



association of the
luxembourg fund industry



LUXEMBOURG: **The global fund centre**

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Welcome to Luxembourg



With more than EUR 5.6 trillion in net assets under management, Luxembourg is the largest investment fund centre in Europe and second globally after the US.

As the leading global distribution centre for investment funds, its funds are sold in 77 countries around the world. Luxembourg investment funds have a dominant share in both the retail and institutional market in Europe and are the vehicle of choice in many parts of the US, Asia, Latin America and the Middle East. There is also increasing demand from emerging countries for these widespread and highly trusted products.

Luxembourg's investment fund industry is recognised globally for its expertise and sophistication in servicing a wide range of asset management clients from around the world. A large majority of asset managers worldwide have chosen Luxembourg as the domicile of their international fund ranges.

Luxembourg remains a major centre for alternative asset classes. Over the last three years, net assets under management in regulated alternative funds in Luxembourg have increased by nearly 30% (including for private equity, real estate, private debt and other alternatives such as infrastructure or hedge funds). The recent ALFI reports highlight robust growth across all asset classes for Luxembourg-domiciled funds as they become increasingly attractive outside the EU, both in terms of new AIFs set up in Luxembourg and the breadth of non-European institutional investment into these funds.

The Grand Duchy of Luxembourg is uniquely positioned to benefit from the continued strong growth of alternative investment funds, with asset managers also viewing it as an attractive hub for private debt vehicles. Its toolbox, the wealth of expertise across the ecosystem and the role of the regulator are all factors that contribute to Luxembourg's success.

The trend towards sustainability has reached a point of no-return, with sustainable funds attracting more than half of net new flows in 2020. Thanks again to its ecosystem and long-standing expertise in sustainable finance, Luxembourg appears as a market leader with EUR 371 billion assets under management and capturing 44% of net new flows in sustainable funds in Europe in 2020.

Luxembourg will remain a focal point of the investment industry, thanks to its readiness to adapt to market changes and to embrace digital transformation through new technologies such as Blockchain.

This brochure is a guide to what Luxembourg has to offer the asset management industry and highlights ALFI's ambitions to empower investors in their financial journey. We look forward to welcoming new members to our 1,500 strong ALFI community.

Camille Thommes,
Director General, ALFI

About ALFI

Est: 1988

Represents:
+1,500 members

The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community, championing **sustainable investing, mainstream and private assets**.

ALFI's mission is to promote Luxembourg as the **world's leading cross-border investment fund centre**, facilitate the transition towards more sustainable economies globally and empower investors to meet their goals.

Mission

To lead industry efforts to provide solutions and make Luxembourg the most **innovative international** investment fund centre.

Objectives

01

Help members capitalise on industry trends

02

Shape regulation

03

Foster dedication to professional standards, integrity and quality

04

Promote the Luxembourg fund industry

Ambitions

01

Lead the development of innovative cross-border saving and pension products

02

Create a framework that helps sustainable products flourish

03

Extend the global reach of UCITS as a multi purpose solution

04

Broaden access to private assets

05

Drive innovation and the digital transformation of the Luxembourg fund industry

Our 2025 ambition

To empower investors in their financial journey to allow them to meet their life goals.

Building on the strength of three pillars:

Sustainable Finance

Private Assets

UCITS

Luxembourg – the domicile of choice



Achieving our strategic priorities – Ambition 2025

Our 2025 ambition is to empower investors in their financial journey to allow them to meet their life goals.

In June 2020, we defined our 5-year ambitions.

Our ambition is to empower investors in their financial journey to allow them to meet their life goals. We aim to achieve this by driving innovation and change in the asset management industry in alignment with the evolving needs of investors and our society. We will do this by accompanying investors along each of the stepping stones in their journey to financial success. To be future-ready, investors need pensions and savings products with built-in sustainability features, a recognised brand name, a reputable product and a wealth of online possibilities.

We have therefore defined our objectives as follows:

1. Leading the development of innovative cross-border savings and pension products
2. Creating a framework that helps sustainable products flourish
3. Extending the global reach of UCITS as a multi-purpose solution
4. Broadening access to alternative investments
5. Driving innovation and the digital transformation of the Luxembourg funds industry

Learn more about our Ambition 2025 [here](#).



Leading the development of innovative cross-border savings and pension products

ALFI's ambition is to help savers understand their long-term saving needs and show the crucial role that investment funds can play in meeting them.

Europe is facing ageing populations as birth rates decline.

