



association of the
luxembourg fund industry



Broadridge[®]

CROSS-BORDER DISTRIBUTION OF INVESTMENT FUNDS

A STUDY ON KEY TRENDS AND NET SALES BY GEOGRAPHIES AND ASSET CLASSES

Commissioned by the Association of the Luxembourg Fund Industry (ALFI) from Broadridge, September 2023



association of the
luxembourg fund industry

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SEPTEMBER 2023
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ABOUT ALFI



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ABOUT ALFI



The Association of the Luxembourg Fund Industry (ALFI)

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.

Created in 1988, the Association today represents over 1,500 Luxembourg domiciled investment funds, asset management companies and a wide range of business that serve the sector. These include depositary banks, fund administrators, transfer agents, distributors, legal firms, consultants, tax advisory firms, auditors and accountants, specialised 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's mission is **to lead industry efforts to provide solutions and make Luxembourg the most innovative international investment fund 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, 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 and ALFI thus 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 in economic missions organised by the Luxembourg government around the world and takes an active part in meetings of the global fund industry. ALFI is an active member of the European Fund and Asset Management Association, of the European Federation for Retirement and of the International Investment Funds Association.

*To keep up with all the news from ALFI and the fund industry in Luxembourg, follow us on **LinkedIn, Twitter, YouTube and Flickr.** For more information visit **www.alfi.lu***

FOREWORD ALFI



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FOREWORD ALFI



CAMILLE THOMMES
Director General



LETTER FROM DIRECTOR GENERAL CAMILLE THOMMES

Ensuring strong leadership for challenges ahead

It is with great pleasure that we present this year's report on the cross-border distribution of investment funds, commissioned from Broadridge. Their dedicated researchers and analysts present a comprehensive study of key trends and net sales by geographies and asset classes.

The distribution of investment funds is undergoing significant transformation in several aspects at once, driven by technological advances, shifting geopolitical landscapes, and changing investor preferences. Recently, the economic downturn has seen asset managers confronted with added complexities.

Around the globe, some regions are benefitting from collaborative efforts between regulators and industry participants aimed at harmonising fund distribution processes. In other regions, protectionism – old and new – is stalling such efforts. Initiatives to standardise documentation, reporting and due diligence requirements continue to play an important role in simplifying cross-border distribution. Without wanting to spoil your discovery of the key takeaways, we are delighted that the study finds Luxembourg retains its position as leading domicile for cross-border assets globally. Against that background, we hope that the report proves a worthwhile read, and would like to thank the authors and other contributors to who have brought it to fruition.



ABOUT BROADRIDGE

CROSS BORDER DISTRIBUTION
SEPTEMBER 2023



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ABOUT BROADRIDGE

Broadridge Financial Solutions, Inc.

(NYSE: BR), a \$4.5 billion global Fintech leader, is a leading provider of investor communications and technology-driven solutions to banks, broker, dealers, asset and wealth managers and corporate issuers. Broadridge's infrastructure underpins proxy voting services for over 50 percent of public companies and mutual funds globally, and processes on average more than U.S. \$10 trillion in fixed income and equity securities trades per day. Broadridge is part of the S&P 500® Index and employs over 12,000 associates in 17 countries.

For more information about Broadridge, please visit www.broadridge.com.



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FOREWORD BROADRIDGE

LETTER FROM SENIOR VICE PRESIDENT STEPHANIE CLARKE

Ensuring strong leadership for challenges ahead



STEPHANIE CLARKE
Broadridge Senior Vice President
Data & Analytics



Few parts of the fund universe are as opaque, as complex – or as interesting – as the cross-border industry. So it is with great pleasure that we partner with ALFI again this year to shed a little light on the who, where and how of cross-border distribution.

At Broadridge we believe success starts with insights. It's not enough to know what has happened. Leaders need to understand the why. As a top provider of data and analytics on both domestically registered and cross-border funds, Broadridge helps answer such questions. Each month, we break down European fund flows, tracking sales across individual countries and providing an insider's view of more than 80,000 global funds and ETFs.

Thanks to our distributor research unit, which carries out 1,200 interviews a year, Broadridge also tracks third-party fund selector sentiment toward sectors, assets classes, brands and more. Output from these various data sets forms the basis of this report – and tells many a remarkable story.

In the whirlwind year that has gone by since the previous edition, a few of these stories stand out. First, and most obviously, 2022 was the worst sales year for cross-border funds ever – or at least in absolute terms, since, relatively speaking, 2008's drawdown was greater. Cross-border products, like their domestic peers, were caught in a maelstrom of angst as various concerns, spearheaded by interest rate rises, sent investor confidence through the floor. Look beyond the short-term, however, and there remains much to celebrate. Cross-border AUM may have fallen since its 2021 peak, but with €5.8bn under management, as of Q1 2023, assets have still seen strong and reliable growth, quadrupling since the great financial crisis.

Furthermore, outflows are rare: 2022 was only the second occasion in more than 20 years of Broadridge record. Last, but not least, despite a European focus, sales continue to be sourced from all around the world and notably Asia; UCITS funds are truly a global brand.

Broadridge would like to thank our colleagues at ALFI for all their work in transforming an initial delivery of data and commentary into the polished and highly readable report in front of you today. We hope you find it useful.

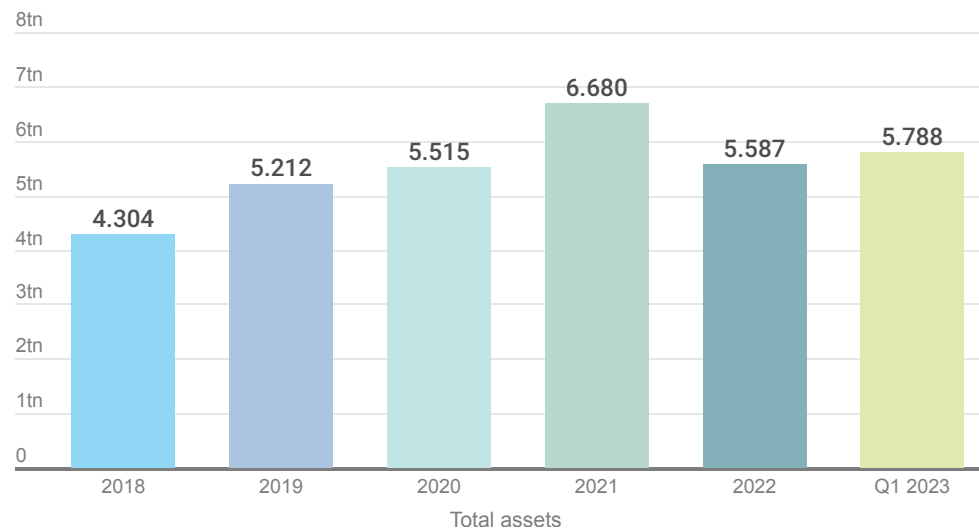
Enjoy the study
Stephanie Clarke, Broadridge Senior Vice President
Data & Analytics

FOREWORD BROADRIDGE

— *The Cross-border market*

THE CROSS-BORDER MARKET

Size of the cross-border market in absolute numbers, EUR tn



Source: Broadridge GMI
March 2023

DATA COVERAGE



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DATA COVERAGE

GLOBAL MARKET INTELLIGENCE

GMI FUNDS

Detailed domestic and cross-border fund market intelligence across retail and institutional

- Fund assets, flows and launches by product, and region
- 88,000 open ended-funds globally
- Fund benchmarks, rankings, and named competitive positioning
- Advanced fund and competition analytics
- Cross-border and distributor analytics

Americas

EMEA

APAC

GMI INSTITUTIONAL

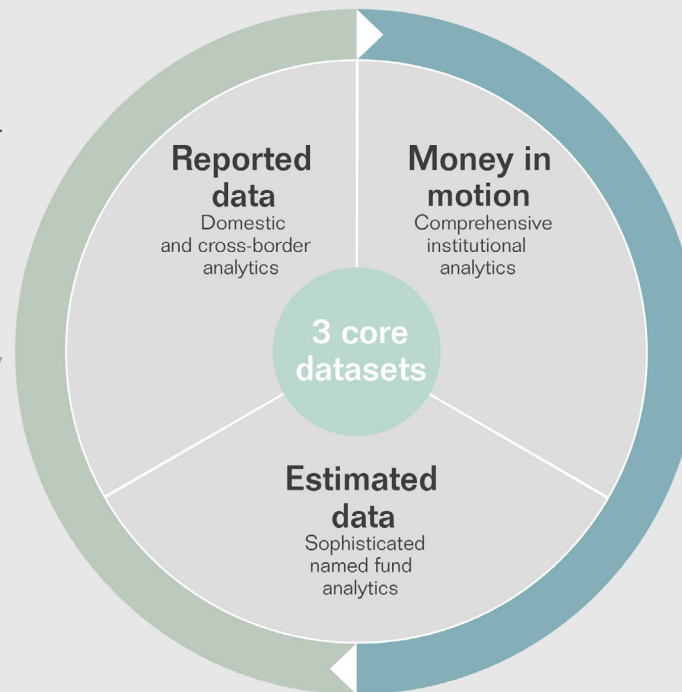
Detailed Global Institutional Market Intelligence across all vehicles

- Institutional assets and flows by product, region, and client type
- Separate account, private fund, mutual fund, CIT, and ETF analysis
- Institutional benchmarks and rankings
- True negotiated fee analysis
- Named consultant analysis

Americas

EMEA

APAC



DATA COVERAGE

— GMI Funds

This report is powered by the Broadridge GMI Funds module, which consists of two distinct databases: estimated net sales for all mutual funds globally, and reported sales data of participating consortium members, allowing for market-specific attribution of cross-border sales activity.

