A €100 MILLION VANISHING ACT

Dozens of pensioners wish they had never poured their savings into Luxembourg funds

By Julie Edde

Saskia Bysted in Malaga, looking at ways to recover her losses

TIMELINE	JANUARY 2010	JANUARY 2012
	LUXEMBOURG FUND PARTNERS CREATED	BLACKSTAR COMMODITIES LAUNCHED

The names of some of the investors were changed to protect their identity.

On the hills overlooking Malaga, a sickening shock hits 77-year-old retiree John every time he rediscovers that he owes an Isle of Man company thousands of euros in fees for an investment that lost all its value five years ago. Alzheimer's has erased the memory of how he and his partner invested €310,000 in the now defunct fund company LFP I. Saskia Bysted, his 70 year-old companion – who is also his caretaker – explains how they cannot afford the professional care that John's progressive dementia requires on a monthly pension of just €1,800.

Yet one might forgive the couple for thinking they made the right choice when they opted for an LFP I fund through an investment adviser. The company was based in Europe's largest fund management centre, Luxembourg, watched over by the CSSF financial regulator, and had help from a bevy of big-name accounting firms and other service providers. Yet nobody seems to have noticed when an estimated €100 million evaporated from LFP I without a trace.

Authorities suspect crime was at stake. Several of the people the *Luxembourg Times* talked to said they were cooperating in a police investigation into LFP I. And in January, a Luxembourg judge banned the transfer of the remaining cash in the company, citing a criminal investigation that was pending. Yet there is no clear picture of where the money went, or who was responsible for the demise of the LFP I funds. In private conversation – and publicly in court – several people pointed fingers at others, floating theories of what happened to the money. But despite a flurry of civil lawsuits, not a single person has so far been charged with any crime related to LFP I. Nor does the *Luxembourg Times* have evidence to substantiate any of the claims.

The case drew attention in Luxembourg because at least two rival groups of shareholders are fighting to get their money back through a raft of lawsuits. Their battle is not one for the faint of heart. One

Pensioner Saskia Bysted and her partner John at home in Malaga

faction is led by David Mapley, a maverick UK investigator who also worked on legal action against Goldman Sachs over losses during the financial crisis in 2008. One of his opponents is a Belgian businessman, Levi Dewaegenaere, who is a shareholder in one of the LFP I funds. Dewaegenaere – who was given a three-year jail sentence for financial wrongdoings in an unrelated case in Antwerp last year – denounces Mapley in a video he shared with this newspaper and that is also posted on a website discrediting the Brit and his associates. Another anonymous website retaliated, throwing mud at Mapley's opponents with similar messages. Luxembourg's taciturn funds industry – and the country's regulator – have painstakingly kept quiet about the case.

"I trusted him," Bysted said about the advisor who convinced her to put their savings into Columna Commodities, an LFP I fund. "I'm not that clued up about investments and markets," she said. All she wanted when she poured the bulk of her money into Columna, was to lead a comfortable life, after selling a property and receiving an inheritance. When she learned that the valuation of the fund had sunk to zero in 2016, Filip Gil – her "high-flying" adviser – became evasive, she said. A Burkina Faso gold mine would yield enough to replenish the fund, he told her. But his messages became fewer and fewer. Then Gil – and his associate Stefan Gustafsson – simply vanished. Bysted has yet to see her money back. When asked for a reaction, Gil said he was no longer in touch with clients unless they were personal friends, because he was no longer a regulated advisor. Gustafsson did not reply to a request for comment. The *Luxembourg Times* has no indication that Gill or Gustafsson were involved in any financial wrongdoing or that they have been charged or will be charged with any crimes relating to LFP I.

It wasn't just unsuspecting pensioners who made the wrong decision. Salesmen routinely accosted Eric – a manager at a US conglomerate – and his colleagues in the lobby of their Geneva offices, asking them to sign up to various financial products, a practice that is now forbidden. One of them, Aaron Pacitti, well-spoken and polite, sold shares in Columna, a fund Pacitti said he was setting up in Luxembourg. Eric poured hundreds of thousands of euros into it. But when he tried to get the money out in 2016, he was first told he missed a deadline for redemptions, then that the fund had been suspended. Half of his wealth was gone. "We are slowly losing hope," he said. "My life has changed terribly, I wasn't able to buy a house as I had planned, (and there were) many other consequences. And let's not even speak about my mental health." Pacitti did not reply to a request for comment. The *Luxembourg Times* has no indication that he committed any financial wrongdoing or that he has been charged or will be charged with any crimes relating to LFP I.

