



Broadridge[®]



association of the
luxembourg fund industry

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 2022



Table **OF CONTENTS**

ABOUT ALFI	03
FOREWORD - ALFI	04
ABOUT BROADRIDGE	05
FOREWORD - BROADRIDGE	06
DATA COVERAGE	08
RESULTS	12
Global asset map	13
The where and who of cross-border money	17
Regional flows	22
Asset class and sector flows	26
Leading fund brands through client eyes	29
The importance of launches	31
How efficient is the cross-border business	34
Four trends to watch	36
Future intentions	39
CONCLUDING REMARKS	41

About ALFI

The Association of the Luxembourg Fund Industry (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 businesses that serve the sector.

The latter 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.

For more information about ALFI, please visit www.alfi.lu.



Camille Thommes
Director General

Foreword

At ALFI, we are often asked to explain the phenomenal success of Luxembourg as an international hub for investment funds. Certainly, cross-border distribution is the first thing that comes to mind. It is in the DNA of Luxembourg's ecosystem and it is also one of the most distinctive features in which our members excel. Since the very first days of the UCITS saga, and more recently with the uptake of private asset funds, Luxembourg had no other option but to turn to international distribution if it wanted to become what it is today: the second largest fund domicile in the world and the premier jurisdiction in Europe.

The Common market has always been seen as a natural home for Luxembourg businesses at large, and for the asset management and fund industry in particular. But in fact, becoming what it is today has not, and is still not, as straightforward as one would think.

Competition is fierce. Luxembourg had to constantly adapt, reinvent itself, look for new avenues. In short, agility, excellence and openness are an absolute must in our industry. The support from our government and the role of our supervisory authority, the CSSF, are equally

important factors in the success of Luxembourg. Excellence in cross-border distribution is the visible outcome of several factors.

Our country is multilingual in essence, with workers mastering three to five languages, sometimes more. Luxembourg has a long tradition of welcoming new talents from all other European Member States and beyond. Today, 74% of the working population is foreign. Being able to communicate in all sorts of different languages is a plus, but it also comes with a thorough understanding of the marketing requirements and cultural differences in all countries of distribution. The CSSF has always been dealing with fund applications in three main languages: English, German and French. Articles of association can be drafted and deposited with the Register of Companies in English, with no requirement to translate.

In addition to the more traditional, well-established stakeholders such as fund administrators, depositaries and management companies, the Luxembourg ecosystem benefits from a unique blend of start-ups, fintechs and specialist firms, which assist asset managers in fund distribution.

The related tasks range from the production of fund documentation and key investor documents in all languages, using different alphabets, the development of new search tools based on AI, the use of powerful technologies that facilitate the dissemination of funds documentation across the whole distribution chain, or the uptake of DLT, to name but a few.

While the UCITS directive and AIFMD offer the huge benefit of a harmonised set of rules for investment funds and management companies, which goes hand in hand with the concept of passporting, the choice of legal form is triggered by the domestic laws of each Member State. Here again, Luxembourg has successfully incorporated in its toolbox two legal forms that were traditionally the remit of common law jurisdictions: limited partnership and special limited partnerships. These legal forms have proved hugely successful when targeting certain countries of distributions and/or asset classes. This, combined with the ability to set up opaque and tax-transparent vehicles, allows Luxembourg to meet the requirements of virtually any investor across the globe. Market intelligence on countries of distribution, the appetite for different asset classes etc. are undeniably mission critical for asset managers; however, information is scarce.

ALFI would like to thank Broadridge for compiling a whole series of data in very useful graphs and tables covering a selection of key themes and trends.

Enjoy the study
Camille Thommes, ALFI Director General

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.



Stephanie Clarke
Broadridge Senior Vice President,
Data & Analytics

At a time of rapid evolution in the cross-border distribution space, Broadridge is delighted to partner with ALFI once more to produce this latest collaborative cross-border distribution study.

The industry-changing and hugely successful UCITS passport – the nerve-centre of cross-border distribution – has now been in existence for more than 35 years, and the European fund industry is now larger than it has ever been. However, it is fair to say that in 2022 the industry is undoubtedly facing its toughest test since the financial crisis. Having ridden out the Covid-19 pandemic with remarkable success - European cross-border funds recovered from their biggest monthly loss on Broadridge record in March 2020, to record their second-best ever year in 2021 - the industry is now facing a plethora of headwinds: an end to quantitative easing, extremely volatile markets,

spiralling inflation, rising interest rates, soaring energy prices, global supply chain issues, and the prospect of a damaging and protracted war in Ukraine.

Globally, cross-border funds exceeded €6trn in AUM as of March 2022 and have experienced an excellent few years of in terms of flows – indeed in 20 years of Broadridge record, European cross-border funds have only seen annual outflows twice, demonstrating the resilience of cross-border investors as they navigate a range of challenges. However, these funds could now be facing their toughest challenge yet, with net redemptions as at the end of May 2022 standing at €93bn. As the industry faces an end to the era of steady growth and low inflation, a fundamental reshaping of the global macro-economic environment will weigh on appetite, with fund flows likely to be lower, for longer. Central bank interest rate rises in 2022 have pretty much killed

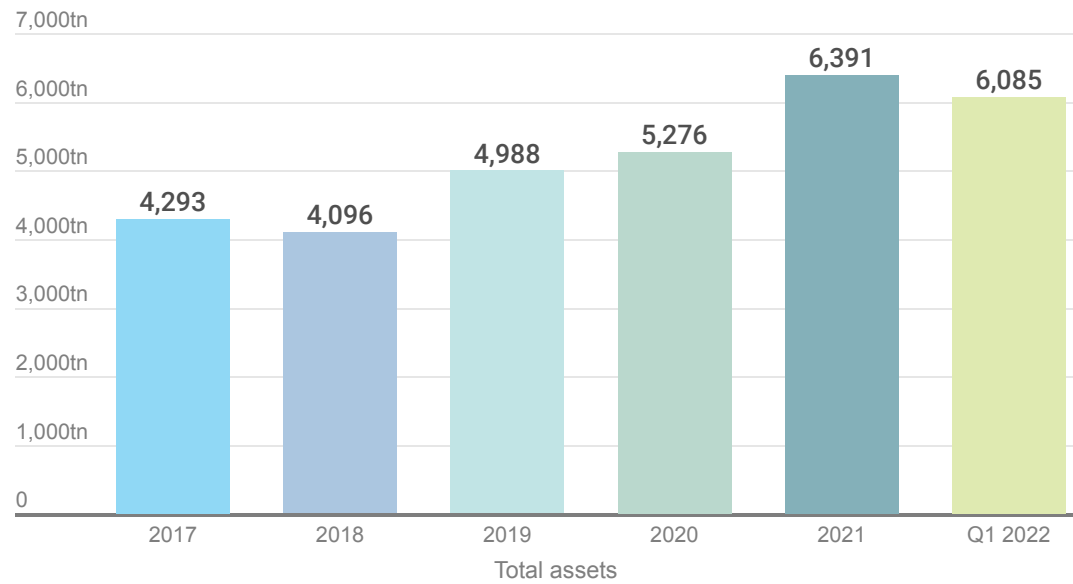
off interest in all but a few bond fund sectors, while soaring inflation lends its support to the risk assets space - there is no alternative!

While Europe is the natural home to a large share of cross-border fund investment, sizeable asset pools are to be found around the world today, and are encompassed in this study. The data and commentary is sourced from Broadridge's Global Market Intelligence database, as at end March 2022. Although this report is based on both captive and third-party business, there is a clear bias towards the independent/third-party segment that forms the bulk of cross-border.