Where possible, we use 'combined' data, which takes fund estimates as a basis and enhances these with reported data. The market, asset-class, and sector-level analysis you will read in the report is combined data. However, to protect the confidentiality of the real-data submissions, group- and fund-level

analysis is based purely on estimates. At market level, this means only domestic sales and assets can be analysed where we comment on specific groups and funds.

BROADRIDGE RESPONSIBLE DATA CATEGORIES

RI embedded		RI screened		
EXCLUSIONS	INTEGRATION/ENGAGEMENT	BEST IN CLASS AND POSITIVE SCREENING	IMPACT INVESTING	SUSTAINABILITY/ THEMATIC INVESTMENT
These broad strategies apply additional exclusions to the portfolio, over and above the standard screens on controversial weapons, such as cluster munitions and landmines. Exclusions of certain sectors, companies or practices based on ESG criteria, for example, conventional weapons, tobacco, nuclear, or the Norms Based Screening (NBS) approach.	This category includes strategies that systematically integrate ESG into investment decision-making processes and/or employ proactive voting/ engagement strategies.	These strategies pick those companies that have the best ESG score in a particular sector, including best in-universe and best in sector. Also includes weighting allocations to companies with better ESG scores (tilts).	These strategies explicitly target generating a positive impact on sustainable developments, alongside financial return, and includes green and social bond strategies. This predominantly applies to private equity and other illiquid products.	This category includes a variety of thematic focused strategies, including renewable energy, sustainable transport, building sector, water/waste management, etc. Also includes single theme and multi thematic funds, and strategies with a low carbon footprint as an explicit target.

DATA COVERAGE

— *FB50 – Brand*

Broadridge tracks the perceptions of some 1,200 fund selectors of third-party funds, available for sale in Europe, APAC and the US. The cycle of interviews under analysis in this edition of FB50 is the calendar year running from 1 January to 31 December 2022. The fund buyers that are selected for interview are drawn from an extensive database of fund selectors, with the most important validated by asset management clients of Broadridge.

INTERVIEW PROCESS

Interviews are conducted throughout the year by pre-arranged telephone sessions, which are rigorous in qualifying interviewees as actively involved in fund selection before proceeding to the qualitative questions on fund group preference, market change perceptions and asset allocation opinions.

TOTAL BRAND SCORE

The primary ranking mechanism used in FB50 is the Total Brand Score (TBS). The TBS of each group is based on a calculation that takes account of each group's Brand Attribute scores and Brand Preference score, weighted in accordance with the impact of each of these brand characteristics.

The point and impact scores ultimately result in a measure for brand performance – the Total Brand Score; the higher the number of points in the more strongly weighted brand characteristics, the higher the brand performance. The Total Brand Score is therefore the top-level ranking used in FB50.

Groups in the APAC, European and US top-50 brand tables are ranked by Total Brand Score. The Total Brand Scores of brands in 2022 have been normalised to ensure that the number of interviews in any given year does not affect the comparability of two sets of Total Brand Scores.

RESULTS

These charts are:

- 1 — Global asset map
- 2 — The where and who of cross-border money
- 3 — Regional flows
- 4 — Asset class and sector flows
- 5 — Leading fund brands through client's eyes
- 6 — The importance of launches
- 7 — How efficient is the cross-border business
- 8 — Trends to watch
- 9 — Future intentions



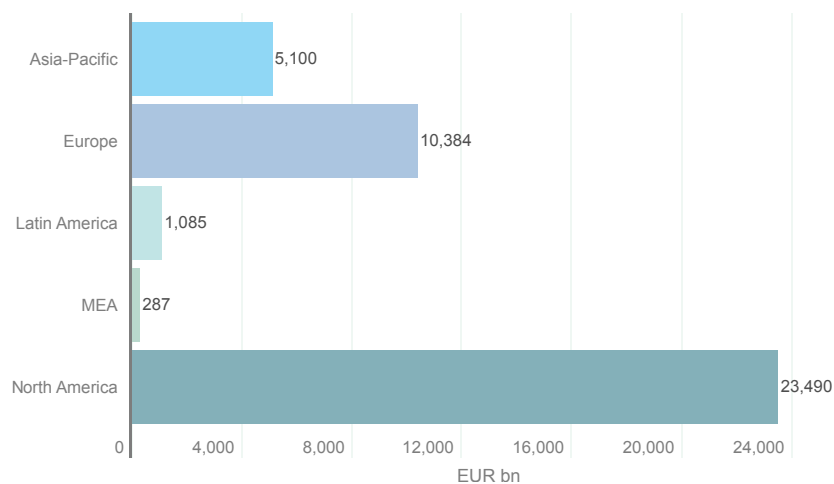
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RESULTS

— Global asset map

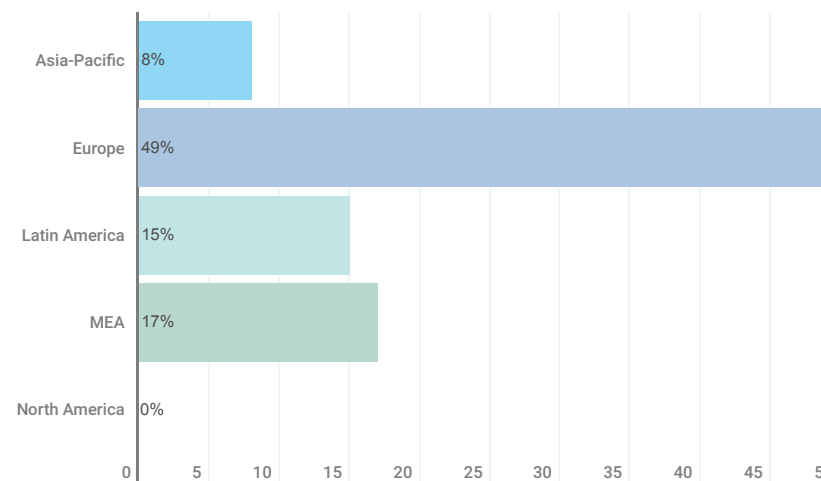
CHARTS 1A

PART 1 - TOTAL AUM IN ABSOLUTE NUMBERS BY REGION



Source: Broadridge GMI
March 2023, fund view excluding money market and fund of funds.
Europe includes unallocated international.

PART 2 - CROSS-BORDER FUND AUM BY REGION IN %

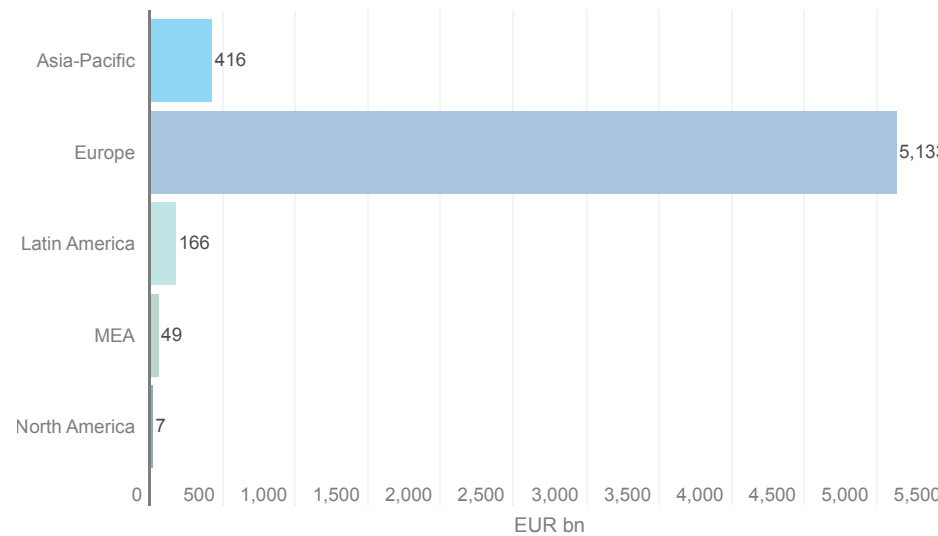


Source: Broadridge GMI
March 2023, fund view excluding money market and fund of funds.
Europe includes unallocated international.