This is placing an increasing strain on public pension systems throughout the EU. Although no two systems are alike, a well-rounded multi-pillar pension approach is important if future EU citizens are to have sufficient income after retirement.

Pension products inherently have a long investment horizon and can span up to 40 years. Combining the long-term nature of these investments with sustainable (ESG) characteristics will further increase the attractiveness of these products as investors pursue environmental or societal objectives in addition to financial returns.

The Pan-European Personal Pension product (PEPP) is a long-term, individual, non-occupational personal pension product (third pillar pension), subscribed to on a voluntary basis by PEPP savers to provide supplementary income on retirement. The first PEPP products, launching in March 2022, will complement national pension systems and have the potential to become the next UCITS: a recognised brand in the investment world.

Luxembourg is very well positioned to support the swift uptake of the PEPP, given its longstanding experience in both passporting funds such as UCITS across borders, as well as in setting up and administering pension fund vehicles, in many cases as cross-border and multi-employer funds.

ALFI and its members will work to develop new Luxembourg PEPPs that will be available for sale in Luxembourg and throughout Europe, including ESG-labelled pension products. Therefore, a new ESG label tailored to pension products will also be considered. In terms of fund industry infrastructure, ALFI supports the development of digital solutions for cross-border pension servicing and contributes towards building an ecosystem and talent pool for international pension service providers.

Our ambition is to help savers understand their long-term saving needs and show the crucial role that investment funds can play in meeting them. Luxembourg UCITS and alternative investment funds (AIFs) are solid building blocks for pension funds, and ALFI continues to share knowledge of how successful strategies work in practice.

Learn more about PEPPs [here](#).

Creating a framework that helps sustainable products flourish

By the end of 2020,
Luxembourg captured

44%

of total net flows made
across all European domiciles

Sustainability has become a must-have for many investors with sustainable funds more than doubling their share of total industry assets between 2018 and 2020.

Luxembourg, which is the leading domicile in Europe, saw sustainable funds account for EUR 371 billion by the end of 2020, capturing 44% of total net flows made across all European domiciles, according to the first annual European sustainable investment funds study by Morningstar and zeb, powered by ALFI. Maintaining this position is a top priority for ALFI, with a view to encouraging market growth while making sure the rules work in practice and do not become too prescriptive, stifling innovation.

ALFI's representatives mobilise policymakers and the fund industry ecosystem to embed sustainable finance across all asset classes and the entire fund value chain, while encouraging new entrants to the industry to support asset managers on their sustainable finance journey.

ALFI has taken the lead to define best practice guidelines that assist asset managers with their sustainable finance solutions. These guidelines focus on standardisation and efficiency, covering areas like data and measurement, non-financial reporting and other disclosures, as well as integration of ESG in the investment process.

The not-for-profit organisation LuxFLAG, of which ALFI is a founding member, was set up in 2006 to promote the raising of capital for the responsible investment sector. It awards a series of recognised labels that reassure investors that the labelled product actually invests in the relevant sector.

Learn more about
[Responsible investing.](#)



[European sustainable investment funds study 2021](#)

Extending the global reach of UCITS as a multipurpose solution

UCITS are the definitive standard for retail investment funds, with built-in protection and worldwide renown.

Luxembourg is the world's leading centre for UCITS and international fund distribution and ALFI continues to take actions that help extend the global reach of UCITS to investors worldwide. UCITS are a core building block for both pensions and sustainable finance solutions.

The association seeks to further refine and improve the Luxembourg legal and tax frameworks so that they support innovation and the growth of UCITS-based solutions. In terms of digital

infrastructure and customer experience, there is currently a large gap between customer expectations and the structure of the industry. ALFI aims to drive change and innovation that will make it easier for investors to buy investment funds by supporting more streamlined and cost-effective tools for the benefit of everyone in the industry whether in terms of on-boarding, processing, regulatory compliance or reporting.

Learn more about [UCITS](#).



Broadening access to alternative investments

Luxembourg offers bespoke structures for all the main alternative asset classes and investment strategies.

As demand for alternative investments grows, with more than EUR 889 billion of assets in regulated investment funds managed by alternative fund managers in Luxembourg, investors are increasingly looking for innovative solutions that keep pace with their new expectations.

Private assets, for example, will increasingly appear as a building block in more and more pension solutions.

Many corporations, public organisations and financial service providers set up alternative investment funds, whether they wish to hedge risks or invest in specific areas such as real estate, private equity, private debt or long-term infrastructure. Over the years, the Luxembourg fund industry has built up unique expert knowledge in these fields.