Stephanie Clarke, Broadridge Senior
Vice President, Data & Analytics

The Cross-border Market

SIZE OF THE CROSS-BORDER MARKET IN ABSOLUTE NUMBERS, EURO Tn

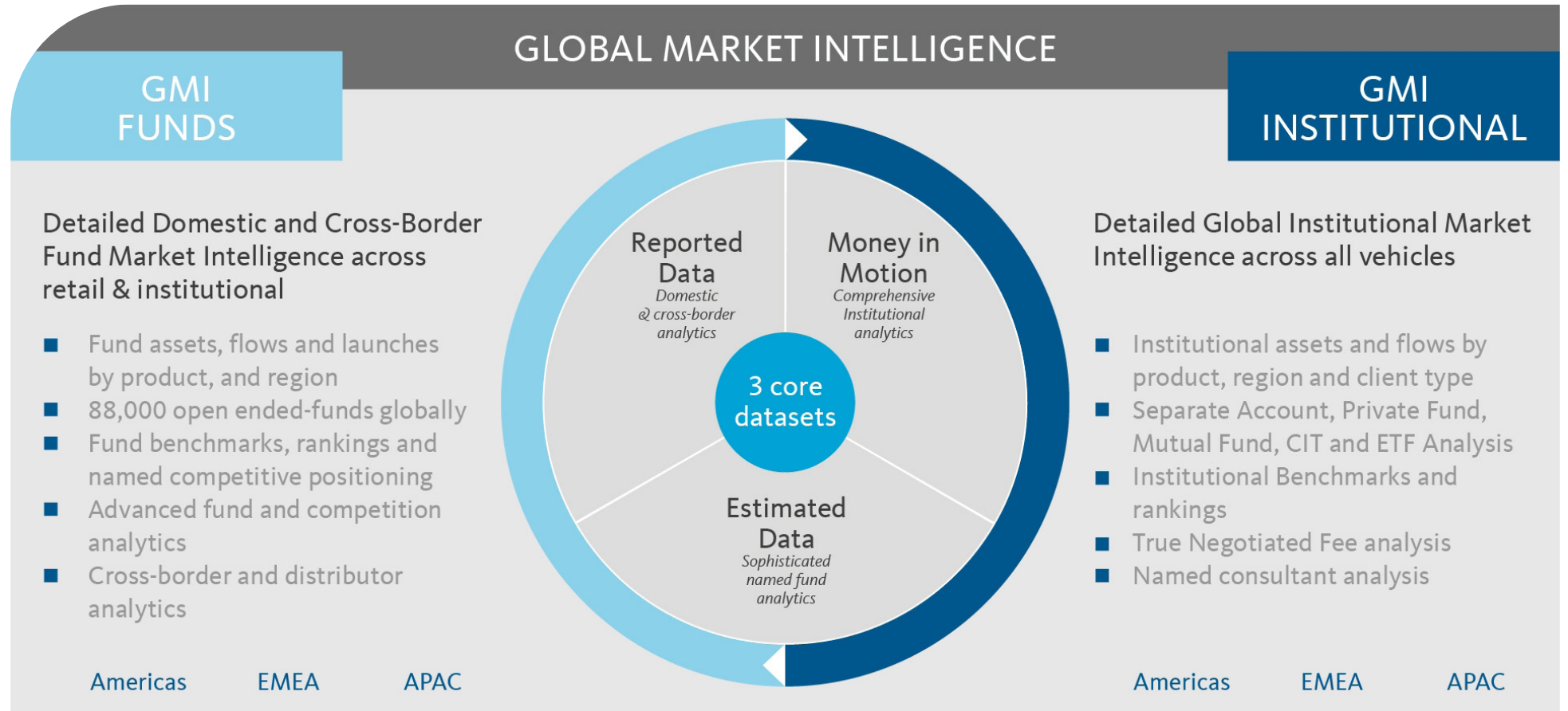


Source: Broadridge GMI, March 2022.



Data
COVERAGE

Broadridge data sources



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 INVESTMENT CATEGORIES				
RI Embedded		RI Screened		
EXCLUSIONS	INTEGRATION / ENGAGEMENT	BEST IN CLASS & POSITIVE SCREENING	IMPACT INVESTING	SUSTAINABILITY / THEMATIC INVESTMENT
<p>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.</p>	<p>This category includes strategies that systematically integrate ESG into investment decision-making processes and/or employ proactive voting/engagement strategies.</p>	<p>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).</p>	<p>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.</p>	<p>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.</p>

DATA COVERAGE

FB50 – Brand

Broadridge tracks the perceptions of over 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 2021. 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

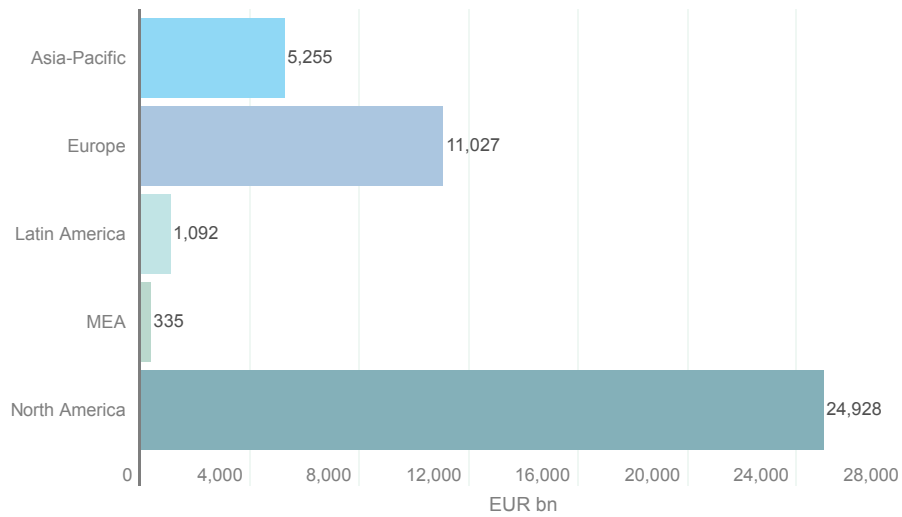
The primary ranking mechanism used in FB50 is the Total Brand Score (TBS). The TBS of each group is based on a calculation that takes account of each group's Brand Attribute scores and Brand Preference score, weighted in accordance with the Impact of each of these brand characteristics.

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 2020 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.