RESULTS

— Global asset map

PART 3 - CROSS-BORDER FUND AUM IN ABSOLUTE NUMBERS



Source: Broadridge GMI
March 2023, fund view excluding money market and fund of funds.
Europe includes unallocated international.

RESULTS

— *Global asset map*

CHART 1B

TOP 3 CROSS-BORDER MARKETS

Asia-Pacific	Europe	Latin America	MEA	North America
Hong Kong	Italy	US offshore	South Africa	
Taiwan	Switzerland	Chile	Israel	
Singapore	Germany	Uruguay	UAE	

Source: Broadridge GMI
March 2023, fund view excluding money
market and fund of funds.
Europe includes unallocated international.



Key takeaways

Cross-border funds make up a significant slice of global AuM, accounting for 14% of assets worldwide and nearly 50% in Europe.

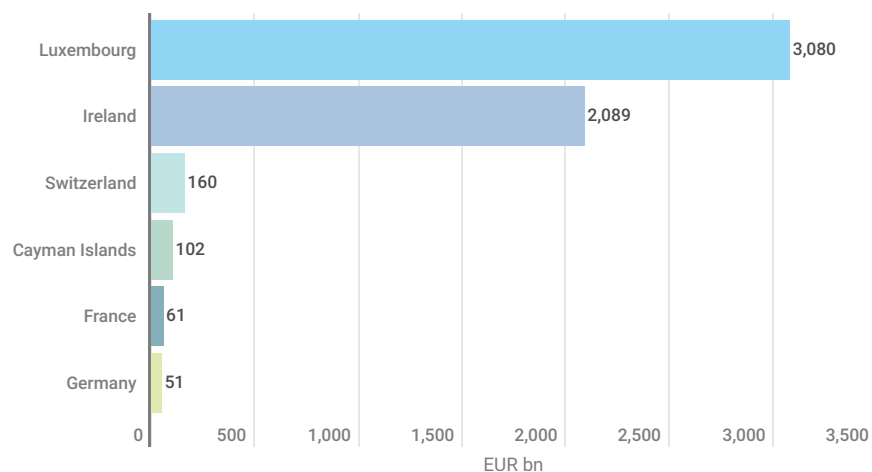
Europe, birthplace of the UCITS passport, is also the natural home of the bulk of cross-border assets worldwide. Nonetheless, some €640bn in cross-border fund AuM is sourced from elsewhere.

The opportunity varies widely from region to region – activity in North America is marginal – while, even within regions, some markets stand out more, like Hong Kong and Italy.

RESULTS

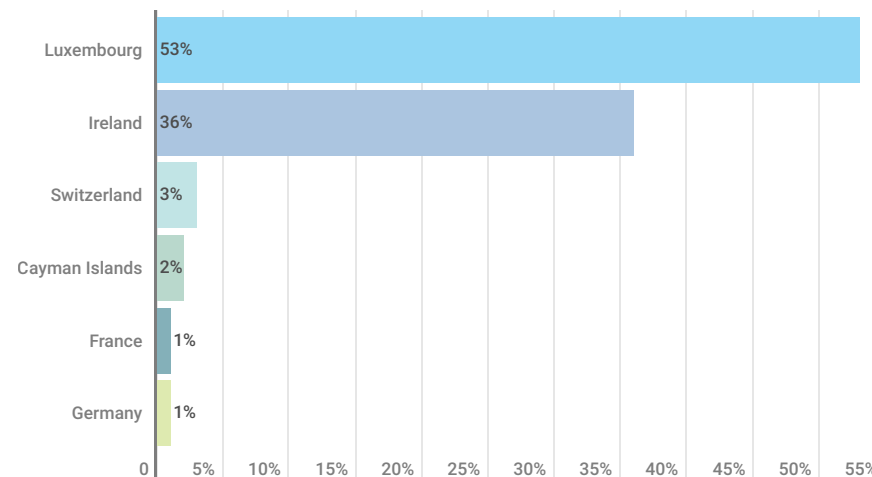
— *The where and who of cross-border money*

PART 1 - CROSS-BORDER AUM BY DOMICILE



Source: Broadridge GMI
March 2023, fund view excluding money
market and fund of funds.
Cross-border only.

PART 2 - CROSS-BORDER AUM BY DOMICILE IN %

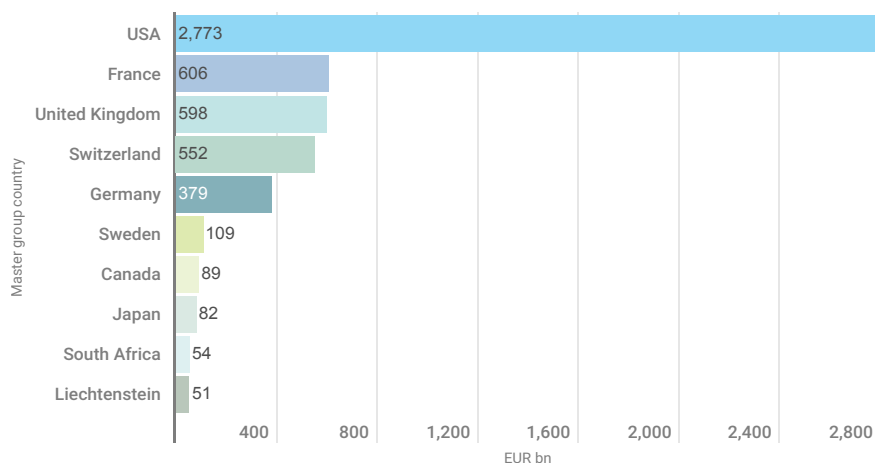


Source: Broadridge GMI
March 2023, fund view excluding money
market and fund of funds.
Cross-border only.

RESULTS

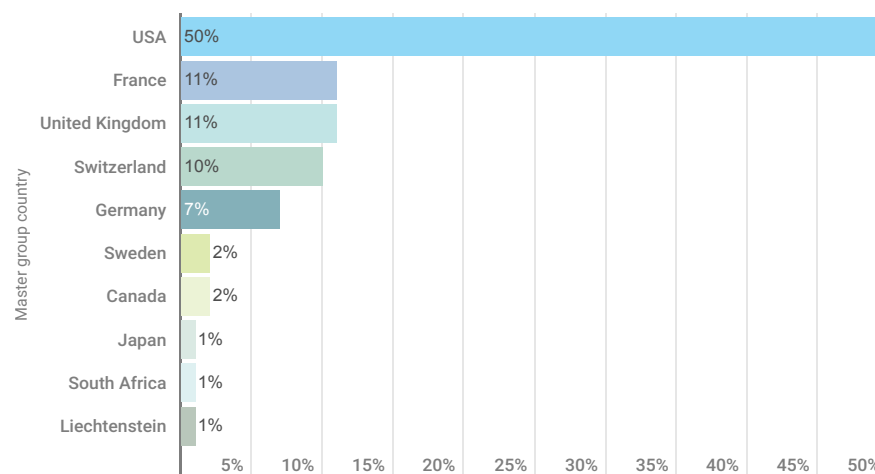
— *The where and who of cross-border money*

PART 1 - CROSS-BORDER AUM BY MANAGER PROVENANCE IN ABSOLUTE NUMBERS



Source: Broadridge GMI
 March 2023, fund view excluding money market and fund of funds.
 Cross-border only.

