Global fund distribution trends: responding to the pension challenge

XV International Conference of the Association of Eurasian Central Securities Depositories

29 September 2018
Tashkent
Agenda

- Terminology used in the International Investment Fund Industry
- International Statistics
- What’s important for you and how can Clearstream help you?
Terminology used in the International Investment Fund Industry

- Mutual Funds
- Fund Passporting
- Open Architecture
- Cross-Border Distribution
The Investment Funds World
- Mutual Funds: UCITS, Fund Passporting

Source  PWC analysis, March 2018
The Investment Funds World
- The “Open Architecture”
The Investment Funds World
- Cross-Border Distribution
Agenda

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Top 10 Domiciles of worldwide Investment Fund Assets

(Market share at end Q1 2018)

Source: EFAMA Statistics
Net Sales of UCITS
(EUR billions)

Top 5 countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>204</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Spain</td>
<td></td>
<td>175</td>
<td></td>
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<tr>
<td>Ireland</td>
<td></td>
<td></td>
<td>191</td>
<td></td>
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<tr>
<td>France</td>
<td></td>
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<td></td>
<td>170</td>
<td>171</td>
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<tr>
<td>Luxembourg</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>67.9</td>
</tr>
</tbody>
</table>

Source: EFAMA Statistics
Top 5 cross-border management groups

1. FRANKLIN TEMPLETON
2. FIDELITY INTERNATIONAL
3. BLACKROCK
4. HSBC
5. BNP PARIBAS

Source: PWC analysis, March 2018
Top Distribution Markets

Europe
- Germany

Asia Pacific
- South Korea

Middle East
- United Arab Emirates

America
- Curacao

Africa
- South Africa

Source: PWC analysis, March 2018
Why the Fund Industry Chooses Luxembourg?

- It has a unique concentration of investment fund experts specialised in all aspects of product development, administration and distribution.
- It leads the way in investor protection and has a highly experienced and responsive regulator.
- It is a founding member of the European Union and is situated at the heart of Europe, with more than 500 million European consumers on its doorstep.
- It has a stable political and social environment and a AAA economy.
- It has established a competitive framework for UCITS (Undertakings for Collective Investment in Transferable Securities), funds “passported” within the EU, as well as for non-UCITS or alternative investment funds.
- 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.

Luxembourg is the largest European fund domicile and the second largest fund centre in the world after the US, with about EUR 3,943 billion in assets under management.

Luxembourg’s legal and regulatory framework for investment funds is state-of-the-art, and recognised as such by the global asset management community.

Luxembourg is endowed with an international and multilingual workforce. English is the language of the financial sector, and French, German and other European languages are also spoken.

Its laws provide for so-called umbrella funds, which have several compartments under a single legal structure, and each compartment can invest in a different asset class.

Source: ALFI, Global Fund Distribution 2017
Agenda

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The Traditional Investment Funds Processing Industry (High Level)

- Investor 1: U.A.E.
- Investor 2: Luxembourg
- Investor 3: Hong Kong
- Investor 4: UK

- TA: Luxembourg
- TA: Ireland
- TA: Germany*
- TA: UK

- Fund Family 1
- Fund Family 2
- Fund Family 3
- Fund Family 4
Vestima – Clearstream – Your partner
Clearstream’s Investment Funds Services

150,000+ Mutual Funds
50,000+ Alternative Funds

37 Fund Jurisdictions
Covering All Funds

EUR 2.2 trillion Fund Assets
18 mil Settlement Transactions

99.7% Settlement Efficiency
100% STP Processes

DVP Settlement
Centralized Settlement with TAs

Centralized Order Routing, Settlement and Custody

Daily Reconciliation with TAs

Full Asset Servicing
Order, Cash and Units Reporting

One-Stop-Shop Trailer Fee Services
## Fund markets covered

<table>
<thead>
<tr>
<th>Market</th>
<th>Americas</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahamas</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Bermuda</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>British Virgin Islands</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Cayman Islands</td>
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<td></td>
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<tr>
<td>Curaçao</td>
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<tr>
<td>United States of America</td>
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### Asia Pacific

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<td>China</td>
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<td>Hong Kong</td>
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<tr>
<td>Japan</td>
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<tr>
<td>Malaysia</td>
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<td>New Zealand</td>
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<tr>
<td>Singapore</td>
<td>1, 4</td>
</tr>
<tr>
<td>Thailand</td>
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### Europe

<table>
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</tr>
<tr>
<td>Belgium</td>
<td>1, 3</td>
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<tr>
<td>Bulgaria</td>
<td>2</td>
</tr>
<tr>
<td>Czech Republic</td>
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<tr>
<td>Denmark</td>
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<tr>
<td>Estonia</td>
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<td>France</td>
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<tr>
<td>Germany</td>
<td>3</td>
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<tr>
<td>Gibraltar</td>
<td>1</td>
</tr>
<tr>
<td>Greece</td>
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<tr>
<td>Guernsey</td>
<td>1, 2</td>
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<td>Ireland</td>
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<tr>
<td>Isle of Man</td>
<td>1, 2</td>
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<td>Italy</td>
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<td>Jersey</td>
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<tr>
<td>Liechtenstein</td>
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<td>Malta</td>
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<tr>
<td>Netherlands</td>
<td>1, 3</td>
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### Middle East & Africa

<table>
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<tr>
<th>Market</th>
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<tbody>
<tr>
<td>Mauritius</td>
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<tr>
<td>South Africa</td>
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</table>

### Legend

1. Register
2. CSD eligible closed-ended funds and ETFs only (Settlement and Custody only)
2'. CSD eligible open-ended funds and ETFs only
3. CSD or domestic link eligible funds only
4. ETFs only (Settlement and Custody only)
4'. Foreign ETFs only (Settlement and Custody only)
5. Mutually recognised China domiciled funds only
Clearstream's Fund Offering - One-Stop Shop for Funds

- Exchange Traded Funds
- Simple Retail Funds
- Complex Mutual Funds
- Alternative Fund Services
- Alternative Investment Funds
- Hedge Funds

Manual processes

Complexity

Many

Manual processes

Complexity

Many
Jan Willems
Vice President, Market Development

Phone: +352 243-3 2361
Jan.willems@clearstream.com

Clearstream Banking S.A.
42, Avenue JF Kennedy
L-1855 Luxembourg