ALFI seeks to take further steps to broaden its leading position in the

alternatives value chain towards investor relations, limited partnerships (LPs) and fundraising.

Luxembourg offers bespoke structures for all the main alternative asset classes and investment strategies including:

- Hedge funds / funds of hedge funds;
- Private debt funds;
- Private equity and venture capital funds;
- Infrastructure funds;
- Real estate funds.

Learn more about [alternative investment fund asset classes](#) and [alternative investment fund legal vehicles](#) (including SIF, SICAR, RAIF, ELTIF, EuVECA, EuSIF)



Driving innovation and the digital transformation of the Luxembourg fund industry

Digital solutions for investors, namely those that streamline onboarding and investing, can be made smarter and more efficient.

Breakthroughs in technology have already started to transform all links in the investment value chain, impacting our traditional ways of interacting within the fund industry and end investors.

This disruption is facilitated by innovation from both existing market players and an increasing number of large and small technology companies interested in the industry. Other factors driving disruption include changes in consumer behaviour and pressure on costs from end investors.

The Luxembourg technology ecosystem must continue to develop and ALFI is facilitating this by bringing together the experts who built the financial centre, and the technology innovators who are disrupting finance at events organised both in Luxembourg and internationally.

Working closely with the Luxembourg House of Financial Technology (LHoFT), other public and private technology communities and initiatives, competent authorities and others, ALFI brings its technical, regulatory, product and market experience to foster collaboration and innovation, for example in proof-of concepts applied to the fund industry.

Digital solutions for investors, namely those that streamline onboarding and investing, can be made smarter and more efficient. ALFI seeks to play a key role in making this happen. Asset managers who seek to set up funds in Luxembourg need an easier, faster and cheaper cycle than currently available. In collaboration with other stakeholders, ALFI seeks to explore the technological possibilities that can help resolve current pain points in an innovative way, while meeting the many requisites essential for regulated products.



Distribution snapshots

Luxembourg is Europe's leading centre for cross-border fund distribution.

