Luxembourg Times

Business and politics in Luxembourg | The alternative investments edition   No. 15 | Autumn 2024

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Collectibles
Wine and art as alternative assets

Plus:
A special dossier on crypto and AI

“The entire alternatives space is open

Interview with Kavitha Ramachandran, chief operating officer at Apex

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LUXEMBOURG TIMES

Autumn 2024

Cordula Schnuer
Editor-in-Chief

The world's wealth – however unequally and inequitably distributed – is growing. A record number of 2,781 billionaires the world over are worth a record $14.2 trillion, according to the 2024 World's Billionaires list, published by *Forbes*. The International Monetary Fund estimates 3.1% economic growth globally this year, with the rate faster in emerging and developing countries than in advanced economies.

Money has been around for millennia. It has long evolved from pelt and paper (although cash remains stubbornly popular in Luxembourg), entering into its latest form – cryptocurrency – in 2009 with the advent of Bitcoin. With more money on the markets, investment opportunities, too, have grown, with financial industries busy finding new ways to make profits grow and dividends flow.

Luxembourg has a big stake in that game. Around a third of jobs in the country are directly or indirectly tied to the financial services sector, as well as around a quarter of its GDP and substantial tax revenue for state coffers. It is one of the big competitors, too. The Grand Duchy has the largest fund industry in Europe, second only to the US worldwide. Assets under management are worth around 80 times more than the country's GDP, a June IMF report concludes, dwarfing banking and insurance activities.

Alternative investment funds play an increasingly important role in that number. Between 2019 to 2023, their number grew from 5,504 to 9,019, with assets rising from €908 billion to just over €2 trillion, data by financial sector regulator CSSF shows. “The entire alternatives space is open for Luxembourg,” said Kavitha Ramachandran, the chief operating officer at Apex Luxembourg, in her interview with the *Luxembourg Times* for this magazine, discussing the alternatives landscape and the challenges ahead for the sector.

While Ireland, Germany and France's investment fund industries trail Luxembourg's, the money market is mobile, and – like in many other fields – the Grand Duchy will have to defend its position in the future as more countries seek their slice of a lucrative pie. “Regulation is necessary, but it shouldn't stifle innovation,” said Ramachandran. One interesting move in that regard has seen Nicolas Mackel, who helmed Luxembourg for Finance for just over ten years, depart for Brussels as Luxembourg's permanent representative. A career diplomat, Mackel now finds himself at the heart of the regulation and directive-making that governs much of the financial centre.

Turning Luxembourg's finance industry ambassador into the country's EU ambassador – together with already announced tax cuts for exchange traded funds – will perhaps reassure players of government efforts to keep the financial centre competitive.

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31 rue de Hollerich
L-1741 Luxembourg
Phone: (+352) 49 93 1
Email: support@luxtimes.lu

Board:
CEO: Paul Peckels

Editor-in-Chief:
Cordula Schnuer

Reporters:
Kabir Agarwal
Emery P. Dalesio
Yannick Hansen
Tracy Heindrichs
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Alex E. Stevensson
Duncan Roberts

Publishing Manager:
Haneyl Jacob

Other contributors:
Teodor Georgiev
Asha Muldoon
Heledd Pritchard
Sarita Rao
Susanne Weismüller
Nasir Zubairi

Art Director:
Christian Mertes

Typography:
Sabina Palanca

Illustration:
Mara Mohnen

Photo Editor:
Christian Mertes

Photos:
Anouk Antony
Laurent Sturm
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Cover photo:
Marc Wilwert

Contact:
E-mail: info@luxtimes.lu
Website: www.luxtimes.lu

Advertising:
Regie.lu S.A.
31 rue de Hollerich
L-1741 Luxembourg
Phone: (+352) 4993-9000
E-mail: regie@regie.lu
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By Cordula Schnuer | Photo: Gerry Huberty

Hidden luxury

The futuristic halls of the Luxembourg High Security Hub – formerly known as the Freeport – house works of art, fine wines, antiques, jewels, cars but also precious metals, rare minerals, pharmaceuticals, documents and other valuables. The facility first opened in 2014 but has been mired in controversy. A European Commission investigation in 2019 dismissed claims by MEPs of money laundering, tax evasion and avoidance. Pierre Gramegna – finance minister at the time – defended its compliance record but also ruled out a bailout of the luxury warehouse. Four years on and the hub's fortunes have hardly improved. It lost €730,000 in 2022, the latest filings available at the time of publication, and around €10 million in total since its creation. Founder Yves Bouvier sold his stake to early investor Olivier Thomas after offloading his equally loss-making Singapore freeport.

