

Observatory for Management Companies

2024 Barometer



pwc

Foreword



Welcome to the ninth edition of the PwC Observatory for Management Companies. In this new edition, we continue to bridge tradition with innovation, blending historical data with forward-looking insights to chart the course of Luxembourg’s Management Companies (ManCos).

The resilience of Luxembourg’s ManCos continues to stand out, especially in a year marked by significant regulatory and economic shifts. Despite global challenges, Luxembourg has sustained its position as a dynamic fund hub, having 26% of the regulated European total net assets of UCITS and AIFs domiciled in the country. The agility and robustness of the Luxembourg ecosystem are evident as total AuM exceeds the EUR5,000 billion mark, primarily buoyed by alternative investments. Luxembourg ManCos have seen a notable increase in non-regulated assets—crossing the EUR1 trillion threshold with a staggering 57% compound annual growth rate over the past five years. Today, Luxembourg is the domicile of choice for regulated and unregulated products and for their AIFM.

The regulatory landscape remains on top of the agenda, with regulations and cost pressure catalysing market consolidation. As ManCos grapple with these complexities, the shift towards specialised third-party ManCos becomes increasingly pronounced. This year’s responses underscore a growing preference for this model, which not only provides regulatory expertise but also operational efficiencies that are critical in today’s fast-paced market environment. This strategic shift is reflected in the evolving insourcing and outsourcing strategies, as ManCos balance the need for internal control with the advantages of external expertise to optimise their operations and focus on core competencies.

Digital transformation is accelerating across the sector, with data management, Artificial Intelligence (AI) and digitalisation reshaping operational paradigms. Impact of AI is palpable, enhancing everything from compliance processes to client interactions. AI-driven tools will be essential in managing the sophisticated demands of real-time risk assessment and regulatory reporting, demonstrating how technology is not just supporting but leading operational strategies. ManCo continue their journey in this global technology transformation and adaptation.

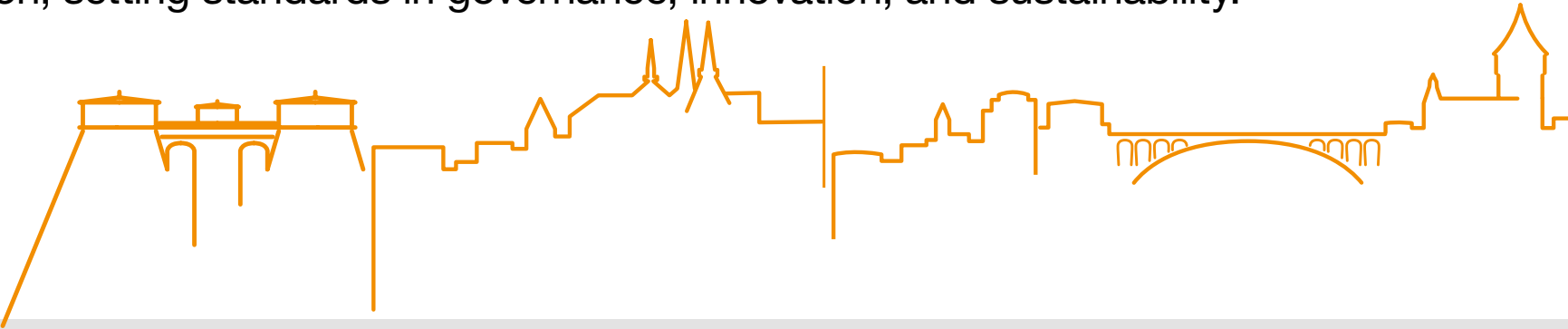
Sustainability continues to shape investment philosophies, with ESG factors becoming increasingly integral to investment strategies. This alignment with global sustainability goals is not just about compliance but about leadership in fostering a greener financial ecosystem. The integration of ESG criteria into investment processes is becoming more rigorous, driven by both investor demand and a regulatory push towards sustainable finance.

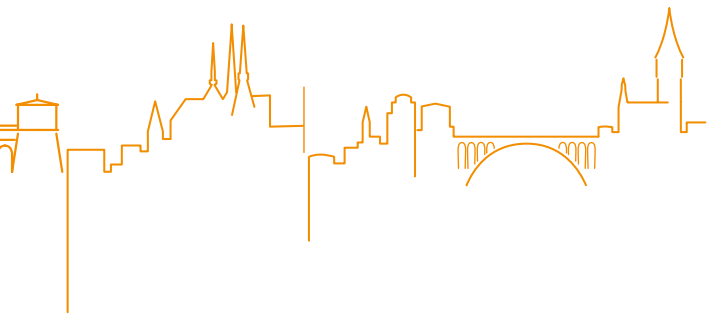
This edition also highlights the strategic moves within the ManCo landscape, including the continuous uptick in employment, reflecting a robust 43% increase in the average number of employees per ManCo since 2018 driven by the growth of the sector and substance and governance requirement.

This growth underscores the sector’s commitment to scaling operations while maintaining high standards of service and oversight. Furthermore, Luxembourg ManCos are deepening their commitment to Diversity, Equity, and Inclusion (DEI), aiming to create a more inclusive and equitable industry. These efforts are crucial in enhancing the corporate culture and operational practices of ManCos, which not only enriches the work environment but also enhances decision-making and fosters innovation.

As Luxembourg ManCos face the dual challenges of maintaining global competitiveness and adapting to evolving financial regulations, the insights from this publication are more relevant than ever. There is a pressing need for Luxembourg to remain a competitive and attractive hub, acting as a catalyst for talent and reinforcing its position as the center of excellence in Asset Management in Europe. The path forward is shaped by our collective ability to leverage innovations, harness regulatory changes, and embed sustainability deeply within our operational frameworks.

We would like to thank you for your continued trust and engagement as we navigate these exciting and challenging times together. As we look to the future, let's continue to shape a resilient, innovative, and sustainable path for Luxembourg's ManCos, ensuring they remain pivotal in driving the Asset Management sector forward. Together, we will keep Luxembourg ManCos at the forefront of global finance innovation, setting standards in governance, innovation, and sustainability.

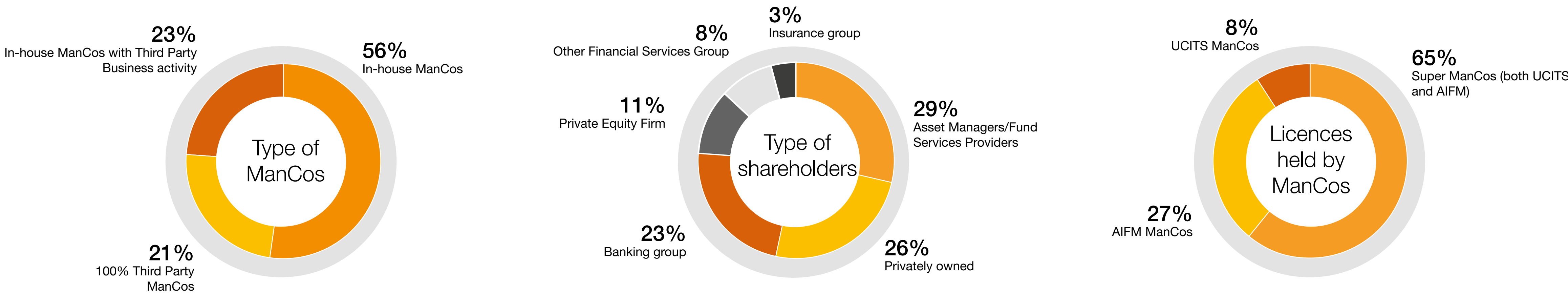




Our Sample

The 2024 edition represents the ninth edition of the Observatory for Management Companies. This publication is dedicated to delivering a comprehensive and accurate overview of Luxembourg's Management Companies (ManCos) market. It includes UCITS ManCos, Alternative Investment Fund Managers (AIFMs), and those holding both UCITS and AIFM licences, known as "Super ManCos."

This year's sample of **91** participants represents **86%** of the Assets under Management (AuM) and **50%** of the ManCos' employees in Luxembourg.



Our sample represents a diverse array of ManCos: **29%** are originated from Asset Managers or Fund Services Providers, **26%** are privately owned and **23%** are affiliated with Banking Groups. This variety ensures a comprehensive overview of the sector.

Our analysis includes a breakdown of ManCos by their operational focus: **56%** are In-house ManCos, managing funds exclusively for their own group; **23%** are Mixed ManCos, which handle both in-house assets and third party activities; and **21%** are Third Party ManCos, specialising solely in managing assets for external clients.

AIFMs are gaining significant prominence in our survey, presenting a unique analytical challenge due to the private nature of some of their AuM. This opacity adds layers of complexity to our analysis. To navigate this, we employ a comprehensive array of sources, ensuring a robust and thorough evaluation: Fundsquare, CSSF publications and financial statements of ManCos. We are also relying on the data the ManCos provided to us through our survey.

We sincerely thank all the respondents for their valuable time and participation in our survey. Your contributions are greatly appreciated.

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Substance &
Operating Models

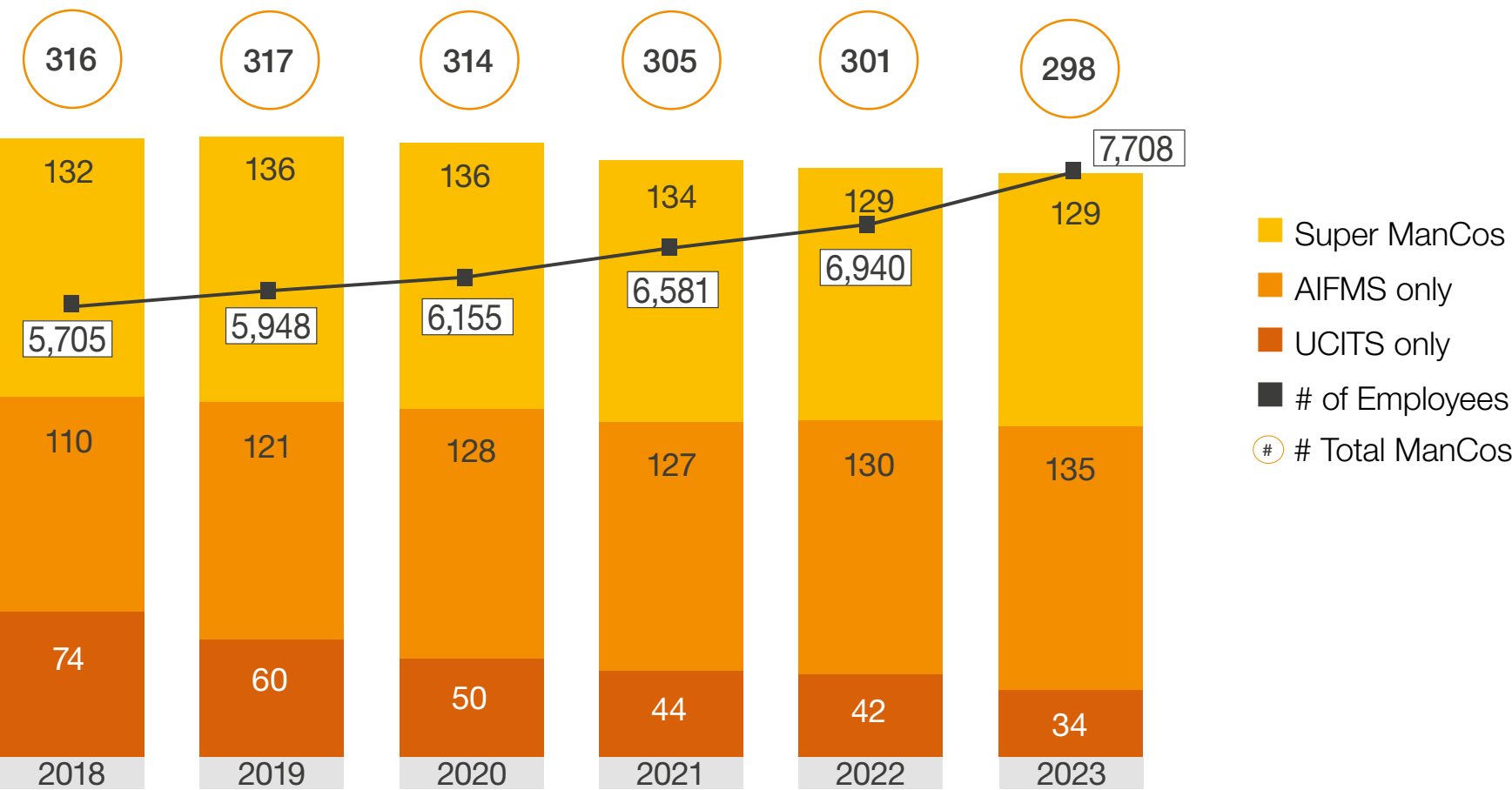
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Operating Model
Transformation,
Digitalisation

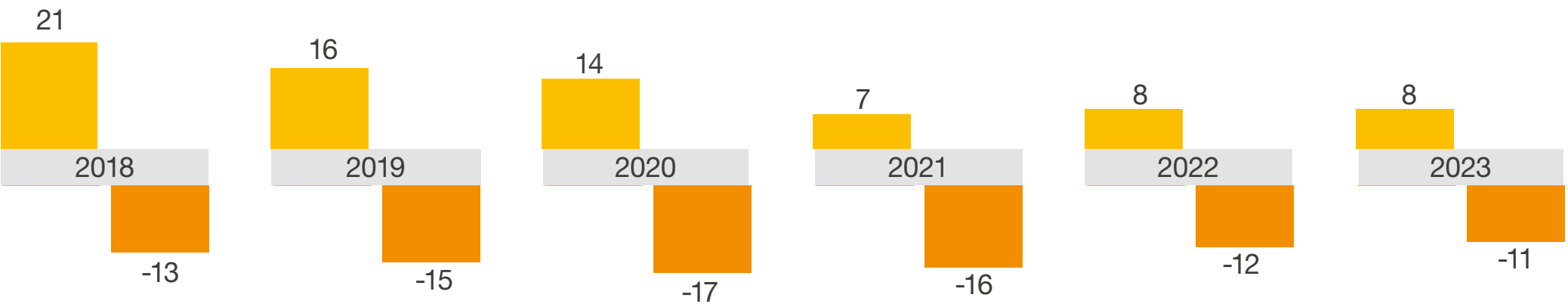


Evolution of ManCo Players

Evolution of ManCos and employment



Evolution of ManCos: In and Out



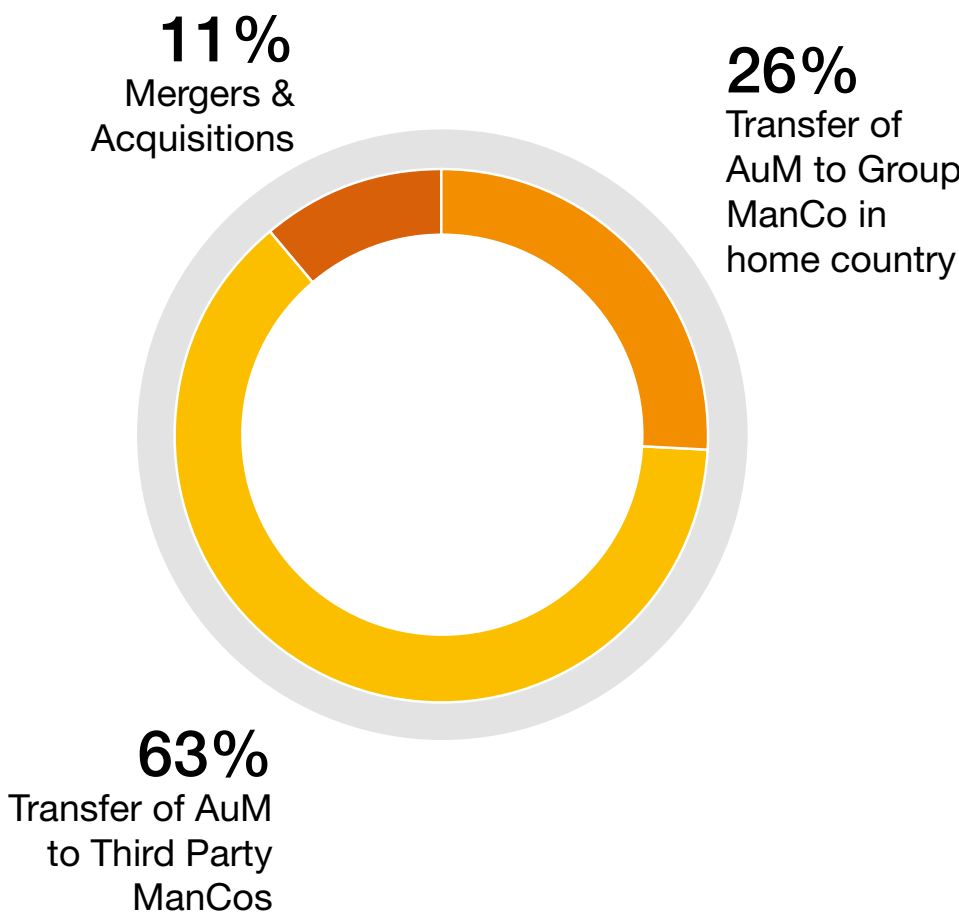
Source: CSSF, Monterey, PwC analysis

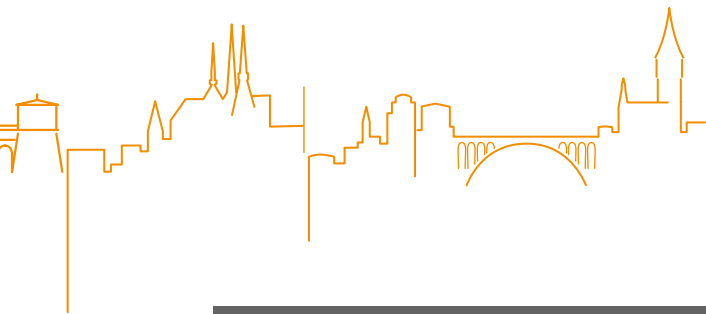
New ManCos

ManCo	Group origin	Licence	Inscription Date
Urban Partners Management company S.A.		AIFM	04/01/2023
Apax Management Luxembourg S.à r.l.		AIFM	04/04/2023
Oakley Capital Manager S.à r.l.		AIFM	04/05/2023
BC Partners Management S.à r.l.		AIFM	15/05/2023
Nordic Capital Management S.à r.l.		AIFM	05/06/2023
Henderson Park Advisors (Luxembourg) S. à r.l.		AIFM	29/06/2023
Bridgepoint Fund Management S.à r.l.		AIFM	28/09/2023
Collier Investment Management (Luxembourg) S.à r.l.		AIFM	12/12/2023
Intervest Capital Partners S.à r.l.		AIFM	23/01/2024
Cerberus Capital Luxembourg S.à r.l.		AIFM	26/01/2024
Bluegem Capital (Luxembourg) S.à r.l.		AIFM	09/02/2024
6 Monks (6M)		AIFM	14/03/2024
Aztec AIFM Services S.A.		AIFM	08/04/2024

Understanding the dynamics of ManCos licences withdrawal

Most ManCos disappearing result in the transfer of their AuM to Third Party ManCos. This trend illustrates a market shift and highlights the attractiveness of Third Party ManCos.





