

Press release

Luxembourg, 19 September 2017

ALFI issues a mid-term report for its 2020 Ambition

In response to recent political and macro-economic developments, the Association of the Luxembourg Fund Industry (ALFI) has announced a series of initiatives to support asset managers and investment funds in fulfilling their role of serving investors and fostering economic growth. The main focus of these actions will be the potentially disruptive consequences of Brexit, technology, investor education, operational efficiency and cost management.

In the first edition of its 2020 Ambition paper, defined in 2015, ALFI had identified eleven 'global macro-drivers' that continue to represent major challenges for the international fund and asset management industry.

"Since then, some of these factors have materialised in concrete, sometimes unexpected ways or had an even more profound impact on business models, products and strategies than expected", says ALFI chairman Denise Voss. "Thus, ALFI decided to reinvigorate its initial Ambition paper by adding new initiatives in various areas."

All 'global macro-drivers' identified in 2015 have proven to be accurate, namely

- Protectionism, with developments such as Brexit creating a growing risk of barriers, however harmful this may be for citizens and investors;
- Growing public sector pension liabilities due to demographic developments, reinforcing the need for individuals to assume more responsibility for their own financial well-being, including ensuring adequate retirement income;
- The quest for return in an environment of persistently low or even negative interest rates; and
- Shift in investment strategies favouring not only capital flows to passive investment vehicles and ETFs, but also towards responsible investing and impact investing.

The trend to seal off national markets from international competition could impact economic growth in general and the fund industry's cross-border distribution models in particular.

The stricter scrutiny of financial services as a result of the 2008 financial crisis has made sound governance, regulatory and business compliance basic requirements for all industry players, emphasising the advantage of choosing well-regulated fund centres such as Luxembourg. To that end, **the tried and tested delegation model has functioned well in the Luxembourg fund centre over the last three decades, giving European and non-European investors in funds access to expert portfolio management.**

Increasing costs of regulatory compliance as well as increasing strain on margins arising from the proliferation of ETFs will continue to put pressure on asset managers to improve operational efficiency, enhance productivity and reduce costs.

To support its members in meeting these challenges, **ALFI is reinforcing its strong commitment to support the EU Commission's Capital Markets Union (CMU) initiative.** By encouraging greater cross-border distribution of investment funds and facilitating personal savings to secure adequate revenues for retirement, the CMU action plan is indeed tackling several of the challenges identified by ALFI.

In this context, ALFI will intensify its efforts to articulate the essential role of investment funds for the global economy that extends from building savings and funding pensions to financing innovation and infrastructure or achieving social impact. **ALFI will namely actively work on the implementation of the EU's proposal for a pan-European personal pension product (PEPP), as Luxembourg's long experience in cross-border fund distribution will position it as a hub for European PEPP providers.**

Regarding savings and personal pensions, ALFI also intends to step up its efforts related to **investor education** and will soon launch a fundamentally revised version of its trilingual online platform www.understandinginvesting.org.

Building on its success in Australia, which gives institutional investors easier access to Luxembourg UCITS, **ALFI is stepping up efforts in Latin America, China, South-East Asia** and other regions with the aim to **connect investors with worldwide market opportunities.**

ALFI and its **Digital/FinTech** Forum will intensify their efforts to raise awareness, identify the challenges and develop the opportunities inherent in Blockchain, Big Data and new digital technologies to innovate in service delivery, operational efficiencies and better address the next generation of investors by enhancing the customer experience.

Last but not least, linked to its objective to **stimulate innovation, research, education and talent development**, ALFI is sponsoring a four-year project with the University of Luxembourg to **create a database of Luxembourg investment funds.** Modelled on a similar database of US mutual funds, it will lay the groundwork for academic research benefitting the industry and its stakeholders.

Together with the Luxembourg House of Training, the Association will continue to adapt its professional training programs and workshops, as well as e-learning solutions, to a constantly evolving demand from industry professionals to broaden and deepen the talent pool in Luxembourg and abroad.

Full details of ALFI's 2020 Ambition mid-term report can be found here: <http://www.alfi.lu/node/3557>.

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For further information:

Karen Tsang

Communications Manager

Tel: +352 22 30 26 - 1

karen.tsang@alfi.lu

Notes to editors:

The Association of the Luxembourg Fund Industry (ALFI) is the representative body of the Luxembourg investment fund community. Created in 1988, the Association today represents over 1500 Luxembourg domiciled investment funds, asset management companies and a wide range of service providers such as custodian banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax experts, auditors and accountants, specialist IT providers and communication companies. The Luxembourg Fund industry is the largest fund domicile in Europe and a worldwide leader in crossborder distribution of funds. Luxembourg-domiciled investment structures are distributed on a global basis in more than 70 countries with a particular focus on Europe, Asia, Latin America and the Middle East. For further information, do not hesitate to consult our website at www.alfi.lu

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