Even some financial advisors themselves fell for the sales pitches. Neil, a British independent financial advisor with 20 years' experience in São Paulo, lost half of his clients since they learned about their losses. He invested over $1 million in Columna and Equity Power Fund (EPF), also part of LFP I, on behalf of about 20 clients through a distribution platform. "I'm very angry about that. You're putting confidence in the fund's track record, the custodians, auditors and the regulator. There's only so much due diligence you can do, since you don't see the books."

Monique, a United Nations worker in Geneva, over time invested €800,000 in Columna. Some of her money was invested in the form of loans to BStar, a Swiss company dealing in commodities in Africa, which was also one of the main assets of Columna. But Monique was unaware of the link. "I took the offer to get part of my salary savings invested elsewhere," she said. "Plus, there was the added convenience of the guy coming directly to the office." Her advisor, Rhys Harriott, knocked on her office in 2012. Access to the building was simple at the time, Monique said, with people walking in saying they had an appointment and then snooping around.

Monique thought she and Harriott had a relationship of trust. For instance, he gave her tips of where to go hiking. He did change companies frequently, though. "Once he showed me a photograph meant to promote his new team," Monique said. "It depicted several guys in black suits and hats

"We had to piece together all the bank statements" - David Mapley

AUGUST 2013	OCTOBER 2013	MARCH 2015	JANUARY 2016	MARCH 2016	OCTOBER 2016	OCTOBER 2016	NOVEMBER 2016
AVENTOR AND COLUMNA COMMODITIES LAUNCHED	EQUITY POWER FUND LAUNCHED	SOCIETE GENERALE REPLACES ABN AMRO AS CUSTODIAN	LFP APPOINTED AS THE AIFM OF LFP I	EFA REPLACES APEX AS ADMINISTRATOR, DOMICILIATION AND TRANSFER AGENT	AVENTOR SUSPENDED	KBL REPLACES SOCIETE GENERALE AS CUSTODIAN	COLUMNA SUSPENDED

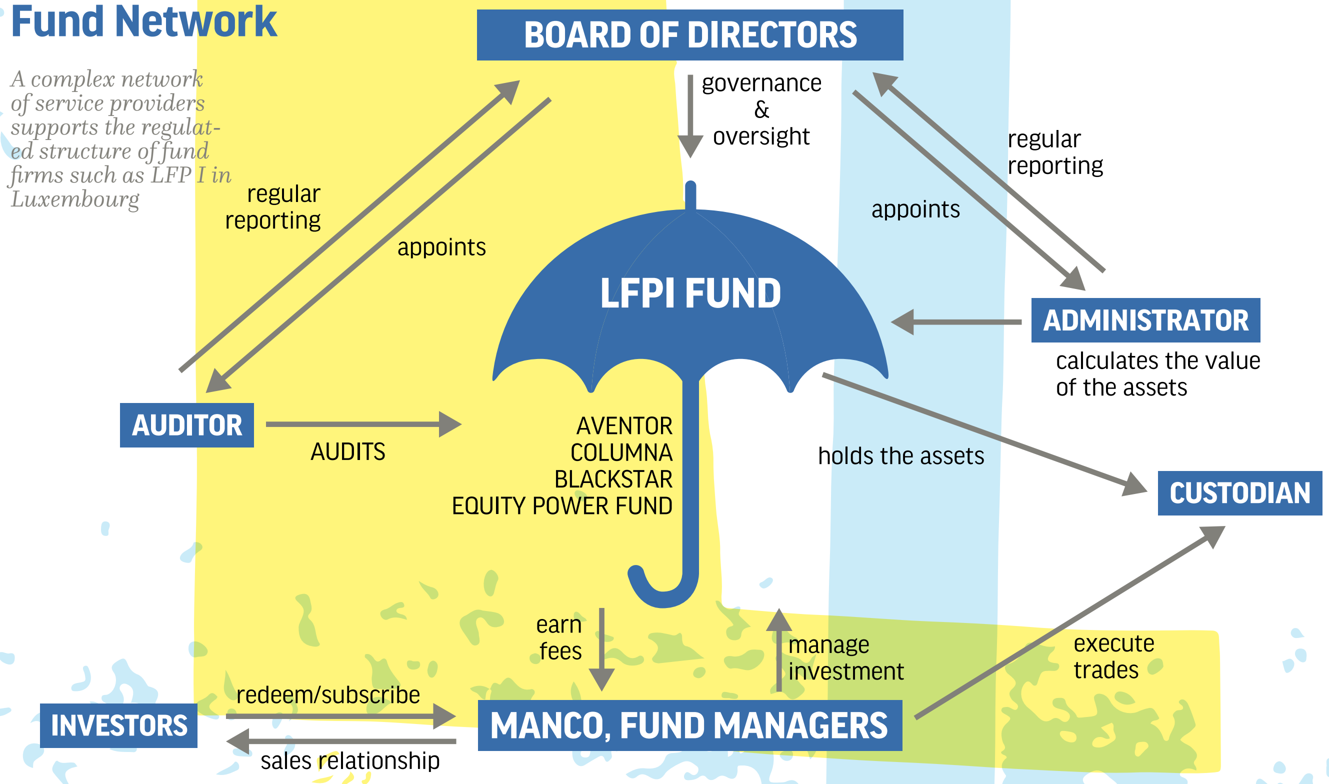
lingering around a swimming pool. I laughed and told him that it looked like a group of gangsters." But she did not worry about the money. The capital was fully protected, she was assured, and yields were good. Nevertheless, returns from BStar were halted a few years later. Eventually, it and Columna were suspended and Monique lost her money. The *Luxembourg Times* could not reach Harriott for a comment and does not have any indication that he committed financial wrongdoings or that he has been charged, or will be charged, with any crimes relating to LFP I.