Evolution of ManCo Players

Evolution of ManCos Licences

Number of UCITS and AIFM Licences

		2018	2019	2020	2021	2022	2023
UCITS Licences	Number	206	196	186	178	171	163
	Variation	+2	-10	-10	-8	-7	-8
AIFM Licences	Number	242	257	264	261	259	264
	Variation	+14	+15	+7	-3	-2	+5

Number of MiFiD Licences

	2018	2019	2020	2021	2022	2023
UCITS	50	61	63	63	64	57
AIFM	40	58	63	65	69	76

Concentration of ManCos market: Continuous decrease in the total number of ManCos, with over 40 UCITS licences withdrawn in the past five years.

Shift Towards Third Party ManCos: Increasing use of Third Party ManCos, reflecting a shift in operational strategies.

Active M&A Environment: Strong dynamic of Mergers and Acquisitions, contributing to a consolidation trend.

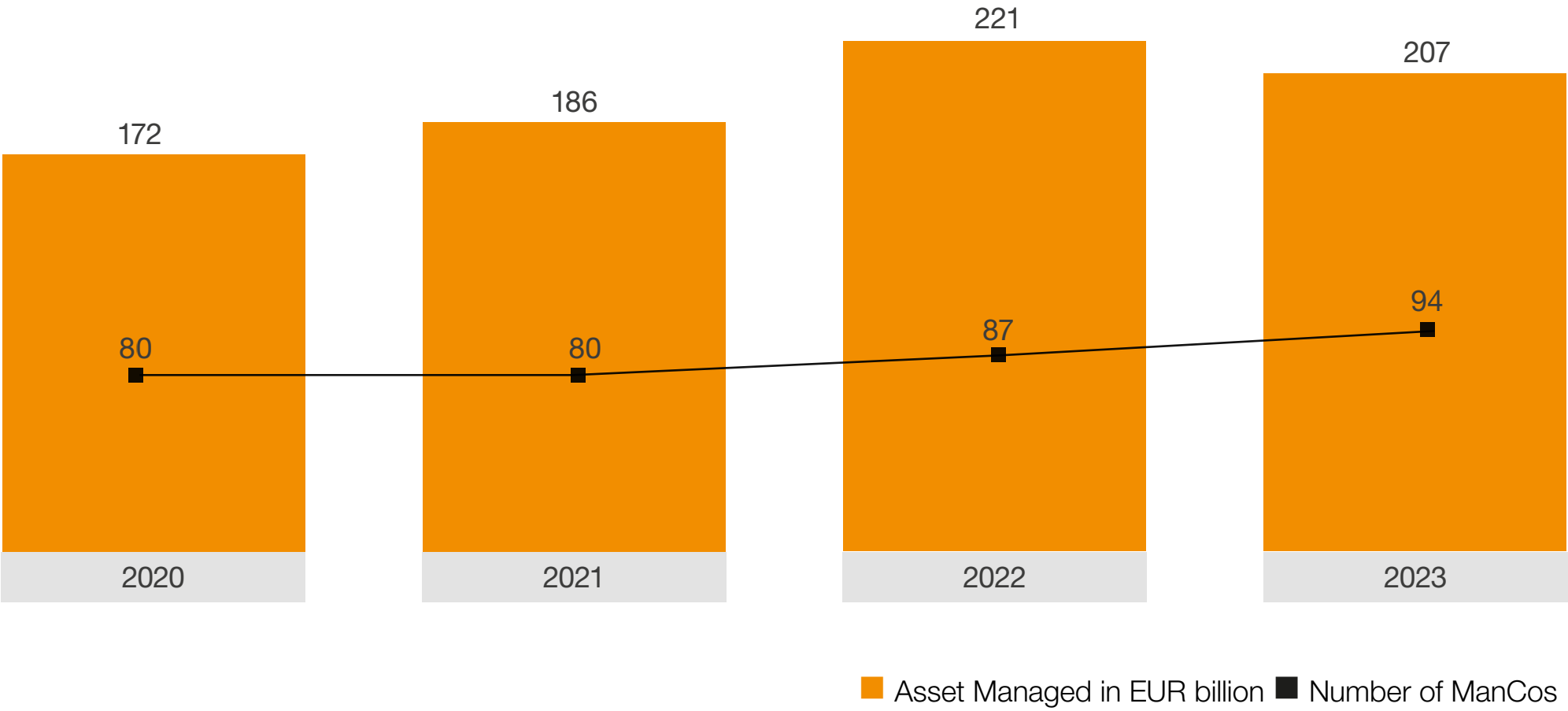
Exponential Growth in Employment: Number of employees in the sector has surged, exceeding 7,700, which marks an increase of more than 2,000 employees in 5 years.

Increased Employee Density: Average number of Employees per ManCo has grown since 2018, from 18 to 26, a 43% rise outlining scaling operations in ManCos.

Source: CSSF, Monterey, PwC analysis

Use of MiFiD Licences

While the assets managed on a discretionary basis have shown a decrease since 2022, dropping by **6%** from **EUR221 bn** to **EUR207 bn**, more and more ManCos are having a MiFiD Licence.

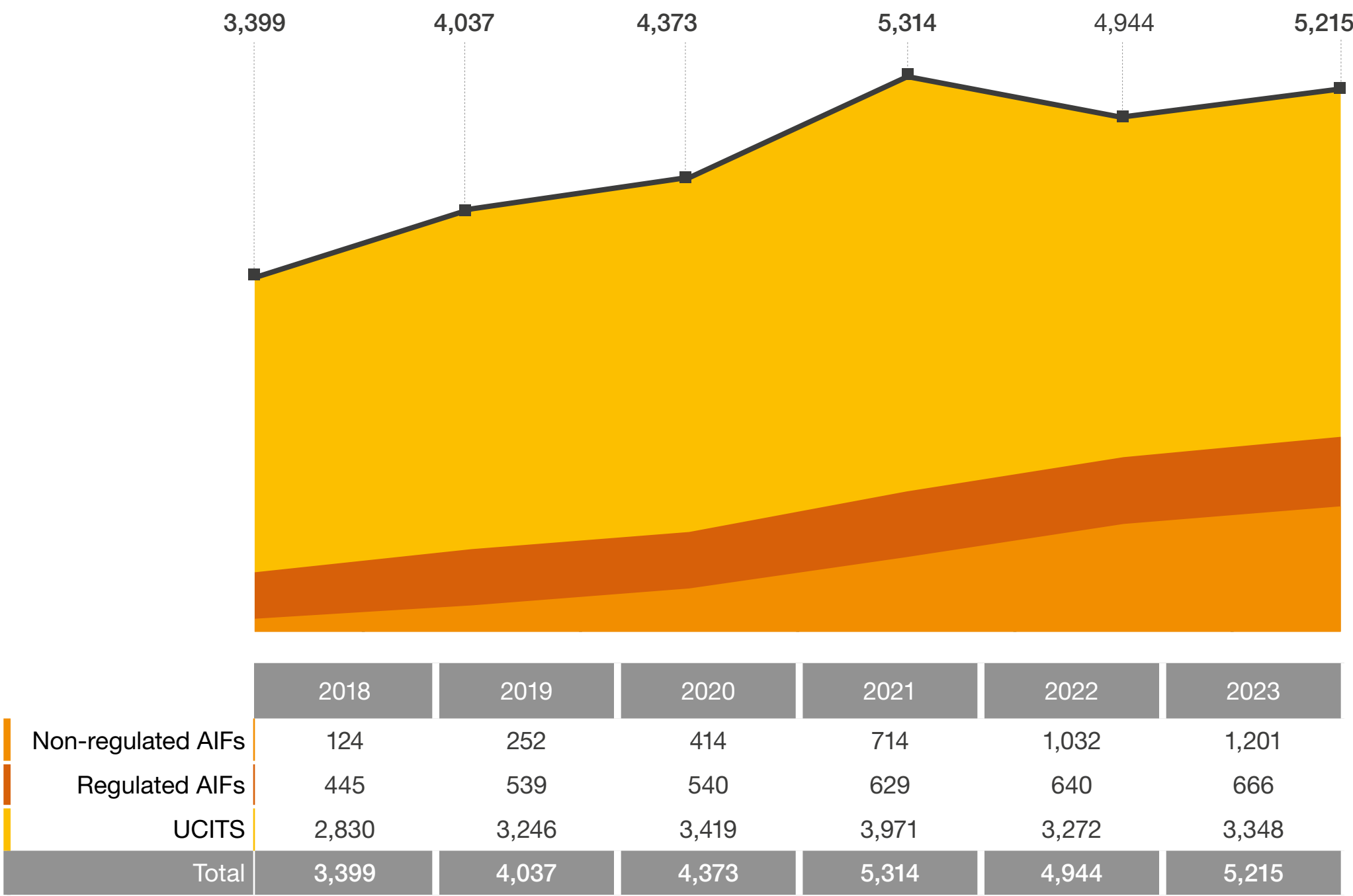




AuM Trends in Luxembourg

Evolution of AuM in Luxembourg per product type (in EUR billion)

Managed by Luxembourg ManCos



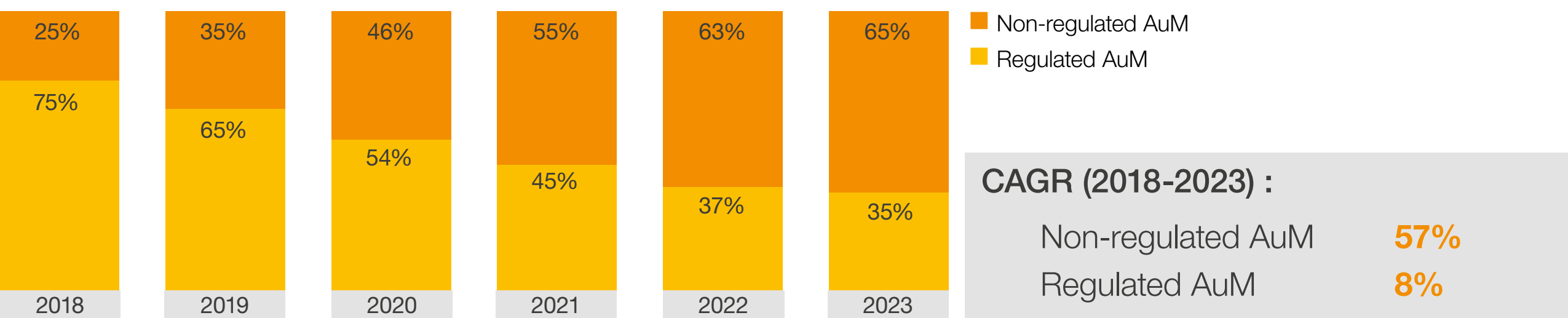
Market Recovery in 2023: Luxembourg ManCos have nearly rebounded to pre-correction levels of 2022, reaching the **EUR5,000 billion** threshold, primarily driven by Alternative Investments.

Stable UCITS Performance: UCITS investments showed a modest **2%** increase, indicating a relatively flat trend in this segment.

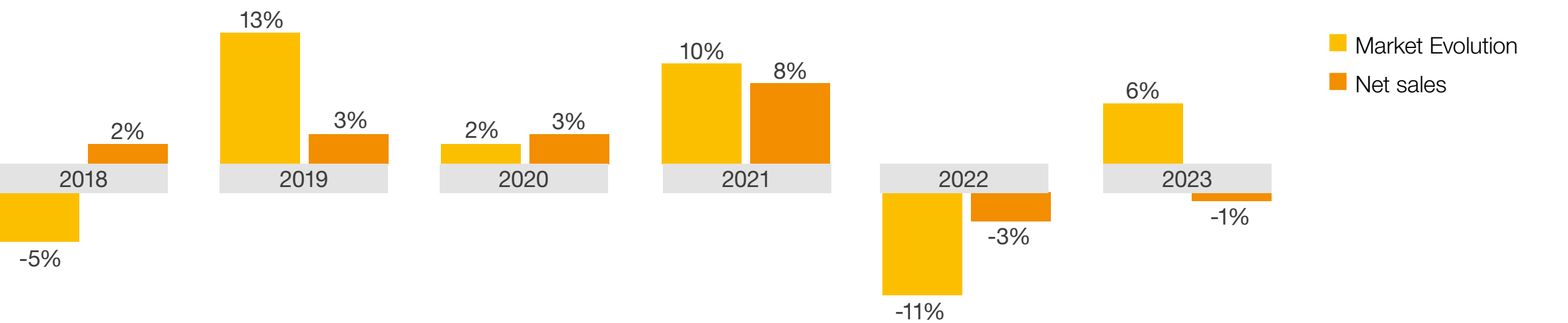
Strong Growth in Alternative Investments: Year-over-year, alternative investments demonstrated robust growth, with non-regulated investments (such as RAIFs, SCSp) increasing by **16%** since 2022.

Impressive Growth in Non-regulated Investments: The Compound Annual Growth Rate (CAGR) for non-regulated investments since 2018 stands at **57%**, highlighting rapid expansion. They now constitute **65%** of the alternative investment business, underscoring their significant impact on the market and ability of Luxembourg to attract such assets.

