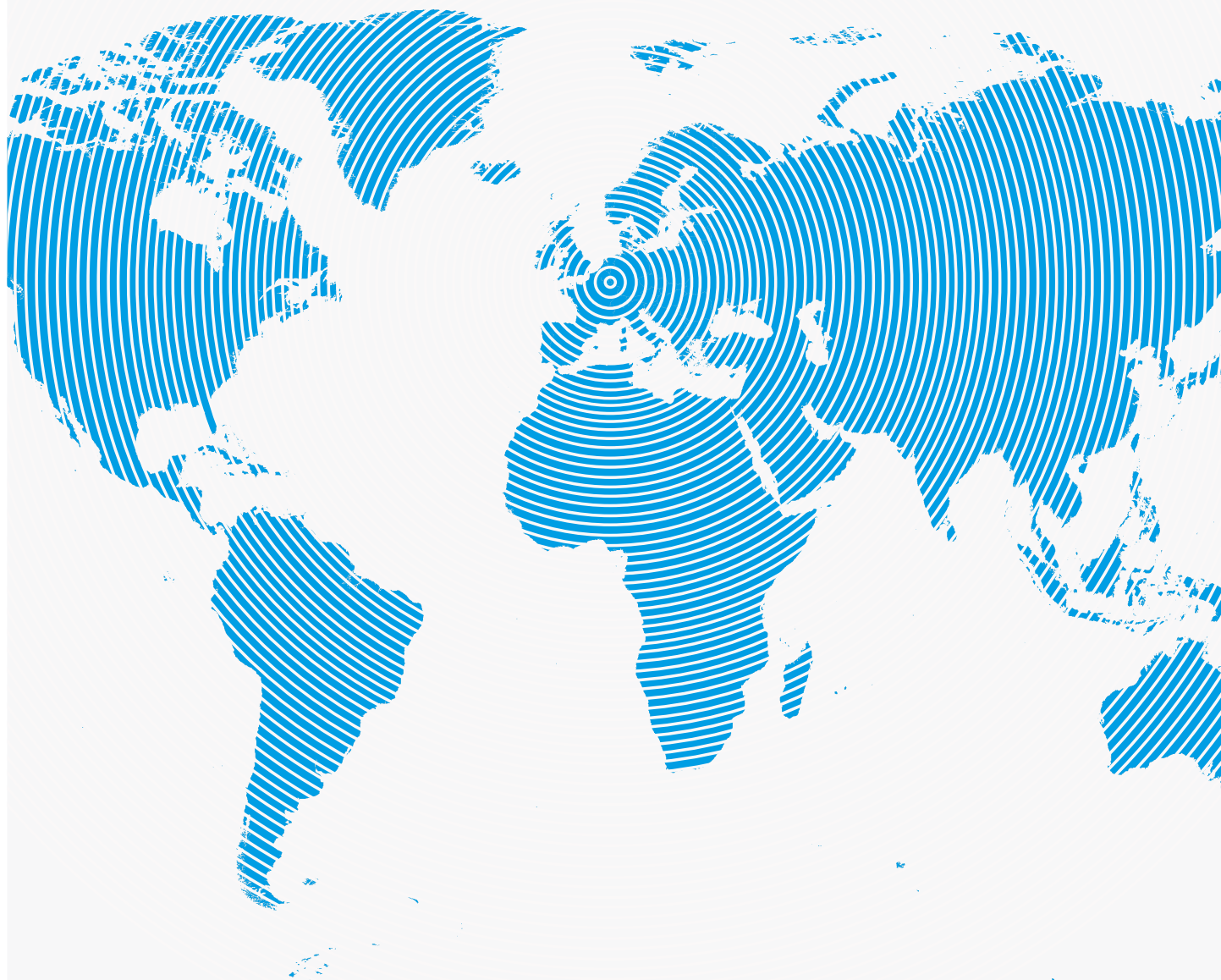




association of the
luxembourg fund industry



LUXEMBOURG: THE GLOBAL FUND CENTRE



Welcome to Luxembourg!

For those of you who have yet to discover the Grand Duchy of Luxembourg, I am confident you will be impressed with the benefits it can offer your business.

With more than EUR 4,000 billion in net assets under management, Luxembourg is the largest investment fund centre in Europe and the second largest in the world after the US. It is the largest global distribution centre for investment funds, with its funds offered in more than 70 countries around the world.

Luxembourg's investment funds have a dominant share in both the retail and the institutional marketplace in Europe, and they are the vehicle of choice in many parts of Asia, Latin America and the Middle East. Luxembourg is also a major centre for alternative asset classes with more than EUR 650 billion of assets managed by alternative fund managers.

How did Luxembourg build these strong positions in the global investment fund industry? It comes down to three concepts: international orientation, excellence and stability.

A founding member of the European Union (EU), Luxembourg is also a member of all the principal international organisations. The country's strategic location at the heart of Europe and its traditional openness towards cross-border integration established it very early on as a major international financial centre.

Furthermore, as an AAA-rated economy, Luxembourg has sound public finances and is politically stable.

Its social stability, based on a culture of consensus, makes it a great place to work and do business, and its high quality of living makes it a pleasant place to live.

This backdrop has, over the decades, attracted thousands of investment firms and service providers, who collectively contribute unrivalled knowledge and expertise to the global investment industry players, whether they operate from Luxembourg or not.