PART 2 - CROSS-BORDER AUM BY MANAGER PROVENANCE IN %

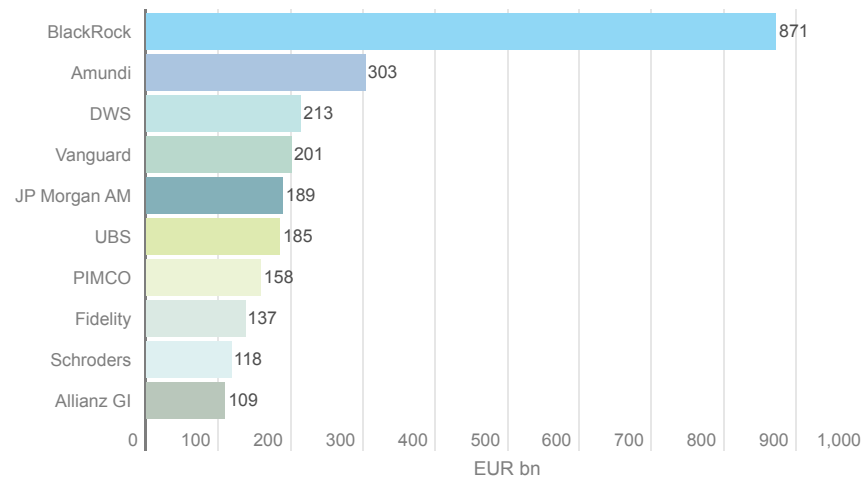


Source: Broadridge GMI
 March 2023, fund view excluding money market and fund of funds.
 Cross-border only.

RESULTS

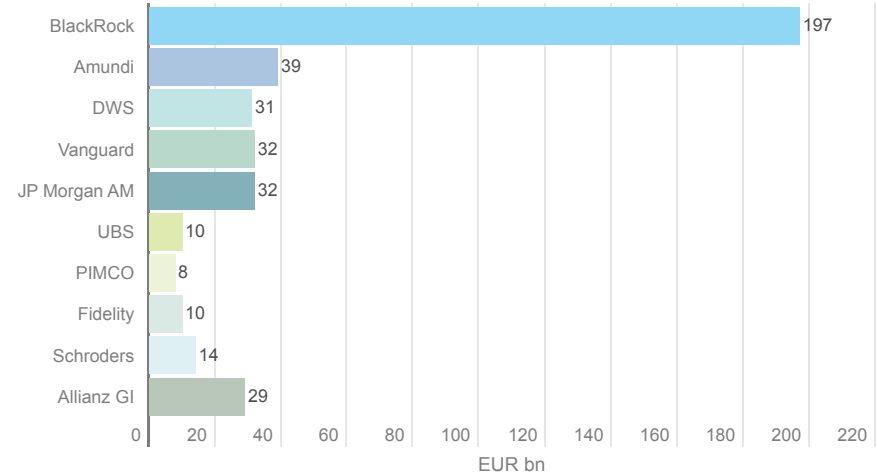
— *The where and who of cross-border money*

PART 1 - LARGEST CROSS-BORDER MANAGERS BY AUM



Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.

PART 2 - LARGEST CROSS-BORDER MANAGERS, 3-YEAR NET FLOW IN ABSOLUTE NUMBERS



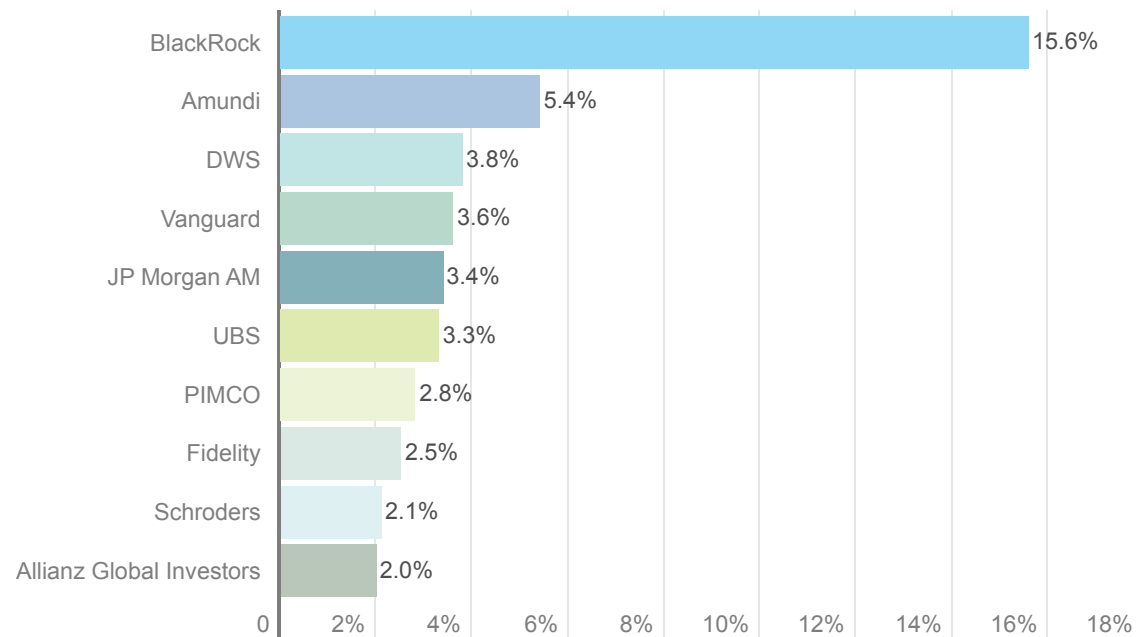
Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.

RESULTS

— *The where and who of cross-border money*

CHARTS 2C

PART 3 - LARGEST CROSS-BORDER MANAGERS, AUM AS A % OF TOTAL AUM



Source: Broadridge GMI
March 2023, fund view excluding money
market and fund of funds.
Cross-border only.



Key takeaways

Luxembourg is the number one domicile for cross-border assets globally.

US managers' share of assets continues to grow, however, rising to 50% in Q1.

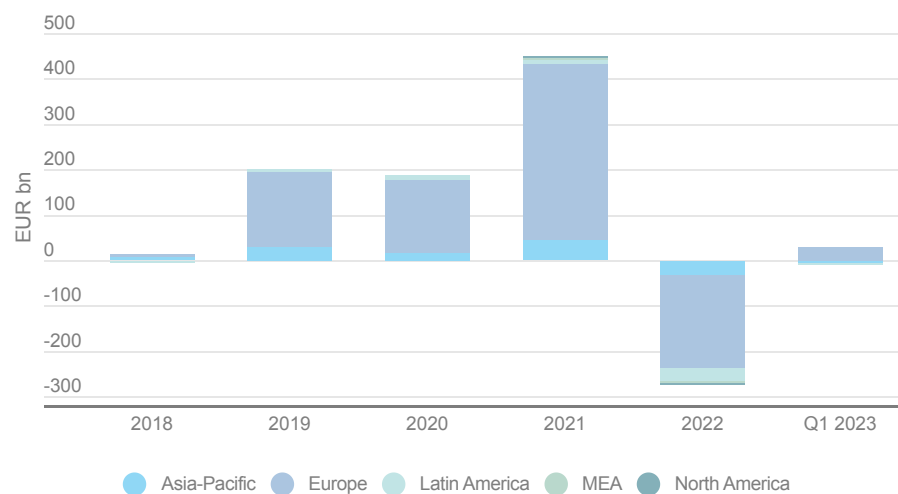
Amundi and DWS are the only European faces amid the top-five largest cross-border managers.

RESULTS

— Regional flows

CHARTS 3A

CROSS-BORDER FLOWS BY REGION IN ABSOLUTE NUMBERS



Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.
 Europe includes unallocated.