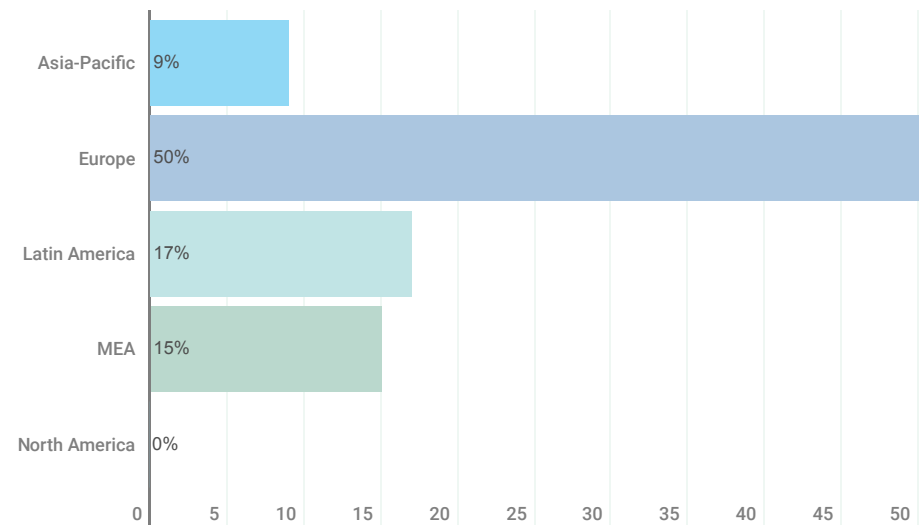
Results

PART 1 - TOTAL AUM IN ABSOLUTE NUMBERS BY REGION

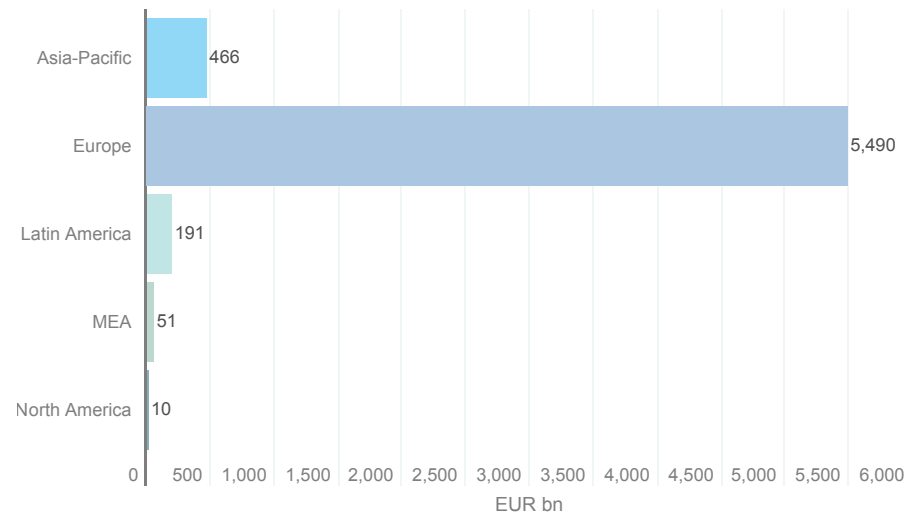


Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Europe includes unallocated international.

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



Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Europe includes unallocated international.

PART 3 - CROSS-BORDER FUND AUM IN ABSOLUTE NUMBERS

Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Europe includes unallocated international.

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	United Kingdom	Uruguay	UAE	

Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Europe includes unallocated international.

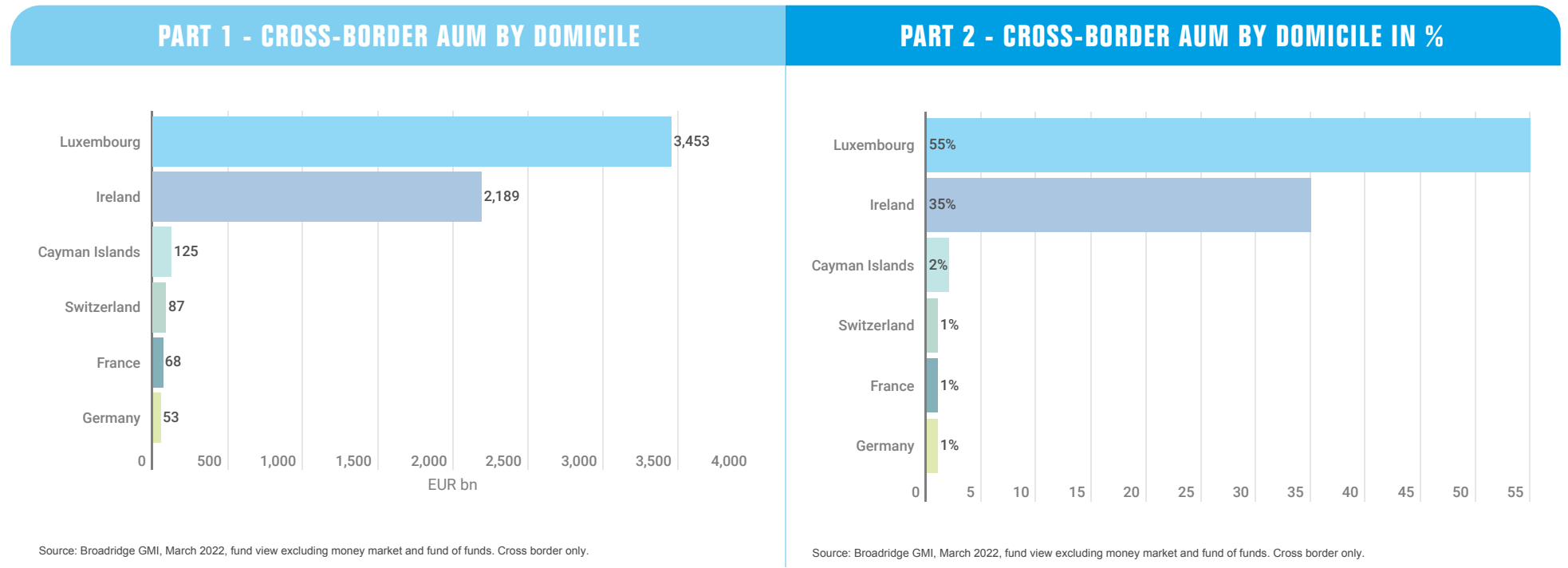
Key takeaways

Global fund assets exceed EUR 40tn with cross border funds' assets exceeding EUR 6tn.

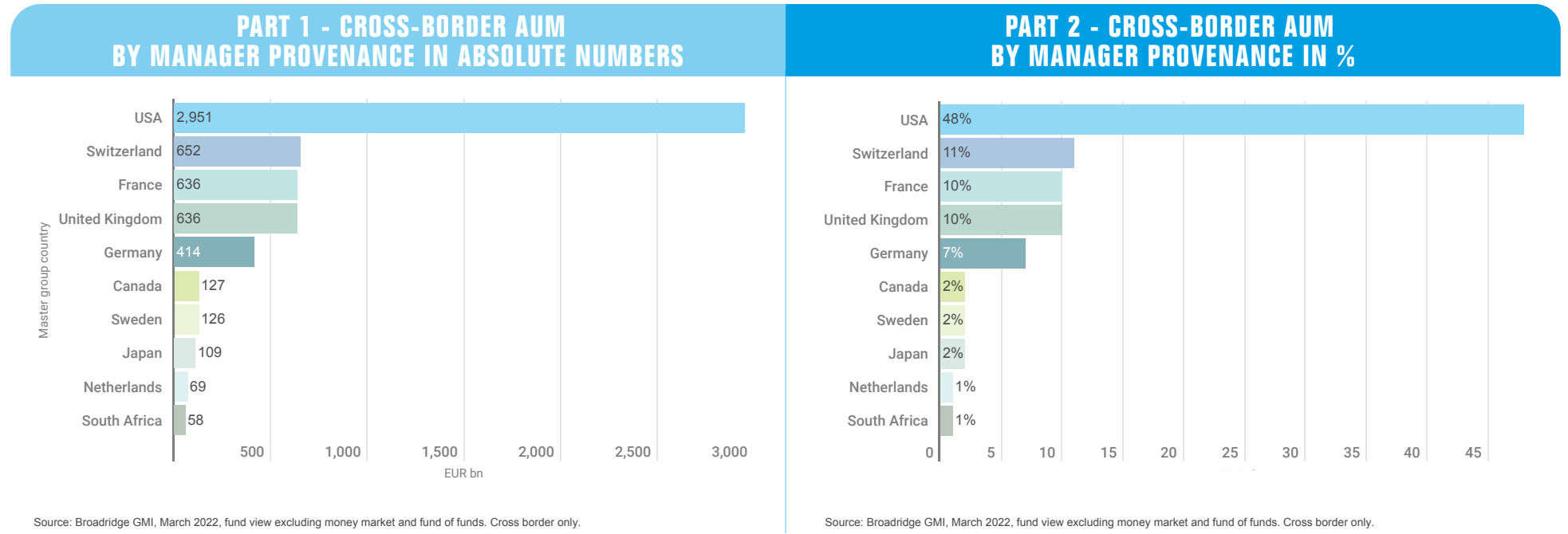
Cross border is an important part of the fund fabric outside of the US, accounting for a sizeable chunk of assets in Europe, MEA, APAC and LATAM.