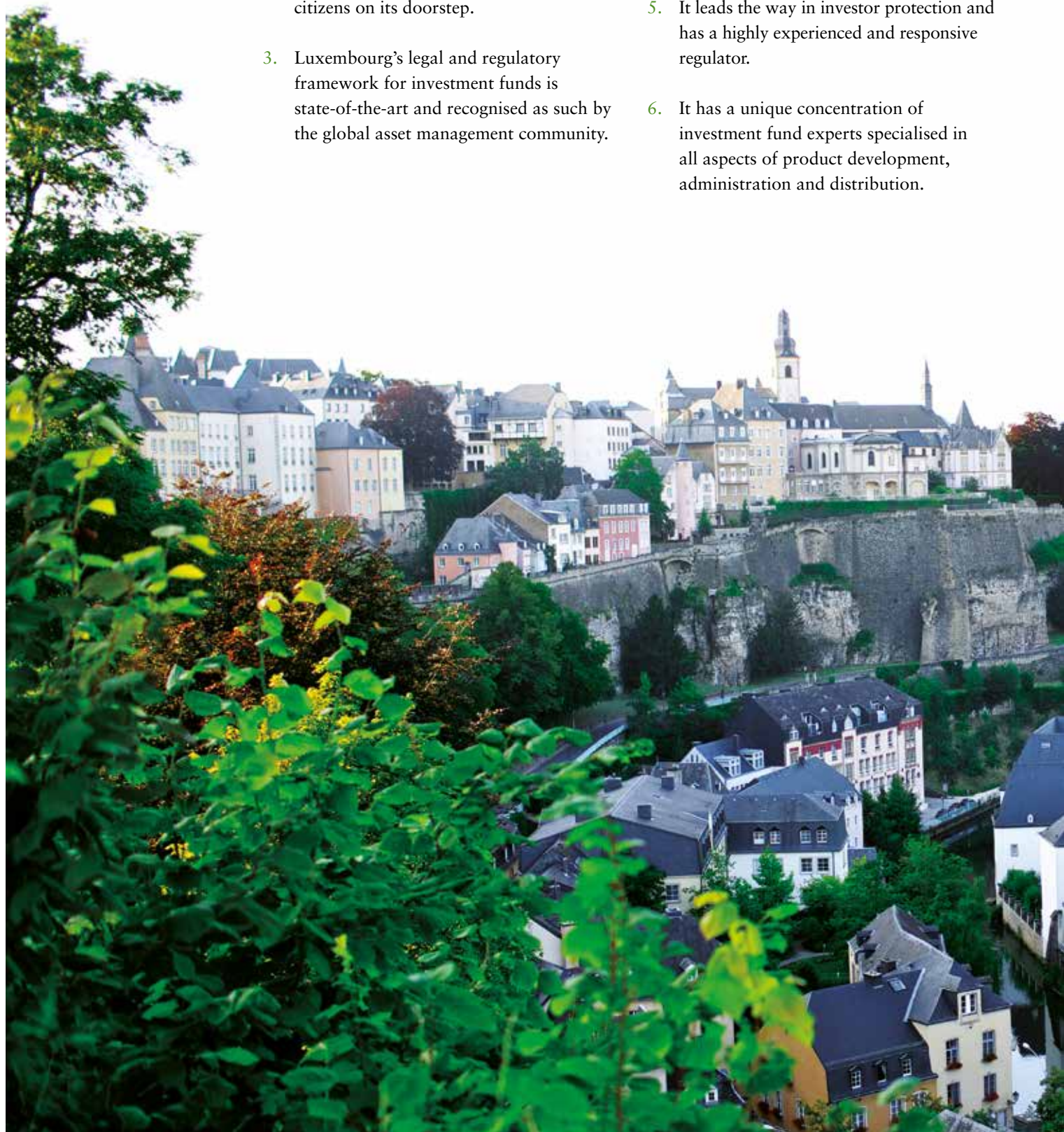
This brochure is a guide to all that Luxembourg has to offer the asset management industry and the people who work in it. We look forward to welcoming you soon.

Camille Thommes,
Director General, ALFI

A handwritten signature in black ink, consisting of a stylized 'C' followed by a series of loops and a final horizontal stroke.

Ten reasons why the fund industry chooses Luxembourg

1. It has a stable political and social environment and a strong economy.
2. It is a founding member of the European Union and is situated at the heart of Europe, with about 510 million European citizens on its doorstep.
3. Luxembourg's legal and regulatory framework for investment funds is state-of-the-art and recognised as such by the global asset management community.
4. With more than EUR 4,000 billion in assets under management, Luxembourg is the number one investment fund center in Europe and Number Two in the world after the US.
5. It leads the way in investor protection and has a highly experienced and responsive regulator.
6. It has a unique concentration of investment fund experts specialised in all aspects of product development, administration and distribution.



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7. It has established a competitive framework for UCITS (Undertakings for Collective Investment in Transferable Securities), funds “passport” within the EU, and non-UCITS funds.
 8. Its fund lawyers, audit firms and tax advisors are highly experienced in cross-border registrations of both UCITS and non-UCITS funds, facilitating fund distribution around the globe.
 9. Its laws provide for umbrella funds, which have several compartments under a single legal structure and each can invest in a different asset class.
 10. Luxembourg is endowed with an international and multilingual workforce. English is the language of the financial sector, French, German and other European languages are also spoken.