Evolution of Alternative Investments (in % of AuM)



Evolution of Net Sales vs Market Evolution of Regulated Luxembourg Assets (in %)



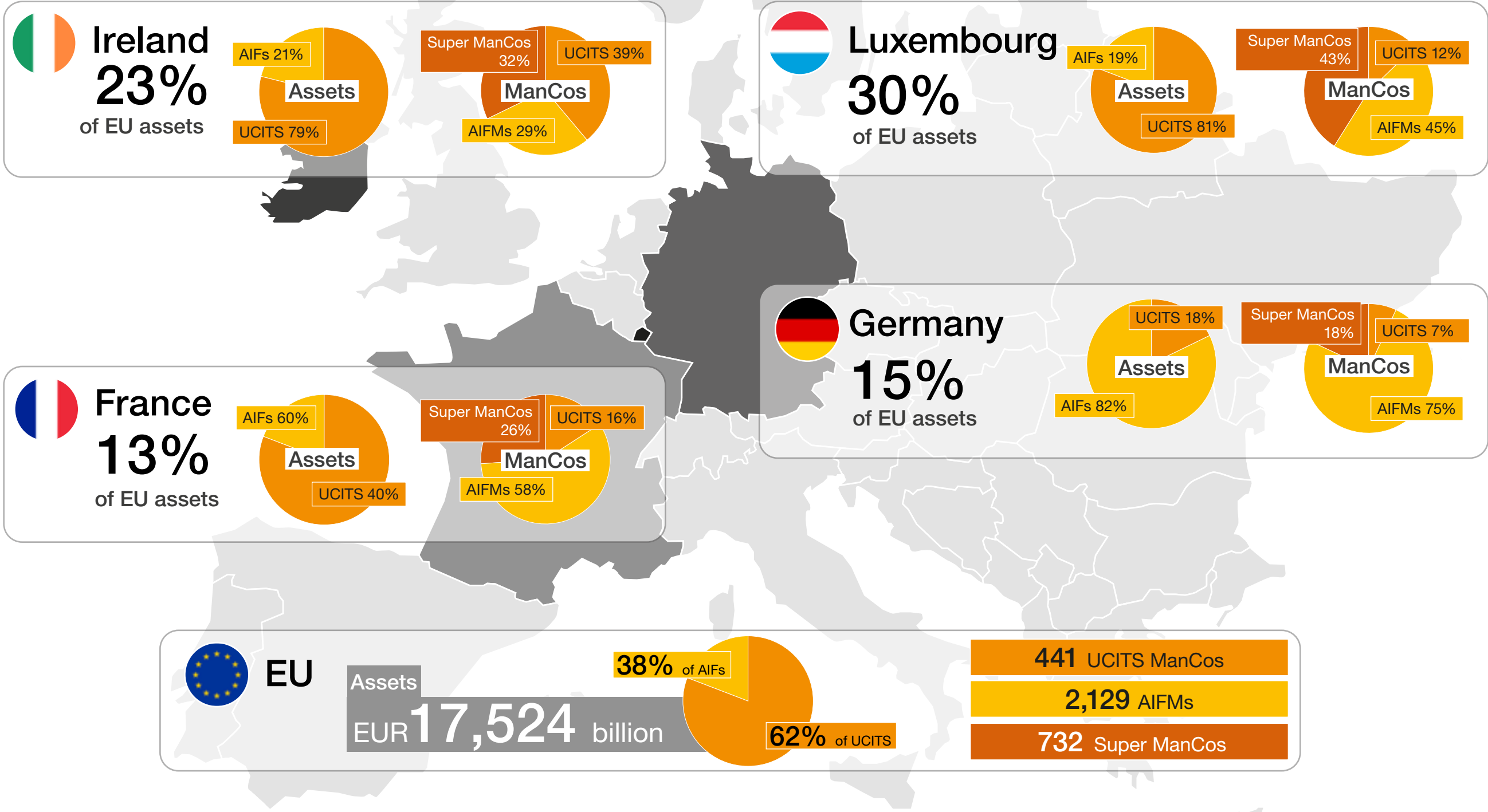
Source: CSSF, PwC analysis



Footprint of Luxembourg ManCos in Europe

Luxembourg ManCos in the EU Landscape

Luxembourg is the leading ManCo market in Europe, with more than **EUR5 tn AuM** in 2023 representing **30%** of European assets.



Foreign Funds managed by Luxembourg ManCos

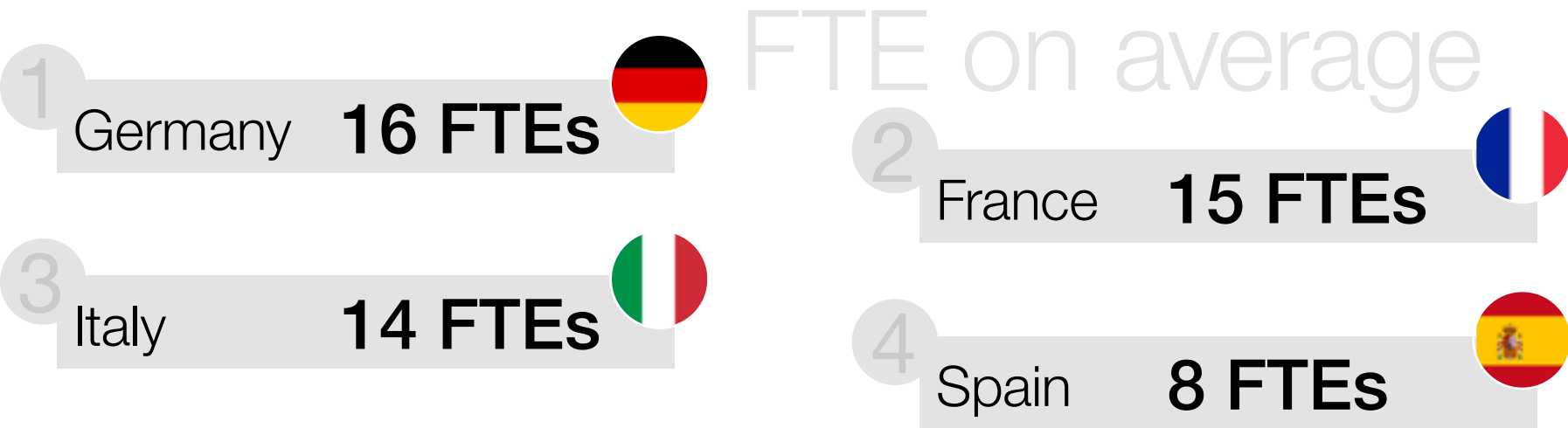
34% of ManCos manage Foreign Funds **EUR611 bn** of Foreign AuM 74% of UCITS AuM 26% of Alternative AuM



ManCos having Branches

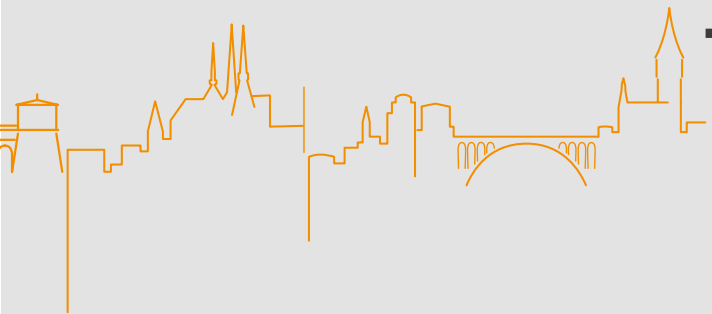
	2021	2022	2023
# of ManCos	62	99	101
# of Branches of Luxembourg ManCo in Europe	214	251	271

Top Countries where branches of Luxembourg ManCos are located in Europe



Main activities of the branches: Distribution, Sales and Marketing.

Source: CSSF, EFAMA, PwC ManCo Survey 2024, PwC analysis



Top 20 Luxembourg ManCos as of 31 December 2023 in EUR million

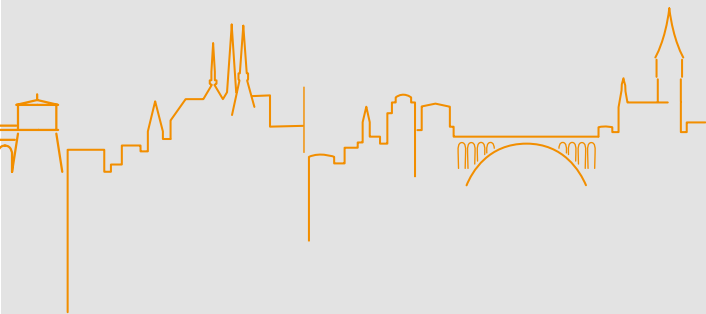
On average, Top 20 is managing **EUR150 billion**, **+4%** compared to last year

85% UCITS vs **15% AIFs**

Top 3 ManCos manage more than **EUR1 trillion** AuM, **+ 18%** since last year

Ranking	ManCo	Group origin	AuM Dec 2023	Variation to Dec 2022	# of sub-funds	% of UCITS	% of foreign AuM	Proportion of ESG Assets
1	JPMorgan Asset Management (Europe) S.à r.l.		438,923	15%	234	96%	4%	81%
2	DWS Investment S.A.		321,119	15%	493	96%	33%	n.c.
3	Amundi Luxembourg S.A.		260,530	30%	460	98%	0%	52%
4	UBS Fund Management (Luxembourg) S.A.		181,702	-15%	416	90%	0%	55%
5	BlackRock (Luxembourg) S.A.		161,286	-5%	145	100%	0%	47%
6	HSBC Investment Funds (Luxembourg) S.A.		157,827	22%	179	99%	78%	17%
7	FIL INVESTMENT MANAGEMENT (LUXEMBOURG) S.A.		155,448	6%	208	98%	16%	87%
8	SCHRODER INVESTMENT MANAGEMENT (EUROPE) S.A.		141,149	4%	247	92%	9%	59%
9	Pictet Asset Management (Europe) S.A.		139,289	13%	306	85%	0%	79%
10	Universal-Investment-Luxembourg S.A.		136,388	15%	351	13%	0%	12%
11	BNP PARIBAS ASSET MANAGEMENT Luxembourg		135,215	12%	213	98%	0%	98%
12	Eurizon Capital S.A.		129,617	-8%	244	98%	0%	81%
13	Carne Global Fund Managers (Luxembourg) S.A.		117,932	16%	625	27%	2%	34%
14	M&G Luxembourg S.A.		107,434	18%	150	50%	22%	60%
15	HAUCK & AUFHÄUSER FUND SERVICES S.A.		106,842	2%	648	11%	9%	14%
16	FundRock Management Company S.A.		103,790	14%	408	67%	25%	38%
17	NORDEA INVESTMENT FUNDS S.A.		89,505	-5%	125	97%	0%	80%
18	Franklin Templeton International Services S.à r.l.		82,384	3%	196	97%	25%	59%
19	UNION INVESTMENT LUXEMBOURG S.A.		80,568	19%	169	83%	0%	32%
20	AllianceBernstein (Luxembourg) S.à r.l.		77,854	8%	90	94%	0%	93%

Sources: CSSF, Fundsquare, PwC ManCo Survey 2024, PwC analysis
* Figures not provided by the ManCo.



Top 10 Luxembourg AIFMs as of 31 December 2023 in EUR million

On average, Top 10 Luxembourg AIFMs is managing **EUR61 billion**, **+13%** compared to last year

38% Regulated AuM **62%** Non-Regulated AuM

Ranking	ManCo	Group origin	AuM Dec 2023	Variation to Dec 2022	# of sub-funds	% of Regulated AuM	% of Non-regulated AuM	% of foreign AuM	Alternative Investment Strategies Licences held										
									Hedge Funds	Private Equity	Real Estate	Funds of Funds	Commodity Funds	Equity Funds	Fixed income Funds	Infrastructure Funds	Debt Funds	Virtual Assets	Other Funds
1	Universal-Investment-Luxembourg S.A.		119,262	17%	243	57%	43%	0%	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2	HAUCK & AUFHÄUSER FUND SERVICES S.A.		95,136	2%	451	43%	57%	8%	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3	Carne Global Fund Managers (Luxembourg) S.A.		85,791	23%	522	8%	92%	2%	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4	Blackstone Europe Fund Management S.à r.l.		65,775	10%	282	19%	81%	20%	✓	✓	✓	✓		✓		✓	✓	✓	✓
5	M&G Luxembourg S.A.		53,203	22%	91	64%	36%	44%		✓	✓	✓		✓	✓	✓	✓	✓	✓
6	Alter Domus Management Company S.A.		45,319	25%	268	26%	74%	8%	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
7	ICG Europe S.à r.l.		41,782	13%	168	23%	77%	5%	✓	✓	✓	✓			✓		✓		
8	FundRock LIS S.A.		38,917	10%	288	39%	61%	5%	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
9	FundRock Management Company S.A.		34,309	0%	156	50%	50%	10%	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10	FundRock LRI S.A.		29,075	11%	140	47%	53%	5%	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

■ Main asset class in term of % AuM

Sources: CSSF, Fundsquare, PwC ManCo Survey 2024, PwC analysis



Top 10 Third Party ManCos as of 31 December 2023 in EUR million

Ranking	ManCo	Group origin	AuM Dec 2023	Variation to Dec 2022	# of sub-funds	% of UCITS	% of Non-regulated AuM	% of foreign AuM	AuM Third Party on Total AuM
1	Universal-Investment-Luxembourg S.A.		136,388	15%	351	13%	38%	0%	100%
2	Carne Global Fund Managers (Luxembourg) S.A.		117,932	16%	625	27%	67%	2%	100%
3	HAUCK & AUFHÄUSER FUND SERVICES S.A.		104,420	2%	615	9%	52%	8%	98%
4	FundRock Management Company S.A.		103,790	14%	408	67%	16%	25%	100%
5	Waystone Management Company (Lux) S.A.		51,824	37%	426	53%	33%	0%	100%
6	UBS Fund Management (Luxembourg) S.A.		46,972	-4%	146	84%	1%	0%	26%
7	Alter Domus Management Company S.A.		45,351	25%	271	0%	74%	8%	100%
8	FundRock LIS S.A.		38,975	10%	291	0%	61%	5%	100%
9	FundPartner Solutions (Europe) S.A.		38,707	9%	320	59%	8%	0%	100%
10	FundRock LRI S.A.		37,997	7%	244	23%	41%	4%	100%

Sources: CSSF, Fundsquare, PwC ManCo Survey 2024, PwC analysis

AIFM Top Licencing

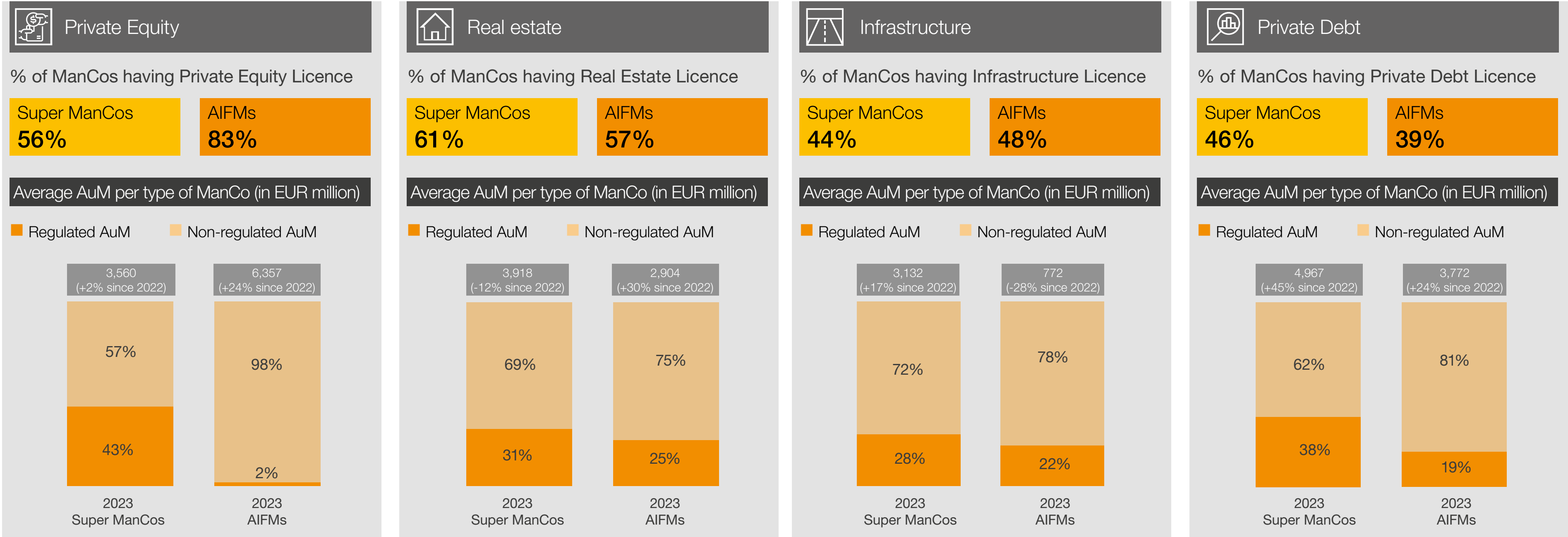
From our Sample:

Most popular Licences for AIFMs are Private Equity **83%**, Fund of Funds **65%**, Real Estate **57%** and Infrastructure **48%**. On average, **70%** of their AuM are non-regulated Assets.

For Super ManCos, most of them are having Equity Fund licence **87%**, Fund of Funds **83%**, Fixed Income **81%**. On average, **51%** of their Alternative AuM are non-regulated Assets.

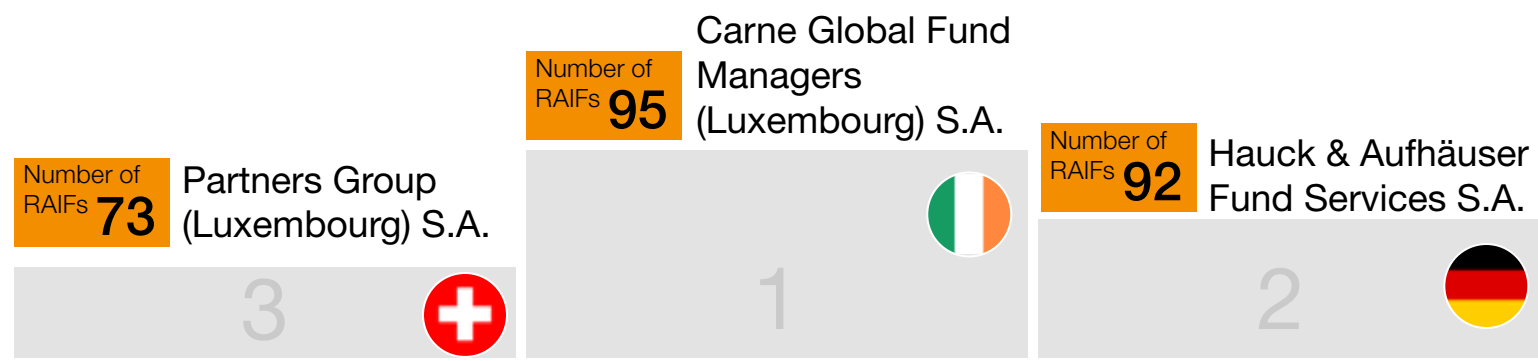
Despite the ongoing success of non-regulated products, Super ManCos primarily manage Alternative Investments, akin to UCITS or UCITS Equivalents. Meanwhile, AIFMs predominantly handle investments in the pure Private Markets.