It's important to note that each region is made up of multiple countries and it is a far from homogeneous asset pool to tap in each region.

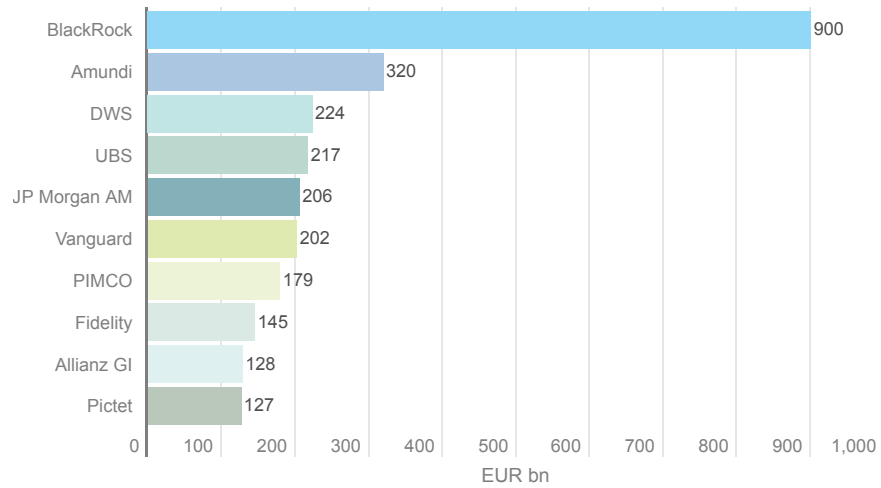
The where and who of cross-border money



The where and who of cross-border money

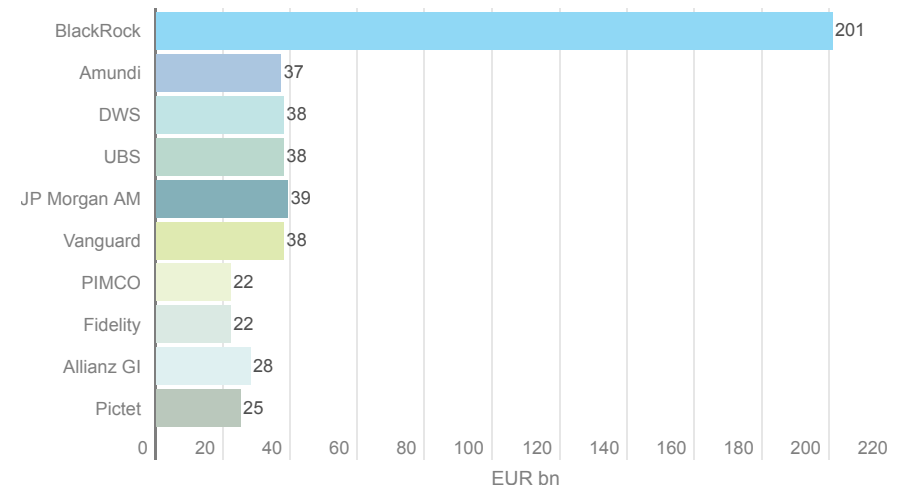


PART 1 - LARGEST CROSS-BORDER MANAGERS BY AUM



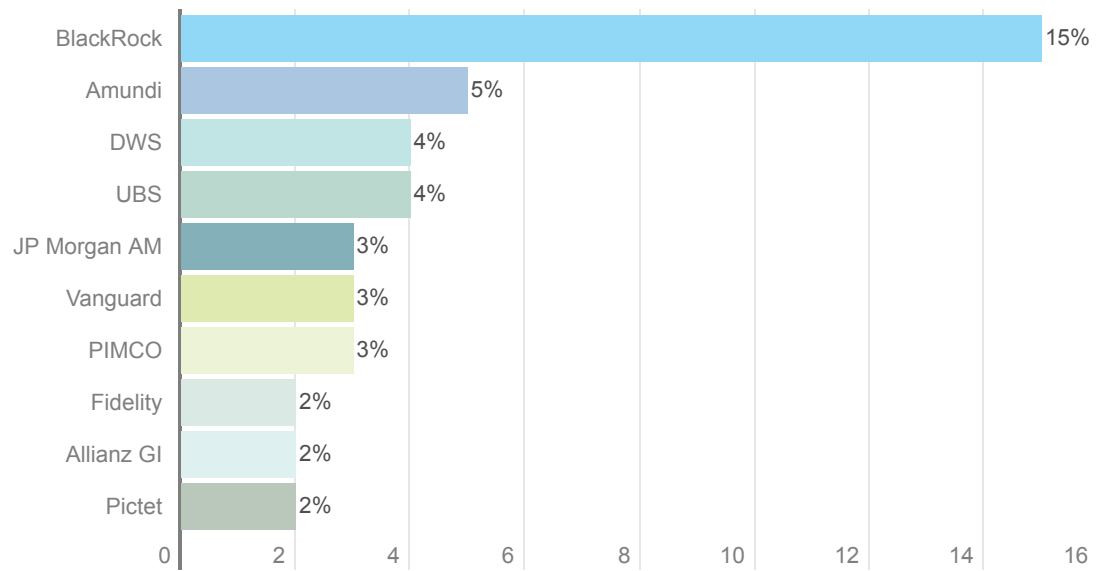
Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only.

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



Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only.

PART 3 - LARGEST CROSS-BORDER MANAGERS, 3-YEAR NET FLOW AS A % OF ASSETS



Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only.

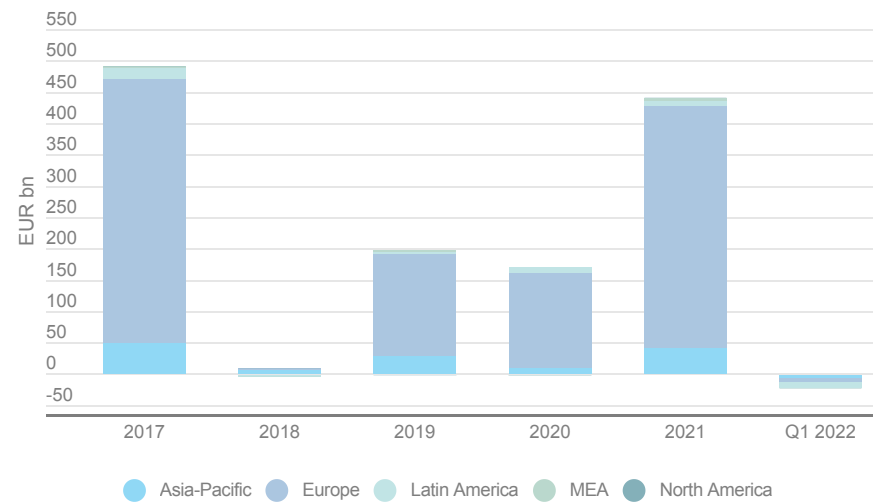
Key takeaways

Luxembourg accounts for over half of all cross-border assets worldwide.

However, while Luxembourg is the largest domicile, it is US managers that account for the bulk of assets.

BlackRock is the largest manager in the cross-border space, supplying both active and passive products across a range of asset classes.