The figures tell the story

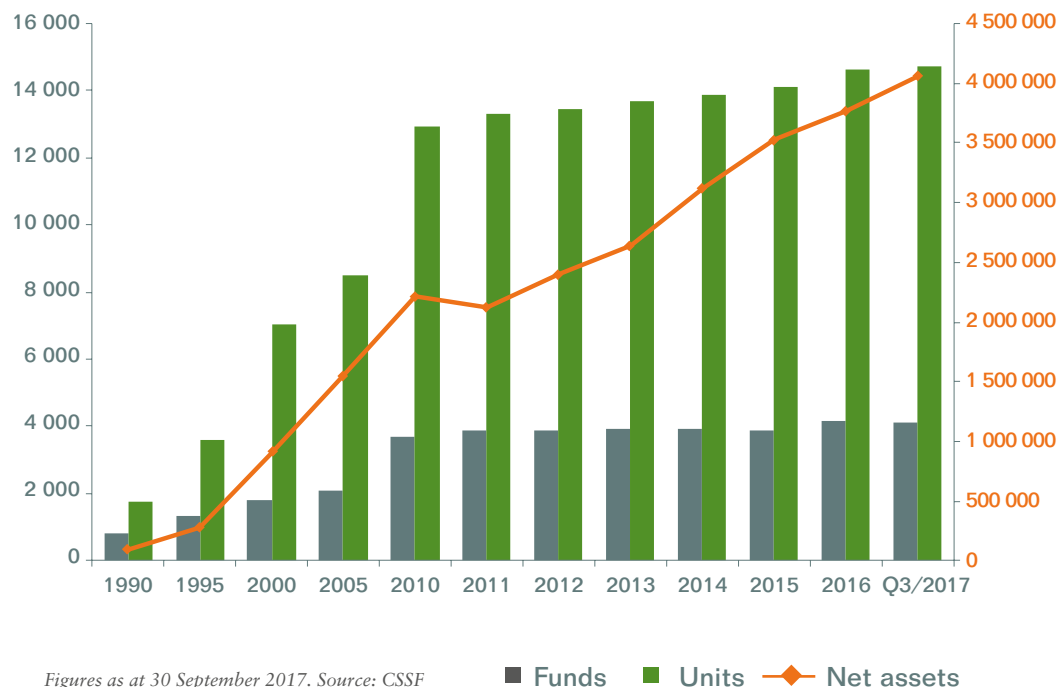
Luxembourg is the largest investment fund centre in Europe

Net assets under management in Luxembourg total more than EUR 4,000 billion, and are managed in more than 14,700 investment fund units.

Net assets under management in Luxembourg funds

number of funds/fund units

EUR billion

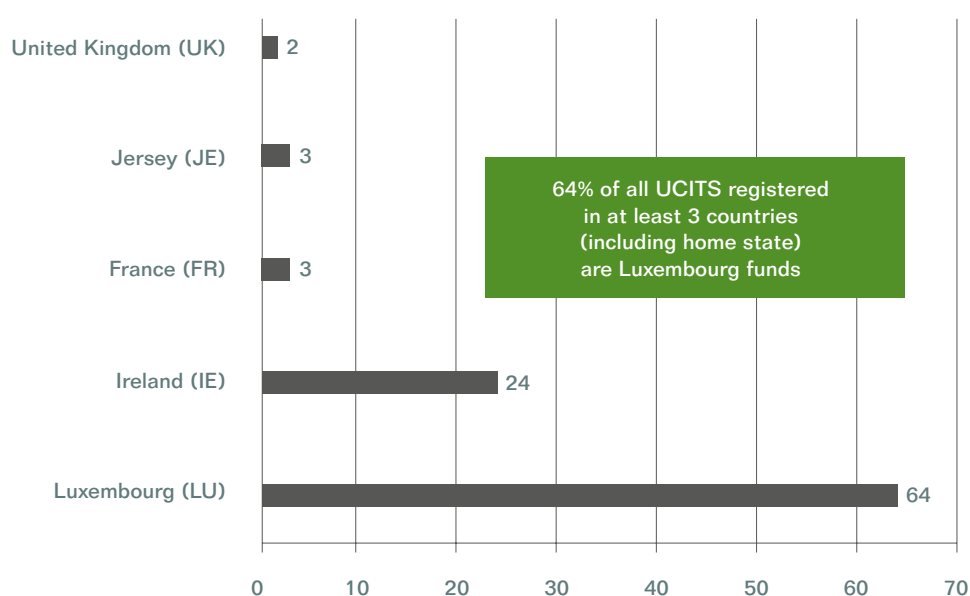


Luxembourg is Europe's leading centre for cross-border fund distribution

64% of all UCITS registered for distribution in at least 3 countries are domiciled in Luxembourg.

The main UCITS exporting countries in Europe

Market share (in %) in terms of number of fund registrations for cross-border distribution