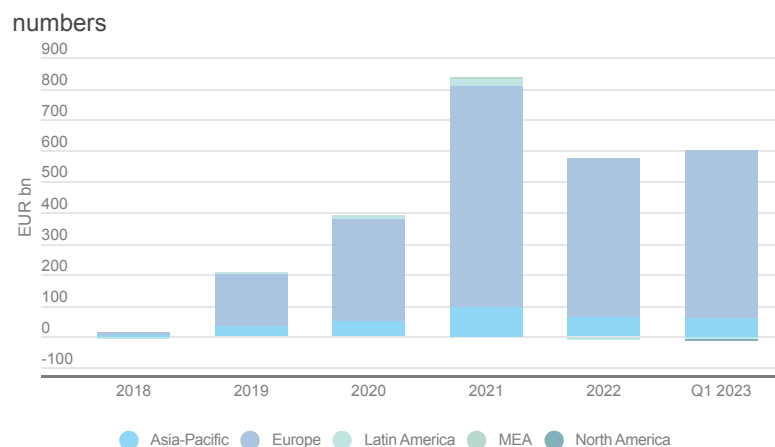
	ASIA-PACIFIC	EUROPE	LATIN AMERICA	MEA	NORTH AMERICA
2018	7	5	-3	-0	1
2019	30	163	5	1	0
2020	14	162	9	-0	0
2021	44	387	10	4	1
2022	-30	-206	-28	-4	-3
Q1 2023	-5	30	-1	-1	-0

RESULTS

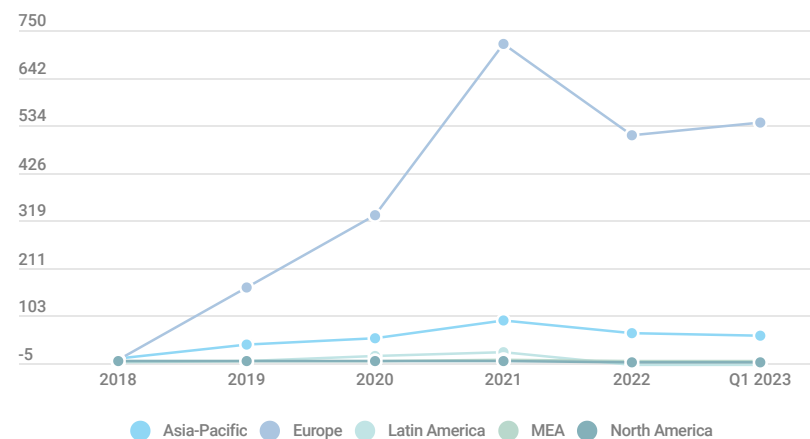
— Regional flows

CHARTS 3B

**PART 1 - CROSS-BORDER FLOWS
BY REGION-CUMULATIVE, ABSOLUTE NUMBERS**



**PART 2 - CROSS-BORDER FLOWS
BY REGION-CUMULATIVE, ABSOLUTE NUMBERS**



Source: Broadridge GMI. March 2023, fund view excluding money market and fund of funds. Cross-border only. Europe includes unallocated.

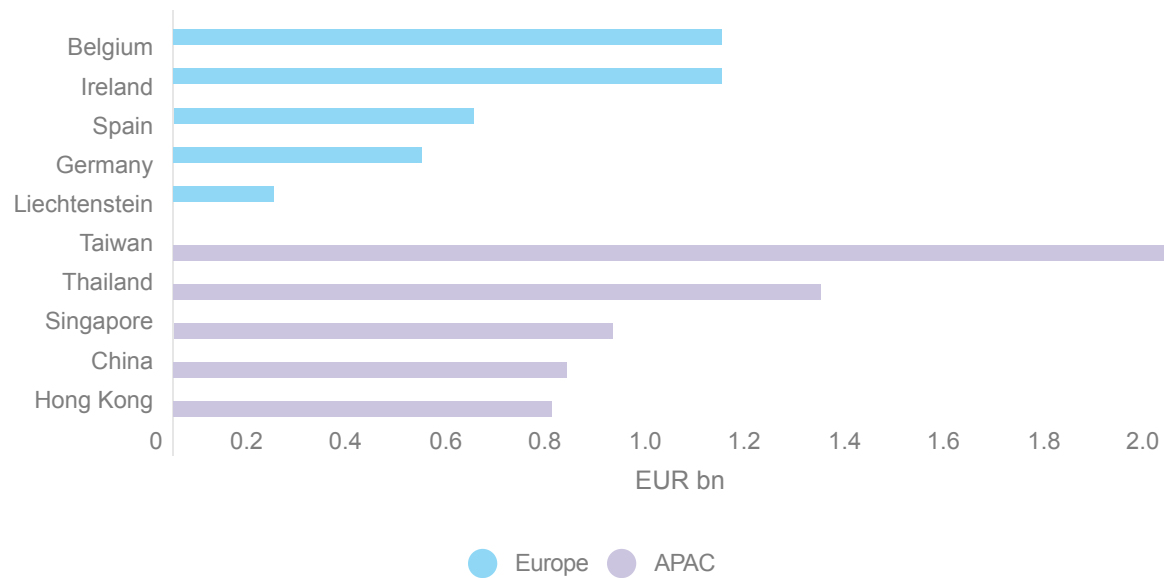
	ASIA-PACIFIC	EUROPE	LATIN AMERICA	MEA	NORTH AMERICA
2018	7	5	-3	-0	1
2019	37	168	2	1	1
2020	51	330	11	1	1
2021	94	717	21	4	2
2022	64	511	-7	1	-1
Q1 2023	59	541	-8	0	-1

RESULTS

— Regional flows

CHART 3C

TOP FIVE COUNTRIES FOR 2023 YTD CROSS-BORDER FLOWS, EUROPE AND APAC



Source: Broadridge GMI
March 2023, fund view excluding money
market and fund of funds.
Cross-border only.
Europe includes unallocated international.



Key takeaways

Sales have fallen everywhere since 2021's high, but Europe remains the centerpiece of cross-border distribution.

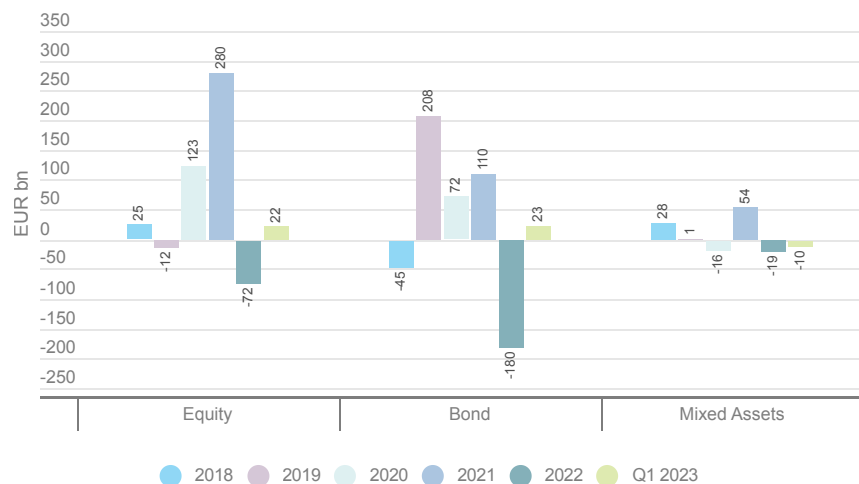
While no challenger, APAC's net flows are still encouraging, with €60bn collected since 2018.

Latin America is losing ground, with last year's €28bn net outflow making a serious dent in its asset base.

RESULTS

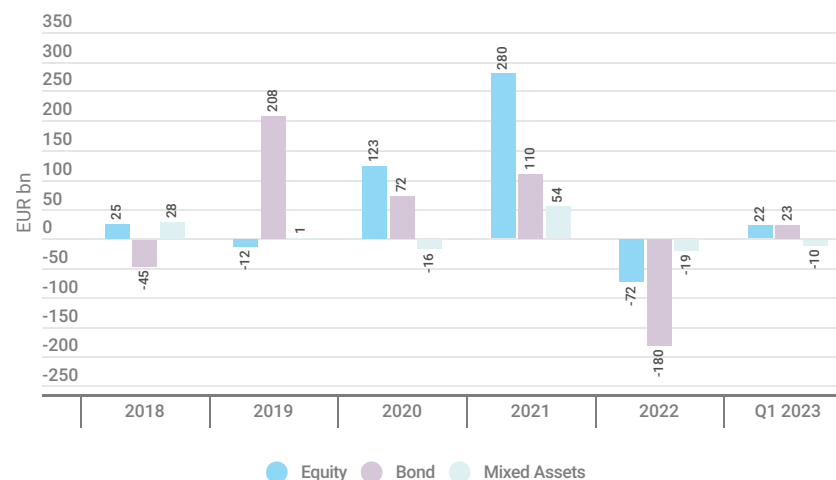
— Asset class and sector flows

PART 1 - CROSS-BORDER FLOWS BY ASSET CLASS IN ABSOLUTE NUMBERS



Source: Broadridge GMI
 March 2023, fund view excluding money market and fund of funds.
 Cross-border only.
 Three main asset classes only.

