying Capita's asset services when the latter was seriously strapped for cash.

Role in sector consolidation?

It is against this background, albeit at a much lower value level, that Limestone hopes – at some time in the future – to participate in the seemingly inevitable consolidation of Manco service providers; it expects that its CUBE technology will play a pivotal role in being able to do so.

Clients

Mainly EU client base

Limestone has a portfolio of clients, based in various jurisdictions, notably in its home bases of Estonia and Finland, but also in Luxemburg, the UK, Switzerland and Sweden *inter alia.* Outside Europe, Limestone also has a few clients in the Far East.

Nonetheless, via its deep understanding of third-party ManCo business along with its CUBE technology, Limestone will need to win new clients – and extend its range of services beyond existing client segments - if its growth expectations are to be met.

Projected hit rate for new clients

In Q1 2019, Limestone reported 9 clients on its platform. By the year-end, this figure is expected to grow to c15. Based on an average margin of 0.13%, this client base is projected to yield revenues of €1.2m, based on the expected run-rate at the end of 2019.

Very positive pipe-line

Looking forward, Limestone has confirmed that there are some 55 clients in its pipe-line, most of which will not sign up. However - even when using a figure that is slightly below the industry conversion rate average of between 20% and 30% - Limestone expects a further nine clients to materialise in 2020 or shortly afterwards. If this planned rate of sign-up is confirmed, it should give rise to revenues of €2.6m based on the projected run-rate at the end of 2020.

Risks

The risk profile for the discerning investor

Given its ambitious – and innovative – expansion plans, it is hardly surprising that Limestone faces risks. We identify the following risks as being the most pronounced for any putative investor:

- The trend towards out-sourcing, for whatever reasons, being reversed;
- The emergence, especially in Luxembourg, of well-financed – and technically proficient – IT vendors;
- IT failings, some of which may relate to cyber-security, could give rise to data protection issues.
- Poor progress in winning new customers would undermine Limestone's growth model and, therefore, imperil its other aims;
- Scalability is inevitably an issue, given the growth expectations;
- The risk of losing key personnel is real, despite Limestone's efforts to mitigate this risk;
- The challenge of raising the necessary finance, at acceptable rates, to fund the expansion of the business;
- The relatively small size – in terms of AuM - of much of Limestone's existing client base may deter some larger organisations from signing up for its services;
- Reputational and fiduciary risks, although these will be mitigated by personal indemnity insurance;

Financials & Investment case

2017 accounts – and their dire returns - are very much history

In 2017, Limestone was a very different business from the entity that it is today. The accounts for that financial year showed worsening losses. During 2015, asset management was out-sourced to Northern Star, whilst Limestone was beginning to increase its investment in CUBE.

The key financial indicators for 2017 and the previous four years, with a calendar year-end, are reproduced below:

Limestone's historic accounts

€	2017	2016	2015	2014	2013
Revenues	388,539	613,812	717,909	1,148,997	1,243,462
Change in revenues	-37%	-15%	-38%	-8%	-3%
Net loss/profit	-487,605	-290,640	-431,766	65,399	55,325
Net margin	-125%	-47%	-60%	6%	4%
ROA	-51%	-29%	-73%	9%	9%
ROE	-60%	-34%	-136%	16%	16%

Source: Annual Report 2017

Bad though the above figures undoubtedly are, they have very limited relevance to the Limestone of 2019 and its aspirations to become a key FSP, with a focus on Luxembourg.

Indeed, 2017 was the first year in which Limestone earned fees from any client apart from its former parent company, Northern Star. This initiative also operated as a driver for the new expansionist policy that has been adopted and, in particular, the opening of an office in Luxembourg.

The 2018 accounts still have to be signed off. Given the financial transformation that has been undertaken by Limestone, they will have few implications for future financial returns.

Debt-free currently

Limestone's unaudited figures for 2018 show that it had net assets of €0.82m at its December 2018 year-end, while revenues for the year were €0.42m: the loss was €0.68m. Importantly, Limestone currently has no net debt on its balance sheet, which will be bolstered shortly by the planned fund-raising.

In terms of the future, Limestone has drawn up various financial projections until 2023, which are re-produced below: the numbers are based on run-rates at the end of each year.

Financial projections

€	2019E	2020E	2021E	2022E	2023E
AuM (€bn)	0.9	2.0	3.0	4.0	5.0
Average fee	0.13%	0.13%	0.13%	0.13%	0.13%
Revenues (€m)	1.2	2.6	3.9	5.2	6.5
Cost (€m)	-1.2	-1.6	-2.0	-2.4	-2.7
Operating profit (€m)	0	1.0	1.9	2.8	3.8

Source: Limestone

Projections until 2023

Inevitably, these figures are marked by considerable uncertainty, especially with regard both to the number of new clients that Limestone attracts and to the revenues that they will generate. On the other hand, Limestone may grow even faster than anticipated especially if it succeeds in consolidating some small-scale Mancos: new capital may need to be raised to undertake consolidation initiatives.