Figures as at 31 December 2016. Source: Global Fund Distribution 2017, PwC

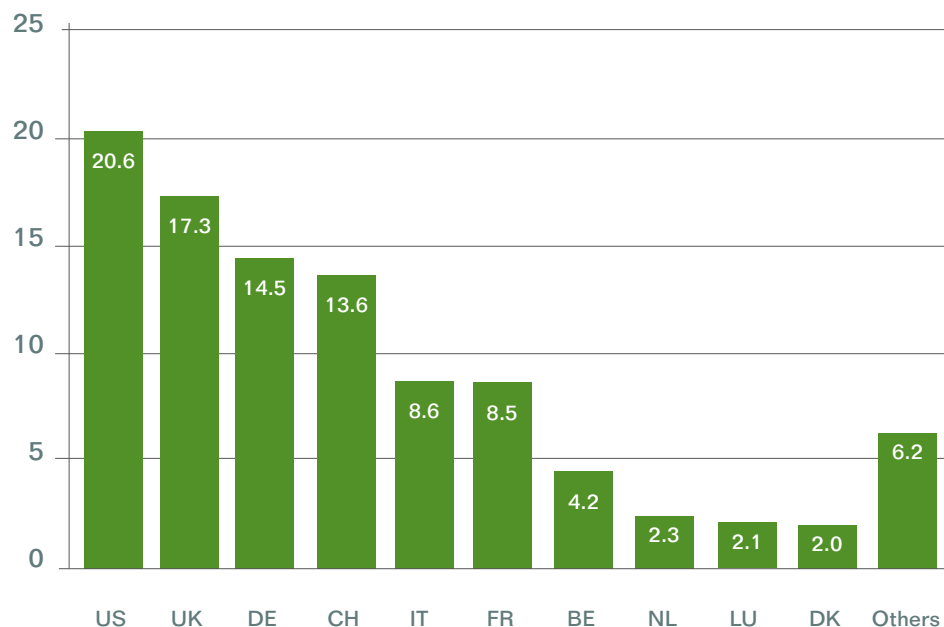
Fund initiators from around the world opt for Luxembourg as their fund domicile

Asset managers from all over the world use Luxembourg as their gateway to the European and the global investment fund market. By basing their funds in Luxembourg, they benefit from the country's reputation as a well-regulated and supervised financial centre, which facilitates global fund distribution.

Fund initiators from the US and the United Kingdom have currently the highest market shares in terms of assets under management.

Origin of Luxembourg fund initiators

Market share (in %) of fund initiators' home countries in terms of assets under management



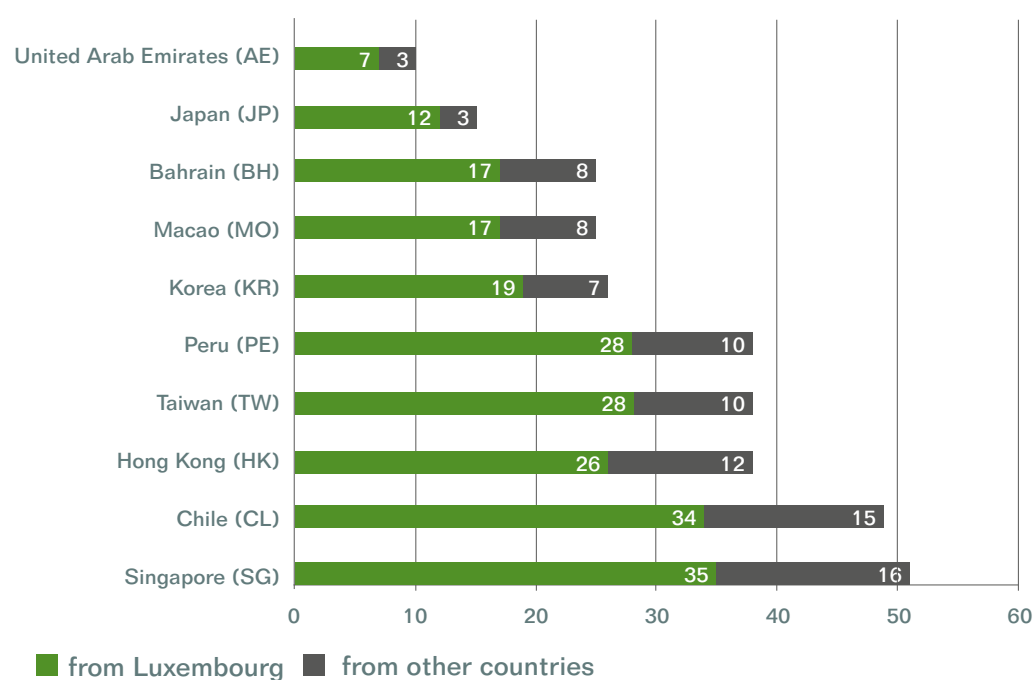
Figures as at September 2017. Source: CSSF

Luxembourg funds are exported across the world

Luxembourg-domiciled investment funds are distributed in 70 countries. They are recognised not only in Europe, but also in Asia, Latin America and the Middle East, as well-regulated investment vehicles offering a high level of investor protection.

Main investment fund markets outside Europe

Number of top 100 cross-border management groups selling their funds in these countries



Figures as at 31 December 2016. Source: Global Fund Distribution 2017, PwC

The figures tell the story

The world's biggest fund managers use Luxembourg as their distribution hub

Most of the top names in the asset management industry have made Luxembourg their main platform for distributing their investment funds across the world.

This table shows the top 25 cross-border groups in Europe ranked by the number of countries in which their products are distributed.