PART 2 - EVOLUTION CROSS-BORDER FLOWS BY ASSET CLASS IN ABSOLUTE NUMBERS

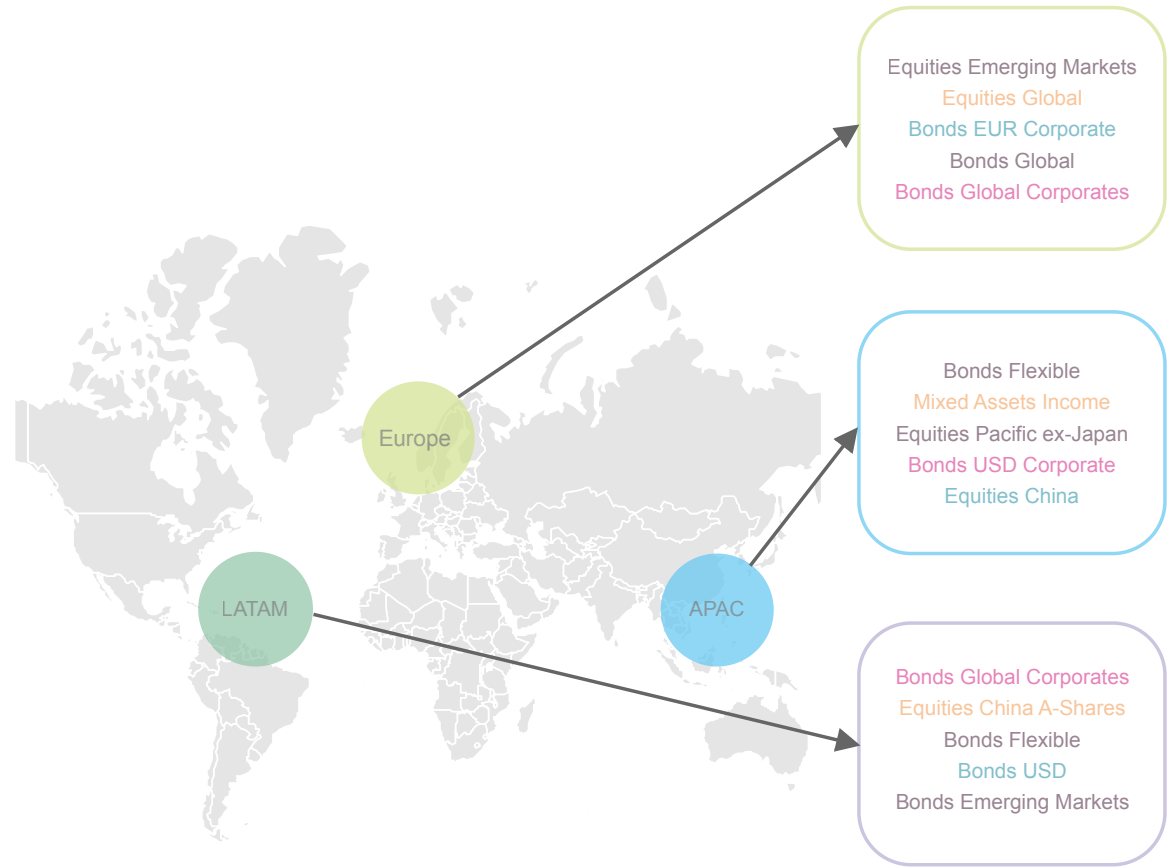


Source: Broadridge GMI
 March 2023, fund view excluding money market and fund of funds.
 Cross-border only.
 Three main asset classes only.

RESULTS

— Asset class and sector flows

TOP SECTORS BY REGION



Source: Broadridge GMI
March 2023, fund view excluding money
market and fund of funds.
Cross-border only.
Three main asset classes only.



Key takeaways

At an asset class level, recent years have favoured equity ranges most.

Last year's bond exodus was concentrated in cross-border offerings.

Mixed assets have proved a tough sell beyond captive domestic distribution networks.

RESULTS

— *Leading fund brands through client's eyes*

CHART 5

TOP EUROPEAN AND APAC FUND BRANDS

Europe	Fund brand
1	BlackRock
2	JPMorgan AM
3	Fidelity
4	Pictet AM
5	Amundi
6	Robeco
7	Schroders
8	iShares
9	Nordea
10	Flossbach von Storch

APAC	Fund brand
1	BlackRock
2	JPMorgan AM
3	Fidelity
4	AllianzGI
5	Alliance Bernstein
6	Schroders
7	PIMCO
8	Franklin Templeton
9	Vanguard
10	Nomura AM

Source: Broadridge Fund Brand 50 2023
- based on some 1,200 selector interviews
around the globe.



Key takeaways

Broadridge interviews over 1,200 key fund selectors each year to understand a range of perceptions including which brands they like best.

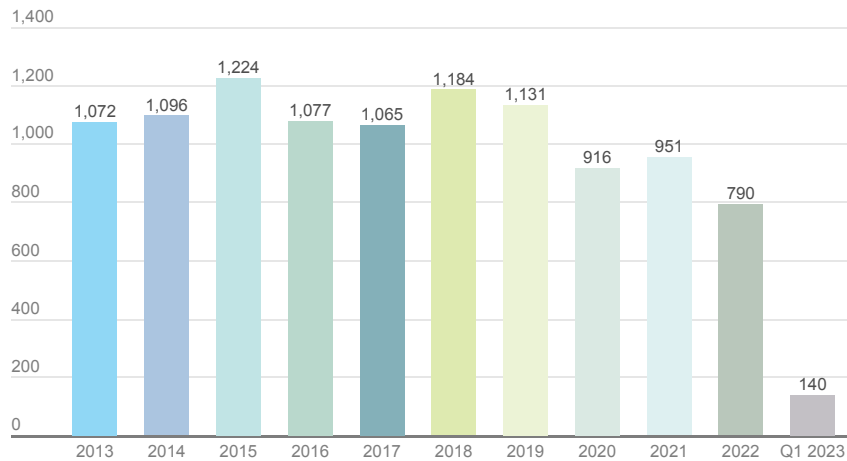
Europe and APAC lists are both dominated by the cross-border groups.

As in 2022, the top-three managers in both regions are the same, showing that – despite local differences – it is possible to have global success.

RESULTS

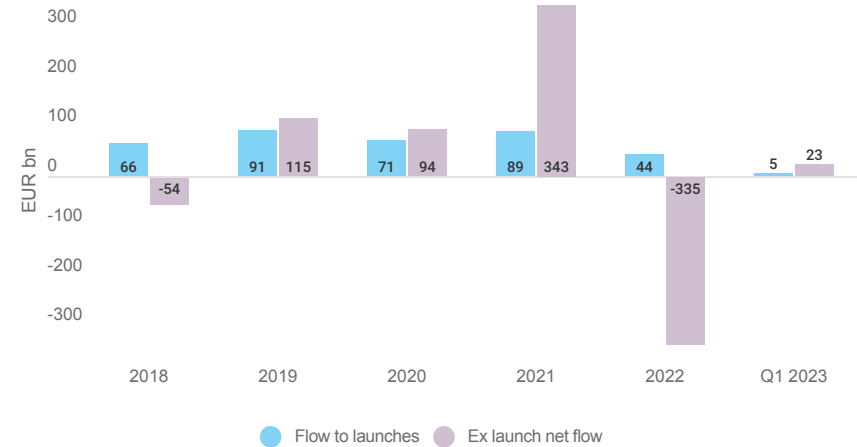
— *The importance of launches*

NUMBER OF FUNDS LAUNCHED



Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.

