Press release

Luxembourg, 1 December 2020

LUXEMBOURG PRIVATE DEBT INDUSTRY GROWS 36.2% FROM LAST YEAR ACCORDING TO KPMG/ALFI PRIVATE DEBT FUND SURVEY

- **AuM of private debt funds increased by 36.2% in 2020 to a total of EUR 108.4 billion**
- **AuM of direct lending and senior loan strategies are up 7% and 2% respectively; high yield allocations decreased by 5%**
- **28% of regulated debt funds are structured as RAIFs, an increase of 8% compared to 2019**
- **Survey reveals 82% of debt fund initiators are from the EU, 17% from North America and 1% from Central and South America**
- **Of the EU initiators, 43% are from the UK, 21% from Germany, 10% from France and 1% from Luxembourg**

The third annual edition of the **KPMG Private Debt Fund Survey** in collaboration with the Association of the Luxembourg Fund Industry (ALFI) showcases the strong growth momentum of private debt funds domiciled in Luxembourg. It reveals that the sector saw AuM of private debt funds soar by 36.2%[1] compared to last year, bringing total assets under management to a record EUR 108.4 billion. This builds on the 14.5% growth in AuM for private debt funds seen in the 2019 survey.

Camille Thommes, Director General of ALFI, commented: “This year’s survey reveals private debt to be one of the fastest growing segments in the alternative space. At a global level, Preqin[2] forecasts a compound annual growth rate of 11.4% for the period 2020 – 2025, with AUM amounting to USD 1,456 billion by 2025. With 79% of institutional investors in private debt funds, many are expected to increase their allocation to private debt further. Issuers are likewise increasingly turning to private markets for their funding, thereby confirming a fundamental shift with capital markets playing a bigger role as a source of financing for the real economy.”

Valeria Merkel, Partner Audit & Co-Head of Private Debt at KPMG said: “The Private Debt market has seen tremendous success over the past few years, steadily growing into a strong asset class. And today, amidst the chaos of a global pandemic, it has not only remained resilient, but it continues to exceed expectations. In line with last year’s results, loan funds set up as reserved alternative investment funds (RAIFs) are forging ahead at a steady rate, with an +8% increase this year. And the EU remains the geographical investment target of choice with 39% of respondents surveyed favouring it.”

Julien Bieber, Partner Tax & Co-Head of Private Debt at KPMG adds: “Change really is the only constant when discussing the tax landscape, and 2020 proved no different. This year we saw the transposition of the EU Anti-Tax Avoidance Directive 2 (ATAD 2) into Luxembourg domestic law. These new rules have made waves for loan fund actors and alternative investment players and the impact has been felt within many layers of the alternative investment industry. One must look at investment structures with fresh eyes.”

Other topics and findings of the research were:

- **Fund structures:** Depending on their investment strategy, private debt funds can either be debt-originating or debt-participating, making up 43% and 57% of the industry respectively. The survey shows 73% of private debt funds are closed-ended vehicles, and 27% are open-ended;

[1] Average growth based on data provided by depositaries surveyed
[2] Preqin is The Home of Alternatives™, the foremost provider of data, analytics, and insights to the alternative investment industry: https://www.preqin.com/

- **Regulatory overview:** 2020 has been an eventful year for liquidity risk management and stress testing with ESMA's final guidelines on liquidity stress testing for UCITS and AIFs coming into force on 30 September 2020. The day before, the CSSF published Circular 20/752 which confirmed the application of the above-mentioned ESMA guidelines. Such dynamism on the regulatory side along with the COVID-19 crisis has meant the market has faced unprecedented challenges, which are discussed in detail in the survey.

- **Private debt market outlook:** The survey report features an overview of the private debt market from several leading fund managers and depositaries.

Camille Thommes concludes: "The Grand Duchy is uniquely positioned to benefit from this growth. As the survey indicates, asset managers view Luxembourg 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 in this segment."

Download the full survey on KPMG/ALFI Private Debt Fund Survey 2020.

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Notes to editors:

The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community. The Association is committed to the development of the Luxembourg fund industry by striving to create new business opportunities, and through the exchange of information and knowledge.

Created in 1988, the Association today represents over 1,500 Luxembourg-domiciled investment funds, asset management companies and a wide range of businesses that serve the sector. These include depositary banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax advisory firms, auditors and accountants, specialist IT and communication companies. Luxembourg is the largest fund domicile in Europe and a worldwide leader in cross-border distribution of funds. Luxembourg-domiciled investment funds are distributed in more than 70 countries around the world. For further information, do not hesitate to consult www.alfi.lu.

To keep up with all the news from ALFI and the fund industry in Luxembourg, follow us on LinkedIn, Twitter (@ALFIfunds), YouTube and Flickr.