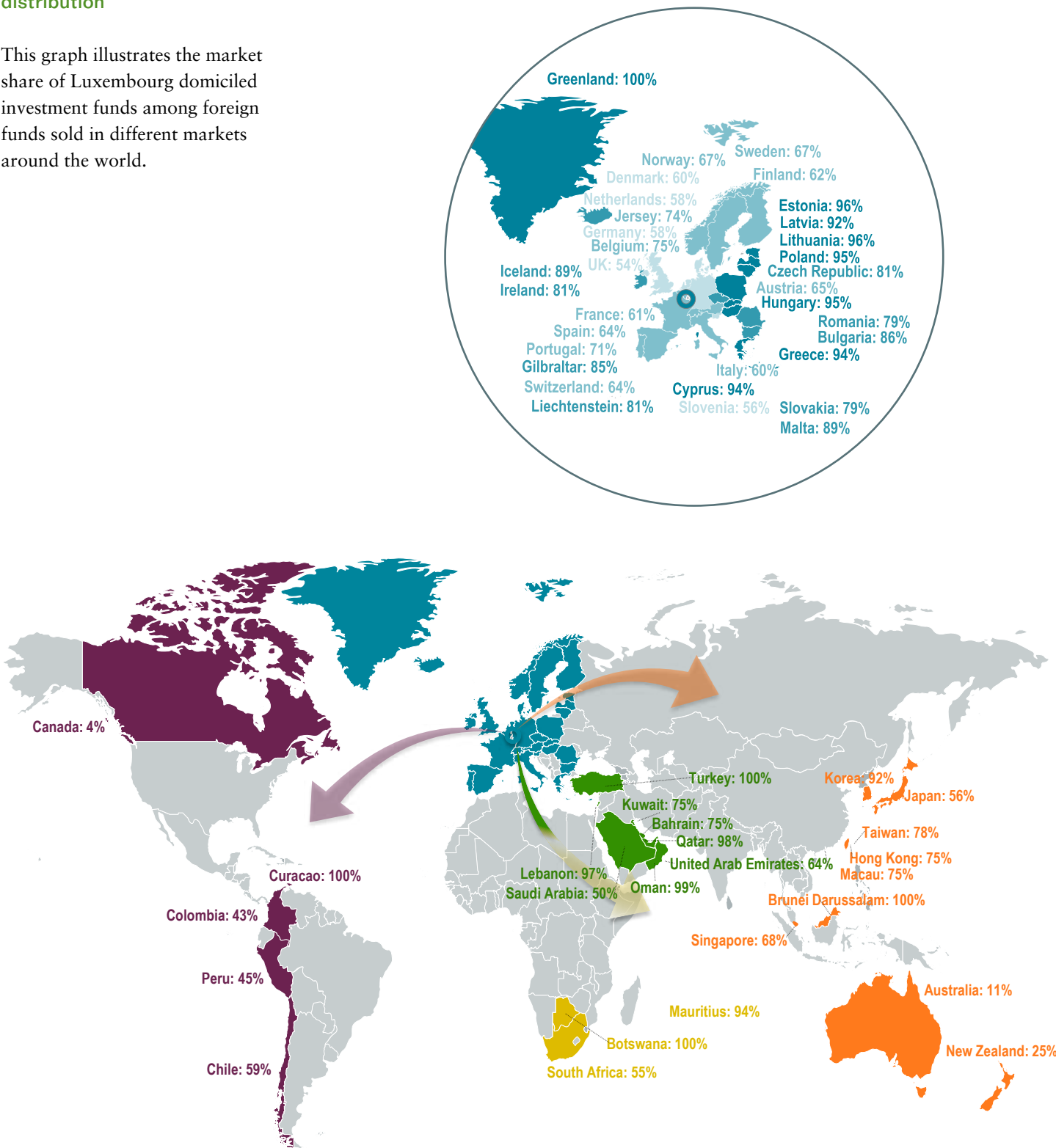
Management group name	Countries of sale at group level (including domicile)	First choice	
		Fund Domicile	Countries of sale
FRANKLIN TEMPLETON	52	LU	50
HSBC	43	LU	39
BLACKROCK	42	LU	32
FIDELITY INTERNATIONAL	37	LU	36
JPMORGAN ASSET MANAGEMENT	37	LU	34
BNP PARIBAS	36	LU	34
ALLIANZ GROUP	34	LU	33
UBS	34	LU	32
GAM	33	LU	27
DEUTSCHE BANK	31	LU	23
INVESCO	31	LU	28
PIONEER INVESTMENTS	31	LU	30
SCHRODERS	31	LU	30
ABERDEEN ASSET MANAGEMNT	30	LU	29
CAPITAL GROUP	30	LU	29
COMMONWEALTH BANK OF AUS	29	IE	20
CREDIT SUISSE GROUP	29	LU	25
PICTET & CIE	29	LU	28
AMUNDI GROUP	28	LU	26
LEGAL & GENERAL GROUP	28	UK	26
BNY MELLON	26	IE	25
HENDERSON GROUP	26	LU	25
MASSACHUSETTS MUT LIFE	26	IE	25
PIMCO	26	IE	25
LEGG MASON	25	IE	24