NET FLOWS TO NEW LAUNCHES

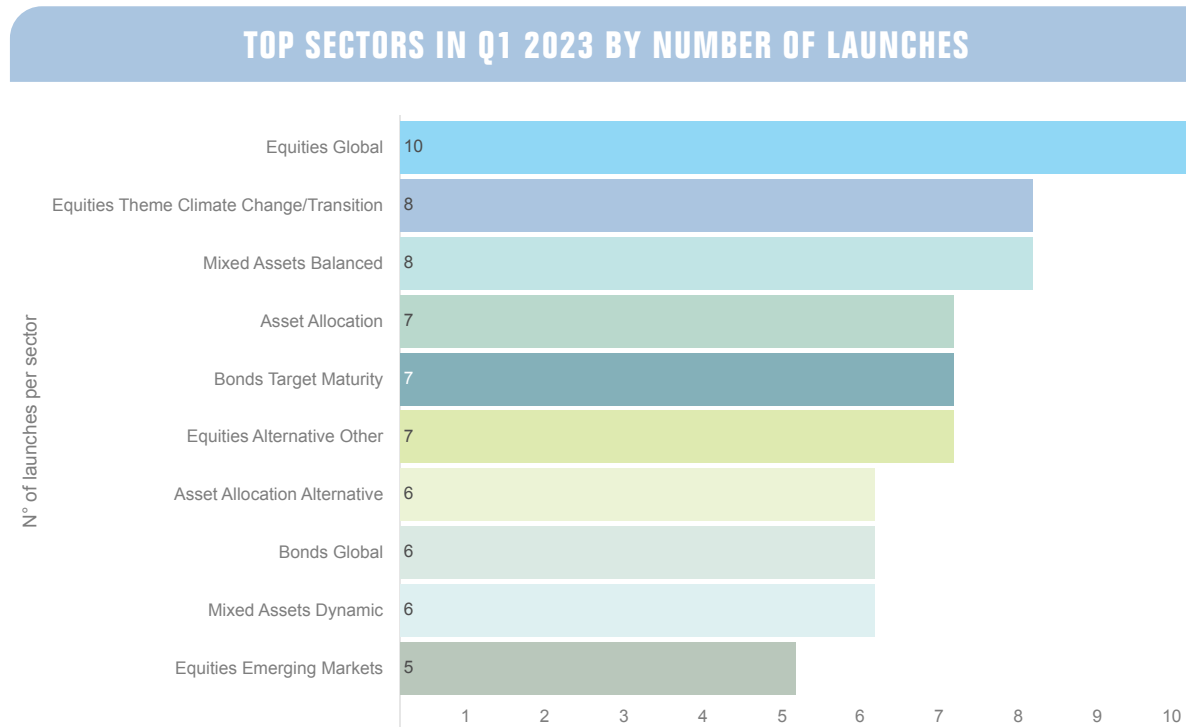


Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.

RESULTS

— *The importance of launches*

CHART 6C



Source: Broadridge GMI
March 2023, fund view excluding money
market and fund of funds.
Cross-border only.



Key takeaways

The number of funds launched in the cross border space continues to decline, with last year's total one third below the 2018 peak.

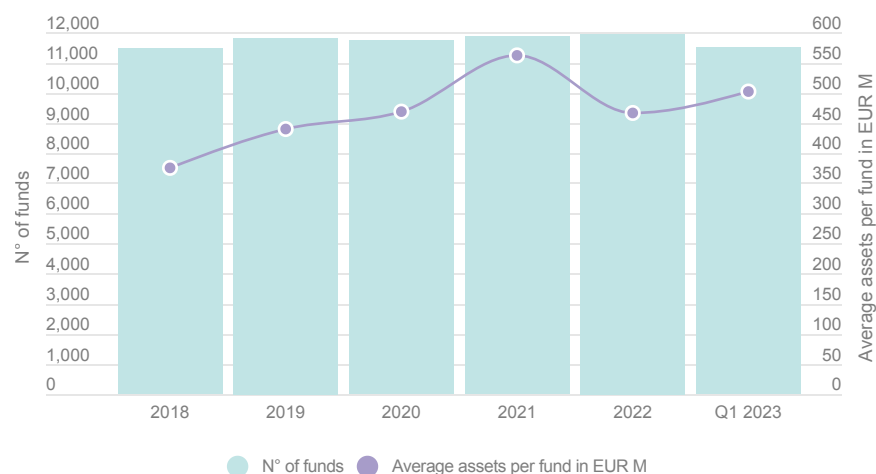
2023 is set to see even fewer new funds hit shelves, which will have a knock-on effect on overall net sales.

Both the launch numbers and the sectors targeted point to growing manager caution.

RESULTS

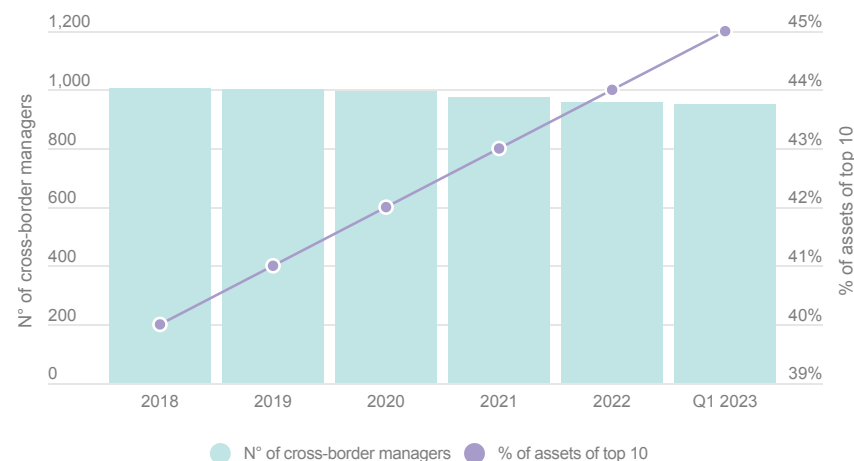
— *How efficient is the cross-border business ?*

N° OF CROSS-BORDER FUNDS AND AVERAGE ASSETS PER FUND



Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.

N° OF CROSS-BORDER MANAGERS, % OF ASSETS WITH TOP 10 MANAGERS



Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.



Key takeaways

While cross-border fund numbers have fallen back to 2018 levels, average fund assets remain high thanks to industry expansion.

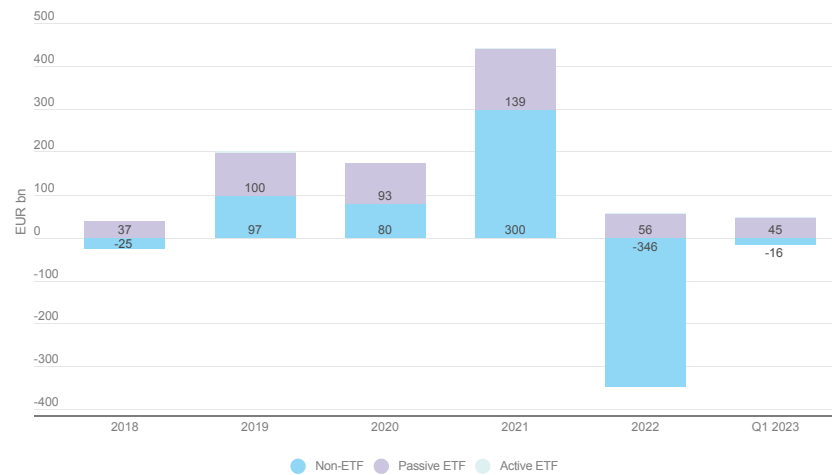
Fund size varies by assets class though, with bonds likely to raise the most AuM and mixed assets the least.

Concentration in the highly uncompetitive passive arena is leading to a growing share of overall assets that sit with top-10 managers.

RESULTS

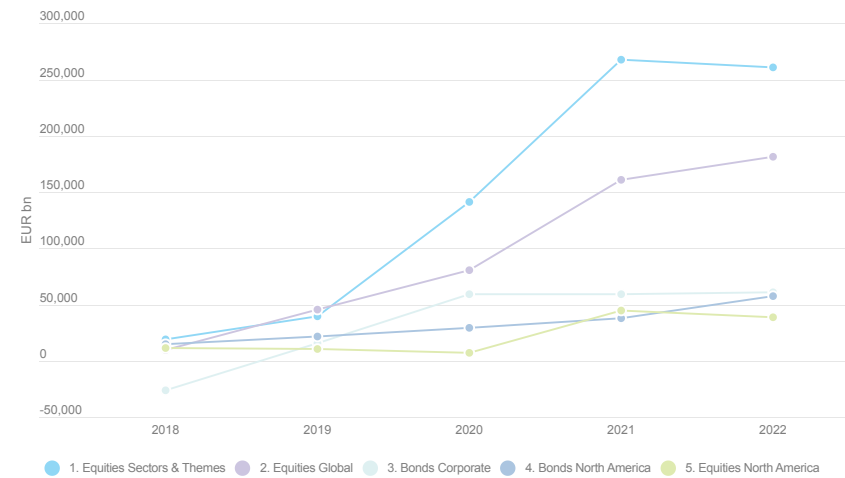
— Future #1: Four trends to watch

POSITIVE TREND: ETF SALES



Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.

