

## Press Release

Luxembourg, 27 November 2019

### **DEBT FUNDS' AUM GROWS 40% IN TWO YEARS, ACHIEVING NEW HIGH, WHILST DIRECT LENDING STRATEGIES DOUBLE**

- **AuM of private debt funds increased by 14.5% in 2019 to a total of €56 billion**
- **Usage of RAIF vehicles increased from 13% to 20%**
- **Direct lending strategies double to 32% of the private debt market**

A new study published by KPMG on behalf of ALFI reveals that Luxembourg-domiciled private debt funds saw a 14.5% climb in assets under management (AuM) in 2019, reaching a total AuM of €56 billion. This builds on the 23.5% growth in AuM for debt funds seen from 2017.

**David Capocci, Head of Alternative Investments at KPMG Luxembourg**, said: “The private debt fund market has steadily grown over the last few years and 2019 is no exception. AuM have increased by 40% in two years – from €40 billion in 2017 to €56 billion as of June 2019. These numbers reflect the debt fund market’s success, which we expect to continue in the coming years.”

**Camille Thommes, Director General of ALFI**, commented: “Non-bank intermediation, such as financing through private debt funds, is gaining further momentum. Private debt funds are a growth stimulator and important source of financing for the real economy. Along with the banking industry, they can help businesses raise capital and address the imbalance of liquidity supply and demand. This survey shows that Luxembourg private debt funds are more sought-after than ever.”

Other topics and findings of the research were:

- **Fund structures:** Use of RAIF (Reserved Alternative Investment Fund) structures rose from 13% to 20% of all fund structures between 2018 and 2019 and is a trend that will continue in 2020, according to the report. SIFs (Specialised Investment Funds) and Part II funds made up 71% and 9% respectively.
- **Investment strategies:** Direct lending strategies almost doubled in 2019, now accounting for 32% of the private debt market, up from 18%. High yield bond strategies remained stable at 22% whilst senior loans dropped from 35% in 2018 to 22% in 2019.
- **Tax law:** The year saw substantial changes to Luxembourgish and international taxation via ATAD 1 and ATAD 2 (the EU Anti-Tax Avoidance Directive) being passed into Luxembourg tax law. This strengthened the average level of protection against aggressive tax planning, bringing clarification for funds on whether their investors qualified as “associated enterprises” under ATAD 2. Further tax clarifications and guidance are expected as soon as Q1 2020.

- **Sustainable finance:** New environmental regulations adopted by the European Parliament in August 2019 oblige financial market actors to disclose the sustainability risks and impacts of their investments. The report notes that green loan issuance globally amounted to \$60 billion in 2018, up by more than 30% from 2017.

**Camille Thommes** continued: "The Grand Duchy has long-standing experience and recognised knowledge in both loan origination and secondary market trading, and our data reveals that Luxembourg private debt funds are increasingly attractive to investors".

**David Capocci** added: "The regulatory reform agenda has continued its steady advance. Today's landscape reflects current policy priorities: financial stability and systemic risk, maintaining an open and well-functioning EU financial market and promoting sustainable finance. Debt fund managers should keep a close eye on regulatory developments as they will likely impact the industry."

Download the full [ALFI/KPMG Private Debt Fund Survey 2019](#).

**ENDS**

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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 depository 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](http://www.alfi.lu). To keep up with all the news from ALFI and the fund industry in Luxembourg, join us on [LinkedIn](#) (The Luxembourg Fund Industry Group by ALFI), [Twitter](#) (@ALFI-funds), [Youtube](#) and [Vimeo](#).