Figures as at 31 December 2016. Source: Global Fund Distribution 2017, PwC

Distribution hot spots

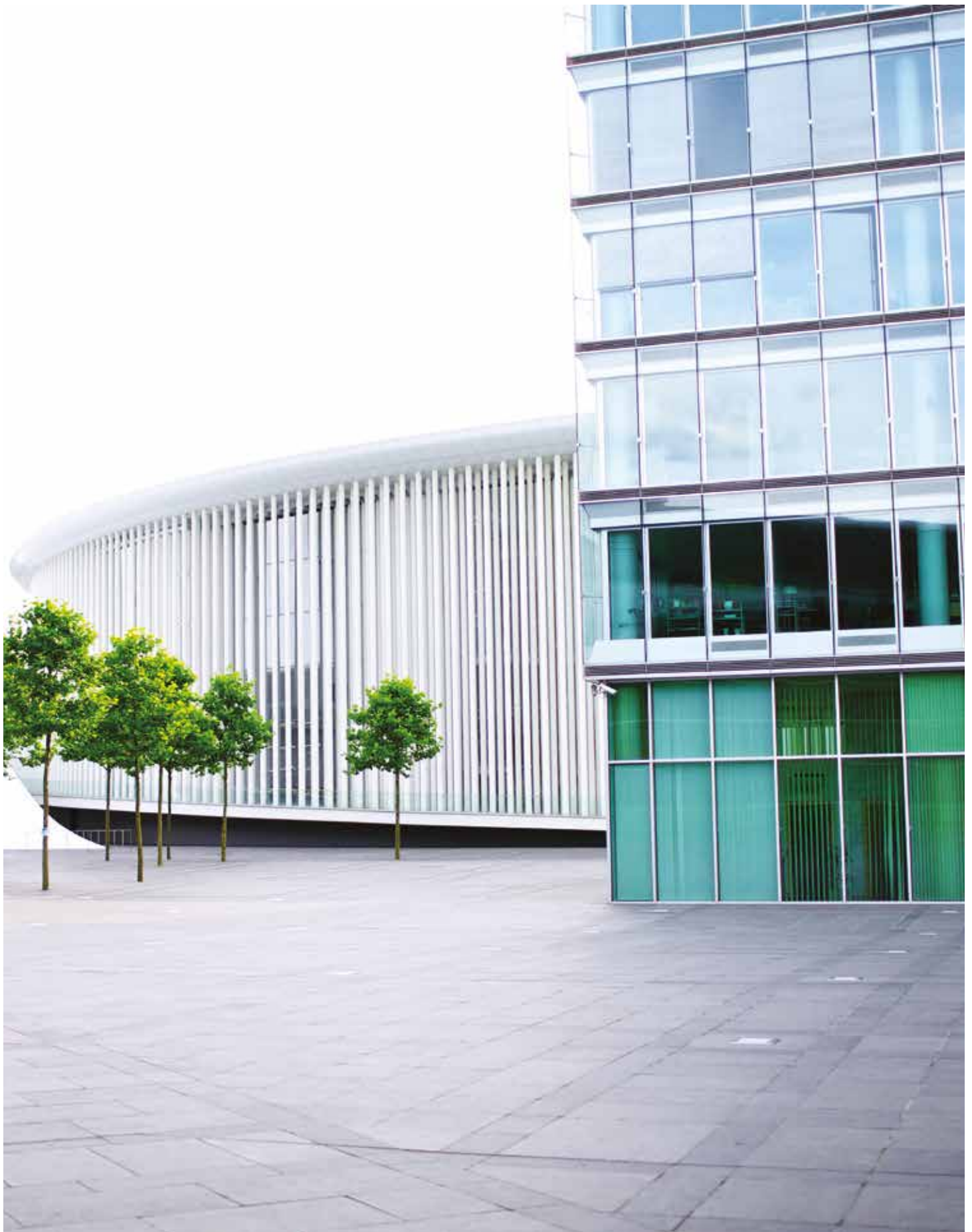
Luxembourg is the leading centre for global fund distribution

This graph illustrates the market share of Luxembourg domiciled investment funds among foreign funds sold in different markets around the world.



Figures as at 31 December 2016. Source: Global Fund Distribution 2017, PwC

The three key pillars of the Luxembourg investment fund centre



Pillar 1: UCITS, the flagship of Europe's regulated investment funds

Luxembourg is a favoured destination for fund management firms, in no small part due to its long history of embracing regulation and creating products that enable firms to develop their business.

In particular, Luxembourg is the world's acknowledged leader in UCITS funds. UCITS is the acronym for "Undertaking for Collective Investment in Transferable Securities", which were created in December 1985 by a Directive of the European Union. They were a fundamental in the EU's goal to implement a single regulatory regime across the EU for open-ended funds investing in transferable securities such as shares and bonds. Investor protection is at the heart of the Directive which regulates the organisation, management and oversight of the fund and imposes rules concerning diversification, liquidity and use of leverage.

Importantly, investment funds that comply with the requirements of the UCITS Directive can be freely marketed, under the European passport, throughout the European Union. This means that once established in one member state, they can be distributed throughout the whole of the EU. This has both reduced costs and time to market, and increased the distribution capabilities of asset managers across the continent.

Although UCITS was initially intended only to be marketed across the European Union, the UCITS brand is now recognised as the only truly globally distributed investment fund product. As a result, an increasing number of asset managers are establishing UCITS funds with a clearly defined global distribution strategy, and Luxembourg plays a key role in this strategy.

A growing number of countries in Asia and Latin America have accepted UCITS because they are convinced that the UCITS framework provides a stable, high quality, well-regulated investment product with significant levels of investor protection. Luxembourg has successfully positioned itself as the global leader for cross-border distribution of investment funds, with the result that today two out of three UCITS funds distributed internationally are based in Luxembourg.

Luxembourg UCITS are distributed in 70 countries worldwide. The fact that Luxembourg was the first country to implement the first UCITS Directive into national law allowed it to attract many international fund promoters very early on. Today, Luxembourg UCITS are a strong global brand.

With the growth of the fund industry, specialised service providers offering expertise in fund administration, custody and distribution quickly developed in Luxembourg, which in turn attracted more fund initiators.

Today, Luxembourg is a centre of excellence for investment funds domiciled both in Luxembourg and abroad, with a skilled and multilingual workforce able to service funds sold in many different countries.

