

Columna Fund investigator calls for Lux'bourg regulator action

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By [Richard Hubbard](#), 20 Aug 18

Negligence by directors claimed as fund took investors money after problems known

The private investigators looking into potential fraud at the Columna Commodities Fund have called on the Luxembourg regulator of the failed Alternative Investment Fund to take action.

Intel Suisse, the Geneva-based asset recovery firm which claims to represent investors who hold 30% of subscriptions to the fund, is calling for the return of all money invested in Columna after 31 August 2016 when the directors of the fund knew there were problems.

“We contend that by end of August 2016 there was known potential impairment of the NAV (net asset value), as stated by the directors in their recent letters to shareholders, and that by mid-October 2016 this impairment has become a reality with almost total loss of assets in the sub-fund,” the company said.

Investment failure

The Columna Commodities Fund is a sub-fund of Luxembourg-domiciled LFP I Sicav SIF SA. The specialised fund had been marketed on the basis that it would invest in a range of commodity-linked assets but had, in fact, loaned the bulk of its subscriptions to a Hong Kong-based private company called Global Hill Corporation, which was wholly-owned by Columna.

The fund was known to have been marketed heavily to investors in Switzerland and Dubai. It had a minimum subscription of €125,000 (£112,097, \$142,947) or a currency equivalent, but had a much lower entry level for investments via life companies, Sips and Rops of just €10,000 or the equivalent in other currencies.

In a November 2016 factsheet, the fund’s managers stated they were actively allocating capital towards new “commodity finance transactions in oil and rice”. This document also stated the fund’s performance for the year to October 2016 had been a gain of 12.12% net of all fees and charges, compared with a 25.9% gain posted for the whole of 2015.

However, in December of 2016, the directors of Columna wrote to investors to tell them [redemptions had been suspended](#) as they had not received the proceeds of two core investments due by 30 November 2016.

At the time, the fund was also withdrawn from regulation in Luxembourg after the Commission de Surveillance du Secteur Financier (CSSF) was notified it was no longer making payments. To date, none of the money invested in the fund has been returned to investors.

Intervention needed

David Mapley of Intel Suisse said the tardy actions of the directors of the umbrella LFP I Sicav and its administrator, European Fund Administrator, in suspending the fund nearly four months after they had become aware of problems with the loans it had made, was “grossly negligent”.

“At best, this inaction is grossly negligent, at worst it is fraud to take in new subscriptions knowing the NAV to be extremely overvalued and asset base totally lost,” he stated in a letter to the CSSF seen by *International Adviser*.

Mapley wrote: “We therefore seek your intervention in this matter to review and arbitrate the subscription matter as we have several investors who are very aggrieved and wish for their “good faith” investments to be returned forthwith.

“The integrity of Luxembourg as a financial centre is being questioned here and we therefore seek your direct involvement,” the letter states.