

Alfi: Focused on ambition

This year the Association of the Luxembourg Fund Industry will celebrate its 30th birthday. Natalie Tuck catches up with its chairman Denise Voss on what the future holds and how the association is focused on meeting its '2020 Ambition'

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The Luxembourg fund industry had a successful year in 2017, with domiciled funds reaching €4 trillion in September. What has been the reason for this?

At the end November 2017, AUM in Luxembourg funds were €4,135 billion, an increase of €495 billion over 12 months. Over 56 per cent of that increase represents new investments into Luxembourg funds – proving of the continuous confidence of investors in the Luxembourg product – with the remaining increase due to the impact of global markets. Over 30 per cent of new investment into European funds over the past 12 months were invested into Luxembourg-domiciled funds. Altogether, growth in assets under management in Luxembourg funds has been quite spectacular, rising from €3 trillion to €4 trillion in just three years.

What makes Luxembourg so attractive to pension fund investors?

The Luxembourg fund industry has close to three decades of experience in setting up, administering, managing and distributing investment funds to retail and institutional investors throughout Europe and the world, offering an unparalleled ecosystem for investment funds and their investors, both retail and



institutional. Notably UCITS funds are very popular investment vehicles because these are very well regulated – namely regarding investor protection – and strictly supervised by the competent supervisory authorities. Since they are domiciled in a highly stable political and economic environment, Luxembourg UCITS are regarded as a very secure quality product.

What asset classes does Alfi think will experience increased demand in 2018?

Funds operating a multi-asset strategy will likely continue to be popular with investors. We also see growing interest in alternative investment strategies, in particular, real estate, private equity and debt strategies. The latter are benefiting from institutional investors' growing appreciation of the solid regulatory framework that the AIFMD offers for alternative investment funds in Europe.

What are Alfi's plans for 2018?

Alfi celebrates its 30th anniversary in 2018 and will continue its ambitious programme of events in Luxembourg and across the globe. During 2018, roadshows will be held in Europe, Asia, the United States, Latin America and South Africa. On 6-7 March, we will kick off the Luxembourg conference programme with the

Alfi European Asset Management Conference, bringing together investors, asset managers, fund administrators and fund selectors to discuss key topics around the four ‘P’ s of asset management: product – people – progress – prediction.

Alfi also intends to step up its efforts in investor education and will launch a fundamentally revised version of its trilingual online platform *understandinginvesting.org*. On the regulatory front, amongst other priorities, Alfi will focus on the Pan-European Personal Pension Product, or PEPP, as Luxembourg can be a hub for European PEPP providers, thanks to its unequalled cross-border distribution experience. On the operational side, we created a Digital/FinTechForum aiming to raise awareness, identify the challenges and develop the opportunities inherent in new digital technologies. Alfi has a regular contact with the local actors of the FinTech ecosystem and monitors the exploration of local regtech and blockchain tools to bring down costs and increase efficiency in the industry.

Can you give us an update on the Alfi 2020 Ambition?

Alfi’s 2020 Ambition is to enable asset managers and the industry to better fulfil their twin roles: serve investors and foster economic growth. Inspiration for this objective is the European Commission’s Capital Market Union initiative, which highlights the role of capital markets in financing growth and creating jobs. Alfi has been engaged in the CMU initiative from the start, and was very active in the introduction of the ELTIF regulation; the European Long Term Investment Fund. While

the number of ELTIFs that have been launched to date is small, Alfi will continue to promote and assist with the set up of these vehicles, which are important to build and rebuild European infrastructure – and infrastructure outside of Europe for that matter.

In the meantime infrastructure as an asset class continues to flourish, with more than €13 billion of assets in Luxembourg funds, many of which invest in renewable energy infrastructure. Debt funds are also part of the CMU Action Plan. For more than two decades now, Luxembourg has offered a wide range of solutions for debt funds, including

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debt origination and direct lending funds, and over 70 per cent of the top 30 debt fund managers worldwide are active in Luxembourg.

In support of infrastructure and loan activity in funds, Alfi has recently published guidelines on infrastructure investment funds and on debt funds as an alternative source of financing for the European economy. Alfi has continued its efforts in favour of the development of responsible investing, by updating its survey of the European responsible investment fund market, where Luxembourg is Europe’s leading domicile for responsible investing

funds, accounting for 35 per cent of total assets under management. Alfi has also continued to raise awareness on responsible investing at roadshows and conferences and organised thematic conferences on the specific topic of impact investing.

Investor education has been and will continue to be an important focus for Alfi over the years, with continued enhancement of the website *understandinginvesting.org*.

Alfi has said it is a big supporter of cross-border pension funds, what does the association want to see happen this year to move forward with the European Commission’s PEPP proposal?

The European Commission’s plan to provide pension providers with the tools to offer a simple pan-European personal pension product (PEPP) comes at the right time and is heading in the right direction. However a number of practical challenges have to be mastered. As is so often the case, the most contentious of these are tax issues. As such, Alfi would support an EU directive defining a common minimum set of standard tax rules applicable to personal pension products throughout the EU. Designed as a cross-sector product, PEPP can be offered by several regulated financial institutions. Alfi therefore supports rules that would ensure a level playing field for all types of PEPP providers. Last but not least, the diversity of potential PEPP providers will inevitably lead to a multitude of investment options offered to PEPP savers. Appropriate investor education will thus be a fundamental part of making the PEPP a true success story. ■