Luxembourg

Cross-border distribution

Domicile share of authorisations for cross-border distribution

56.5%

Chile

Top market in Americas

With a total number of new registrations of

256

South Africa

Top market in Africa

With a total number of new registrations of

18

Portugal

Top market in Europe

with a total number of new registrations of

749

Israel

Top market in Middle East

With a total number of new registrations of

221

Singapore

Top market in Asia Pacific

With a total number of new registrations of

471

Number of
cross-border
funds

14,128

Compound
annual growth
rate over
10 years

5.98%

Number of
cross-border
registrations

128,520

Compound
annual growth
rate over
10 years

7.42%

Source: PwC Luxembourg Global Fund Distribution 2021

Hot spots for distribution

North America

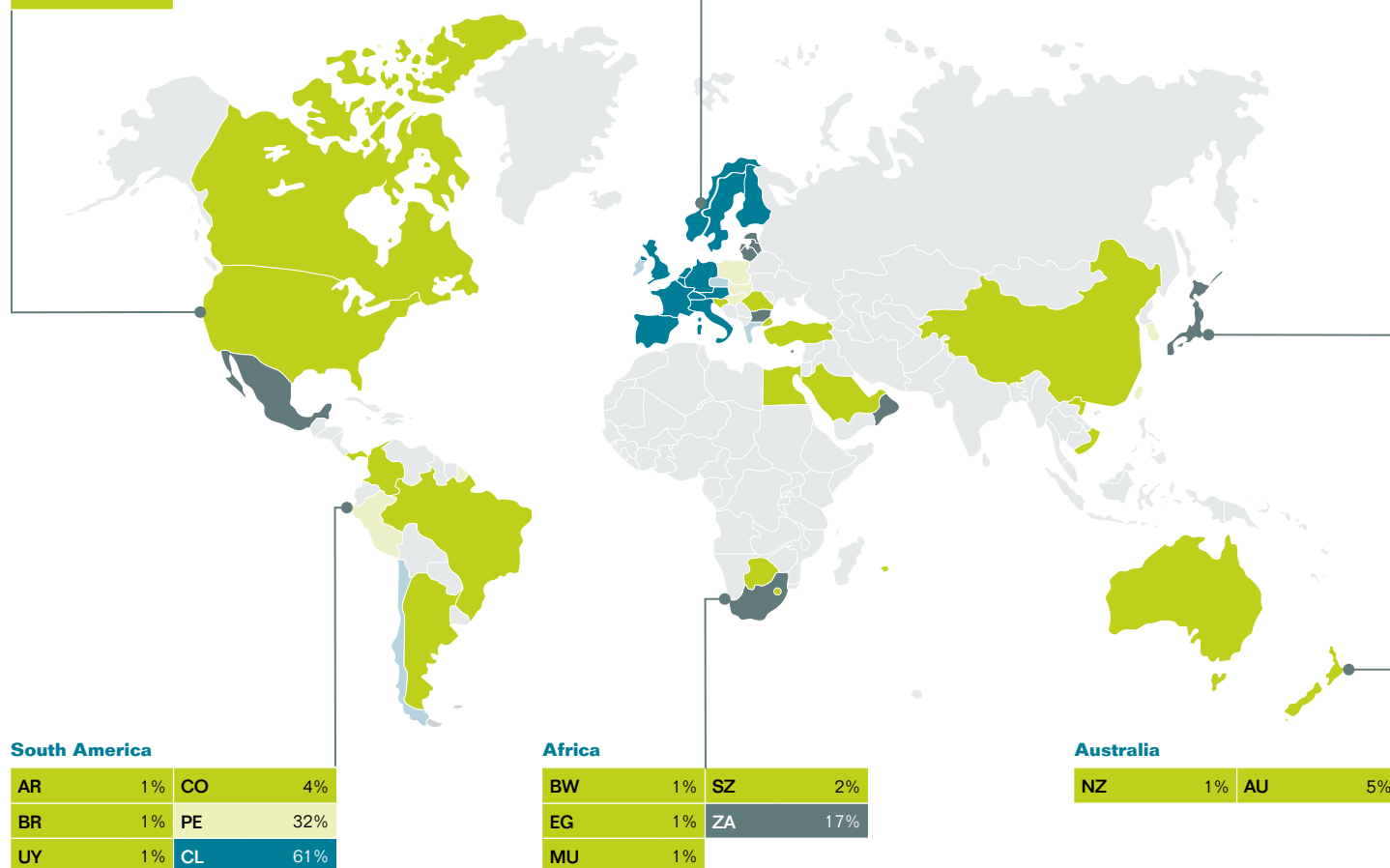
| | | | |
|----|----|----|----|
| BS | 1% | BM | 2% |
| CW | 1% | CA | 4% |
| PA | 1% | KY | 4% |
| SX | 1% | US | 6% |
| TT | 1% | MX | 8% |
| VG | 1% | | |

Europe

| | | | | | | | | | | | | | | | |
|----|----|----|-----|----|-----|----|-----|----|-----|----|-----|----|-----|----|------|
| SM | 1% | LV | 8% | GI | 11% | HU | 19% | GR | 28% | IE | 88% | LU | 97% | IT | 99% |
| MC | 2% | SI | 8% | IM | 11% | PL | 19% | IS | 35% | BE | 90% | DE | 98% | NL | 99% |
| TR | 2% | LT | 9% | CY | 12% | CZ | 21% | LI | 41% | AT | 96% | NO | 98% | UK | 99% |
| BG | 8% | EE | 10% | MT | 16% | GG | 21% | PT | 70% | CH | 97% | SE | 98% | FR | 100% |
| HR | 8% | RO | 10% | SK | 18% | JE | 22% | DK | 88% | FI | 97% | ES | 99% | | |

Asia

| | | | | | | | |
|----|----|----|----|----|-----|----|-----|
| JO | 1% | OM | 3% | BH | 21% | TW | 40% |
| VN | 1% | QA | 3% | JP | 21% | KR | 43% |
| CN | 2% | SA | 3% | MO | 22% | SG | 89% |
| KW | 2% | BN | 5% | AE | 34% | | |
| LB | 3% | IL | 7% | HK | 39% | | |



Total number of cross-border registrations as at 31 December 2020:

| |
|-------------------------|
| Over 3,000 |
| Between 1,000 and 2,999 |
| Between 500 and 999 |
| Between 100 and 499 |
| Less than 100 |

% Percentage of Top 100 management groups distributing cross-border funds in each market.

Explanation

The heat map indicates the total number of registrations at the end of 2020 while the percentage shows the number of Top 100 cross-border management groups distributing in each market.

