

Luxembourg, the new frontier of Private Equity fundraising

Luxembourg has long been the “go to” place for Private Equity (PE) and Venture Capital (VC) Fund managers to setup shop in the EU. The Alternative Investment Fund (AIF) made in Luxembourg brand name is widely recognised as the most relevant international market standard by PE Fund Managers (GPs) and international investors alike. Furthermore the passporting feature of such structures allows managers to market their funds in all EU member states. As a result, there are more than 300 authorised Alternative Investment Fund Managers (AIFMs) in Luxembourg today and the Grand-Duchy has developed a peculiar set of skills – regulatory, operational and compliance expertise – relative to its function as EU gateway.

But what is next for Luxembourg’s alternative assets space? Luxembourg is shif-



ting gear and is positioning itself to become a fundraising centre. Indeed the fundraising functions were exclusive to Europe’s big capitals, but the seismic change created by Brexit has opened-up opportunities for Luxembourg to become a platform for investors’ relations.

As pointed by Gilles Dusemon, Partner of Arendt & Medernach, “looking at the Investment management value chain, the AIF is established in Luxembourg, the AIFM is located in Luxembourg, the central administration, transfer agency and depositary functions are all established in Luxembourg. However, the very critical fundraising function was not necessarily established in Luxembourg. Using the past tense here because the situation is changing as a direct consequence to additional regulation and Brexit.

A very important part of the European fundraising capabilities are indeed located in London. Due to Brexit, firms established there have been cut-off from their fundraising activities within the EU. Alternative solutions are thus needed”. An increasing amount of PE/VC GPs are therefore consolidating their distribution and marketing capabilities in the Grand-Duchy.

According to Martine Kerschenmeyer, Director at Advent International Fund Manager “Luxembourg is a big office for Advent in Europe with over 60 people in

Finance, Operations as well as an Investment team already on the ground. Distribution was a natural addition especially in light of Brexit and the change in distribution rules to EEA investors. Our distribution team is global with offices in the US, UK and Europe, including Luxembourg”.

So what are the building blocks to create a fundraising hub? The first is a given for Luxembourg – regulatory, operational and compliance excellence, and as the investor relation process is highly regulated, Luxembourg benefits from such competitive advantage.

The second, according to Héléne Noublanche, Manager in the Investor Relations team at Coller Capital is “having the right team in place. A team that is, able to represent the Fund and to market it to the appropriate investors. It is essential to develop the expertise of the internal Investor Relations team. These persons should be part of an in-house global team, which co-operates on a daily basis with other key functions of a GP, i.e. compliance, legal, finance, marketing

and of course with the investment team”. [feature video with Héléne Noublanche: <https://www.youtube.com/watch?v=GQziqWqc8g>]

Gilles Dusemon has been advocating for the third element: a series of improvements, many of small efforts but critical to bring us up to date with managers and investors’ requirements. “Besides updating our toolbox, there are a few other regulatory tweaks that could substantially improve the operating conditions of Luxembourg AIFMs. The next frontier would thus be the digitalisation of the fundraising process”.

The discussion is long but exciting as the opportunities ahead are sizeable and can significantly change the local landscape. To dive further into this topic the LPEA (Luxembourg Private Equity and Venture Capital Association) has invited all of the above experts and many other speakers to its Insights conference which is taking place as we print.

Johann HERZ
Head of Events & Communication
LPEA

BlackRock, Fidelity and Robeco, winners of the 2022 Broadridge Distribution Achievement Awards

BlackRock, Fidelity and Robeco were the major category winners of the 2022 Broadridge Distribution Achievement Awards, while Amundi and Liontrust were among the Fastest Risers. This year’s winners reflect the diverse range of talent and enterprise displayed by the leading asset management teams working across the industry.

The awards were founded in 2016 to recognise excellence in various aspects of fund distribution and to celebrate the hard work and resourcefulness of marketing, sales and client service teams in the European fund distribution market.

“Based on a combination of our authoritative research and exhaustive data, the annual Broadridge Distribution Awards truly represent the voice of the market,” said Lynn Pattinson, Director, Broadridge Global Insights.

“The five categories of Client Service, Marketing and Communications, Innovation, ESG, and APAC Business Growth all focus on key drivers of industry growth. In a changing and challenging world, this year’s nominees and winners have all demonstrated their resilience, responsiveness, and creativity in delivering exceptional service to their clients.”

“I am delighted that Luxembourg is hosting the Broadridge Awards once again at the occasion of ALFI’s Global Distribution conference,” said Camille Thommes, Director General of ALFI. “Despite the tense geopolitical background, the need to constantly adapt to a volatile market environment in an on-



going dynamic regulatory context, I welcome the level of professionalism, the growing efforts to meet customer expectations and the capacity of resilience and inventiveness of asset management firms. Congratulations to the nominees and the winners.”

The awards are based on responses from over 800 of Europe’s leading third-party fund selectors from Broadridge’s Fund Buyer Focus interviews conducted in the 12-month period to June 2022. The interviews seek to pinpoint the changing demands of key fund distribution influencers, and to identify the fund providers that are delivering best-in-class standards.