A constantly evolving regime

The successful UCITS brand is subject to constant monitoring and change to ensure it is still relevant, applicable and offers the protection investors expect.

Over the years, the UCITS regulation has therefore undergone a series of improvements and modernisations. The UCITS III Directive for example extended the range of eligible investments, allowing fund initiators to set up money market funds, index-tracking funds and derivative funds as UCITS. The inclusion of derivatives as eligible assets for UCITS funds has encouraged the use of more innovative investment strategies. Today, the UCITS universe uses a wide range of investment strategies. Nevertheless, the highest investor protection standards have been maintained.

UCITS IV introduced in 2009 a passport for management companies which allows a UCITS to be managed by a management company authorised and supervised in an EU member state other than its home member state. It also facilitated mergers between funds, so investment firms can achieve economies of scale with greater ease and less expense. It also replaced the simplified prospectus with the Key Investor Information Document (KIID) which contains clear and fair information to guide the investor. Last but not least, it allowed a regulator-to-regulator notification procedure to speed up cross-border marketing of UCITS within the EU.



Luxembourg has always been and will remain at the forefront of all these changes and improvements to the European investment fund regime. It both helps to shape new rules and regulations and implements them fast and efficiently to the benefit of the funds it serves. Thanks to its authorities' full support to the investment fund sector, Luxembourg was again among the first movers by rapidly implementing the recent UCITS Directives III, IV and V into national law. The latter mainly regulates depositary functions, remuneration policies and sanctions for breaches of the Directive.



Pillar 2: regulated alternative investment funds

While Luxembourg is best known for its expertise in UCITS funds, it has developed in parallel extensive expertise in alternative investment funds. It offers bespoke structures for all the main alternative asset classes and investment strategies including:

- Hedge Funds
- Funds of Hedge Funds
- Private Equity and Venture Capital
- Real Estate

The European Union's Alternative Investment Fund Managers Directive (AIFMD) that entered into force in 2013 has created the first regulated environment for alternative investment funds worldwide - and has considerably transformed the way the global alternatives industry operates.

AIFMD offers the European Union the chance to create a brand in the alternative investment fund market, similar to the global brand it has managed to build with UCITS.

The directive puts the Luxembourg financial centre, which is already well-established in the alternative sphere, in a strong competitive position to develop the hedge fund, real estate and private equity activities even further. For many years, Luxembourg's alternative funds have been subject to specific regulation aimed at offering both a high level of protection to investors and a wide selection of flexible structures to asset managers.

Luxembourg's fund industry and its regulator are thus well positioned to fully benefit from the opportunities offered by the AIFMD.

A key innovation brought by AIFMD was the introduction of a European passport for alternative investment fund managers wishing to access the entire European market. Given Luxembourg's position as the global leader in cross-border fund distribution, AIFMD will further strengthen its financial centre as a prime domicile for fund and management companies in the alternatives sector.

When transposing the AIFMD into national law, the Luxembourg government also introduced the limited partnership structure which should appeal to investors familiar with the Anglo-Saxon limited partnership model, and clarified the taxation of carried interest.

Hedge funds

The Luxembourg hedge fund sector has grown rapidly and Luxembourg is recognised as a premier hedge fund domicile. Meanwhile, several top global hedge fund managers have domiciled funds in Luxembourg.

Private Equity and Venture Capital

Luxembourg offers a host of services to the private equity industry. It provides competitive structures for setting up private equity and venture capital funds, with a view of facilitating private equity acquisitions either on a national or a pan-European basis.

Real Estate

Luxembourg is continually innovating to provide investors with flexible real estate investment products. The growth in real estate investment vehicles set up in Luxembourg has outstripped the European average.

Luxembourg is now a leading European domicile for investments in international real estate. The number of real estate funds established and operated in Luxembourg is now 337 fund units (as at end of September 2017), with total assets approaching EUR 56 billion.

Real estate investment funds (REIFs) are becoming increasingly attractive to investors across Europe, as real estate represents a diversification of assets from equities and bonds. Luxembourg has played a major part in the resurgence of the REIF market, thanks to the range of legal structures available and the flexible regulatory requirements.

SIFs

Specialised Investment Funds (SIFs) are flexible non-UCITS vehicles that are subject to lighter supervision by the Luxembourg regulator and therefore reserved to “well-informed” professional or private investors. They are an excellent vehicle for alternative funds and highly recognised amongst industry players. There are now well in excess of 1,600 SIFs.

RAIFs

On July 2016, The RAIF Law created a new flagship regime responding to the needs of AIF managers and investors alike for light establishment and flexible corporate / operating rules. RAIF initiators may set up RAIFs without obtaining prior fund approval from the CSSF. However, the RAIF is indirectly supervised as it is managed by an external AIFM that in turn must be authorised.

RAIF initiators benefit from attractive structuring features (umbrella structure, variable capital, specific tax regime) which until recently were only available to regulated AIFs. In addition, they can avail of the AIFMD marketing passport, and investor protection is ensured by the full application of the AIFMD regime at manager level and the designation of a depositary complying with the provisions set by the AIFMD.

Taking up any of the well-known Luxembourg corporate, partnership and contractual legal forms, the number of RAIFs now amount to more than 250. They are managed by AIFMs from 10 different countries.