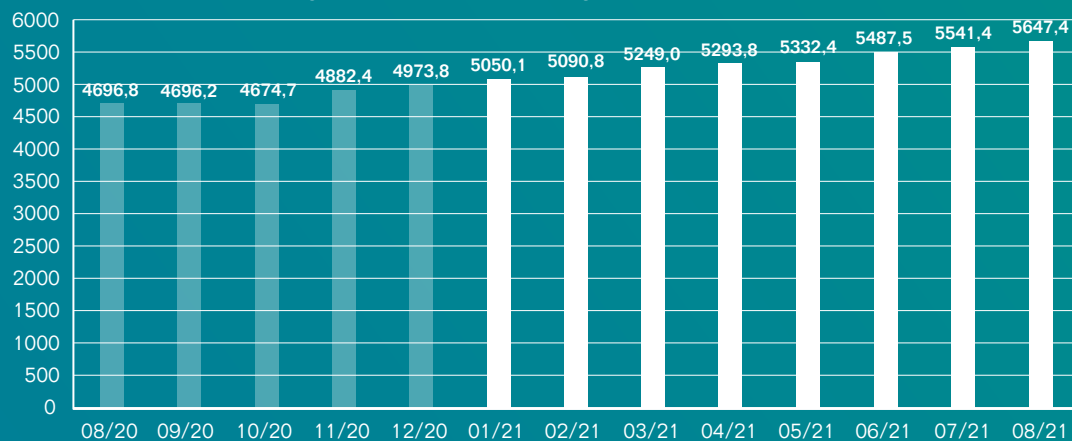
Source: PwC Luxembourg Global Fund Distribution 2021

The figures tell the story

**Luxembourg is the
largest investment
fund centre
in Europe**

Net assets under management in Luxembourg total more than EUR 5647.437 billion.

Net assets under management in Luxembourg funds (in billions of EUR)