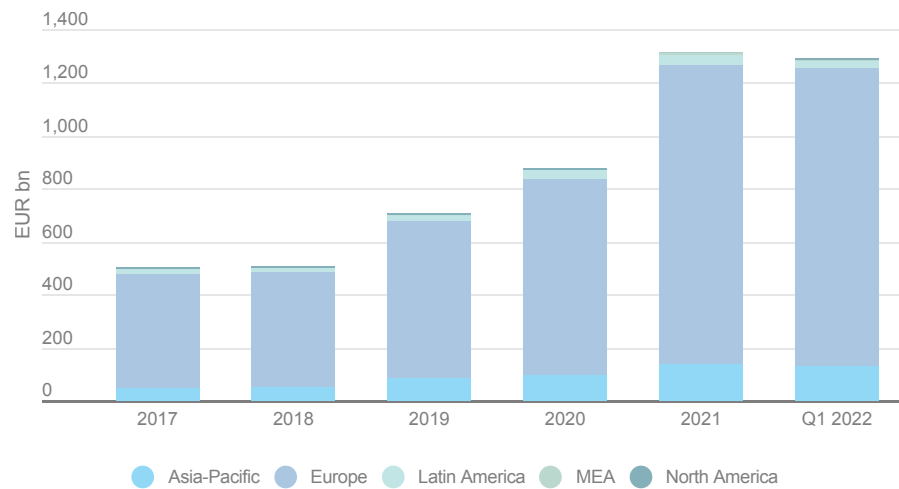
CROSS-BORDER FLOWS BY REGION IN ABSOLUTE NUMBERS



Source: Source Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only. Europe includes unallocated.

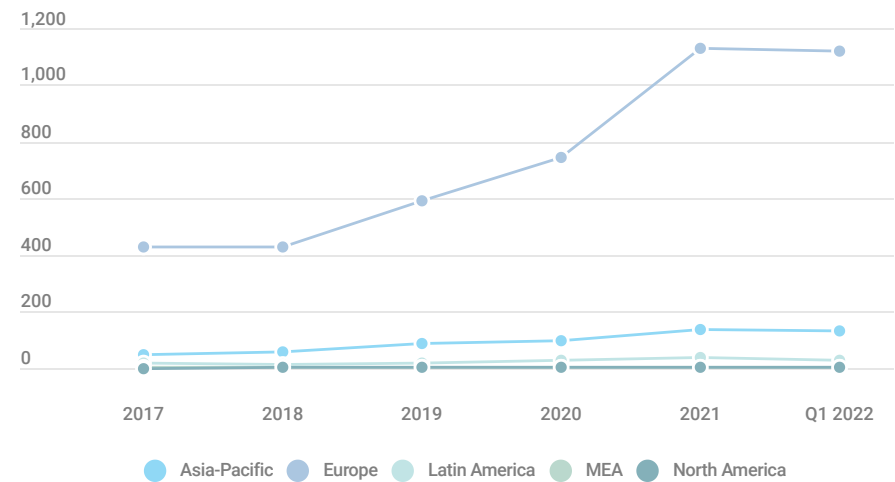
	Asia-Pacific	Europe	Latin America	MEA	North America
2017	50	420	18	2	1
2018	6	2	-3	0	1
2019	30	162	4	1	0
2020	10	151	9	-1	0
2021	42	385	10	4	1
Q1 2022	-5	-6	-9	-1	-0

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



Source Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only. Europe includes unallocated.

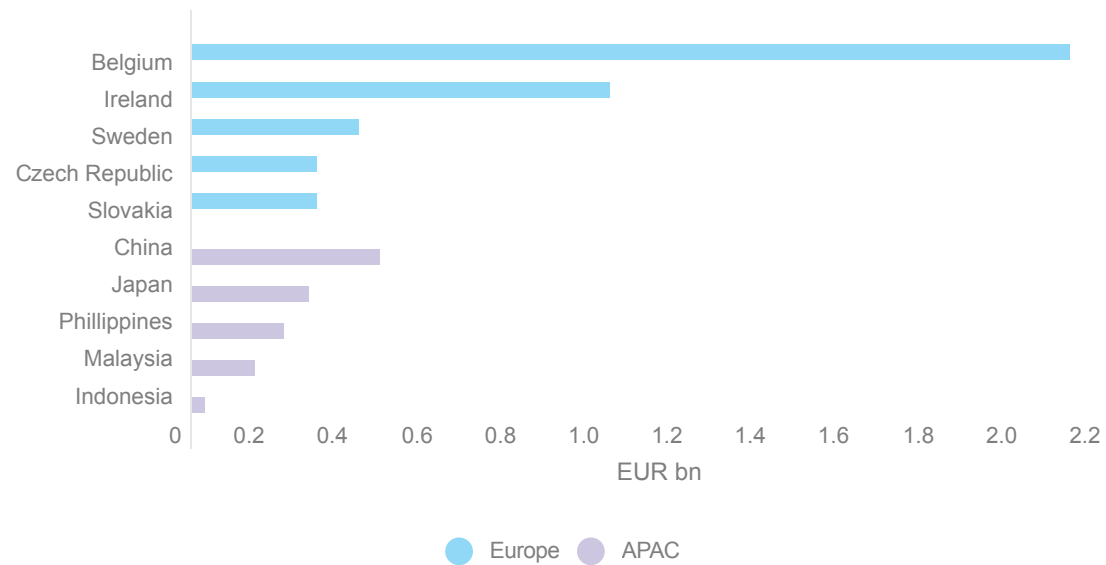
PART 2 - CROSS-BORDER FLOWS BY YEAR - CUMULATIVE, ABSOLUTE NUMBERS



Source Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only. Europe includes unallocated.

	Asia-Pacific	Europe	Latin America	MEA	North America
2017	50	429	18	2	1
2018	56	431	15	2	2
2019	86	593	19	3	2
2020	97	744	28	3	2
2021	138	1,130	38	6	3
Q1 2022	133	1,123	29	5	2

TOP FIVE COUNTRIES FOR 2022 CROSS-BORDER FLOWS, EUROPE AND APAC



Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only. Europe includes unallocated.

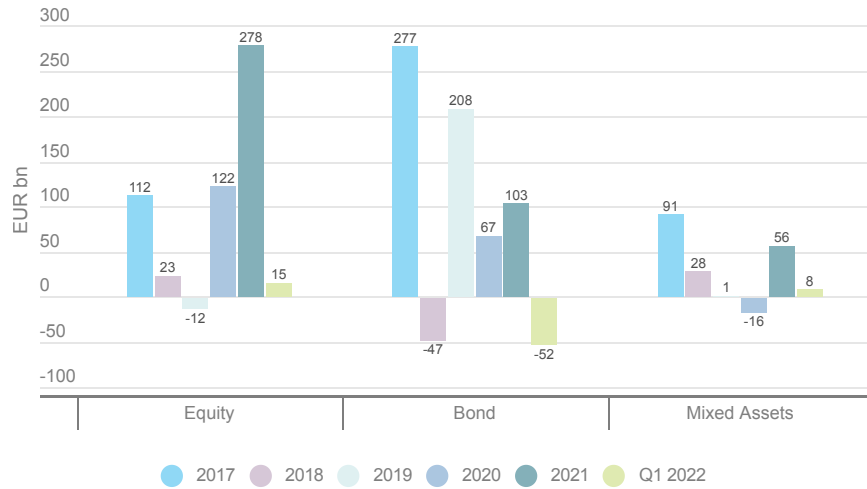
Key takeaways

More than 85% of sales since 2017 have come from Europe, the beating heart of cross-border distribution.

APAC also has a positive record, generating the bulk of non-European flows.