POSITIVE TREND: THEMATIC (CUMULATIVE SALES BY SUPERSECTOR)

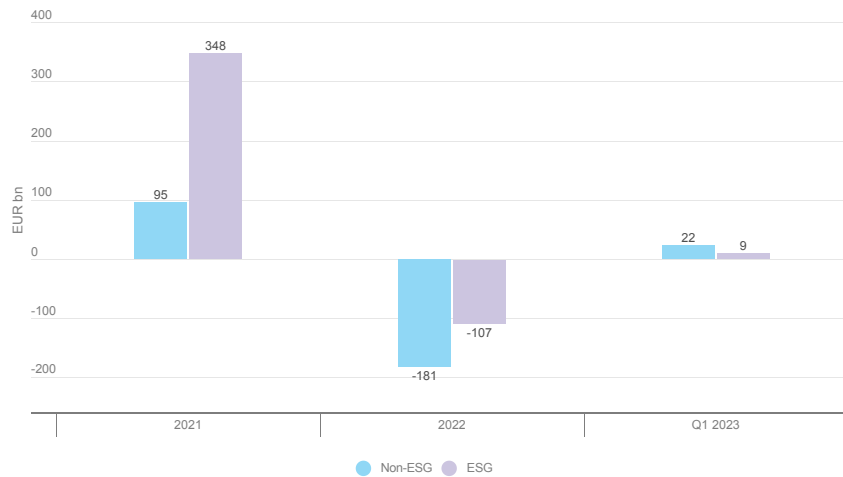


Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.

RESULTS

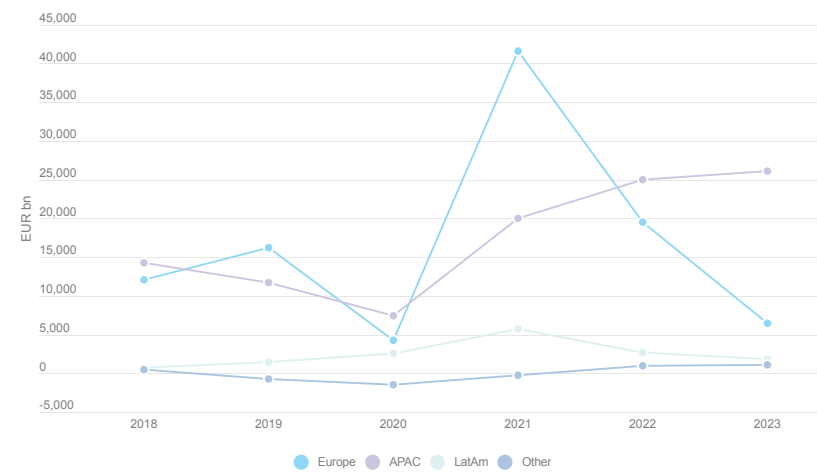
— Future #1: Four trends to watch

NEGATIVE TREND: ESG SALES



Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.

NEGATIVE TREND: MIXED (CUMULATIVE SALES)



Source: Broadridge GMI
 March 2023, fund view excluding money
 market and fund of funds.
 Cross-border only.



Key takeaways

ETFs are an increasingly important part of the cross-border landscape, with both active and passive variants seeing consistent inflows despite recent market turmoil.

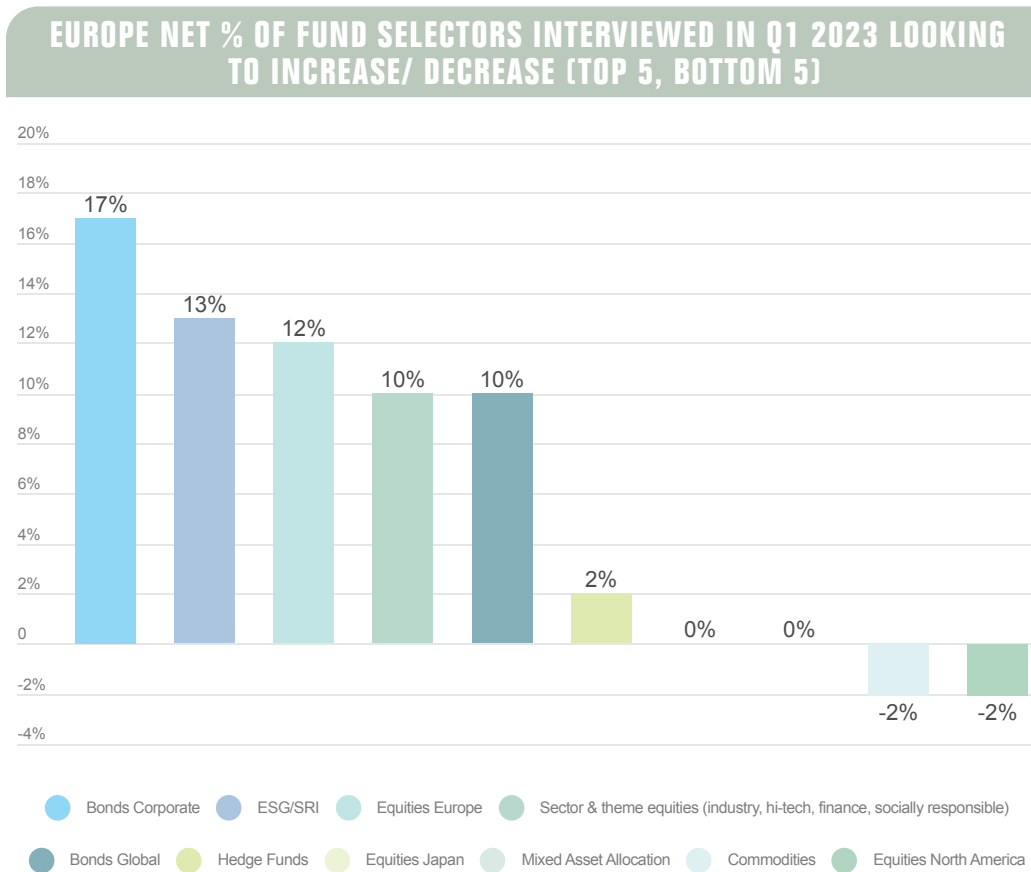
Sector and theme have established a significant lead over other fund types in the race for sales.

The headline retreat from mixed funds is a big story but is also largely a European phenomenon; APAC cross-border demand remains strong.

RESULTS

— Future #2: Where selectors want to allocate more

CHART 9



Source: Broadridge Fund Buyer Focus Intelligence



Key takeaways

On a quarterly basis Broadridge asks fund selectors around the world how they intend to change their portfolios going forward, and to give some prediction as to what key trends might be.

In Q1 distributors performed a volte-face, with fixed income intentions surging to an all-time high, led by corporate bonds.

Overall sentiment appears neutral, with few sectors seeing very high or very low net asset allocation intentions.

RESULTS

— *Future #3: Who could benefit from corporate bond interest ?*

EUROPE - FUND SELECTOR RANKING OF TOP CORPORATE BOND FUND PROVIDERS, YEAR TO Q1 2023

Provider	Rank	Rank change
Schroders	1	--
iShares	2	1
PIMCO	2	--
Invesco	4	--
Amundi	5	4
Muzinich	6	-1
BlackRock	7	--
M&G Investments	8	-2
BlueBay AM	9	2
JPMorgan AM	9	--

Source: Broadridge Fund Buyer
Focus Intelligence

Key takeaways



With corporate bonds rising to the top of European fund selector buy lists, it's worth looking at which managers stand to benefit.

Broadridge asks selectors who their top providers are for different asset classes. Schroders tops the ranking for corporate bonds.

Amundi has made the biggest gains here this year, in large part thanks to its success with ETFs.

CONCLUDING REMARKS

CROSS BORDER DISTRIBUTION
SEPTEMBER 2023



association of the
luxembourg fund industry



CONCLUDING REMARKS

Cross-border investors retreated from funds on an unprecedented scale in 2022, after being buffeted by an array of headwinds that included geopolitical tensions, the war in Ukraine, soaring energy prices, spiraling inflation, and rising interest rates.

Nonetheless, the losses tell more than one positive story. Firstly, they point to the incredible industry growth rates that have taken long-term AUM from €1.6trn before the financial crisis to €6.7trn in 2021. A larger asset base naturally leads to bigger losses in a crisis – but at 4.3% of AUM, 2022's drawdown amounts to just half 2008's redemption rate in relative terms. More remarkably, 2022 is only the second year of net cross-border losses on record, underlining the overall stability and desirability of these investments. This report shows some of the

idiosyncrasies of the cross-border space, a complex industry that stretches beyond Europe and notably into Asia. But it also highlights how funds here are subject to many of the same pressures as in other parts of the funds business – ESG, thematic and passive are global trends that play out just as visibly on the cross-border stage.

These pages establish a snapshot of the industry as it is today; looking further into the future brings its own difficulties – the only constant being change, as they say. Nevertheless, there are a few safe predictions that can be made: buoyant demand from investors will see industry growth resume; passive investment will play an ever-greater role; and in the face of each new challenge, managers will be able to rely on the support and expertise of Luxembourg's vibrant fund ecosystem.



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SEPTEMBER 2023
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