Source: PwC ManCo Survey 2024, LBR, PwC analysis



Top ManCos having launched RAIFs since 2016

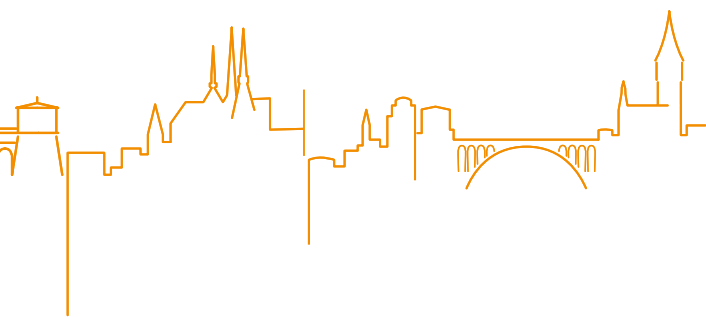
Top ManCos having launched RAIFs in 2023



As of 31 December 2023, there are **2,421 active RAIFs**, with **370 established in 2023**, solidifying their status as the preferred product among Alternative Players in Luxembourg.



Source: LBR



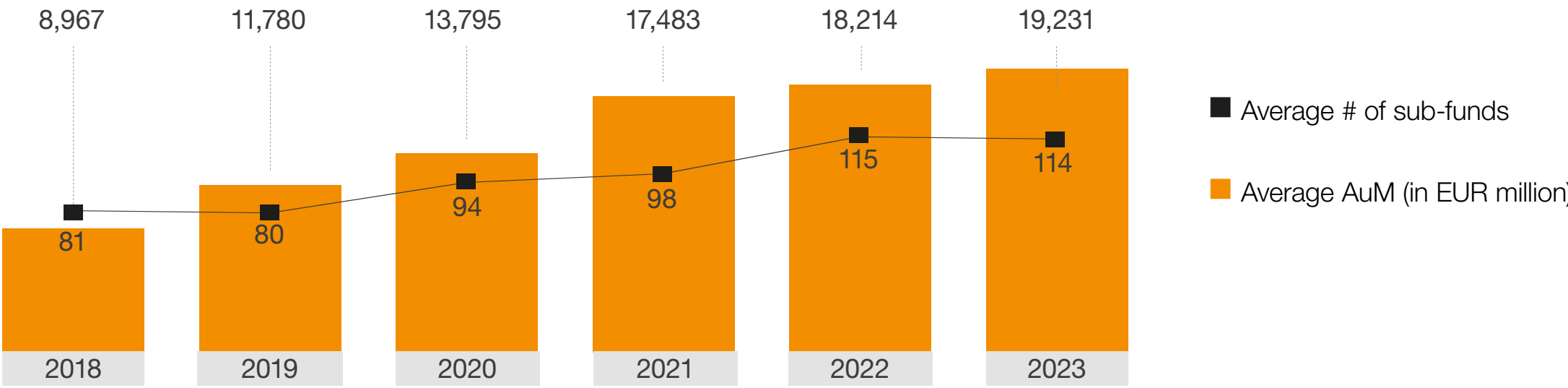
Rising Influence of Third Party ManCos

Over the years, Third Party ManCos have carved out significant market shares and have become pivotal players in Luxembourg. This segment is marked by numerous substantial mergers and acquisitions, positioning them as magnets for Alternative Investments and making them a favoured gateway for foreign managers looking to establish a Fund in Luxembourg.

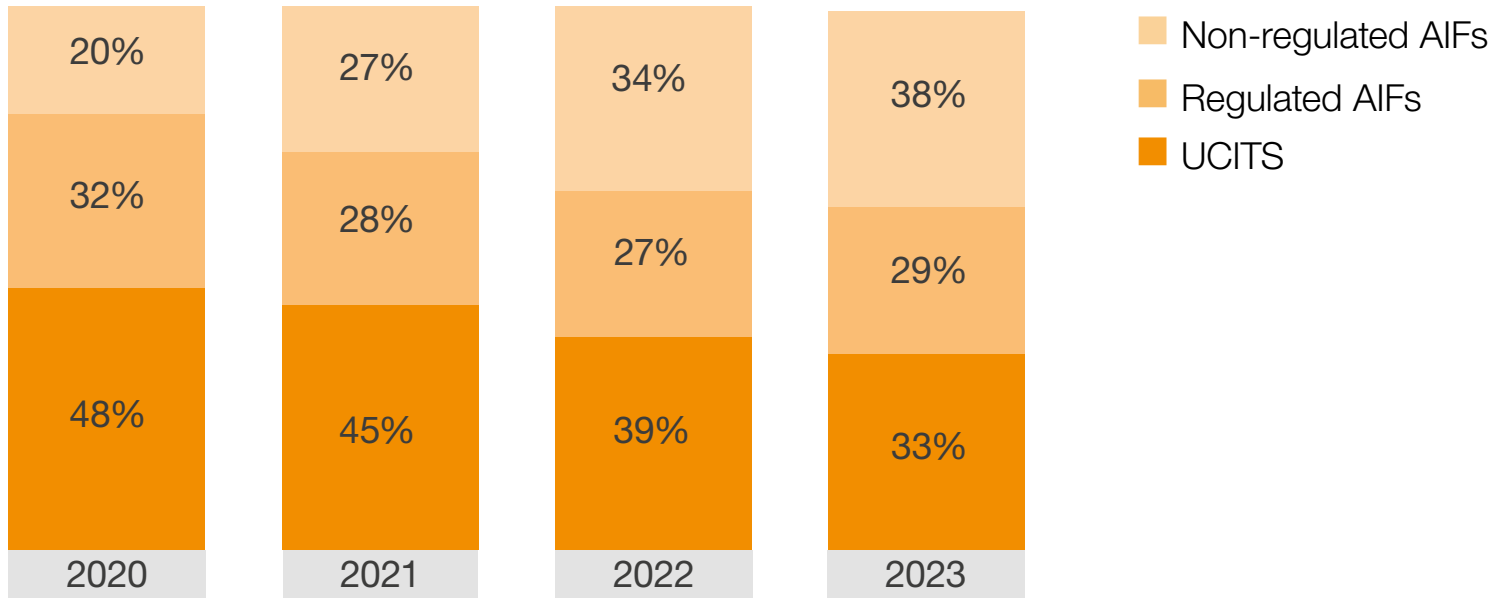
These now represent **18% of the Luxembourg market**, with entities managing over **EUR100 bn in AuM** and increasingly significant volumes of alternative assets.

Top 50 Third Party ManCos

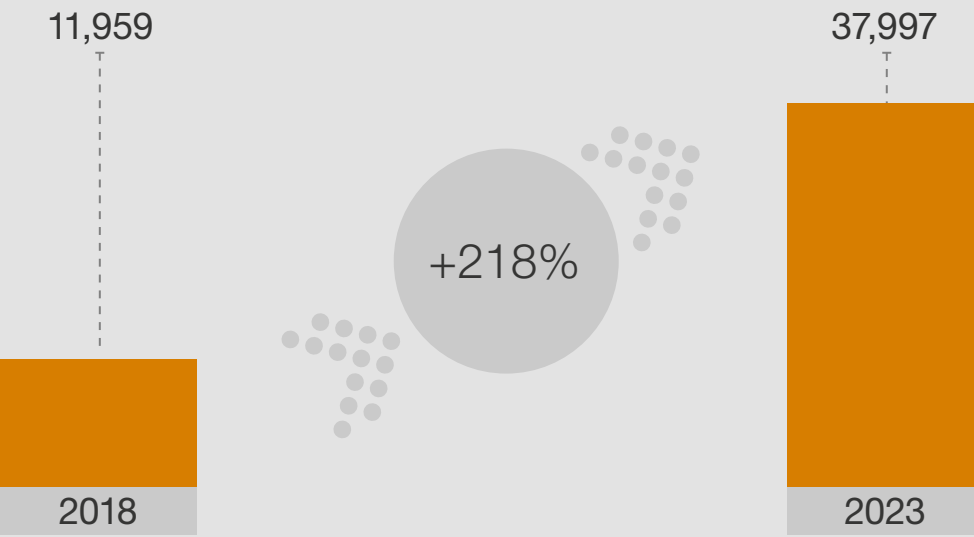
Average AuM (in EUR million and number of Sub-funds)



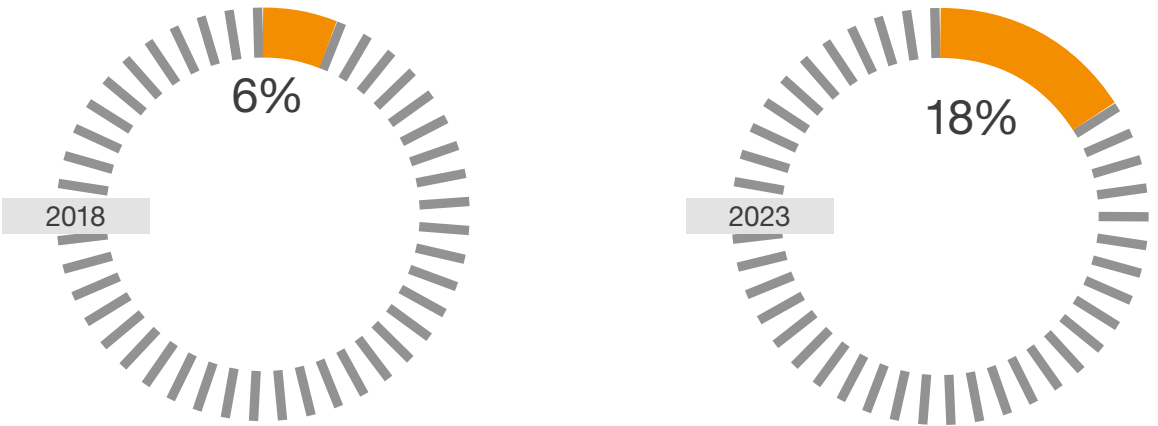
Repartition of AuM per products



Asset Threshold to be part of the Top 10 Luxembourg Third Party ManCos



Proportion of AuM managed by Third Party ManCos relative to Total AuM



Sources: PwC ManCo Survey 2024, PwC analysis, Fundsquare, CSSF



2024, ‘ESG-ise’ your Assets

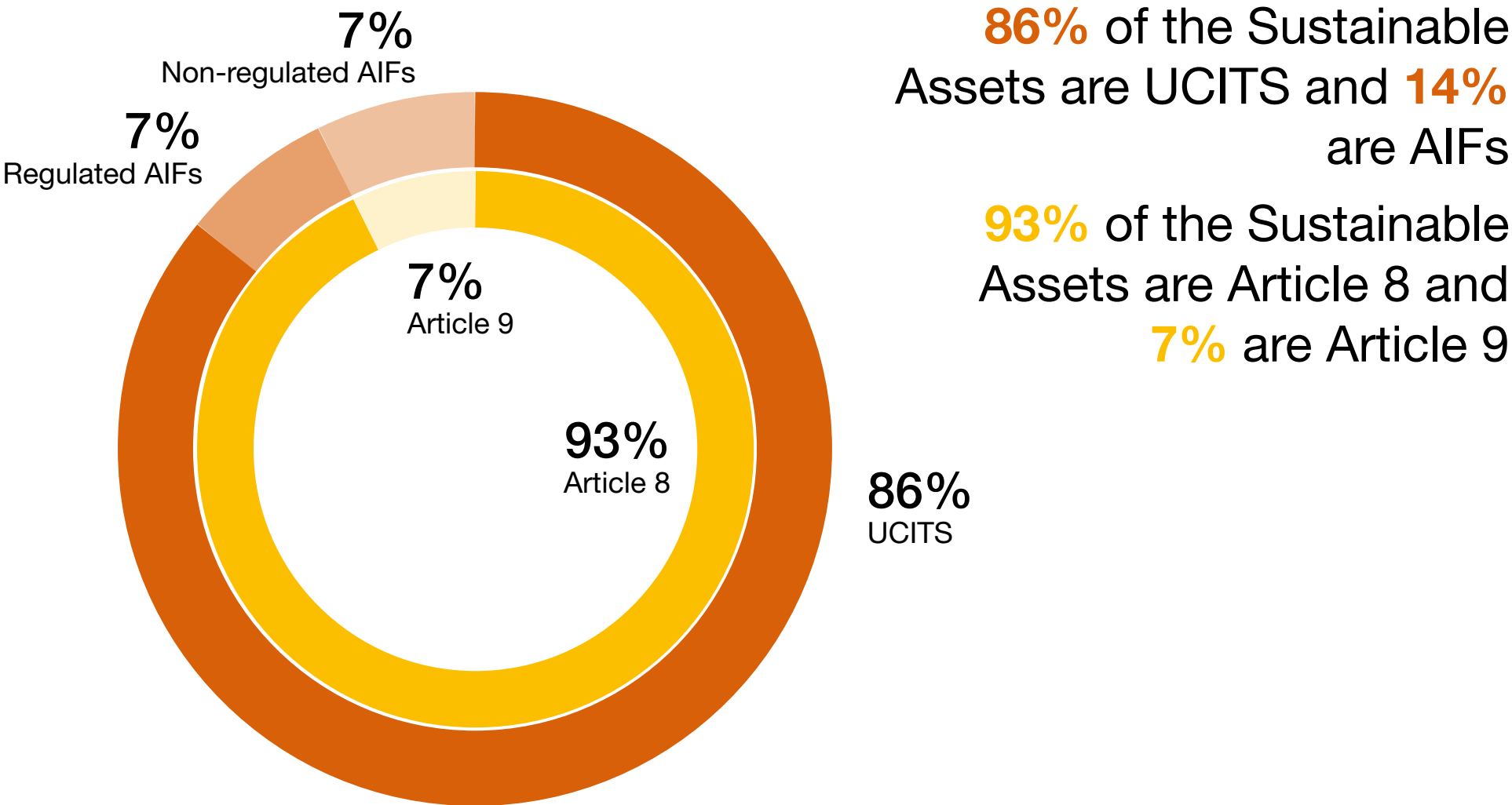
The last years have been truly exciting and structurally impactful to the design and investment focus of a majority of UCITS and a considerable portion of AIFs.

This change in investment focus driven by the politically inflicted development in distribution patterns in the EU marked the beginning of the journey towards ESG and sustainability criteria becoming part of the mainstream and core to any investment decision taken.

Top ManCos managing Art.8 and Art.9 products

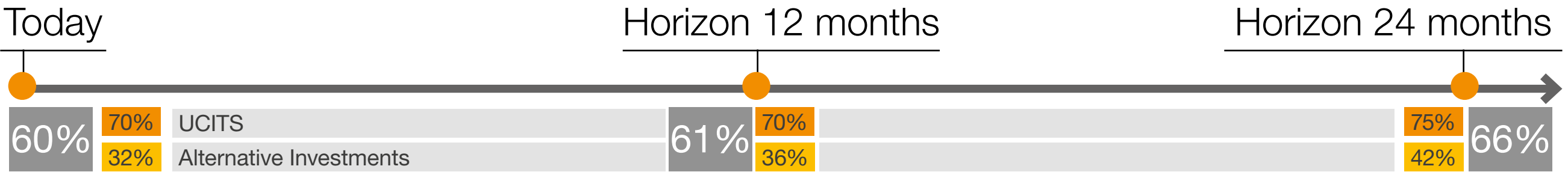
Ranking	ManCo	Group nationality	AuM Dec 2023 - Art 8 & Art 9	Proportion of ESG Assets on Total AuM	Proportion of Art 8 on ESG AuM	Proportion of Art 9 on ESG AuM	# of subfunds Art 8	# of subfunds Art 9
1	JPMorgan Asset Management (Europe) S.à r.l.		353,948	81%	99%	1%	152	17
2	Amundi Luxembourg S.A.		136,135	52%	100%	0%	n.c.	n.c.
3	BNP PARIBAS ASSET MANAGEMENT Luxembourg		131,877	98%	89%	11%	175	14
4	Pictet Asset Management (Europe) S.A.		110,063	79%	77%	23%	47	11
5	Eurizon Capital S.A.		104,355	81%	98%	2%	133	2

Breakdown of Sustainable Assets



Source: PwC ManCo Survey 2024

Sustainable Assets - Where do we stand from ManCos perspective ?