Sources: CSSF / ALFI

NOTE: Data including SICARs

Growth rate over
the last 12 months: **20.24%**

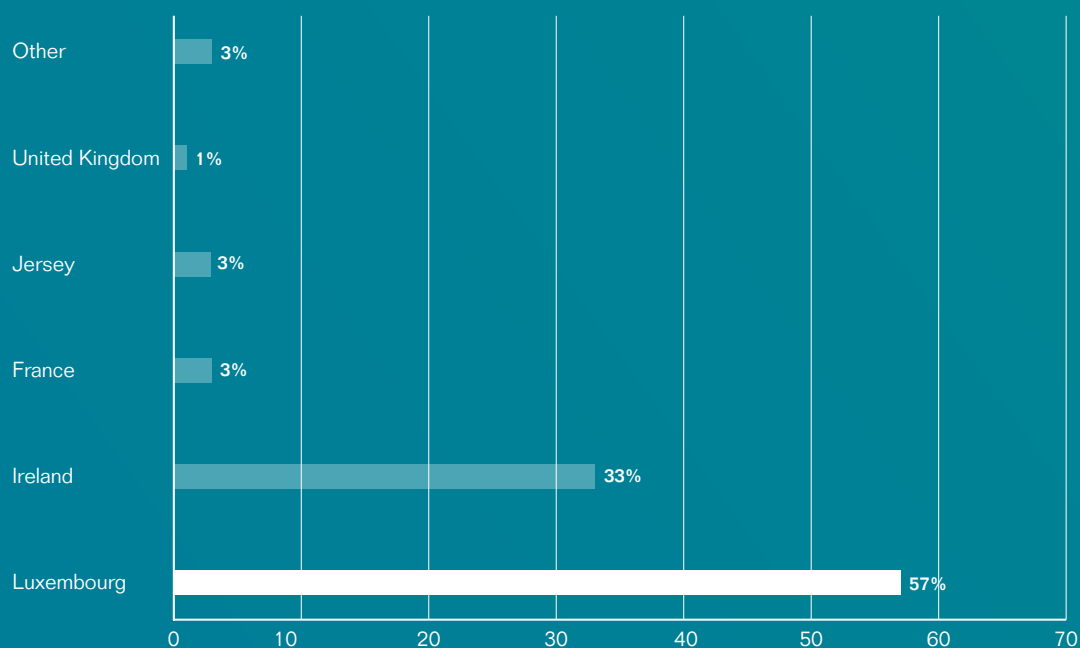
August
2021: **€5647.437_{bn}**

57%

**of all UCITS registered for
distribution in at least 3
countries are domiciled
in Luxembourg**

The main UCITS exporting countries in Europe

Funds domicile

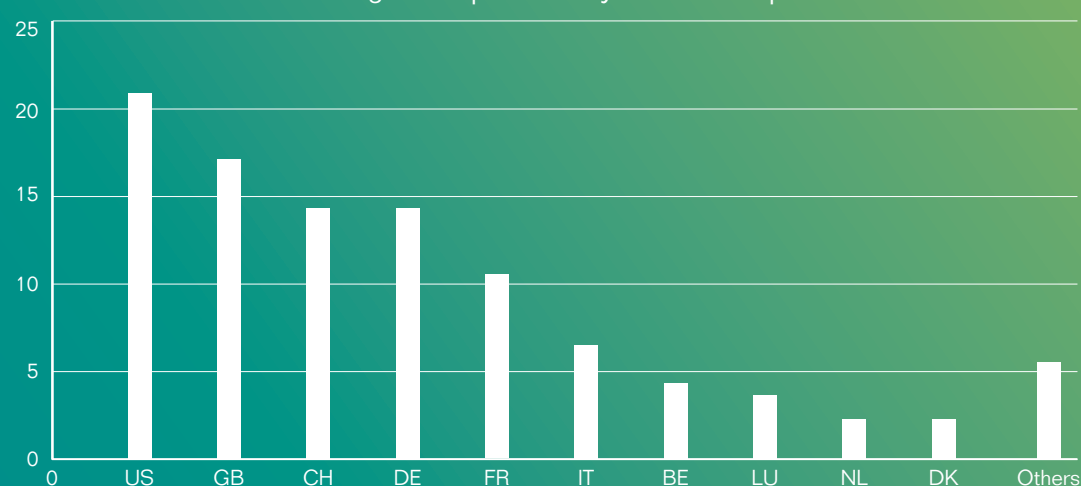


Source: PwC Luxembourg Global Fund Distribution 2021

Fund initiators from around the world opt for Luxembourg as their fund domicile

Origin of UCI initiators in Luxembourg

% of net assets under management per country as at 30 September 2021



Source: CSSF / ALFI

Asset managers across the world use Luxembourg as their gateway to the European and the global investment fund market. By basing their funds in Luxembourg, they benefit from the country's reputation as a well-regulated and supervised financial centre, which facilitates global fund distribution.

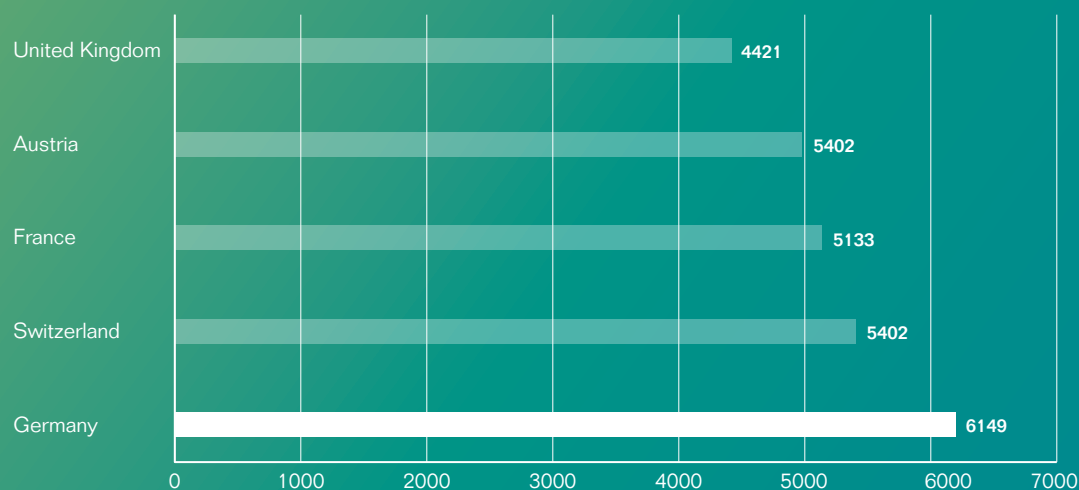
Fund initiators from the US and the UK currently have the highest market shares in terms of assets under management.