Fridman case could take years to resolve

Oligarch seeks compensation over Russia sanctions

A resolution in the €15 billion Mikhail Fridman lawsuit against Luxembourg could take "several years", Prime Minister Luc Frieden has said about the international arbitration suit the Russian oligarch filed in August. "We believe we have good arguments," Frieden said during a press conference. He also announced Paris-based law firm A&O Shearman as the legal counsel for the case. Fridman is seeking compensation, arguing that the freezing of his assets by Luxembourg under EU sanctions has blocked him from effectively managing or using his capital. Luxembourg was legally obligated to implement the sanctions, said Frieden. This is the first time the country has faced such an arbitration case under a 1989 treaty between the Grand Duchy, Belgium and the Soviet Union, which protects investors' assets from expropriation, nationalisation or measures of similar effect.

Fridman is seeking €15 billion from Luxembourg, more than half the country's annual budget

Raiffeisen hits 50,000-member mark

Luxembourg's Raiffeisen bank passed the 50,000 threshold, following ING's exit from the mass retail market. "The bank experienced strong growth in its membership, with an increase of about 2,800 members in the first half of 2024, compared to 3,500 for the entire year of 2023," Secretary General Analia Clouet said. The milestone followed a net profit of €43.9 million in 2023, a jump of 85% on 2022 results. The bank would not say how many of those new customers came from ING, which is closing down its mass retail banking services in Luxembourg. The only cooperative bank in Luxembourg, Banque Raiffeisen was founded in 1926 and by the end of 2023 had total assets of €10.76 billion. The bank in May joined forces with Spuerkeess, BIL and Luxembourg's state-owned investment bank *Société nationale de crédit et d'investissement* (SNCI) to create a €250 million funding scheme to stimulate activity in the country's struggling housing market.

Banque Havilland fined €5m amid turmoil

Luxembourg's financial sector supervisor, the CSSF, fined ailing Banque Havilland €5 million, adding to troubles that have seen the lender placed under administration and its license revoked.

On-site checks revealed anti-money laundering system flaws, resulting in the fine. The bank filed an appeal with the judicial court in May. A date is yet to be set for the case's hearing.

The fine comes after the CSSF placed the bank under administration following a district court ruling. The European Central Bank revoked the bank's operating license over compliance concerns earlier in August.

Luxembourg banks eye record year

Luxembourg's financial sector is booming, with banks posting €5.35 billion in pre-tax income from January to June, nearly €1 billion more than in the same period in 2023, according to the CSSF.

95% of Luxembourg's banks were profitable in 2024. This is partly due to a 7.2% drop in general costs. Personnel costs totalled €1.7 billion and other expenses were around €2.2 billion – a drop of 12% compared to 2023.

Luxembourg tax offices to be moved under centralisation plans

500 new hires expected

Luxembourg's main tax office, the *Administration des Contributions directes*, which rakes in half of all tax revenues, is set to move into larger buildings over the coming years under plans to streamline the service.

Currently, the administration's 1,099 staff are split across 24 sites around Luxembourg, seven located in the capital, the smallest housing just eight employees and the largest 241.

Three projects will centralise the offices on larger sites, Public Works Minister Yuriko Backes said in August, two of which should be finalised by 2026, based in Ettelbruck and the Cloche d'Or area.

A central tax hub on the horizon for 2035, the *Cité des contributions directes* in Kirchberg, will provide offices for 1,500 staff.

Jean-Paul Olinger, the director of the tax administration

The tax administration plans on hiring up to 500 additional employees over the medium term to counter retirements and growing workloads, Finance Minister Gilles Roth has said.