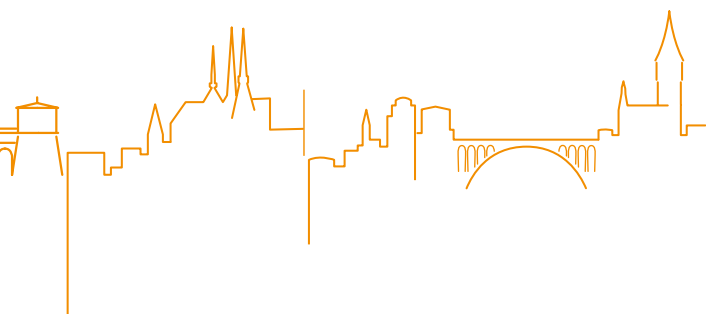
From our Sample:

70% of the UCITS AuM managed by ManCos are either Article 8 or Article 9 as of 31 December 2023, 32% for Alternative Investments.

Looking backward: Last year, ManCos targeted 59% for end of 2023 versus 60% reached at the end of 2023.

ManCos believe that 70% of their UCITS AuM will be Sustainable Investment compliant within the next 12 months (36% for Alternative Investments) and 75% (42% for Alternative Investments) within the next 24 months.

Sources: CSSF, Fundsquare, PwC ManCo Survey 2024, PwC analysis



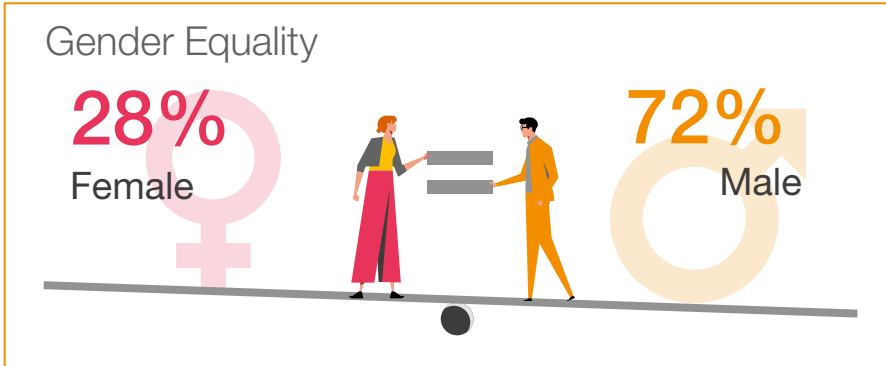
Governance Framework

Governance in Luxembourg's ManCos has seen significant evolution in recent years, driven by regulatory directives and industry trends. With the CSSF Circular 18/698, Luxembourg's financial regulator introduced key guidelines for governance in ManCos, focusing on areas such as internal controls, risk management, and oversight. This circular has established a solid framework for effective governance and guided the industry's adoption of robust governance practices, offering ManCos clear guidelines to follow.

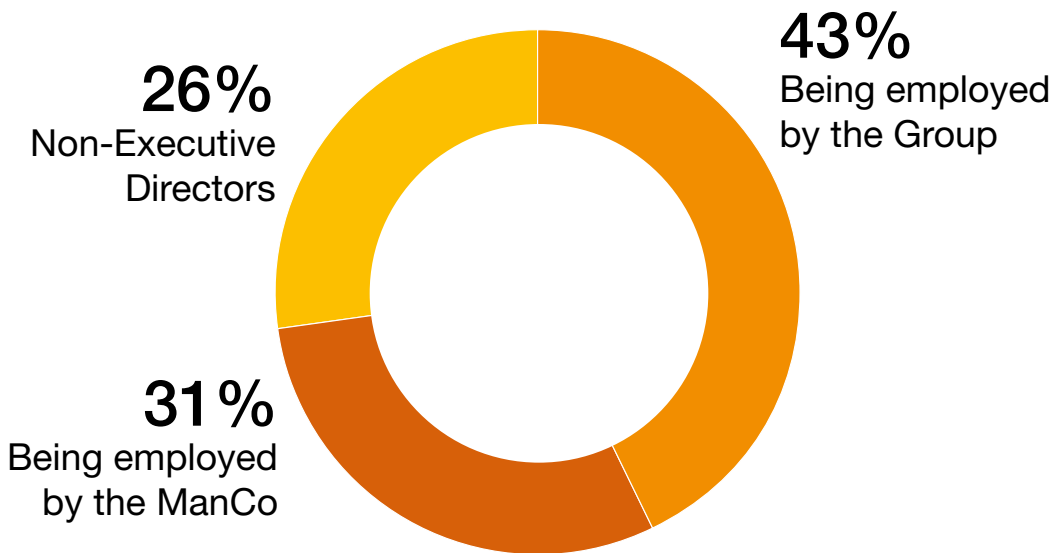
Focus on Board Members

The Board of Directors consists of senior individuals responsible for providing strategic guidance and oversight for the ManCo, ensuring that it aligns with regulatory requirements and functions effectively.

# Board Members:	Max	Average
Super ManCos	9	5
AIFM only	6	4
Third Party ManCos	5	4



From our Survey, **26%** of the Board members are Non-Executive Directors (NEDs), highlighting the emphasis on impartial oversight and good governance within ManCos.



Sources: PwC ManCo Survey 2024

Focus on Conducting Officers

Conducting Officers are senior executives responsible for overseeing and managing the key functions of the ManCo, ensuring the compliance with regulatory requirements and operates effectively.

Number of functions handled by Conducting Officers : **Average 3** **Max 5**

16% of ManCos have a Conducting Officer specifically in charge of ESG / Sustainable function and **15%** in charge of tax function.



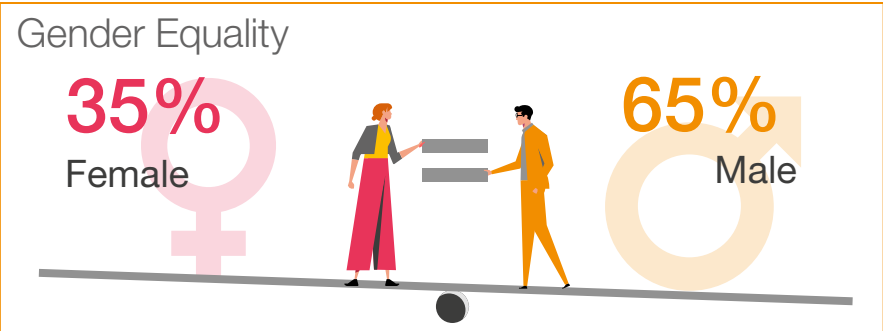
13% of ManCos created a new Conducting Officer role in 2023. This creation aimed at reinforcing core functions within ManCos: Compliance & AML: **27%**, Risk Management: **18%** and ESG: **18%**.

15% of ManCos are considering establishing a new Conducting Officer role in 2024, more than half of them for, again, reinforcing lines of defences: **Risk Management**, **Compliance** and **AML**.

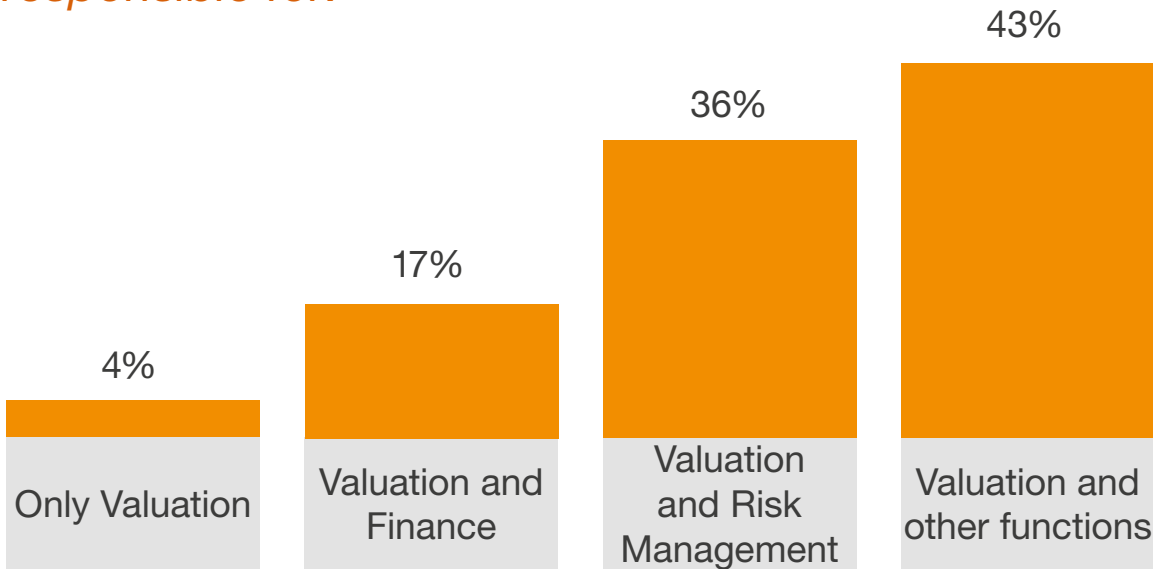
Focus on Valuation Function:

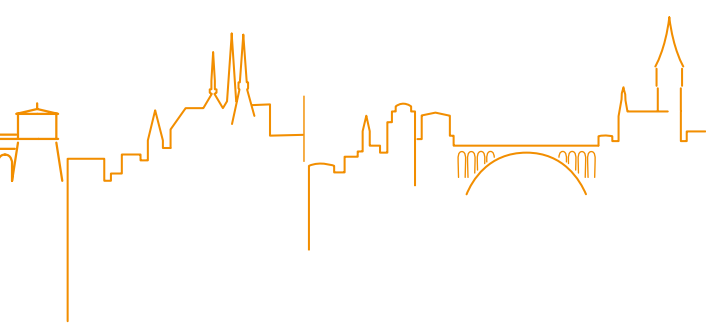
The Valuation function within ManCos has garnered increased attention, highlighting its growing significance in the industry.

# Conducting Officers:	Max	Average
Super ManCos	10	5
AIFM only	11	4
Third Party ManCos	8	4



Conducting Officers in charge of Valuation are also responsible for:



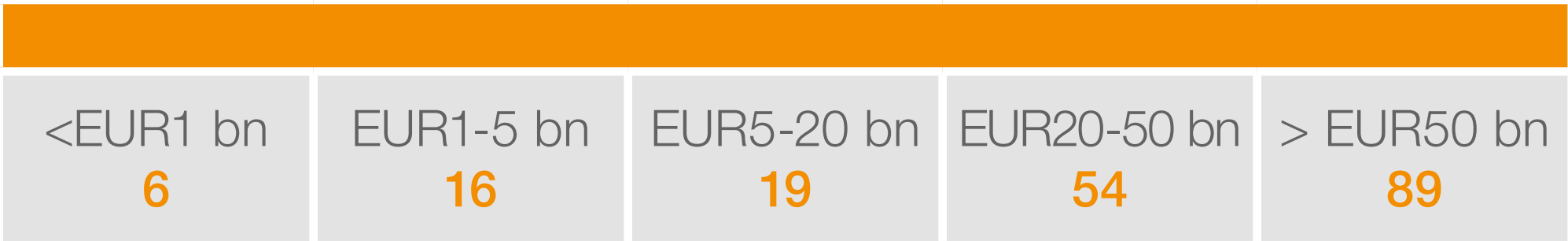


Substance Dynamics and Value Drivers in ManCos

The driving force of ManCos remains its employees. The workforce and substance of ManCos have been, for several years, the crux of the battle and are highlighted as one of the main concerns of ManCo leaders: The ability to attract the best and highly specialised talents. Unsurprisingly, ManCo employment has been soaring for the past 5-6 years following the implementation of new regulations in Luxembourg (CSSF Circular 18/698).