The figures tell the story

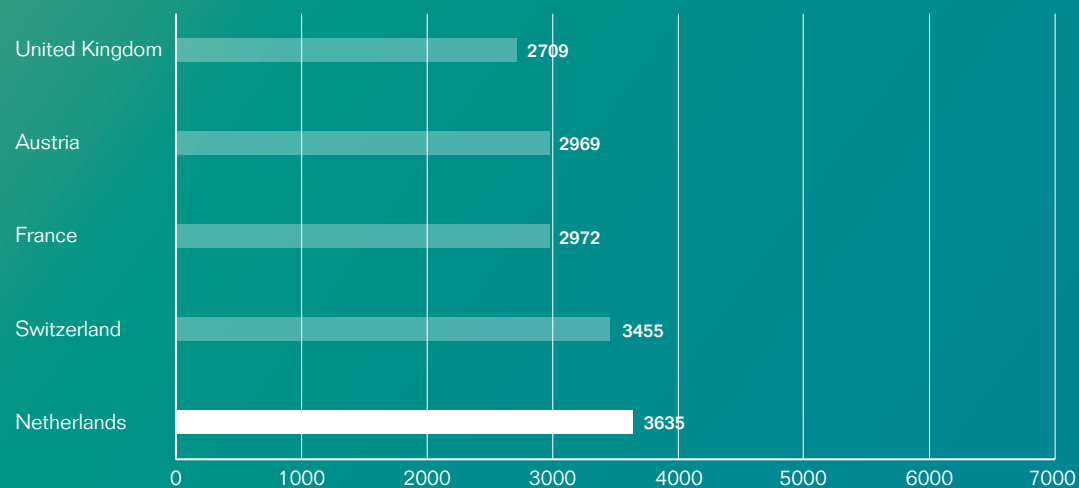
**Luxembourg is Europe's
leading centre for
cross-border fund
distribution**

Top five destinations of leading fund domicile registrations

Luxembourg



Ireland



Source: PwC Luxembourg Global Fund Distribution 2021

The figures tell the story

The world's largest fund managers use Luxembourg as their global distribution hub

Top 25 cross-border groups in Europe ranked by the number of countries in which their products are distributed

| Rank | Management Company | Countries of sale at group level (including domicile) | First choice | |
|------|--|---|---------------|-------------------|
| | | | Fund Domicile | Countries of Sale |
| 1 | Franklin Templeton | 59 | LU | 58 |
| 2 | Fidelity Investments | 47 | LU | 46 |
| 3 | HSBC Holdings | 43 | LU | 39 |
| 4 | Schroders | 42 | LU | 40 |
| 5 | BlackRock | 41 | LU | 36 |
| 6 | Invesco | 38 | LU | 35 |
| 6 | Allianz Group | 38 | LU | 37 |
| 8 | JPMorgan Chase & Co. | 36 | LU | 35 |
| 9 | Amundi Group | 35 | LU | 34 |
| 10 | BNP Paribas | 34 | LU | 33 |
| 10 | UBS Group | 34 | LU | 33 |
| 10 | Commonwealth Bank of Aus | 34 | IE | 31 |
| 10 | Aberdeen Standard Inv | 34 | LU | 33 |
| 14 | AllianceBernstein (Luxembourg) S.à.r.l | 33 | LU | 32 |
| 15 | GAM | 31 | IE | 27 |
| 15 | Credit Suisse Fund Management S.A. | 31 | LU | 30 |
| 15 | Capital Four Man AS | 31 | LU | 30 |
| 18 | Deutsche Bank | 30 | LU | 23 |
| 19 | Janus Henderson | 29 | LU | 28 |
| 20 | T. Rowe Price Group | 28 | LU | 27 |
| 20 | Pictet Asset Management (Europe) S.A. | 28 | LU | 27 |
| 20 | Morgan Stanley | 28 | LU | 25 |
| 20 | Goldman Sachs | 28 | LU | 26 |
| 24 | M&G Investment MGMT | 27 | LU | 23 |
| 25 | Neuberger Berman | 26 | IE | 25 |
| 25 | BNY Mellon Group | 26 | IE | 25 |
| 25 | Jupiter | 26 | LU | 25 |

Source: PwC Luxembourg Global Fund Distribution 2021

A favourable and predictable tax environment

ALFI aims to support a supportive and stable tax environment through:

- Tax neutral fund vehicles;
- Full access to EU tax directives;
- EU fundamental rights and freedoms protection ensured under the control of the Court of Justice of the EU;
- Full support and participation to OECD tax initiatives: early adopter of the Common Reporting Standard;
- Double tax treaties network focusing on key target jurisdictions for alternative asset managers;
- Lowest VAT rate in the EU and comprehensive VAT exemption on management services;
- Attractive individual tax regime for qualifying senior expatriate employees.

ALFI membership

ALFI membership provides you with unparalleled access to the asset management and investment fund community in Luxembourg and beyond.