The new hires will include roles in human resources, IT, data science, as well as tax specialists and auditors.

Real estate firm Adler fined again

For the second year in a row, real estate firm Adler Group was fined €30,000 by Luxembourg's financial regulator for failing to publish an audited annual report.

The company was fined the same amount for this offence in 2022.

Adler was without an auditor since KPMG quit in 2022 after refusing comment on the 2021 accounts and claiming its 2020 audit was no longer reliable. Adler then hired Avega Revision for the firm's 2022 and 2023 results.

The group owns thousands of residential properties in Berlin and other German cities but has been struggling financially.

German prosecutors and police in June conducted searches in Luxembourg and six other countries on suspicion of false accounting, market manipulation and breach of trust.

Finance sector backs central credit agency

Banks and the financial sector regulator have come out to support a finance committee proposal for a central credit register. CSSF director general Claude Marx in an interview said a register would "protect banks and other lenders from granting loans that cannot be repaid." Finance committee chief Diane Adehm had also cited efficiency as a reason to set up the register. Major banks Spuerkeess, Raiffeisen, ING and BGL BNP Paribas also expressed support for the idea. Currently, banks have limited visibility on existing loan obligations, which can be "detrimental to the bank if the applicant decides to withhold relevant information," a Raffeisen spokesperson said. "Interest rates are higher than they have been in 10 years and inflation is also above 2%," said Marx, warning of over-indebtedness. The issue of preventing banks from exchanging information would have to be tackled. This could be overcome by a law allowing data sharing, said Marx.

Battle to control Luxembourg telecom company hits pause

Billionaire supports Latin American growth strategy

A hostile takeover fight between a Luxembourg-based telecom firm and a French billionaire is on hold despite two offers extended by Xavier Niel to buy out shareholders. A committee of the company's board of directors judged even Niel's upgraded $4.4 billion (€3.9 billion) offer to "significantly undervalue Millicom's shares."

Niel - the force behind French telecom giant Iliad, Orange Switzerland, Monaco Telecom, and others – has expanded his ownership in Luxembourg-registered Millicom from 29% to 40%.

He now plans to focus "to support Millicom in the successful execution of its strategic plan." The firm, which operates in Central and South America, projects economic growth and increasing demand in the countries it operates in.

Amid cost-cutting, Millicom reported strong second quarter results after Niel's Luxembourg investment vehicle Atlas Investissement launched its original buyout bid in July. Profits rose 74% to $345 million (€309 million), while revenues increased 5% to $1.46 billion (€1.3 billion). Atlas also owns 2.5% of Vodafone Group. Niel's investments include telecom assets in six European countries. His Iliad Group operates telecom companies in Italy, Poland, Sweden and the Baltics.


Photo: Shutterstock

Xavier Niel and Station F manager Roxanne Varza

Business trips lag amid leisure travel boom

Luxembourg increased leisure travel last year as business trips struggled, said national statistics agency Statec.

Travelling reached a record 3.3 million trips in 2023, with 85% being leisure travel. Business tourism, however, struggled, dropping 12%.

"The recovery in business travel has been much slower than for leisure travel," Statec said, citing changes in the business sphere such as digital communication tools used more commonly since the Covid-19 pandemic and inflation slowing the recovery. If residents travelled for work, they tended to stay longer, with one-night trips for work dropping 10 percentage points compared to 2019 numbers. Business trips tended to cost more than personal trips, with an average budget of €1,500 compared to €1,190, the majority being plane trips.


Photo: Shutterstock

ArcelorMittal cuts air and noise pollution

Neighbours of Differdange's ArcelorMittal plant will find their streets quieter and less dusty after the world's number two steel company set out to use Luxembourg taxpayer money to move a troublesome waste heap.

The plant spent €1.7 million, with the state contributing about 30%, to move a waste collection area to a previously unused building near the plant's metal-melting furnace, ArcelorMittal said.

The factory's pit collected black slag, now being treated and stored to sell to other industrial users.

The transfer cut both noise and airborne dust levels. Employees are also safer from possible liquid slag explosions.