Aggressive growth projections

The projected revenue growth rate – of over five times - between 2019 and 2023 may seem ambitious. It is predicated on the opportunities available, although whether Limestone can reach the typical industry conversion rate for new business of a minimum 20% is not certain.

The margin is key earnings driver

A further unknown is the margin that will accrue under whatever pricing mechanism Limestone might negotiate. In some cases, a flat fee may be prescribed; in others, FSPs charge on a *pro rata* basis. Hence, if a percentage of AuMs is agreed as the charging methodology, the industry average appears – as confirmed in a recent on-line sector article published by Bloomberg - to range between 0.08% and 0.2%.

The consolidation and CUBE 'kickers'

In the mid-term, Limestone believes that it could enhance growth through the consolidation of some of the smaller ManCos – the savings would certainly benefit Limestone's profit line. A further 'kicker' is the value that could be attributed to CUBE.

c€2.5m fund-raise shortly will underpin Limestone's finances

In terms of new funds, Limestone plans to raise €1.5m to €2.5m within the next two months or so. Virtually all of this amount has already been pledged. As such, Limestone should be able to implement its short-term development plans, in the recognition that the company is sufficiently capitalised.

Future fund-raising

Subsequently, Limestone seeks to raise further funds to enable it to participate in the expected consolidation of the FSP sector, where there are many relatively small companies in the market. It is planned that this prospective fund-raise would be undertaken against a background of a growing business in a robust market for financial services. Limestone has indicated that this fund-raise is expected to be within the range of €3m to €5m, part of which would fund its ManCo consolidation plans.

Company matters

Registration

Limestone Platform A/S is incorporated in Tallinn, Estonia. Its company registration number is 11415709. The address is Vaike-Karja 12, Tallinn 10140, Estonia.

Share-holdings

The Share-holder Register has confirmed that the following hold stakes of over 3% in Limestone:

- Malkimaki Family – 37.3%;
- Relander Family Office – 28.7%;
- Kallasvuo Family Office – 13.4%;
- Leskinen Family Office – 13.0%;
- Other share-holders – 7.6%.

Supervisory Board

Oversight and compliance structure

The Supervisory Board plays a key role, both in terms of oversight and of compliance. Aside from Markku Malkamaki, the other Board members, along with their areas of specialist knowledge, are listed below:

- Frits Carlsen – Fund structures;
- Olli-Pekka Kallasvuo – Ex Nokia and private equity;
- Eero Leskinen – Private equity;
- Stefan Wilhelmson – Real estate and private equity.

Advisory board

Advisory Board

Limestone also has an Advisory Board, which has extensive experience across many financial disciplines. The members, and their areas of expertise, are:

- Eeva Hakoranta – Legal;
- Martin Mildner – Real estate;
- Kaj-Erik Relander – Institutional;
- Pelle Tornberg – Technology

Glossary

AIF	Alternative Investment Fund
AIFMD	Alternative Investment Fund Managers Directive
Alfi	Association of the Luxemburg Fund Industry
AuM	Assets under Management
CSSF	Commission de Surveillance de Secteur Financière
EFAMA	European Fund and Asset Management Association
ELTIF	European Long-term Investment Fund
EU	European Union
FCA	Financial Conduct Authority
FSP	Fund Services Provider
FuM	Funds under Management
ManCos	Management Companies
MiFiD2	Markets in Financial Instruments Directive 2
OEIC	Open-ended Investment Company
RAIF	Reserved Alternative Investment Fund
REIF	Real Estate Investment Fund
SICAR	Société d'Investissement a Capital Risqué
SICAV	Société d'Investissement a Capital Variable
SIF	Specialised Investment Fund
UCITS	Undertakings for Collective Investment for Transferable Securities
USP	Unique Selling Point

About the author

Nigel Hawkins undertakes analysis of the Utilities sector at Hardman, along with working on some special projects.

He has been an investment analyst since 1989, focusing on the UK/EU privatised water and electricity sectors, as well as gas and telecom companies. He has worked at Hoare Govett, Yamaichi and Williams de Broe.

Before joining the City, he worked as Political Correspondence Secretary to Lady Thatcher at 10 Downing Street between 1984 and 1987. Prior to that, he qualified as an Associate of the Institute of Chartered Secretaries and Administrators (AICS), and graduated in Law, Economics and Politics from Buckingham University.

About Hardman & Co

Hardman & Co is a long-established corporate research & consultancy business, based in London, that serves the needs of both public and private companies by providing independent research and due diligence reports, encompassing all sectors of the global economy.