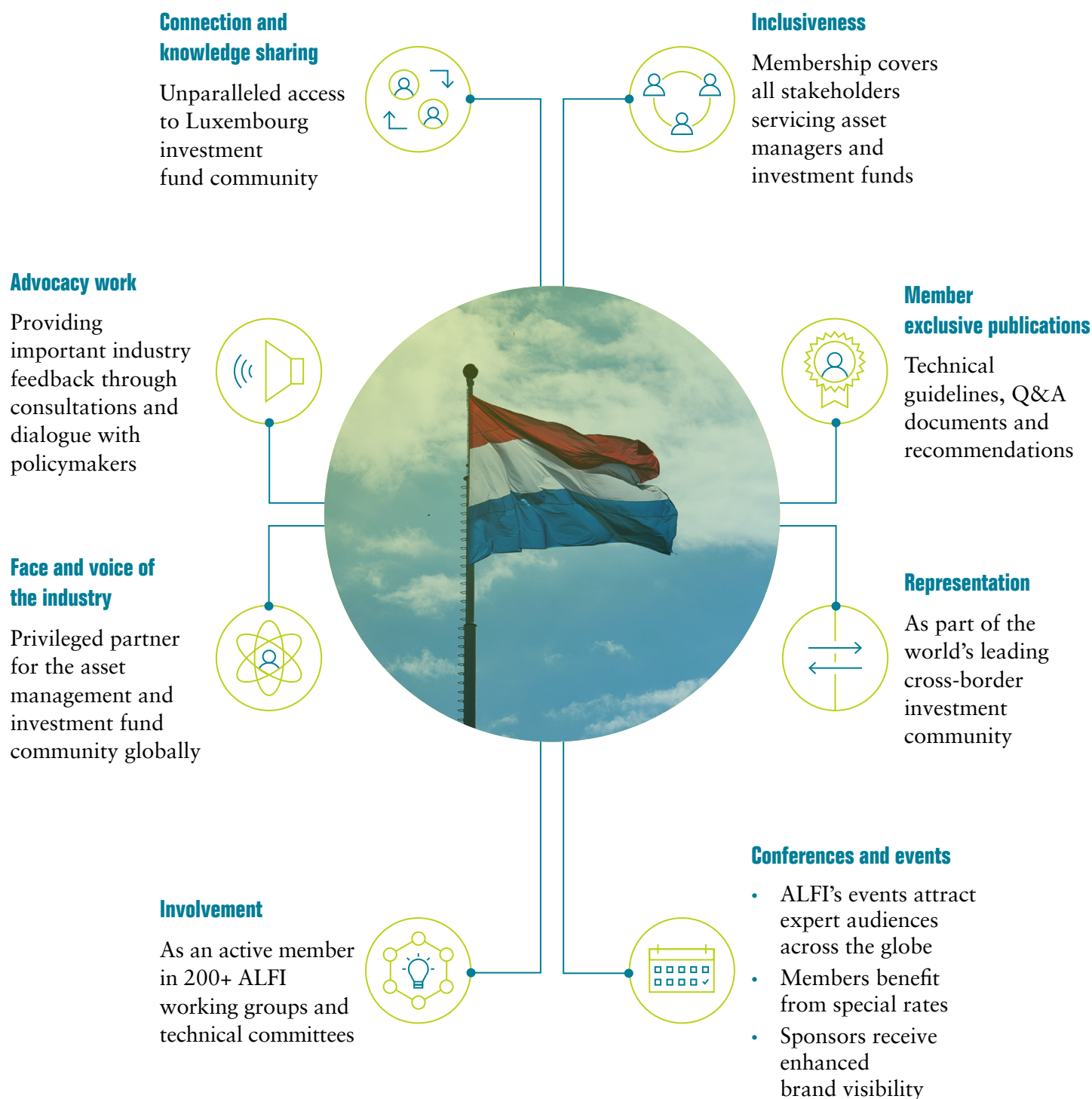
ALFI has been around since 1988 to represent and serve an industry at the root of European economic growth and innovation. The association today represents 1,500 companies that over time have put together their efforts, knowledge and resources to engage in constructive dialogues with policymakers, advocate for a robust regulatory framework, open new markets for investors, produce guidelines and best practices and expand Luxembourg's influence and know-how worldwide.

ALFI membership covers the entire value chain of stakeholders servicing asset managers and investment funds. Our members are investment funds, asset management companies, depositary banks, legal and consultancy firms, tax advisory firms, auditors and accountants, specialised IT and communication companies, and more recently, individual members.

ALFI has three types of membership: **full members** (i.e. “fund” member and “non-fund” member), **individual members** and **associate members**.

Learn more about
[**ALFI membership.**](#)

Membership benefits





For more information

Visit our website at www.alfi.lu and follow ALFI on:

