



The Association of the Luxembourg Fund Industry (ALFI) represents the face and voice of the Luxembourg asset management and investment fund community, championing mainstream, private assets and sustainable investing. ALFI seeks to promote Luxembourg's fund sector internationally, and to cultivate for the benefit of its members a collaborative, dynamic and innovative ecosystem underpinned by the most robust regulatory framework. ALFI's ambition is to empower investors to meet their life goals.

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.

ALFI defines its mission as to "lead industry efforts to make Luxembourg the most attractive international centre". Its main objectives are to:

- **Help members capitalise on industry trends**
ALFI's many technical committees and working groups constantly review and analyse developments worldwide, as well as legal and regulatory changes in Luxembourg, the EU and beyond. It aims to identify threats and opportunities for the Luxembourg fund industry.
- **Shape regulation**
An up-to-date, innovative legal and fiscal environment is critical to defend and improve Luxembourg's competitive position as a centre for the domiciliation, administration and distribution of investment funds. Strong relationships with

regulatory authorities, the government and the legislative body enable ALFI to make an effective contribution to decision-making through relevant input for changes to the regulatory framework, implementation of European directives and regulation of new products or services.

- **Foster dedication to professional standards, integrity and quality**
Investor trust is essential for success in collective investment services. Thus, ALFI does all it can to promote high professional standards, quality products and services, and integrity. Action in this area includes organising training at all levels, defining codes of conduct, transparency and good corporate governance, and supporting initiatives to combat money laundering.
- **Promote the Luxembourg investment fund industry**
ALFI actively promotes the Luxembourg investment fund industry, its products and its services. It represents the sector in financial and economic missions organised by the Luxembourg government around the world and takes an active part in meetings hosted by global fund industry.

ALFI is an active member of the European Fund and Asset Management Association, of the International Investment Funds Association, of Pensions Europe, of the International Association of Pension Funds Administrators (FIAP), and of the Global Impact Investing Network.

For more information, visit our website at www.alfi.lu and follow ALFI on



LUXEMBOURG: YOUR HEDGE FUND DOMICILE

Luxembourg - premier hedge fund domicile

The Luxembourg hedge fund sector has grown rapidly making Luxembourg a recognised premier hedge fund domicile.

Leading global hedge fund managers have domiciled their funds in Luxembourg. As a result, Luxembourg holds the record as having the fastest global growth in terms of relative weight of fund domiciliation since the financial crisis, up from 6% of the global market in 2011 to 15,8% in June 2016.

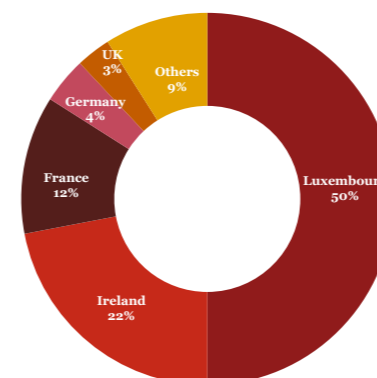
Half of all Europe-based hedge funds are now domiciled in the Grand Duchy – with the balance spread among Ireland and a small number of other jurisdictions.

Luxembourg provides a first-class administrative infrastructure through the presence of a wide range of renowned global service providers.

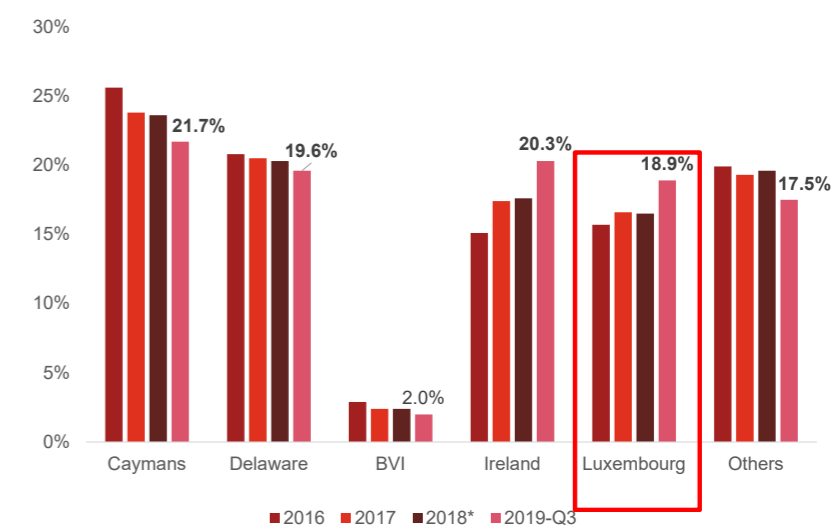
With unmatched marketing reach, Luxembourg funds are distributed to over 70 countries in Europe, Asia, the Middle East and the Americas. The world's largest fund managers use Luxembourg as their base for the global distribution of fund products. The above-listed advantages attract asset managers from all over the world. They use Luxembourg as a gateway to Europe and the rest of the world, because Luxembourg funds are globally recognised as high-quality investment products.

