

FUND STRUCTURING

Master-feeder and parallel fund structures explained

Master-feeder and parallel fund structures let a single manager run one investment strategy while accommodating investors with different tax and regulatory needs — and BVI and Cayman each facilitate this differently at the regulatory level.

01

Overview

Fund managers raising capital from a mixed investor base — typically US taxable investors, US tax-exempt institutions, and non-US investors — face a structuring problem: each group has different tax and regulatory sensitivities that a single fund vehicle cannot satisfy simultaneously. The master-feeder structure solves this by creating multiple “feeder” vehicles — commonly a US limited partnership for domestic taxable investors and an offshore (Cayman or BVI) corporate feeder/blocker for non-US and US tax-exempt investors — each of which then invests substantially all of its assets into a single, centrally managed “master fund”, usually an offshore exempted company or limited partnership taxed as a partnership for US purposes.

The master fund conducts all actual trading and portfolio management, so the manager operates one book of positions rather than duplicating trades across multiple vehicles. A parallel fund structure is the alternative approach: instead of consolidating into one master, the manager runs two or more separate funds that invest side by side in the same positions, generally pro-rata, without a shared master vehicle; this avoids master-feeder's added registration layer but requires the manager to execute and allocate every trade across the parallel funds simultaneously. A mini-master structure is a further variant, used mainly for tax reasons, where the offshore feeder invests into a small partnership subsidiary alongside the domestic fund to structure incentive compensation as a profit allocation rather than a deferred fee.

02

Key features

Structure	How it works	BVI/Cayman facilitation
Standalone offshore fund	Single offshore vehicle, all investors in one fund	Standard BVI or Cayman fund registration, no special category needed
Master-feeder	Two or more feeders invest into one master fund conducting all trading	Cayman: dedicated Master Fund registration category under the Mutual Funds Act, lower annual fee than a standard fund; BVI has no equivalent bespoke category — assessed under standard fund tiers or an available exemption

Structure	How it works	BVI/Cayman facilitation
Parallel fund	Two or more funds trade the same positions side-by-side, no shared master	Each fund registered independently in its own jurisdiction; no special joint category in either BVI or Cayman law
Mini-master	Offshore feeder invests via a small partnership subsidiary for tax reasons	Not a distinct regulatory category — implemented via ordinary corporate/partnership vehicles

03

Regulatory framework

The most concrete jurisdictional difference is Cayman's dedicated Master Fund registration category under the Mutual Funds Act. Registration is triggered when a regulated Cayman feeder fund — one itself registered with CIMA and conducting more than half of its investing through the master — invests into the master; the master must then also register, though on materially lighter terms than a standard fund, filing only prescribed particulars rather than a full offering document, and paying a lower annual fee than a standard Registered Fund. Registration is not required where every feeder investing into the master is itself unregulated.

The BVI, by contrast, has no equivalent statutory Master Fund category. A BVI-domiciled master vehicle that satisfies the general statutory definition of a “fund” falls to be assessed under BVI's ordinary open-ended fund tiers, or under the Private Investment Fund regime if closed-ended, unless it can rely on an exemption — for example, having only a single investor. Because this analysis is fact-specific and BVI guidance is comparatively thin relative to Cayman's codified regime, promoters structuring a BVI master fund should obtain a specific legal opinion on its regulatory status.

04

Practical considerations

- Use master-feeder when the investor base is genuinely mixed and the strategy trades liquid enough instruments to make single-book execution meaningful.
- Use a parallel structure when consolidation into one master isn't feasible or desirable — for example, where regulatory, tax or investor-mandate constraints prevent certain capital from flowing into an offshore master.
- Confirm whether Cayman's master fund registration trigger applies before assuming registration is required — if all feeders are unregulated, the master itself may not need to register.
- Get a specific BVI legal opinion on master fund status rather than assuming it mirrors Cayman's codified approach.
- Weigh mini-master structures against straightforward carried-interest drafting — the added complexity is only worthwhile if the manager's incentive compensation tax treatment genuinely benefits from it.
- Plan administrator and audit scope around the full structure, not each vehicle in isolation — master-feeder and parallel structures both require consolidated as well as entity-level reporting.

05

Berkley Fund Services is an authorised financial services provider, regulated in South Africa (FSCA 52890) and the British Virgin Islands (BVI FSC – Licence No. SIBA/L/26/1190).

Enquiries: enquiries@berkleyfunds.com

How Berkley can help

Berkley Fund Services administers master-feeder and parallel fund structures across BVI and Cayman, coordinating NAV calculation, allocations and reporting across the full structure rather than treating each vehicle in isolation. Promoters structuring a multi-vehicle platform are welcome to bring their proposed structure to Berkley's team early, so that administration and reporting scope can be agreed before launch.

ENQUIRIES **enquiries@berkleyfunds.com**

This article is provided for general information purposes only and does not constitute legal, regulatory or tax advice. Fund promoters and managers should seek independent professional advice before establishing or investing in any of the structures described.