Be it in Spain, Switzerland or Brazil, investors have a similar story to tell. First, an advisor offers an investment promising high and consistent returns, praising Luxembourg's stringent rules and investor protection. Then, the sudden discovery that the value of the fund fell to zero, despite the monthly publication of consistent apparent gains.

Were the investors too gullible? Some would say they could have known there was more risk to LFP I than a regular retail fund. As an alternative investment fund – a term that can refer to private equity, real estate or hedge funds – it was accessible only to financially savvy – so-called qualified – investors. But even such funds are unlikely to fall to zero, the investors said. And from the outside, nothing seemed wrong with LFP I. French banking giant Société Générale was the custodian holding the assets; and accounting powerhouse PricewaterhouseCoopers (PwC) audited the company. PwC said that criminal law prohibited it from speaking about client matters. Société Générale declined to comment as it was involved in litigation about LFP I.

Fund Network

A complex network of service providers supports the regulated structure of fund firms such as LFP I in Luxembourg



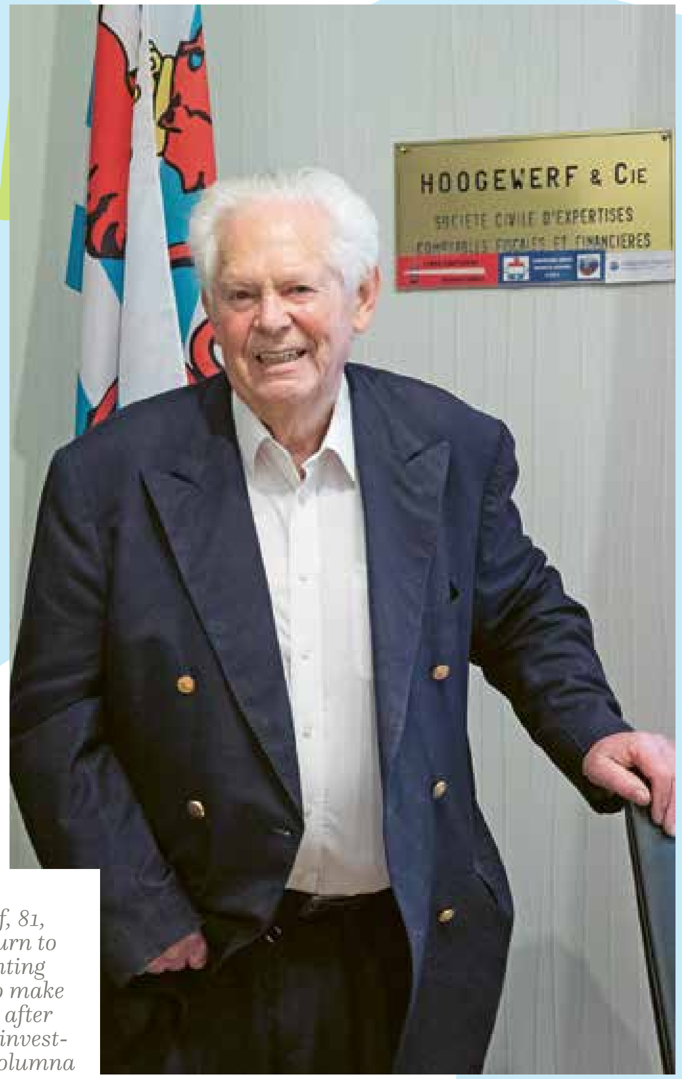
Infographic: Michèle Winandy

"It's a Ponzi scheme," said Mapley, who was voted on to the board of LFP I in 2018 when the losses first became public. "When we went in, we had to piece together all the bank statements and reconcile what was going in and coming out every day. It's amazing, the money was flying out." Mapley represents some 10% of the shareholders, including those interviewed for this story. He and two other directors – Tudor Fedeles and Jacques Bossuyt – have been tracing and retrieving the missing assets for the past two years. This year however, the three were voted out by shareholders and LFP I is now run by a court-appointed administrator. In three of the funds – Columna, BlackStar Commodities and Aventor – the money trail showed a pattern characteristic of a Ponzi scheme, Mapley said, an allegation he has repeated in a court case against the CSSF regulator. They all promised high returns, new money was used to pay out existing investors, there were consistent monthly gains on paper, and they all had a veneer of legitimacy through the Luxembourg domicile. But in reality, the money was quickly vanishing and roughly €100 million in investments disappeared from LFP I in total, he alleges. However, in the case of BlackStar, the *Luxembourg Times* has seen documents showing that its investments in iron ore in Mexico had been certified and audited by an external party.

Controversial crusader