Notes

Notes

Disclaimer

Hardman & Co provides professional independent research services and all information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. However, no guarantee, warranty or representation, express or implied, can be given by Hardman & Co as to the accuracy, adequacy or completeness of the information contained in this research and they are not responsible for any errors or omissions or results obtained from use of such information. Neither Hardman & Co, nor any affiliates, officers, directors or employees accept any liability or responsibility in respect of the information which is subject to change without notice and may only be correct at the stated date of their issue, except in the case of gross negligence, fraud or wilful misconduct. In no event will Hardman & Co, its affiliates or any such parties be liable to you for any direct, special, indirect, consequential, incidental damages or any other damages of any kind even if Hardman & Co has been advised of the possibility thereof.

This research has been prepared purely for information purposes, and nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell any security, product, service or investment. The research reflects the objective views of the analyst(s) named on the front page and does not constitute investment advice. However, the companies or legal entities covered in this research may pay us a fixed fee in order for this research to be made available. A full list of companies or legal entities that have paid us for coverage within the past 12 months can be viewed at http://www.hardmanandco.com/legals/research-disclosures. Hardman may provide other investment banking services to the companies or legal entities mentioned in this report.

Hardman & Co has a personal dealing policy which restricts staff and consultants' dealing in shares, bonds or other related instruments of companies or legal entities which pay Hardman & Co for any services, including research. No Hardman & Co staff, consultants or officers are employed or engaged by the companies or legal entities covered by this document in any capacity other than through Hardman & Co.

Hardman & Co does not buy or sell shares, either for their own account or for other parties and neither do they undertake investment business. We may provide investment banking services to corporate clients. Hardman & Co does not make recommendations. Accordingly, they do not publish records of their past recommendations. Where a Fair Value price is given in a research note, such as a DCF or peer comparison, this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. Hardman & Co may publish further notes on these securities, companies and legal entities but has no scheduled commitment and may cease to follow these securities, companies and legal entities without notice.

The information provided in this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Hardman & Co or its affiliates to any registration requirement within such jurisdiction or country.

Some or all alternative investments may not be suitable for certain investors. Investments in small and mid-cap corporations and foreign entities are speculative and involve a high degree of risk. An investor could lose all or a substantial amount of his or her investment. Investments may be leveraged and performance may be volatile; they may have high fees and expenses that reduce returns. Securities or legal entities mentioned in this document may not be suitable or appropriate for all investors. Where this document refers to a particular tax treatment, the tax treatment will depend on each investor's particular circumstances and may be subject to future change. Each investor's particular needs, investment objectives and financial situation were not taken into account in the preparation of this document and the material contained herein. Each investor must make his or her own independent decisions and obtain their own independent advice regarding any information, projects, securities, tax treatment or financial instruments mentioned herein. The fact that Hardman & Co has made available through this document various information constitutes neither a recommendation to enter into a particular transaction nor a representation that any financial instrument is suitable or appropriate for you. Each investor should consider whether an investment strategy of the purchase or sale of any product or security is appropriate for them in the light of their investment needs, objectives and financial circumstances.

This document constitutes a 'financial promotion' for the purposes of section 21 Financial Services and Markets Act 2000 (United Kingdom) ('FSMA') and accordingly has been approved by Capital Markets Strategy Ltd which is authorised and regulated by the Financial Conduct Authority (FCA).

No part of this document may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, photocopying, recording or otherwise, without prior permission from Hardman & Co. By accepting this document, the recipient agrees to be bound by the limitations set out in this notice. This notice shall be governed and construed in accordance with English law. Hardman Research Ltd, trading as Hardman & Co, is an appointed representative of Capital Markets Strategy Ltd and is authorised and regulated by the FCA under registration number 600843. Hardman Research Ltd is registered at Companies House with number 8256259.

(Disclaimer Version 8 – Effective from August 2018)

Status of Hardman & Co's research under MiFID II

Some professional investors, who are subject to the new MiFID II rules from 3rd January, may be unclear about the status of Hardman & Co research and, specifically, whether it can be accepted without a commercial arrangement. Hardman & Co's research is paid for by the companies, legal entities and issuers about which we write and, as such, falls within the scope of 'minor non-monetary benefits', as defined in the Markets in Financial Instruments Directive II.

In particular, Article 12(3) of the Directive states: 'The following benefits shall qualify as acceptable minor non-monetary benefits only if they are: (b) 'written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public…'

The fact that Hardman & Co is commissioned to write the research is disclosed in the disclaimer, and the research is widely available.

The full detail is on page 26 of the full directive, which can be accessed here: http://ec.europa.eu/finance/docs/level-2-measures/mifid-delegated-regulation-2016-2031.pdf

In addition, it should be noted that MiFID II's main aim is to ensure transparency in the relationship between fund managers and brokers/suppliers, and eliminate what is termed 'inducement', whereby free research is provided to fund managers to encourage them to deal with the broker. Hardman & Co is not inducing the reader of our research to trade through us, since we do not deal in any security or legal entity.

bespoke@hardmanandco.com

35 New Broad Street
London
EC2M 1NH

+44(0)20 7194 7622

www.hardmanandco.com