First domicile for alternative UCITS

Alternative UCITS by domicile in number of sub-funds (Aug-19)



Evolution of the worldwide share of hedge funds by domicile



The hedge fund industry sector

The growth in assets under management of hedge funds continues to reach new records, surpassing the USD 3 trillion mark in 2018.

Investors choose to invest in hedge funds for various reasons:

- **Performance:** by investing in certain absolute-return type strategies investors can aim to achieve consistent, risk-adjusted returns;
- **Diversification:** through investment in hedge funds, an investor can diversify an equity and/or fixed income portfolio to include exposure to a wide variety of low-or non-correlated strategies;
- **Risk management:** investment in certain hedge fund strategies allows investors to reduce or increase the volatility and risk/return ratio of a portfolio.

Active management / alternative UCITS

Offering a unique combination of hedge fund-like returns in a liquid and regulated form, alternative UCITS funds have increased their popularity with investors in recent years.

Luxembourg is the largest fund centre in Europe for liquid alternatives in terms of funds launched.

Alternative UCITS have shown a much stronger growth in AuM than non-UCITS hedge funds over the recent years.

10

Luxembourg UCITS, a global brand

Over 30 years, Luxembourg has built up an unparalleled expertise in the setting-up, administration and distribution of European regulated retail, or 'UCITS' funds. The Luxembourg fund centre continued its impressive year-on-year growth and reached a record high in May 2021, with net assets under management exceeding EUR 5,332 bn.

Luxembourg is a historical hub for UCITS and has become a known centre for alternative UCITS. Luxembourg has more than 17 years of experience dealing with hedge funds.

1

Market size

Luxembourg is the number one investment fund centre in Europe and the world's leading hub for cross-border fund distribution.

The Luxembourg Hedge Fund sector has grown rapidly and Luxembourg is a firmly established centre of excellence.

2

Innovation

Luxembourg strives to be at the forefront of innovation in financial services. Regulation and market developments quickly translate into adapted products. The newly created RAIF structure allows hedge fund initiators to set-up Luxembourg domiciled funds that are not subject to regulatory approval by the national competent authority, which must designate an (external) authorised AIFM.

9

AIFMD

The introduction of the Alternative Investment Fund Managers Directive (AIFMD) has provided a flexible and globally recognised way of distributing alternative investment strategies to institutional and professional investors.

3

Tailor-made legal framework

Luxembourg's modern legal and regulatory framework allows the creation of all types of traditional and alternative funds. So-called umbrella funds with separate compartments under a single legal structure and the possibility to create a large variety of share classes allow fund promoters to efficiently differentiate their products by tailoring their funds to offer solutions that address the needs of specific investor segments.

8

Market infrastructure

Luxembourg is home to one of the largest investment fund infrastructures. Luxembourg domiciled investment funds benefit from well established, safe and efficient links between the local administrators and the domestic and international Central Securities Depository (CSD and ICSD).

A Straight-forward and efficient listing process, makes the Luxembourg Stock Exchange a preferred primary listing venue for cross-listings.

6

Speed

The well-defined regulatory environment allows all major service providers to be established in Luxembourg and offer fast and cost-efficient distribution support, including registration support, regulatory reporting, passporting, etc. This offering is of unequalled quality and enables treatment of voluminous data transfers in a seamless fashion.

The recent addition to the regulatory tool-box of the RAIF permits the achievement of significantly enhanced time-to-market for new fund launches.

4

Cross-border distribution

Luxembourg is recognised by the worldwide asset management community for the outstanding distribution support on offer. Luxembourg-domiciled investment funds are sold into more than 70 countries. The AIFMD and UCITS regulatory frameworks are recognised as high quality and, investor-friendly significantly facilitating market access to investment managers.

Accordingly, more than two thirds of the world's cross-border funds are Luxembourg funds.

5

Liquid alternatives / UCITS

Luxembourg has been a fast-growing hub for liquid alternatives. Hedge fund strategies offered in a UCITS fund structure provide a strong marketing advantage within the EU as well as in other core jurisdictions, such as Singapore and Hong Kong. Investors benefit from the transparency and protection provided by UCITS.

7

Expertise

Sponsors may leverage on the know-how and experience of a unique concentration of investment fund experts specialised in all aspects of product development, administration, reporting and distribution support.

**10 reasons to make Luxembourg
your hedge fund domicile**