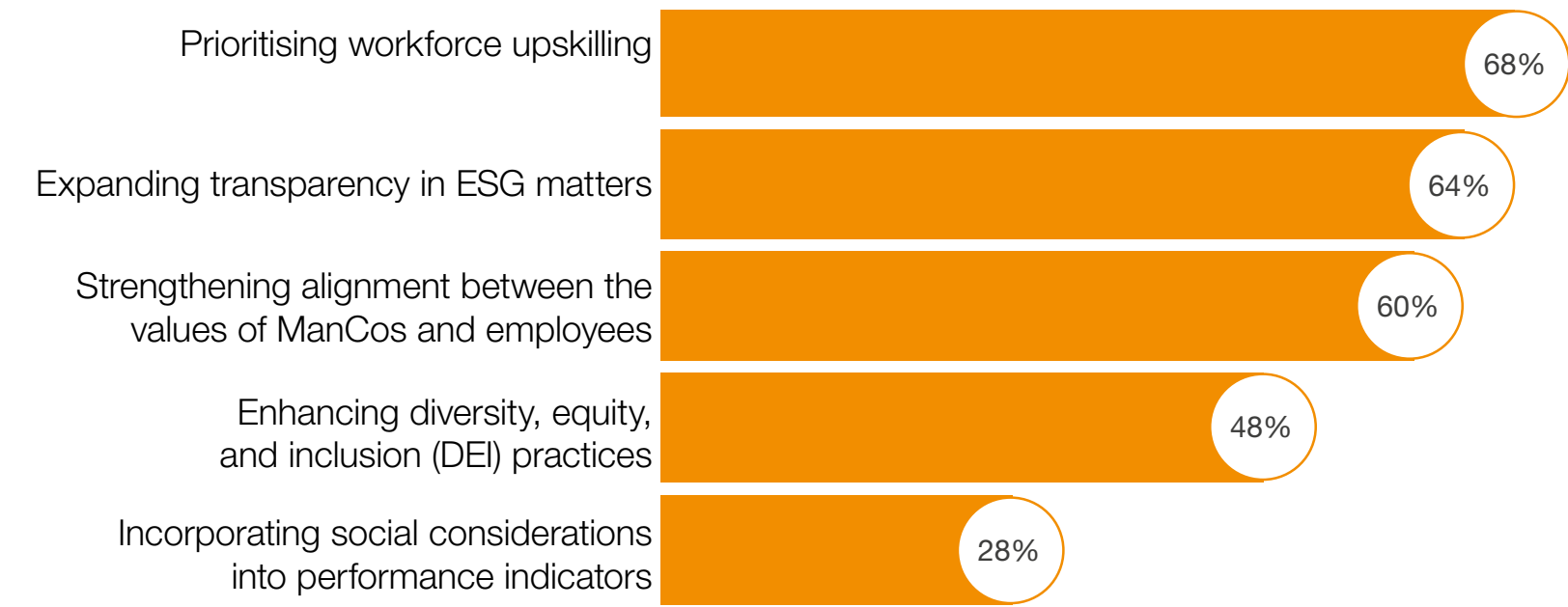
Focus on substance

Average headcount per ManCo, per AuM range



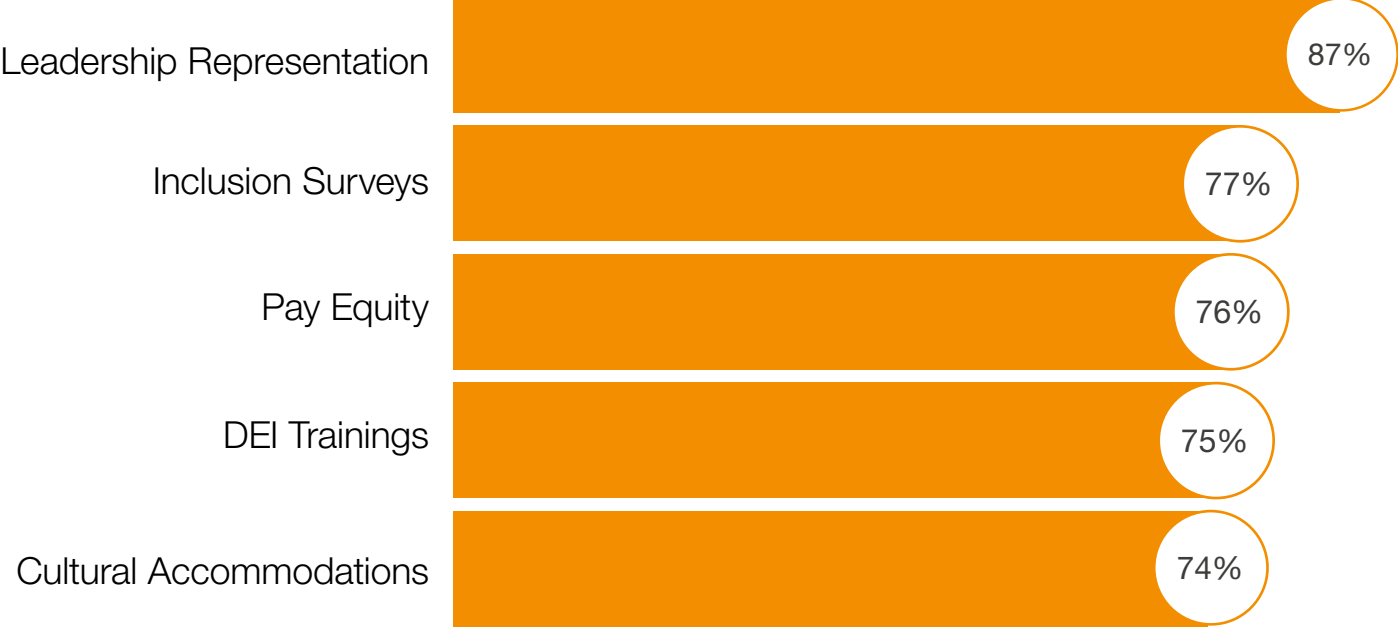
Key drivers for Value Creation

Key Drivers of Value Creation and Talent Development in ManCos

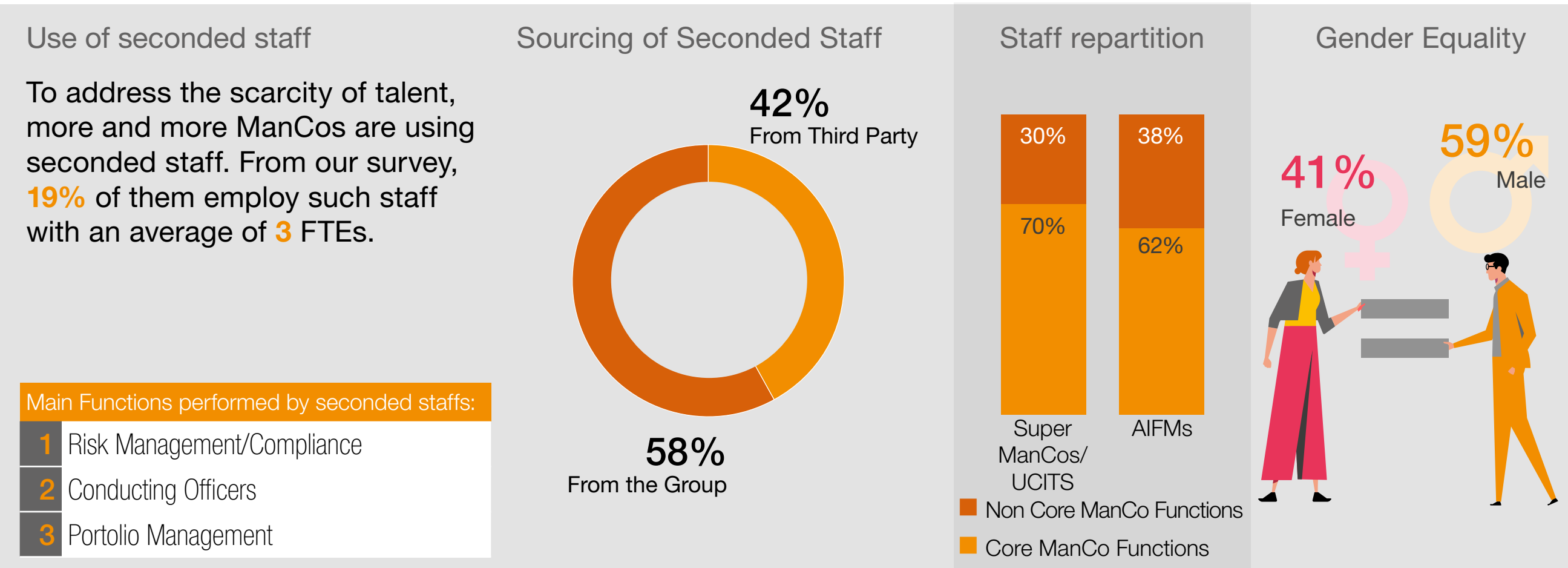


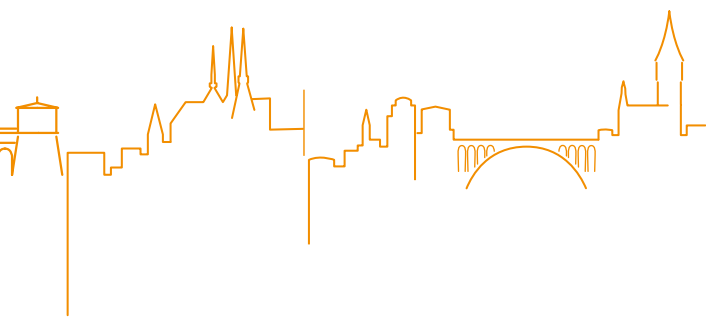
Diversity, Equity and inclusion ("DEI") are essential elements for sustainability. It goes beyond hiring people with different characteristics; it is about ensuring everyone feels welcome, safe, and accepted. This way, ManCos create the collective value that stakeholders and society expect.

Among the **48%** of ManCos considering enhancing DEI practices as a key driver, **87%** consider Leadership representation among the most important areas to implement, **77%** for Inclusion Surveys and **74%** for Cultural Accommodations.



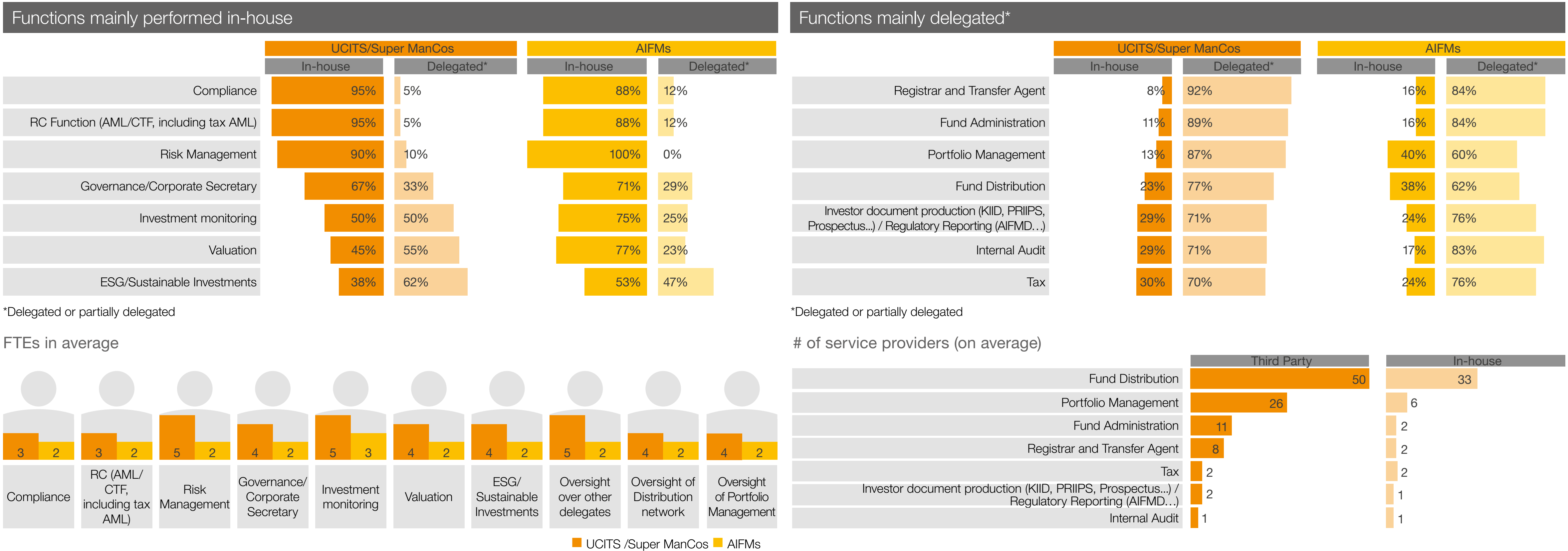
Source: PwC ManCo Survey 2024





Operating Models: In-House vs Delegated Functions in ManCos

Luxembourg ManCos are positioned between two ends of the spectrum when structuring their operations: Delegation vs Fully In-House. Each model offers unique advantages and poses different challenges. The delegation model allows ManCos to leverage external expertise and achieve cost efficiencies by outsourcing specific functions to third party providers or affiliated entities. In contrast, the fully in-house model provides greater control over operations and fosters cohesive integration, though it can be resource-intensive.



Source: PwC ManCo Survey 2024

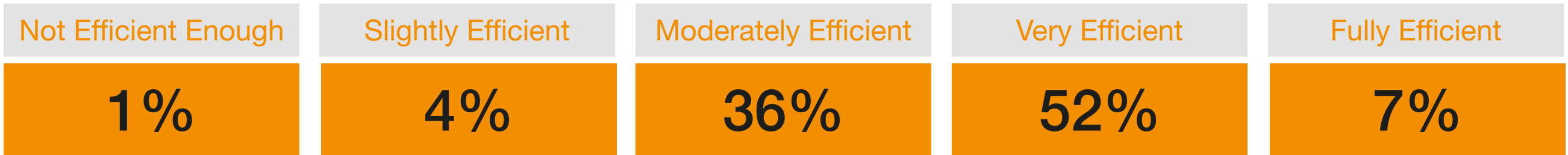


Transforming Operations: Challenges and Drivers in ManCo Operating Models

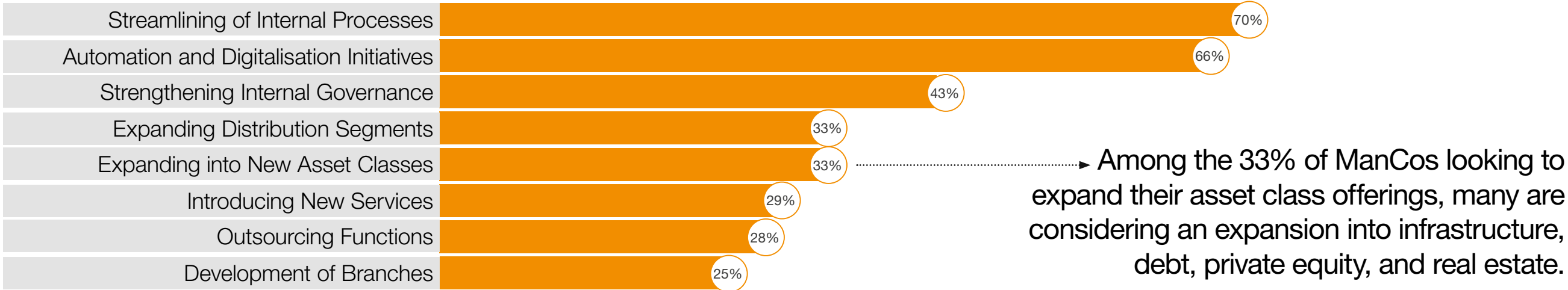
In our previous year's survey, ManCos highlighted that streamlining internal processes, automation, and digitalisation were top priorities in their transformation journey. These drivers remain high on the agenda for ManCos. However, as outlined below, ManCos believe their current operating model is adequate, efficient, and robust enough to embrace today's challenges.

ManCo's perception on their Operating Model

We asked ManCos to evaluate their current operating model's efficiency, scalability, and regulatory compliance on a scale from "not efficient enough" to "fully efficient".

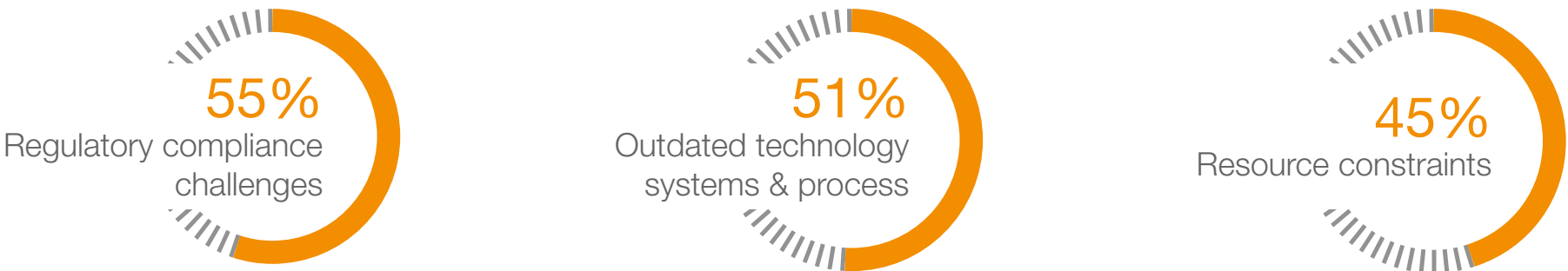


Key Drivers for transforming their operating model

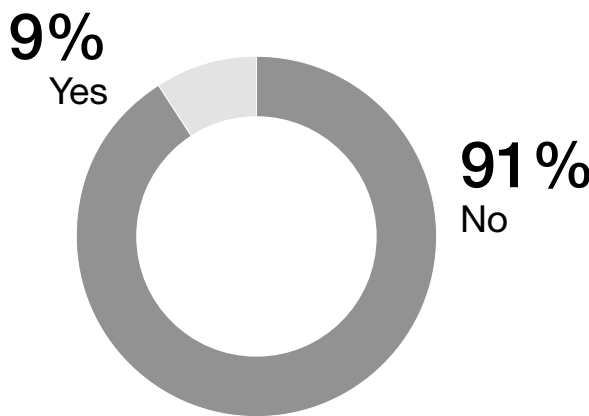


Main Criteria preventing ManCos from being fully efficient

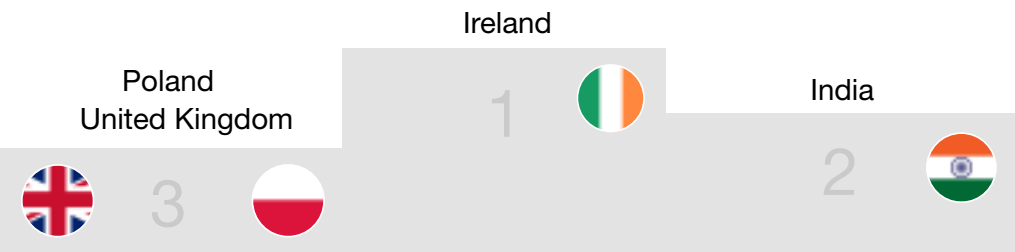
ManCos consider that regulatory challenges, technology systems & process and resources constraints are the main challenges preventing them from being fully efficient:



Use of Service Delivery Centers



Countries:

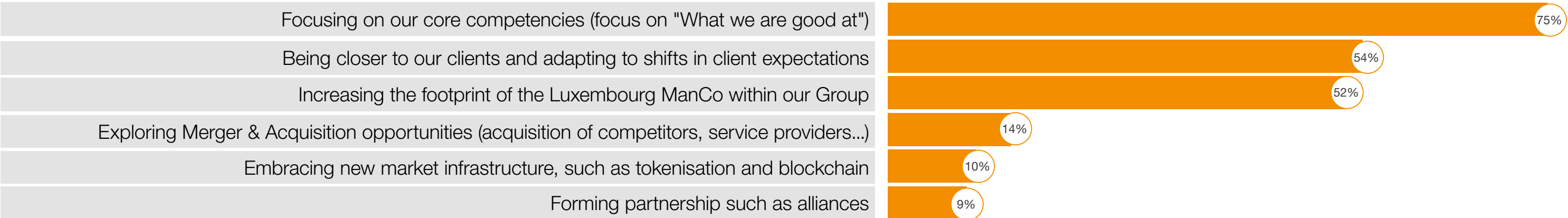


Main Services: Operations and back office

How ManCos define their Value Propositions

After rapid expansion and an increasing number of licences allowing ManCos to manage a broad range of assets, ManCos now want to focus on their key competencies in order to refocus on their clients and adapt to their shifting expectations. ManCos, especially those that are part of large groups (banking, insurance, or asset management), particularly want to increase their footprint within their group to establish Luxembourg as a center of excellence.