Mapley is a devil-may-care defender of his clients. When pushed, the driven 61-year old is keen to prove what he says with documents, showing decades of experience. Yet his expletive-laden emails and crude scolding of the people he disagrees with have made him few friends in the Grand Duchy. His detractors accuse him of a string of corporate bankruptcies. In May 2020, the CSSF suspended him as a director for a period of four years for providing "incomplete and incorrect" information to get authorised to work in Luxembourg. Mapley is fighting

"There is only so much due diligence you can do, since you don't see the books" - Neil



Francis Hoogewerf, 81, had to return to his accounting practice to make ends meet after losing his investment in Columna

FEBRUARY 2017	COLUMNA PUT IN LIQUIDATION
APRIL 2017	AVENTOR PUT IN LIQUIDATION
MAY 2017	BLACKSTAR SUSPENDED
DECEMBER 2017	ALTER DOMUS BUYS LFP SA
JANUARY 2018	LUC LELEUX QUITS THE BOARD OF DIRECTORS
JULY 2018	JULIEN RENAUX QUITS THE BOARD OF DIRECTORS
SEPTEMBER 2018	MARK STEPHENS QUITS THE BOARD OF DIRECTORS
SEPTEMBER 2018	DAVID MAPLEY AND TUDOR FEDELES JOIN AS DIRECTORS

David Mapley and Tudor Fedeles in front of their office in Luxembourg

the suspension and says the defaults were par for the course when cleaning up failed fund companies. He says a sanction against him by the Cayman Islands regulator, which the CSSF based its decision on, never happened. But the accusations have not made his work any easier. That hasn't stopped Mapley from filing a lawsuit for gross negligence against the CSSF, a case the regulator's lawyer has dubbed a publicity stunt.

Mapley says his search is made harder by the fact he has no insight into the precise money flows at LFP I, despite the fact that until recently, he was one of the fund's three directors. None of the service providers ever gave him full insight into LFP I's accounts, he said. However, a representative for one of the providers said that the company had handed over all the documents it had available, although recognizing that some had not been accurately kept by other parties. Mapley is now involved in legal battles with the providers, seeking to hold them liable for at least part of the losses. Alter Domus, which held the regulatory license for LFP I to operate in Luxembourg, Société Générale, which kept the assets and PwC, the accountants, as well as European Fund Administration (EFA), the administrator which calculated the daily value of the fund, resigned around the time that Mapley took over the helm at LFP I. Alter Domus and EFA declined to comment.

Throwing mud

Two men, Julien Renaux and Frenchman Luc Leleux originally set up LFP, the management company of LFP I, a decade ago, offering people with investment ideas a regulated structure needed to launch a fund, saving them time and money. The two were later joined by New Zealander Mark Stephens and others. Leleux declined to comment for this story, as did Stephens. Renaux could not be reached for comment. The *Luxembourg Times* has no indication that these men, individually or together, committed any financial wrongdoing or that they were charged, or will be charged, with crimes connected to LFP I.

Columna's €51.4 million loss centered around BStar – the firm Monique had also lent money too. It was a Swiss firm, dealing in gold in Africa, managed by Walter Bizarri, who describes himself as an operational risk expert for commodities operations in Africa. Eric, the manager at the US conglomerate, was led to believe that BStar had a philanthropic goal, with Pacitti telling him the gold was sourced from small miners in Africa who did not have access to financial services, then melted in Antwerp. Sometimes, delays in shipments meant Columna would miss its 2% monthly growth target, Eric said. Nevertheless, the annual return of some 24% was enough to convince him and many other investors.

The crash came in 2016 and 2017, when three LFP I funds were suspended and shareholders voted to liquidate them. A fourth fund, Equity Power Fund

DECEMBER 2018	DECEMBER 2018	FEBRUARY 2019	FEBRUARY 2019
JACQUES BOSSUYT JOINS AS DIRECTOR	ALTER DOMUS RESIGNS	EPF SUSPENDED	LFP I RECEIVES APPROVAL BY THE CSSF TO BECOME A SELF-MANAGED FUND

Fees waived

During the *Luxembourg Times* investigation into LFP I, Quilter International – the Isle of Man-based company mentioned at the beginning of this story – made a gesture of goodwill to investor Saskia Bysted and her partner John. Quilter offered to pay the couple €1,000, provided John waves any claim on potential recovered funds. His initial investment was about €50,000. "Quilter International is the provider of the life assurance policy and does not select or provide advice in respect of any underlying investments, as that is the responsibility of the customer's investment adviser. However, in the light of [his] personal circumstances, we have made him a goodwill offer," the company said in a statement.

(EPF), was suspended in 2019, but its liquidation has not yet been set in motion. It also still holds millions in cash.

Mapley's efforts to retrieve the money so far have had little success, as the 30-odd lawsuits he has filed against virtually every party involved in LFP I are taking years to work their way through court. The longer the process takes, the likelier it is LFP I will get liquidated. If that is the case, the fund can no longer take legal action and any lawsuits would be by just the handful of shareholders willing to pursue action – and with enough cash to pay their lawyers.

Some have questioned Mapley's intentions. Mapley, whose clients work at CERN, the European Organisation for Nuclear Research, the World Health Organisation and Siemens, will get a cut of any returns if he is successful. For Bossuyt, one of the directors who did not support the lawsuit against the CSSF, Mapley ruffled too many feathers and he no longer supports the Brit. Mapley also has a formidable opponent in the group of shareholders in the EPF fund, centered around Dewaegenaere. They have accused Mapley of extortion after he and Fedeles tried to transfer the remaining millions of euros worth of assets in Equity Power Fund to Shimoda High Yield Bond Fund, a fund Mapley controls, without the approval of shareholders. Mapley said the transfer was all above board and that he has evidence to prove it.

The group of EPF shareholders won a court victory in October, when a judge appointed an administrator and instructed him to organise a shareholder meeting to dismiss the three directors. This meeting is unlikely to take place however, because the fund is now operating under the court-appointed administrator and shareholders did not reelect the three directors at their annual meeting this year.

On their watch

There is some evidence the CSSF did not trust how LFP I was structured. Emails seen by the *Luxembourg Times* from between 2013 to 2017 warned the LFP I board of directors about a lack of diversification, large variations in the monthly value of the funds and erroneous figures. In 2016, it asked why deficiencies in how the fund calculated performance fees "have not been immediately solved". Nevertheless, the CSSF reminded retail investors that they considered themselves well-informed when they put their money into LFP I, according to responses the regulator provided to six investors who spoke to the *Luxembourg Times*. The CSSF said that it regularly checks funds for diversification, variations in the monthly value and erroneous figures. It said the term "well-informed investor" denotes consent from investors but is not an indication of whether a fund has provided enough information. Yet more than three years after the losses, investors still do not know what their chances are of recovering their funds and whether any of the lawsuits will bear success.

"I am devastated by my loss," said Bysted in Malaga. "I worked hard in my life, scrimped and saved. I now face having to sell my beautiful home of 22 years, find homes for my pets, sell my car, give up private health care and move into a small apartment. This is not what I envisaged for my old age." Eric too feels hopeless and is still distraught by the question of how his funds could have disappeared. Unbeknownst to him, he raises the same question that all five investors brought up when speaking to the *Luxembourg Times*: "Where is the rule of law?"

FEBRUARY 2019

BLACKSTAR IS PUT IN LIQUIDATION

MARCH 2019

C-CLERC REPLACES PWC AS AUDITOR

MARCH 2019

AMICORP REPLACES EFA AS ADMINISTRATOR