These fund selectors represent around €3trn of third-party client assets in Europe and provide a representative voice of investors in the ten markets they serve.

Award categories and winners:

Client Service Award

Top Provider: Fidelity
Fastest Riser: Amundi

As client expectations of asset managers continue to evolve, the successful sales-client relationship must develop to reflect changing standards and industry practices. Today’s investors have a more complex conception of value and seek a more nuanced relationship with managers: one that spans deep technical expertise, responsiveness, and a clear understanding of individual business and clients’ needs.

Fidelity took the top spot in this award in 2022 – ending several years of J.P. Morgan Asset Management’s dominance in this category – as they set the standard for delivering optimal, client-centric service.

Amundi took home the Fastest Riser Award in the Client Services category. Their win highlights the value that many fund selectors continue to place in the skill and ability of smaller managers to provide outstanding, tailor-made service.

Innovation Award

Top Provider: BlackRock

Innovation is one of the key factors that sets leading asset managers apart from the pack – the industry is changing at a rapid pace, and firms must adapt to meet new challenges and make the most of new opportunities. That is why, last year, we introduced the Innovation Award. This category recognises outstanding achievement in pioneering inventive solutions to evolving marketplace challenges. This year, BlackRock came out on top, as fund selectors recognised the global heavyweight’s ability to navigate changing currents and introduce dynamic new solutions.

ESG Award

Top Provider: Robeco
Fastest Riser: Liontrust

The ESG space has come to the fore in recent years, as a new breed of investors prioritise funds that will generate a positive global impact. In the wake of growing concerns over so-called ‘greenwashing’, managers and products face increased scrutiny, and must work harder than ever to exhibit their social credentials.

Robeco has repeatedly demonstrated its authenticity, and the firm’s legacy as an early pioneer of ESG and thematic investing continues to play a defining role in its current strategy. So, it is no surprise to see Robeco come out on top in this cate-

gory, as the firm wins the award for the fifth consecutive year.

In recent years, we have seen strong performance from a number of smaller players in this category while several of the large global houses, particularly from the US, have lagged. This year, the Fastest Riser award goes to the UK’s Liontrust, for their outstanding work in the ESG field.

Marketing & Comms Award

Top Provider: BlackRock
Fastest Riser: Vanguard

Bringing the many functions of asset management together under a single cohesive brand is one of the key challenges that faces firms of all sizes.

This year’s winners lead the way with their marketing and communications work. BlackRock held onto its spot at the top of this year’s rankings, as the firm’s super-market-style offering, augmented by its newer ESG products, helped it maintain its clear lead with European selectors. Meanwhile, Vanguard’s diligent work growing their brand among a new generation of investors was enough to secure them the Fastest Riser award in this category.

APAC – Business Growth Award

Top Provider: BlackRock

This year, a new awards category has been launched: the APAC – Business Growth Award. Global brands can face challenges establishing themselves in the APAC region – particularly in countries that have an industry of established local players. BlackRock are the inaugural winners of this award, as they led the way with solid brand performance, a reputation for expertise, and an expansive product range.

Third-party fund services: how to choose the right provider?

By Robert WILLIAMS, Investor Relations & Sustainability Manager, Directorat at Threestones Capital Management

In 2021 the number of investment funds registered in Luxembourg reached 14,445 according to an ALFI study, thus confirming investor confidence in the country as a hub for finance. The majority of funds use third-party suppliers to support their operations which has created huge demand for service providers in the market.

Service Providers that can offer the full range of management company functions are among the most popular covering Transfer Agent (TA) and Fund Accounting (FA) support, AIFM services, accompanying and assisting clients in setting up and managing

their funds. However, what questions need to be evaluated to choose the right service provider for your needs, and who can be counted upon to deliver tailor-made services for your company.

Here is a short checklist of the most essential things to look at when choosing a service provider for your fund in Luxembourg:

- How clear and easy is the onboarding process for your clients, will they be treated efficiently and with respect
- Fair and transparent cost structure and invoicing – make sure you understand what you get for your money, to avoid hidden invoices down the line
- Is the Team made up of flexible, well qualified, committed and multilingual people, what is the turnover rate
- When there is an issue how long do they take to

get back to you

- What systems are being used to support the business
- Do they have the strong knowledge and expertise to help you make the right decisions on product structuring (SIF, RAIF etc.)

You will be trusting the service provider to be the first point of contact to the clients investing in your fund and towards the regulator, both essential relationships for a healthy business.

Threestones Capital, an AIFM managing PERE funds, tried several providers before taking the decision to insource the central administration functions. They invested in an experienced cross-market team, industry-standard systems and used effective and reliable communications to manage their image

with clients and regulators. The company’s proprietary Fund Admin system is Oracle-based, and it uses Damos for TA work and other industry-standard tools.

The improvements in service have been even better than expected. Now they have taken the decision to offer their services to other selected alternative investment vehicles. As a fund manager themselves they understand what is important for your clients. They have the expertise, a successfully tested model and will happily engage in solving everyday and long-term Manco problems. They strive for excellence in service.

The offer will be housed via a new company that is in the process of registration, providing a clear and focussed independent environment.