ManCos aim at:





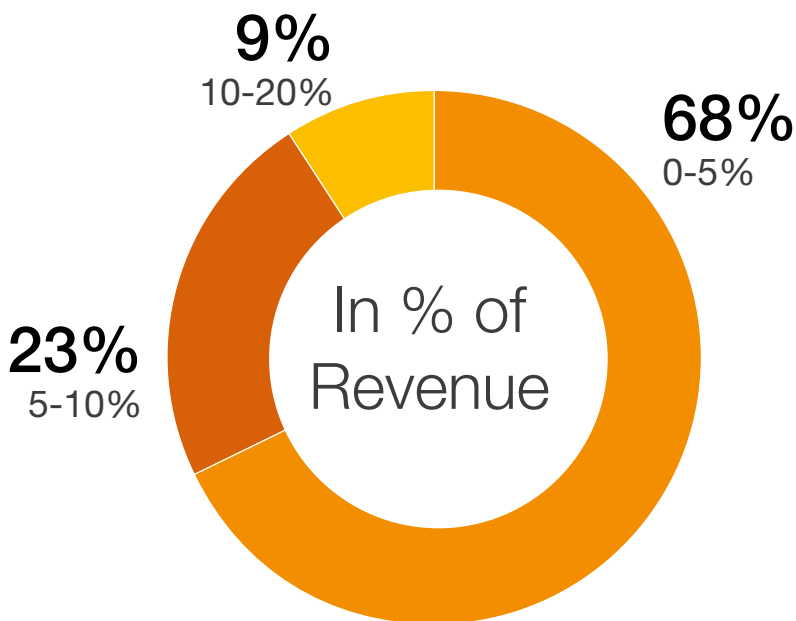
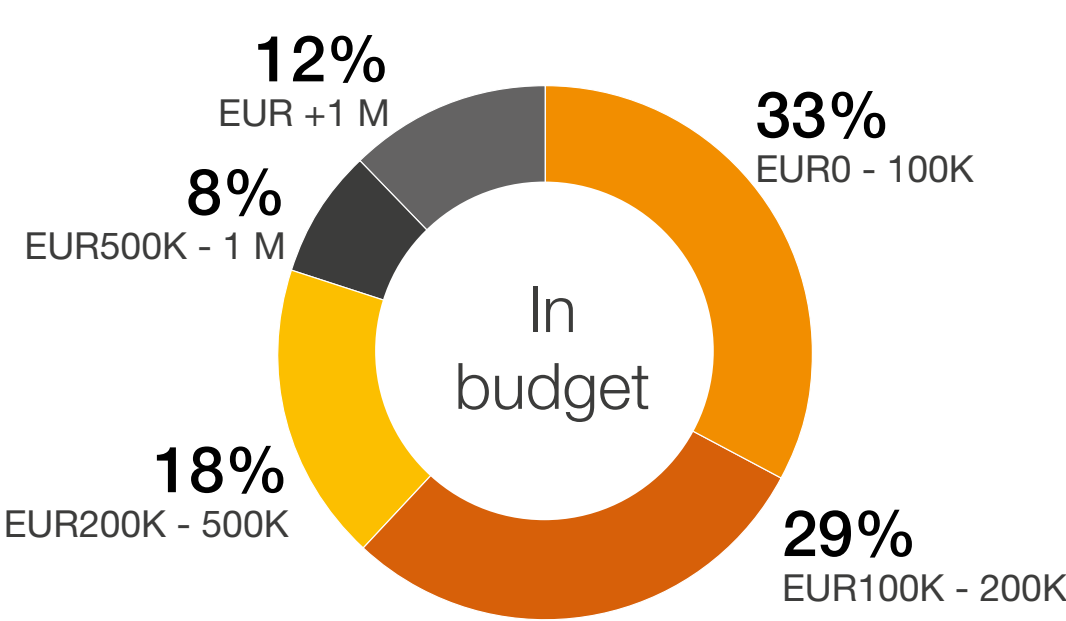
Digital (R)Evolution: Time to act !

ManCos consider that improving internal processes and automation/digitalisation initiatives are seen as the key drivers for an operating model transformation.

Budget allocated to Digital Transformation

67% of ManCos managing more than **EUR20 bn** of Assets, allocate at least **EUR200,000** of their annual budget to their digital transformation.

88% of ManCos managing less than **EUR20 bn** of Assets, allocate up to **EUR200,000** of their annual budget to their digital transformation.



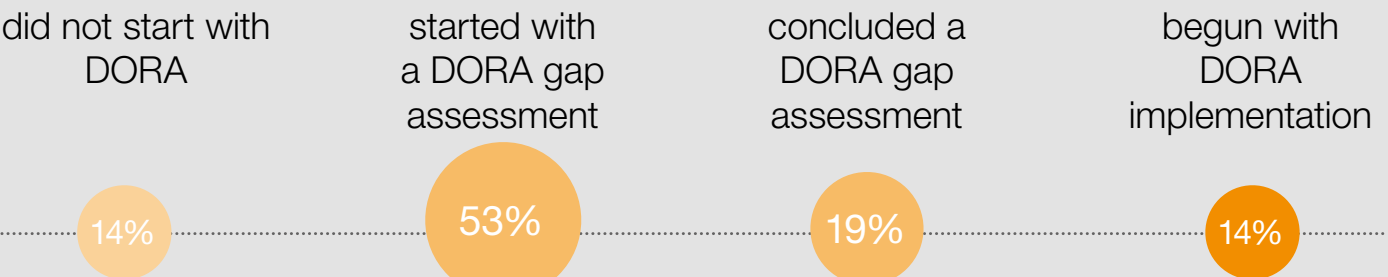
Where do ManCos stand regarding DORA ?

As of January 2025, all ManCos and AIFMs will be required to comply with the Digital Operational Resilience Act (DORA) that have two main objectives:

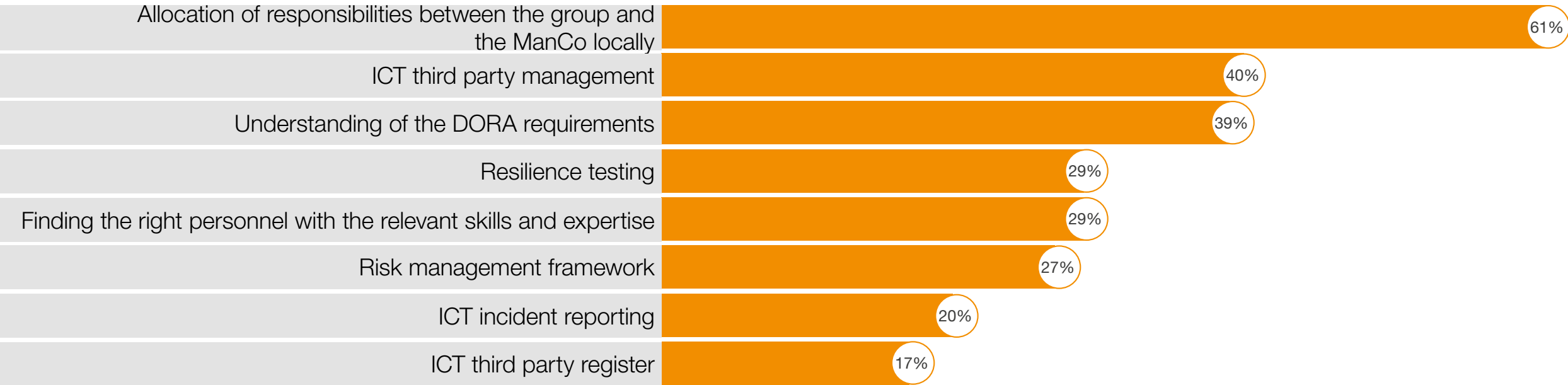
- Build, assure and review the operational integrity of the service and operating model to ensure the continued provision of (the quality of) the financial services including throughout disruptions; and
- Limit the risk of contagion within the EU financial system by prescribing a harmonised minimum standard of digital operational resilience.

From our survey, ManCos:

(conducted between February and April)



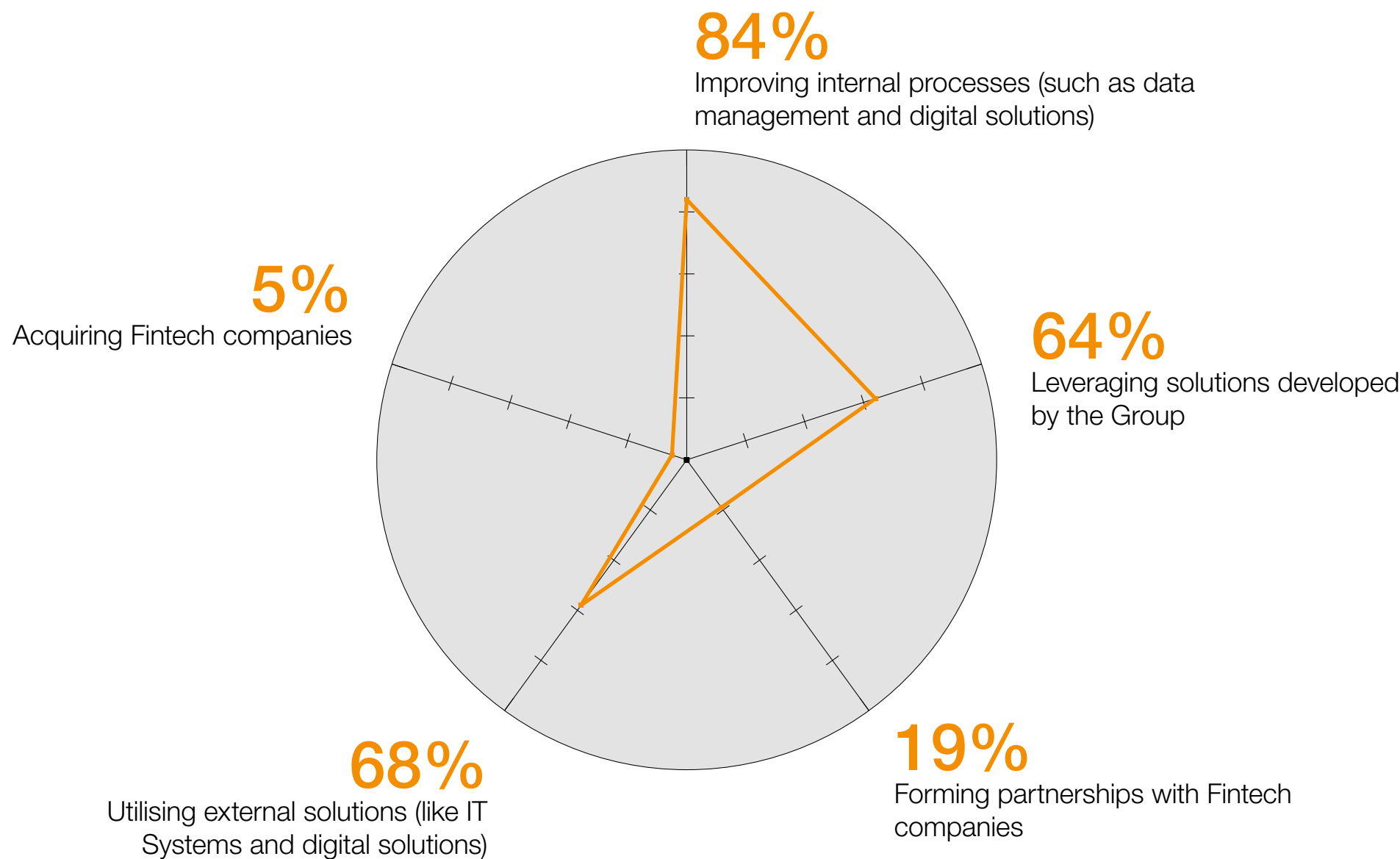
61% of ManCos believe that one of the biggest challenges with DORA is the allocation of responsibilities between the ManCo and their group.



Digital (R)Evolution: Time to act !

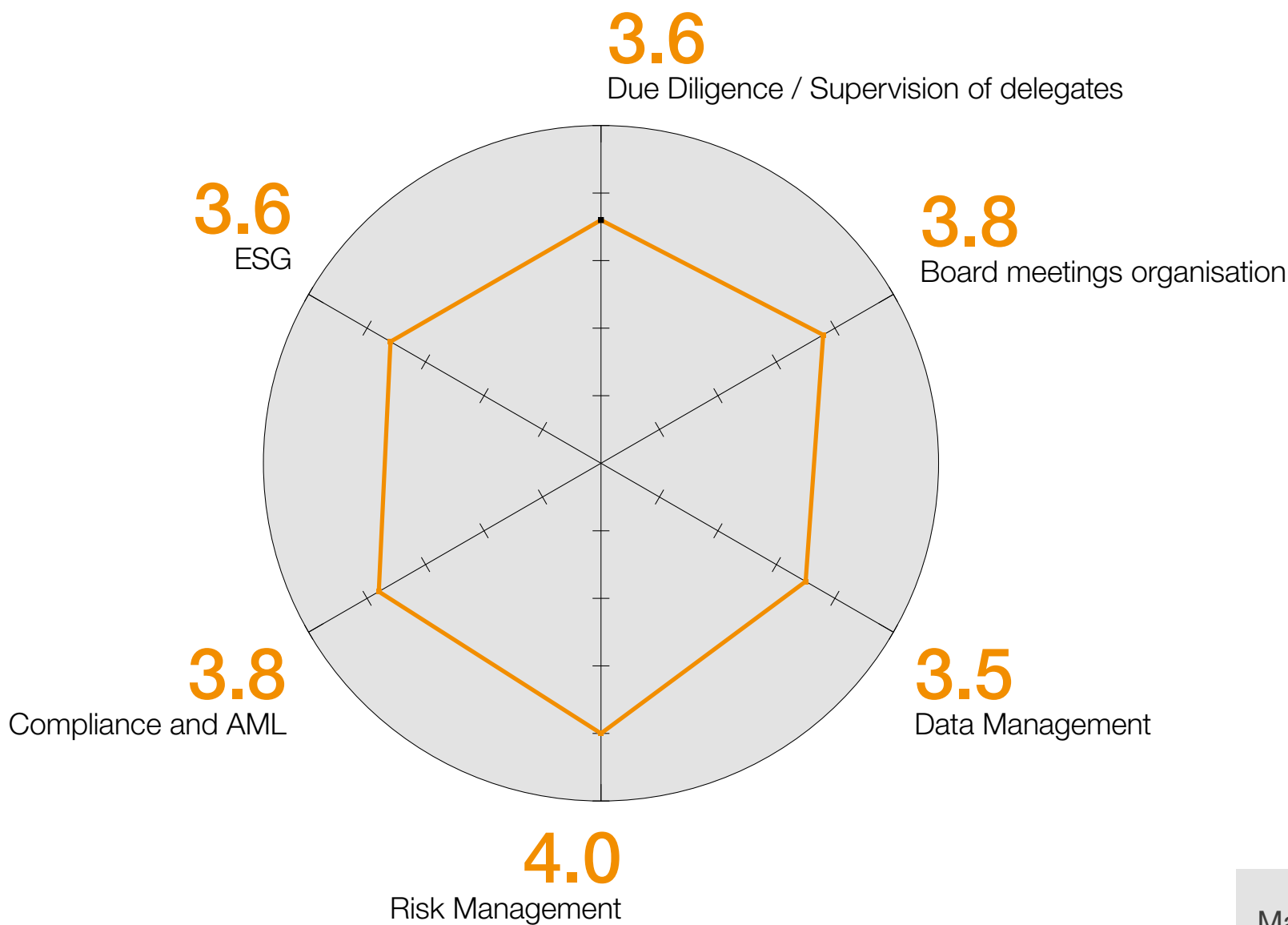
Digital Transformation: How ManCos are leading the change

Most ManCos continue to leverage on Internal solutions to improve their processes.

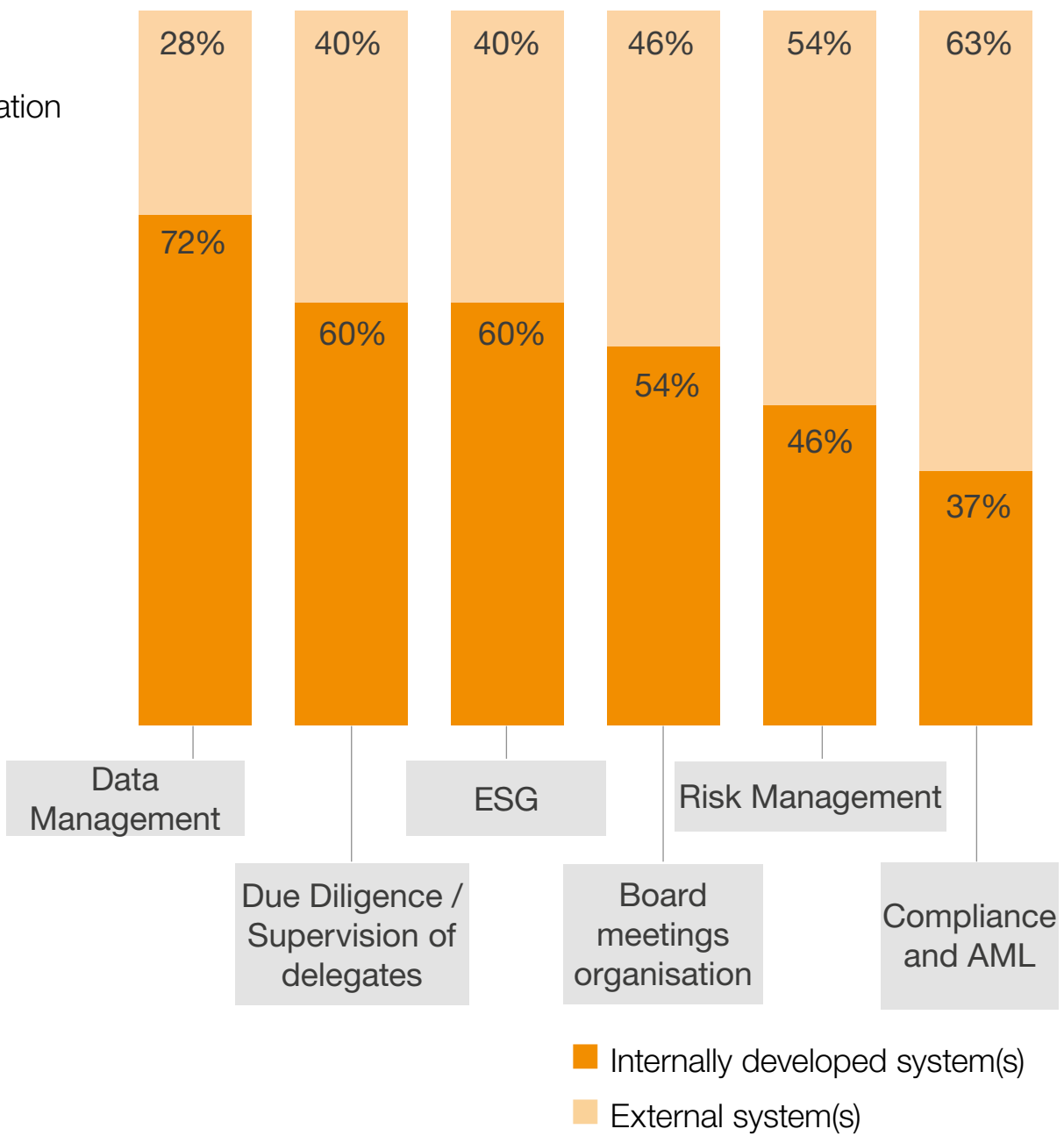


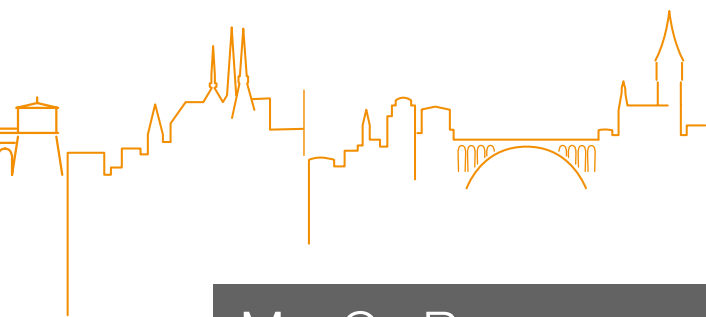
Assessment of IT Systems and Digital Tools

On average, ManCos are satisfied with their IT systems, whether developed internally or being external.
(From a scale from 1- Very dissatisfied to 5- Very satisfied)



60% of ManCos are using internal developed system(s) to perform their Due Diligence and their Supervision of delegates.



