

# The rise of multi-currency funds: what are the operational complexities?

*Globalized investment landscapes mean private fund managers are under continued pressure to accommodate diverse investor bases, cross-border deal flows, and multi-currency capital structures. [Kevin Hogan](#) and [Matt Horton](#) break down the benefits, challenges and operational nuances of multi-currency funds*

The forecasted growth across private markets, projected by [Preqin](#) to be \$29.2 trillion by 2029 and breaching \$30 trillion by 2030, is indicative of the fact that more investors than ever are looking to access private asset classes. Indeed, the [retailisation](#) of private markets and the continued growth of [semi-liquid](#) fund structures is the result of an increasingly diverse investor base, keen to benefit from potential returns of private assets.

Another trend pointing to this – and one we’ve noticed among our own client base – is the increased use of multi-currency funds, which allow investors to commit capital in their preferred currency. This flexibility simplifies the investment process for LPs but introduces operational complexity for managers.

Although [multi currency funds](#) aren’t new, the way the market perceives and operates them is changing, driven by a shifting balance of power between LPs and GPs and a more complex global fundraising environment. Investors expect greater optionality and customisation, prompting GPs to accommodate a wider range of share class currencies and hedging structures to broaden their investor base and maximise fundraising potential.

The changes GPs are making, however, come with significant operational and administrative implications, from daily FX exposure monitoring to more advanced treasury management and the heavier reporting burden compared to single currency funds. This is where service providers play a critical role by guiding clients through market practice and operational demands, ensuring accuracy and efficiency.

Understanding the structural choices behind multi-currency funds is essential to unlocking scale, efficiency, and investor satisfaction.

## **What is a multi-currency fund?**

A true multi-currency fund is a single legal entity that accepts capital commitments in multiple currencies, typically through distinct share classes or sleeves. This contrasts with a multi-currency structure approach, such as master-feeder or parallel fund setups, which involve separate legal entities for each currency or investor type.

Multi-currency funds benefit LPs as they simplify the investing process, however they can create operational complexities for the manager. Multi-currency funds introduce foreign exchange (FX) risk, bring jurisdictional tax rules into focus, while managers need to provide sleeve-level reporting, and deal with multi-currency capital calls. These factors are nuanced depending on whether the manager is raising capital from differing investor bases, for example U.S. institutions, European family offices, or Middle Eastern sovereign wealth funds. And as potential pools of capital expand to include new classes of retail investors, so too will the complexity of remaining compliant and operationally transparent, while meeting evolving investor needs.

## **How do multi-currency funds work in private markets?**

Structurally, multi-currency funds include currency segmentation, with individual sleeves for each currency allowing for tailored capital accounting, performance tracking, and reporting. Capital calls and distribution notices are issued in the investor's committed currency and processed by the funds' administrative systems, with NAVs then calculated per sleeve.

## **What benefits do multi-currency funds offer managers?**

### **1. Broader investor appeal**

Multi-currency structures allow managers to attract global LPs who prefer investing in their local currency, reducing friction and FX concerns for the

investor. It also makes it easier to scale across geographies.

## **2. Operational efficiency vs. complexity**

Compared to master-feeder setups, single multi-currency funds are often simpler to operate when currency is the only differentiator. This can mean lower setup and administrative costs, as well as unified governance and portfolio management.

## **3. Investor segmentation**

Managers can meet diverse investor needs (e.g., regulatory or tax requirements) without creating separate funds for each group.

## **What are the challenges for fund managers?**

The most critical challenge in multi-currency funds is managing FX exposure. For example, adding hedging layers potentially introduces unintended consequences, such as the risk of certain investors exhausting capital commitments due to FX movements, which means GPs need to ensure fund documents are drafted to best address these complexities. It also means GPs and administrators need to track and potentially adjust positions more frequently than the traditional quarterly or semi-annual reporting cycles. All these considerations add cost, as well as additional operational and audit requirements. These, coupled with the need for specialized knowledge, make multi-currency funds more challenging for smaller fund managers.

There are several strategies managers can employ to deal with this, including:

### **1. Natural hedging**

Match investment and revenue currencies to reduce exposure organically.

### **2. FX derivatives**

Use forwards and options to hedge currency risk at a fund or sleeve level.

Hedging costs include roll costs (interest rate differentials), transaction fees, and collateral drag.

### **3. Hedge ratio design**

Managers choose how much exposure to hedge based on portfolio composition, investment horizon, and market volatility.

### **4. Manual buffers & reconciliation**

Manual conversion buffers are applied to capital calls, accounting for FX fluctuations between notice and payment dates.

### **5. Investor-level allocation**

Profits and losses from FX hedging are allocated to investors based on their currency exposure and sleeve participation.

## **What other operational factors do managers need to consider?**

Successfully managing multi-currency funds requires attention in four key operational areas:

### **1. FX risk management**

Effective hedging strategies, such as forwards or natural matching, must be supported by scenario modelling and treasury oversight to mitigate currency volatility.

### **2. Currency segmentation**

Distinct sleeves for each currency require separate capital accounts, performance tracking, and reporting frameworks to ensure clarity and prevent cross-contamination.

### **3. Capital calls and distributions**

Calls and pay outs must align with the investor's committed currency, supported by automated systems that reduce manual errors and ensure timely execution.

### **4. Technology enablement**

Platforms must support sleeve-level accounting, real-time cash tracking, and investor dashboards to deliver transparency and operational control.

# Comparing multi-currency options

	Multi-Currency Fund	Master-Feeder Structure	Parallel Fund Structure
<b>Structure</b>	Single legal entity with multiple currency sleeves	Separate feeder funds (e.g. USD, EUR, GBP) investing into a central master fund	Multiple independent funds investing pro-rata into a shared portfolio
<b>Capital handling</b>	Investors commit in preferred currency; FX managed centrally	Capital flows through feeders; FX exposure handled at feeder or investor level	Each fund handles its own capital and currency independently
<b>Governance</b>	Unified governance and portfolio management	Centralised investment decisions via master fund	Separate governance for each fund
<b>Flexibility</b>	Limited to currency differentiation	Moderate flexibility for tax/regulatory tailoring	Maximum flexibility for investor-specific needs
<b>FX Management</b>	Central FX conversion with buffers; manual processes common	FX exposure managed at feeder level or passed to investors	FX handled independently per fund
<b>Reporting</b>	Per currency sleeve; unified structure	Separate reporting for each feeder	Customised reporting per fund
<b>Cost</b>	Lower setup and admin costs	Higher operational and legal costs	Higher legal and operational overhead
<b>Scalability</b>	Easier to scale across geographies	Scalable but more complex	Scalable with effort; jurisdiction-specific setup
<b>Use case suitability</b>	Best when currency is the only differentiator	Suitable for tax/regulatory tailoring with centralised investment	Ideal for diverse investor needs across jurisdictions

As private markets continue to expand globally, fund managers must balance flexibility with efficiency. Whether opting for a single multi-currency entity or a multi-structure approach, the goal remains the same: to meet investor needs while maintaining operational clarity and cost control.

As investors' expectations evolve, so too must the architecture of the funds that serve them. Choosing the right structure is the foundation of a successful investment strategy. By combining deep regulatory expertise, advanced technology platforms, and a global operational footprint, specialist administrators can help managers setup and run multi-currency structures that are compliant and tax-efficient, as well as transparent, scalable, and investor-friendly.

If you'd like to discuss your multi-currency fund requirements in more depth, please contact us.



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