SICARs

The Investment Company in Risk Capital (SICAR) regime allows for the creation of a private or public company that can raise funds and invest in risk-bearing capital. It has a simplified status under Luxembourg corporate law and is subject to favourable regulatory and tax rules. The number of SICARs established in Luxembourg is now more than 400 fund units, representing more than EUR 43 billion of assets under management.

Pillar 3: regulated responsible investment funds

Responsible investing represents the start of a tectonic shift in the investment industry to new models and ways of managing assets. The fallout of the financial crisis has encouraged investors to reconsider their strategies and, as a consequence, interest in long-term or socially responsible savings products has increased. The responsible investing community is growing in Europe, according to the European responsible investing fund market study carried out by KPMG on behalf of ALFI. The European responsible investing fund market has almost doubled since 2010 to EUR 476 billion of assets under management at the end of 2016.

Luxembourg is the leading domicile for responsible investing funds, both in terms of number of domiciled funds and of assets under management.

More precisely, a large number of Environmental, Social and Governance (ESG) funds are domiciled in Luxembourg. Such funds invest in multiple sectors and strategies, applying a range of environmental, social and governance criteria.

At the same time, Luxembourg is also leading the way for the development of thematic Responsible Funds, like “environment” funds, which invest in sectors such as renewable energy, the fight against climate change, ecological projects, water supply, the reduction of carbon footprints and forestry.

Furthermore, Luxembourg has developed particular expertise in the fast-growing area of microfinance.

The first ever registered microfinance fund was launched in Luxembourg in 1998, and the Grand Duchy now has 46 such investment vehicles, containing approximately 62% of the world’s registered microfinance assets. The expertise developed in this area is currently deployed to foster the development of Responsible Investing funds.

Luxembourg is also the leading European domicile for Sharia-compliant funds, the world’s third largest domicile for Islamic funds (in terms of number of funds) and fifth largest in terms of AUM as at December 2015. It hosts 43 funds and EUR 2,274.2 billion of assets under management. Most service providers in Luxembourg have teams for Shariah investments, and a number of Shariah-compliant funds have been launched as UCITS, meaning they can be sold around the world.

The not-for-profit organisation LuxFLAG, of which ALFI is a founding member, was set up in 2006 to promote the raising of capital for the responsible investment sector. It awards a series of recognised labels that reassure investors that the labelled product actually invests in the relevant sector. As of September 2017, LuxFLAG has issued labels for 78 investment vehicles (32 microfinance funds, 11 environment funds, 13 ESG funds, 4 climate finance funds, 18 green bonds) and 2 funds have been granted the applicant status.

Excellence in service provision

Over the last 30 years, Luxembourg-based fund managers and service providers have accumulated a deep knowledge of the entire asset management industry value chain, including alternatives and socially responsible investment. As a result, fund management firms can tap into a unique reservoir of skills and expertise to support the development of their international fund business. This knowledge has been the key enabler of the impressive development of our fund centre over the past thirty years.

Today, fund managers, custodians, lawyers, auditors and other service providers, all active members of ALFI, aim at adding ever more value to the global asset management industry. They increasingly service not only funds domiciled in Luxembourg, but also funds based abroad, thereby contributing to the evolution of Luxembourg from a fund domicile to a fully-fledged fund servicing centre.

This evolution has been underpinned by state-of-the-art market infrastructure in which Luxembourg is constantly investing to meet the requirements of the most sophisticated global fund managers.



Luxembourg, je t'aime

Luxembourg is not just a great place to run an investment business and locate investment funds. It also offers a fantastic and varied lifestyle.

- Luxembourg is an international country with nearly half of its residents coming from other countries. Additionally, more than 180,000 daily commuters come to work from neighbouring countries.
- It is a safe country and offers a high quality of life. According to a Mercer survey, Luxembourg has the highest level of personal safety in the world.
- It offers a tailor-made international school system with access to a number of renowned international schools, such as the International School of Luxembourg, the European School, St George's International School and the Lycée Français Vauban. Luxembourg recently announced a new investment programme to create more international schools to meet rising demand.
- The old town of Luxembourg City and its fortifications are of huge historical interest. Medieval houses in the outlying areas blend with the avant-garde architecture of the Kirchberg plateau.
- Shopping and eating: there is a wide choice of international cuisine, as well as an attractive shopping district with a choice of boutiques and high-end shops.
- Culture: theatres, museums, cinemas and concert halls. Must-sees include the internationally acclaimed Luxembourg Philharmonie concert hall and the Museum of Modern Art (Mudam).

For higher education, there is the Luxembourg School of Finance, as well as the University of Luxembourg, which offers a wide variety of Bachelor and Master degrees and doctorates.



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The Association of the Luxembourg Fund Industry (ALFI), the representative body for the Luxembourg investment fund community, was founded in 1988. Today it represents more than 1,400 members (Luxembourg-domiciled investment funds, asset management companies and a wide variety of service providers including depositary banks, fund administrators, transfer agents, distributors, law firms, consultants, tax advisers, auditors and accountants, specialist IT providers and communications agencies).

Luxembourg is the largest fund domicile in Europe and its investment fund industry is a worldwide leader in cross-border fund distribution. Luxembourg-domiciled investment structures are distributed in more than 70 countries around the globe, with a particular focus on Europe, Asia, Latin America and the Middle East.

ALFI defines its mission as to **"Lead industry efforts to make Luxembourg the most attractive 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 innovative legal and fiscal environment is critical to defend and improve Luxembourg's 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 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 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, European Federation for Retirement, International Investment Funds Association and Global Impact Investing Network.

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



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