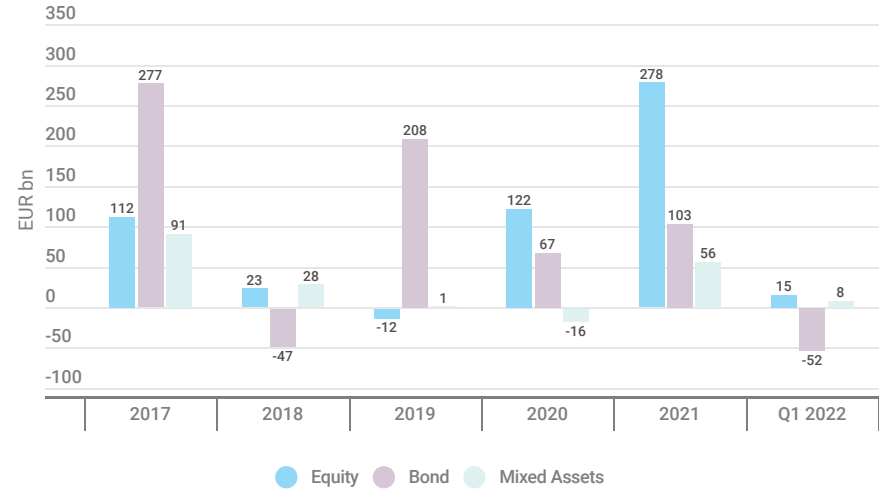
Even Latin America has seen inflows of €30bn over the period in review – but Q1 redemptions here appear outsized.

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

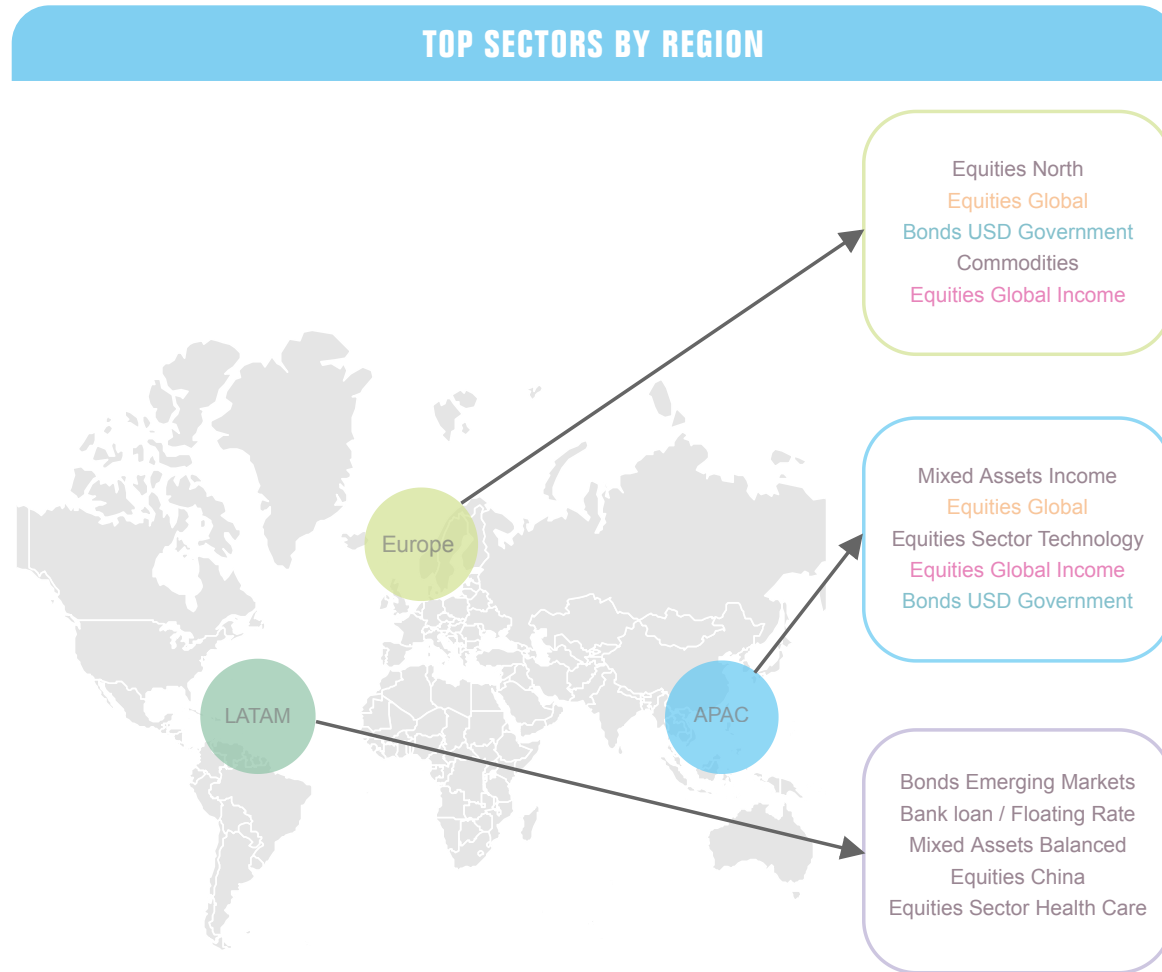


Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only. Three main asset classes only.

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



Source: Broadridge GMI, March 2022, fund view excl money market and fund of funds. Cross border only. Three main asset classes only.



Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only. Three main asset classes only.

Key takeaways

At an asset class level, equities have been the dominant asset class for net flows since 2020, while bonds have fallen from favour.

Mixed assets have been on something of a ride as many funds disappointed and flows flattened but with more challenging environments they have come back into fashion.

A look at the top sector by region shows some overlap between Europe and APAC – but groups pursuing LATAM sales may need to adjust accordingly.

TOP EUROPEAN AND APAC FUND BRANDS

Europe	Fund brand	APAC	Fund brand
1	BlackRock	1	BlackRock
2	JPMorgan AM	2	JPMorgan AM
3	Fidelity	3	Fidelity
4	Pictet AM	4	AllianzGI
5	Robeco	5	Alliance Bernstein
6	Amundi	6	Franklin Templeton
7	Schroders	7	Schroders
8	Morgan Stanley	8	Nomura AM
9	PIMCO	9	Vanguard
10	Nordea	10	PIMCO

Source: Broadridge Fund Brand 50 2022 - based on over 1,000 selector interviews around the globe.

Key takeaways

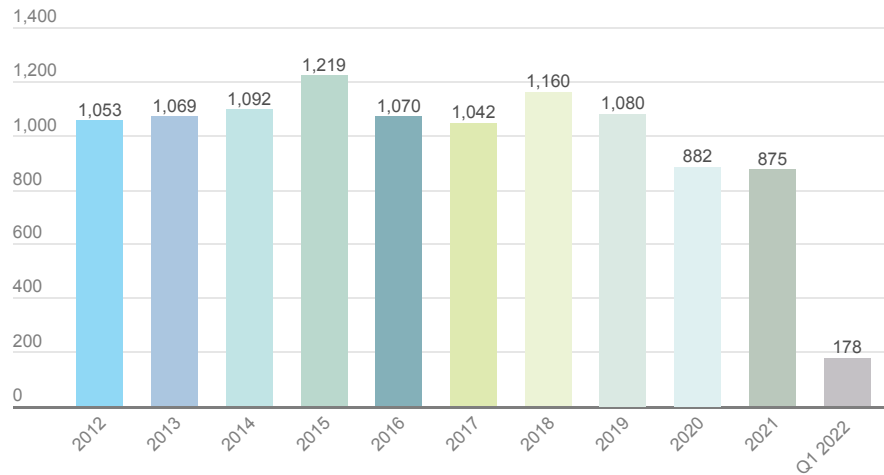
Broadridge interviews over 1,300 key fund selectors each year to understand a range of perceptions including which brands they like best.

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

The top three in both regions are the same, showing that, despite regional differences, it is possible to have global success.

