Press release

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UCITS ASSETS COULD QUADRUPLE TO €42 TRILLION BY 2048, ACCORDING TO ALFI'S 30th ANNIVERSARY REPORT

According to the report issued today by ALFI to mark ALFI's 30th anniversary, UCITS assets have the potential to grow at a compound rate of 5% in the next three decades, with average annual net sales flows rising from €201 billion in 2017 to €860 billion in thirty years. As long as certain risk factors are addressed, this growth rate would quadruple UCITS' asset base to over €42 trillion by the year 2048.

The report, which was produced by Broadridge, also predicts that Europe's Capital Markets Union and local initiatives to enhance long-term savings to meet demographic challenges will encourage future growth in Europe. Outside Europe regulators are likely to wish to protect their own markets, but the strength of the UCITS brand means that the UCITS structure is most likely to be the adopted vehicle.

Denise Voss, Chairman of ALFI, says "The report, which looks at the development of UCITS since they first came into being in 1988, demonstrates the success of the brand in terms of growth of assets and its global reach, as well as its potential for solving the challenge of changing demographics as the dependency ratio doubles over the next 30 years to reach 51%[1].

She continues: "The global footprint of UCITS bodes well for the coming decade as populations in many of the newer markets are encouraged by their governments to take on the mantle of pension provision. Regulators in most non-European countries will wish to build a local fund franchise, but the regulatory structures they use are most likely to be based on UCITS. This can only be good news for UCITS when doors begin to open.

"We can also expect UCITS to be a key beneficiary of the launch of the Capital Markets Union, which aims to increase investment and the choices available to retail and institutional investors and migrate some of the vast pool of deposit savings into managed investments.

"However, we recognise that further work must be undertaken by the industry to ensure that UCITS fulfil their role of providing long-term financial stability for people and economies. A key element is to set in place effective financial education so that people both recognise the need to build their long-term wealth and know how they are going to achieve that."

The report outlines how:

- The UCITS Directive gave investment funds regulatory credibility, making funds acceptable vehicles for retail investors, thereby kick-starting a period of explosive growth that took assets in long-term UCITS from €300 billion to nearly €10 trillion in their first three decades of life. More recently AIFMD has added a further €6 trillion of assets.

[1] European Commission, *The Demographic Future of Europe – from Challenge to Opportunity.* 2006

- More than one third of funds domiciled in Europe are sourcing assets from multiple European and global markets and, of these, 64% are based in Luxembourg and a further 25% in Dublin, and UCITS is increasingly becoming the most commonly accepted regulatory standard for funds around the world.
- Although designed for European investors, UCITS has proved to be a successful export: Asian markets account for 13% of cross-border assets, with Latin American markets contributing 3%.
- UCITS has made Europe an attractive centre for fund groups worldwide: Groups from EU countries manage 56% of assets, with US groups accounting for 30%
- Cross-border groups source 77% of their assets from Europe, with five countries (Italy, Switzerland, Germany, the UK and Spain) accounting for 70% of assets
- MiFID 2 has been a game changer, disrupting the traditional value chain, and the impact has been increased transparency and pricing pressure, leading to a new focus on low-cost passives.

Diana Mackay, Managing Director, Global Distribution Solutions of Broadridge, concludes: "The success of the UCITS brand is remarkable but the industry cannot afford to be complacent. Like any brand it must be guarded by all those who benefit from its recognition because any lapse will be destructive not only to the pool of assets invested in UCITS, but potentially to the investors that have been persuaded to believe in the brand."

ENDS

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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 cross-border 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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