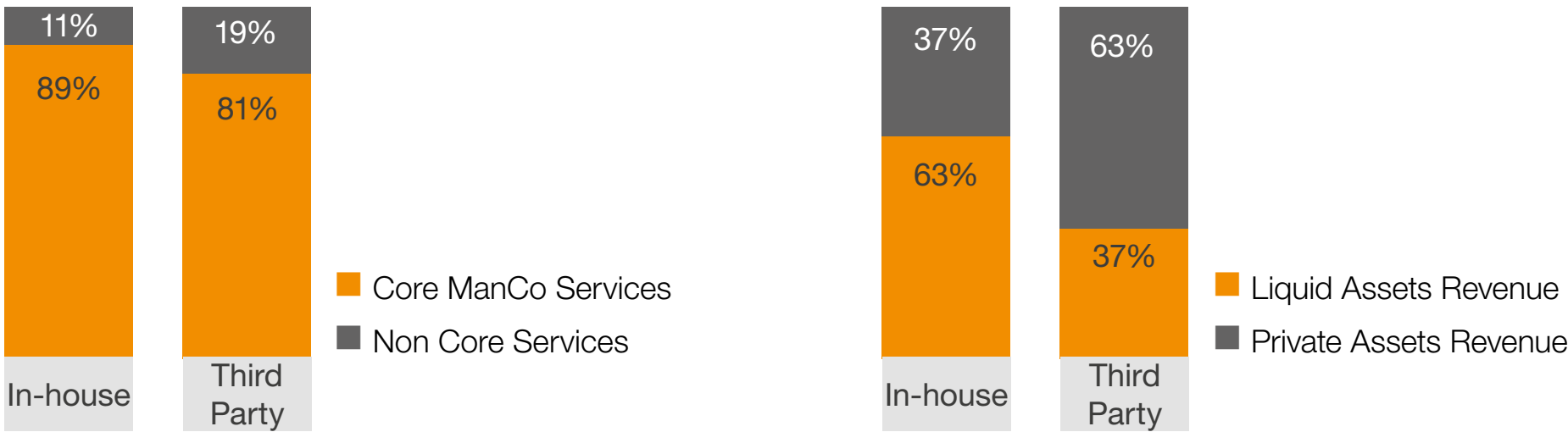


Optimising Revenue Streams: An In-Depth Analysis for ManCos

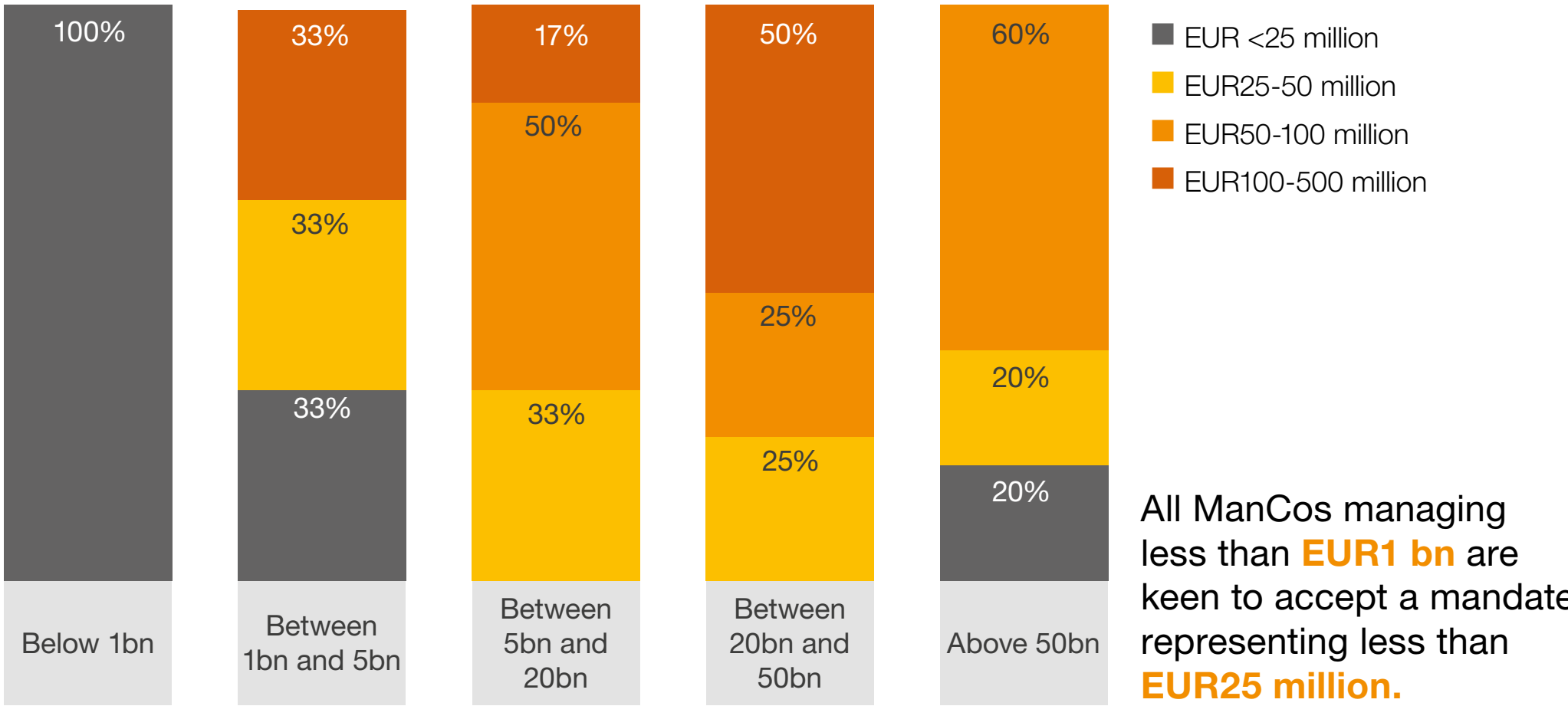
ManCo Revenue

The Fund industry, including ManCos, is currently grappling with increasing cost and margin pressures. This situation is particularly challenging for Third Party ManCos, which lack access to higher margin services such as investment advisory and wealth management. To address these pressures, it's crucial for Third Party ManCos to diversify their revenue streams and implement a stringent client acceptance process.

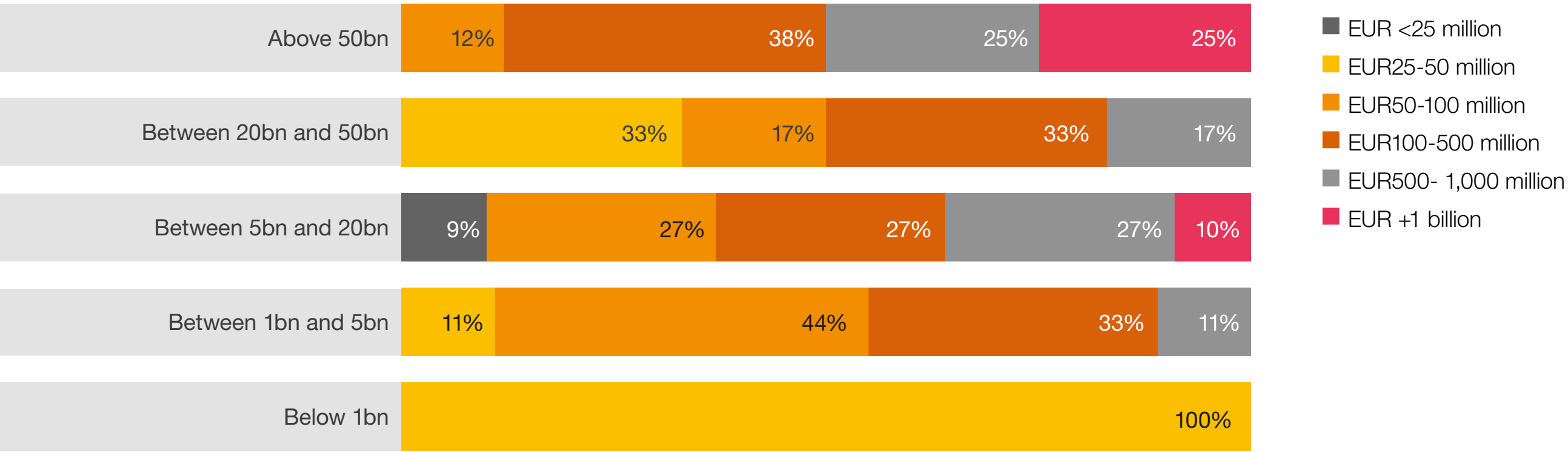
From our Survey, **50%** of Third Party Mancos have an AuM treshold to accept a ManCo mandate.



AuM threshold for acceptance of a ManCo mandate per size of Manco



"Strategic Mandates" per size of ManCo



25% of ManCos managing more than **EUR50 bn** of AuM, consider at least **EUR1 bn** AuM to be a strategic mandate.

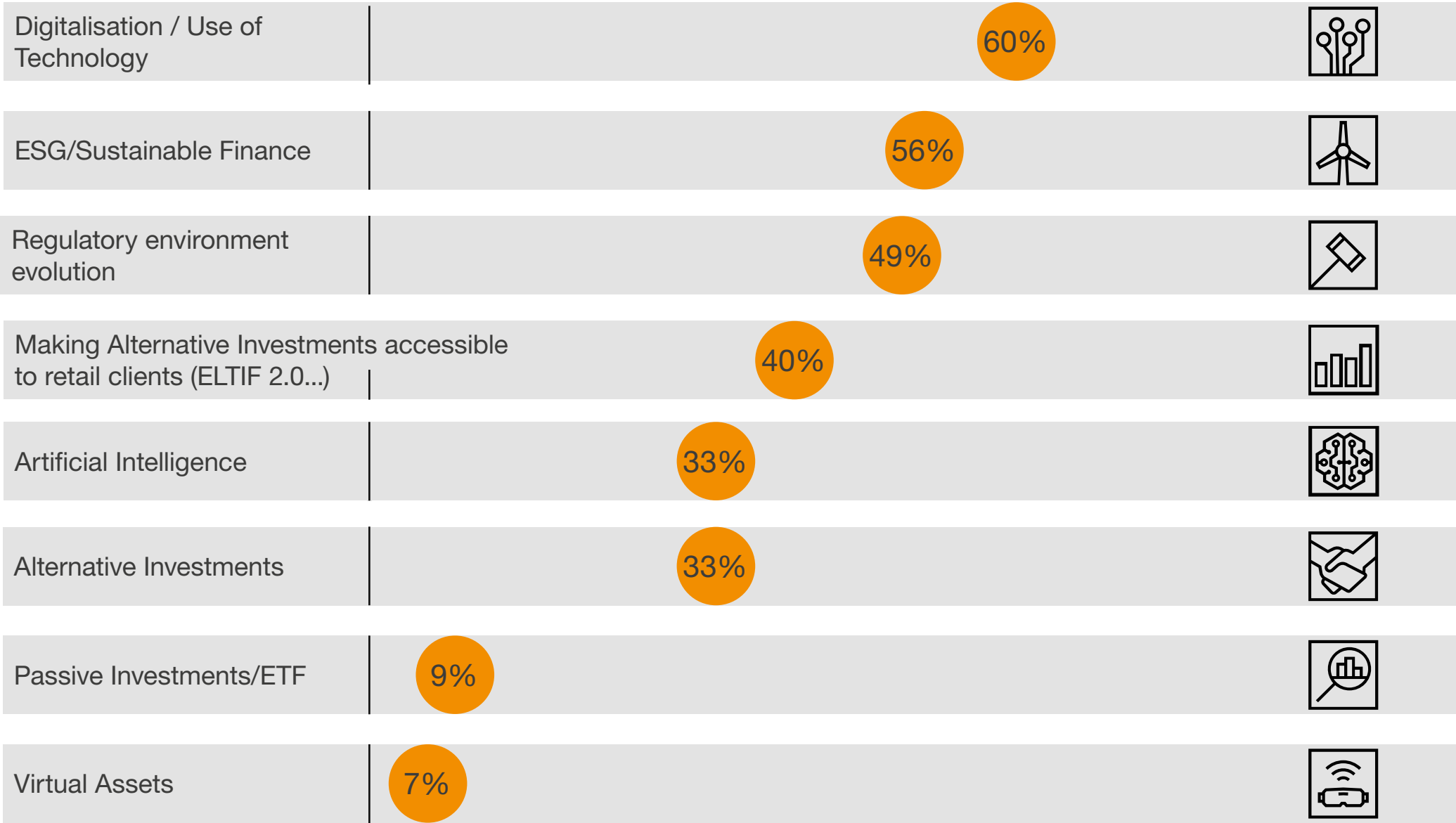
Source: PwC ManCo Survey 2024



Looking Forward

Foreseen trends shaping the Luxembourg ManCo industry

At the forefront of the leading trends within ManCo industry, digitalisation and use of technology, ESG/sustainable investments and regulatory evolution are setting the pace. Closely following is the integration of Artificial Intelligence and the broader accessibility of Alternative Investments for retail clients, notably through ELTIF 2.0.



Source: PwC ManCo Survey 2024

As Luxembourg's ManCos navigate an evolving asset management landscape, embracing technological advancements and innovation is paramount. Leveraging technology to meet regulatory demands efficiently is essential, as is preparing for the rise of tokenization and digital assets.

The market is likely to see significant consolidation, favoring larger entities capable of withstanding cost pressures.

To maintain and enhance Luxembourg's competitive edge, strategic improvements in product offerings and tax policies are necessary. Adapting to technological shifts, enhancing cybersecurity, and diversifying fund offerings will be crucial. Addressing the increasing regulatory burden and talent scarcity will also be vital for operational efficiency and growth.

Looking ahead, the focus must be on agility, strategic consolidation, and integrating AI and machine learning to improve compliance and operational efficiency. Proactive adaptation to regulatory changes and investor preferences will ensure Luxembourg remains a leading European financial hub.

By aligning with global trends and fostering an environment of continuous innovation, Luxembourg's ManCos can navigate future complexities and achieve sustained growth in the dynamic world of asset management.



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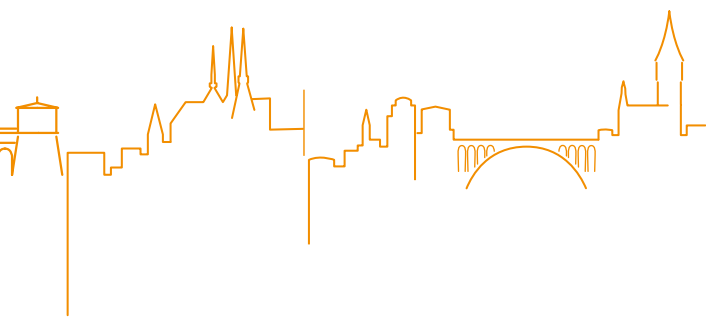


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