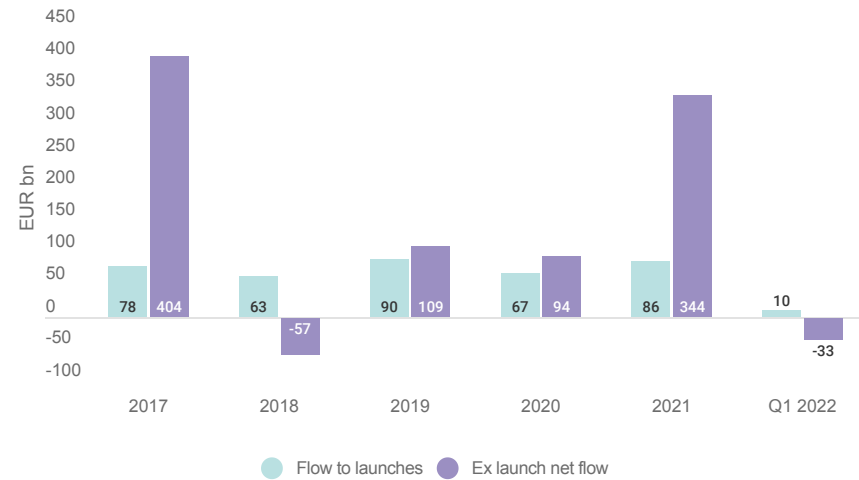
The importance of launches

NUMBER OF FUNDS LAUNCHED

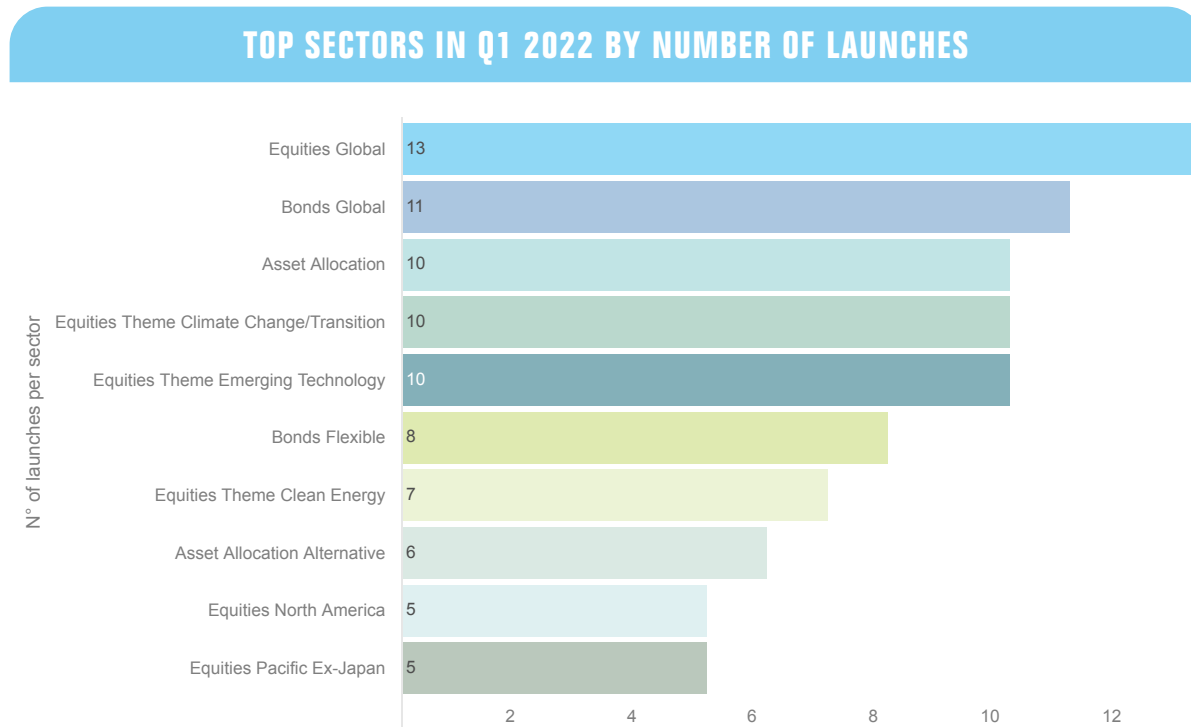


Source Broadridge GMI, March 2022, fund view excl money market and fund of funds. Cross border only.

NET FLOWS TO NEW LAUNCHES



Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Europe includes unallocated international.



Source Broadridge GMI, March 2022, fund view excl money market and fund of funds. Cross border only.

Key takeaways

The number of fund launches in the cross border space has dropped in the past two years, down to a 10-year low in 2021.

Fund groups are faced with more cost and complexity in launching and are therefore targeting their efforts.

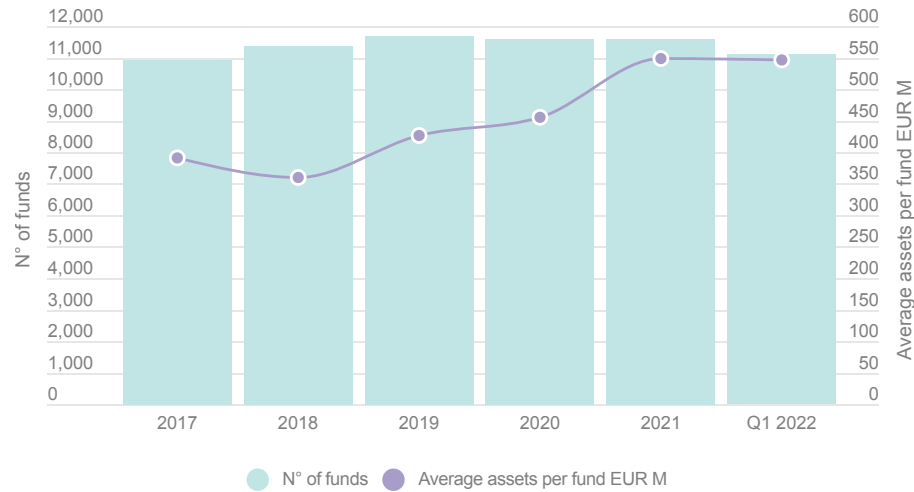
However, fund launches matter – they generate a steady amount of net flows regardless of where markets go.

RESULTS

How efficient is the cross-border business

CHARTS 7A & 7B

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



Source: Broadridge GMI, March 2022, 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 2022, fund view excluding money market and fund of funds. Cross border only.

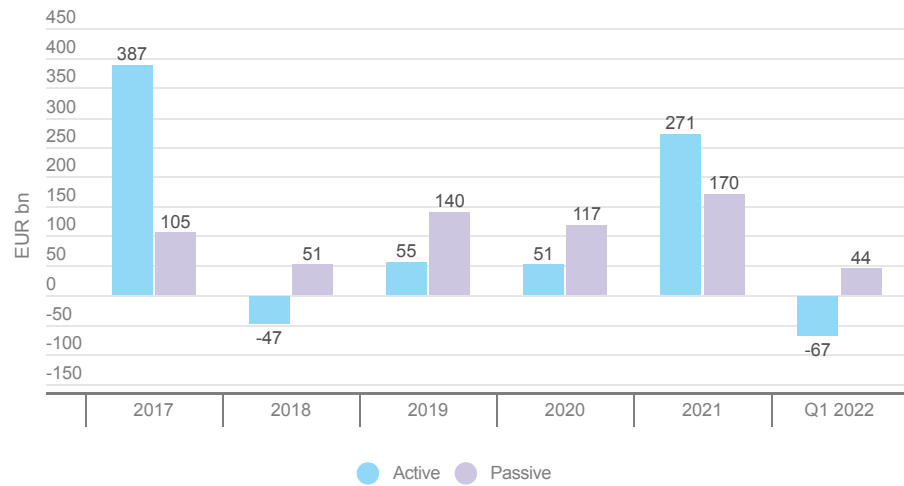
Key takeaways

The cross-border business is getting more efficient as fund numbers increase gradually but assets increase faster, leading to a higher average fund size through time.

Manager numbers have not changed much through time but the top 10 are taking an increasing share of assets.

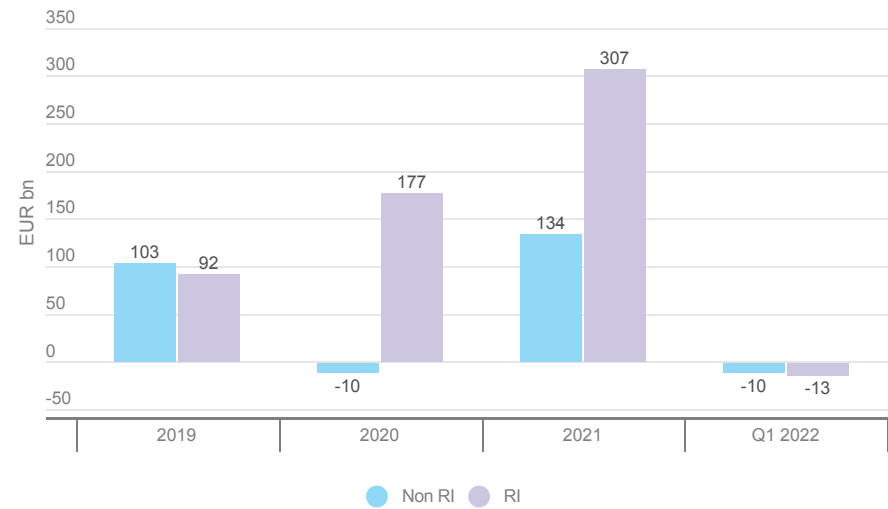
Top-10 managers' increasing share is mainly down to the growing use of passive funds. The top-10 active managers control 34% of active assets; for passives the equivalent number is 92%.

ACTIVE VS. PASSIVE CROSS-BORDER FUNDS



Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only.

RESPONSIBLE INVESTING VS. NON-RESPONSIBLE INVESTING



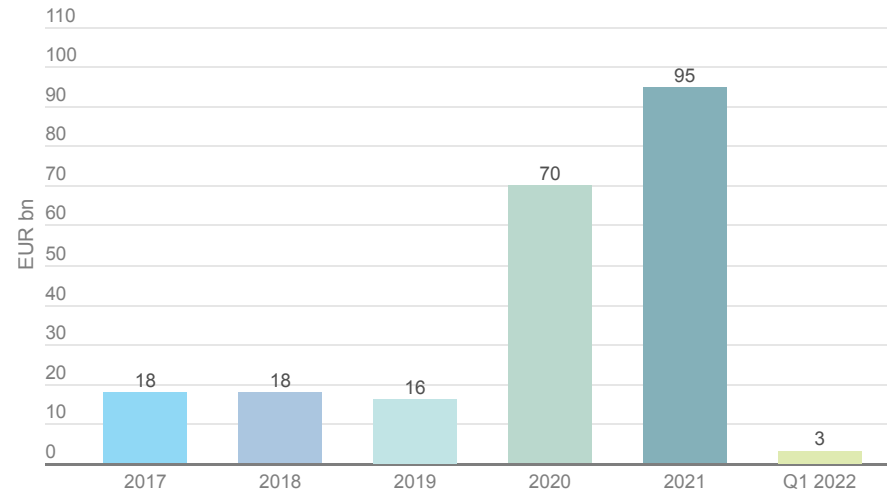
Source: Broadridge GMI, March 2022, fund view excl money market and fund of funds. Cross border only.

TYPES OF RESPONSIBLE INVESTING



Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only.

RISE OF THEMATIC EQUITY INVESTING



Source: Broadridge GMI, March 2022, fund view excluding money market and fund of funds. Cross border only.

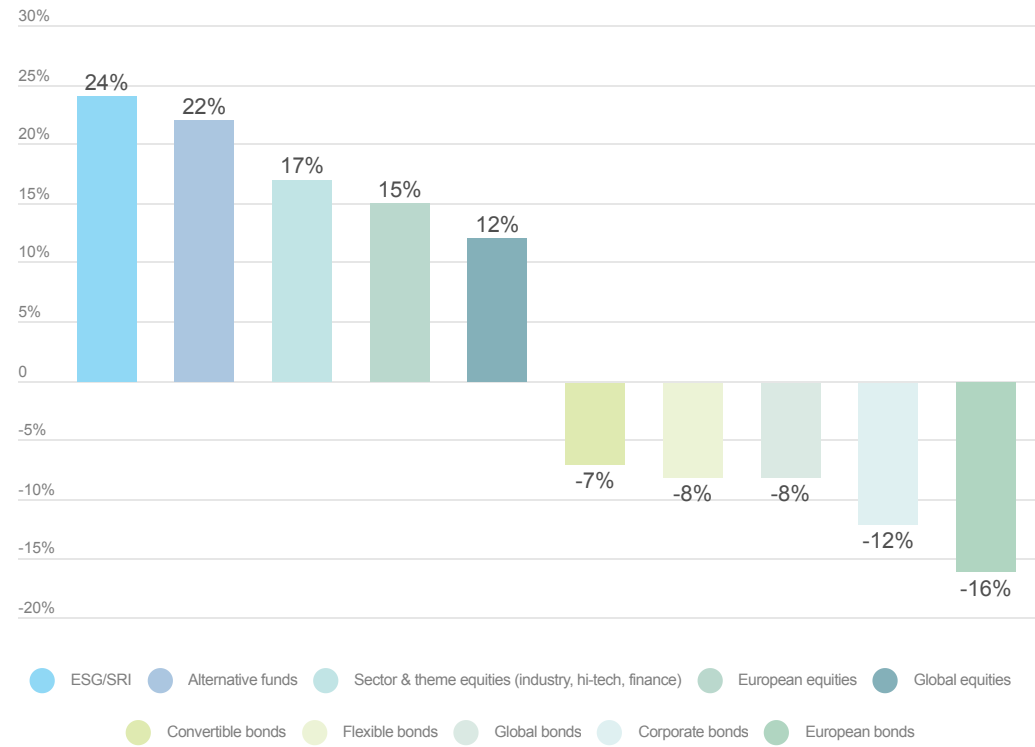
Key takeaways

Active outsold passive in 2021 – but this was an usual feat. Passives have taken the lead in most recent years, and maintained momentum in Q1'22 even as active ranges saw outflows.

In terms of sector trends, thematic investing is probably the biggest thing to watch – it has seen extraordinary growth.

Responsible investing has gone from strength to strength with SFDR a key driver. But Q1 sales show investors now quitting integration/engagement funds, which make up the bulk of lighter green Art 8 products.

EUROPE NET % OF FUND SELECTORS INTERVIEWED LOOKING TO INCREASE/ DECREASE (TOP 5, BOTTOM 5)



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.

ESG and thematic have long been in the ascendant in Europe – but as markets dip selectors are growing keener on allocations to alternatives.

On the flipside bonds, especially European and corporate, look set to have a more difficult time.



Concluding REMARKS

Seeking to understand European or global fund markets without drilling into the 'who' and 'how' of cross-border funds would be a near-impossible task. As these pages spell out, cross-border products and the centres of expertise that service them, led by Luxembourg, play a key role driving industry growth.

Today, around half of European assets - and significant shares in Latin America, MEA and APAC - are held in cross-border ranges. And since Broadridge records began 20 years ago, cross-border funds have seen near-constant yearly inflows, in a testimony to their enduring popularity.

In the post-pandemic world, cross-border expertise in responsible

investment and thematic funds has proved especially valuable, while there are growing signs, at the time of writing, that passive cross-border products have been a key holdout amidst 2022's fund flows rout. The rest of this year - and perhaps also years to come - will likely be more challenging, with many more geopolitical and economic events weighing down appetite: fund sales may come to symbolise a new 'lower for longer'.

Nonetheless, whenever markets enter challenging phases, cross-border funds remain an attractive beacon, providing a safe haven of strong regulation that investors around the world seek out.



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luxembourg fund industry

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