Doing laundry at night set to save households money

New network fees aim to relieve grid during peak hours

The Luxembourg Regulatory Institute (ILR) and utilities supplier Creos are due to fix new electricity network fees by mid-October.

The updated fees will consider both electricity volume and usage during peak hours, encouraging load shifting to off-peak periods, according to the ILR. "The consumption behaviour of households plays a decisive role. By adopting more flexible consumption behaviour and distributing energy consumption more evenly throughout the day, consumers can not only support grid stability, but also benefit from potential cost savings," a Creos spokesperson said. Creos, the ILR and the economy ministry were keen to assure that tariff updates wouldn't penalise homes that have invested in electricity-heavy technology, like electric heat pumps and vehicles, which have been heavily subsidised by the government in its green transition push.


Photo: Marc Wilwert

ILR and Creos to agree on new electricity grid tariffs

Luxembourg graduate employment barely beats EU average

Whilst most recent graduates were able to find employment in Luxembourg last year, the success rate barely scraped the EU average.

Just under 85% of graduates in Luxembourg aged 20 to 34 with a university or high school diploma were able to find a job in 2023, according to Eurostat, placing the country just slightly above the EU average of 83.5%.

The EU rate has improved 1.1 percentage points compared to 2022, while Luxembourg's rate dropped by over 8 percentage points between 2022 and 2023, ranking it 14th out of 27 member states last year.

Luxembourg's national employment agency Adem and statistics bureau Statec have said it is increasingly difficult for jobseekers with the highest diplomas to find work.

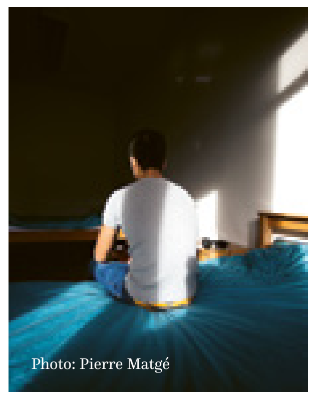


Photo: Pierre Matgé

Shelter set up to send back failed asylum seekers

The Luxembourg government opened its first site to house failed asylum seekers in the hope they will return to their home country voluntarily after exhausting all legal means to stay. The resettlement shelter is located at the existing Kirchberg facility SHUK, where security is tighter than at regular shelters, the government said. The dedicated space makes it possible to provide targeted social support to people told to return, a press release said.

About 97% of beds in shelters were occupied at the end of May, according to the National Reception Office (ONA). There is a waiting list for single male asylum seekers to make space for families, women and children.

The social welfare nonprofit Passerell provided food vouchers, tents, sleeping bags, warm clothing and help for accommodation applications for those left out on the streets as a result.

"LUXEMBOURG HAS ALWAYS BEEN NIMBLE

Kavitha Ramachandran, chief operating officer at Apex, discusses the growth of Luxembourg's fund industry and why it has all to play for in alternatives.

By Kabir Agarwal
Photos: Marc Wilwert | Graphics: Christian Mertes

You have been part of the Luxembourg fund industry for almost three decades. How have you seen it evolve over the years?

It has been very successful, and I think there are three key characteristics that stand out as reasons for that success – adaptability, innovation and being forward-looking. These qualities apply to the finance industry in general, but they are particularly notable in the fund sector. Luxembourg has always been nimble, quick to adapt and to seize the opportunity.

I would also say that a unique aspect of Luxembourg, one which has been critical to its success, is its ability to get different organisations and people to come and work together. For example, regulatory bodies are actively involved in industry events and open to feedback, ensuring they remain connected with industry needs and developments. The Luxembourg ecosystem is characterised by collaboration between the regulator and the industry, constant innovation and adaptability.

How did the alternatives industry emerge, pretty much from scratch, during this time?

Back in 1996, when I started working in Luxembourg, the focus was largely on the Ucits (Undertakings for Collective Investment in Transferable Securities) world, which still represents a significant portion of the investment fund industry here today. And Luxembourg had positioned itself as one of the early adopters of the Ucits directive.

That trend of being quick off the block continued with the 2008 global financial crisis. That then led to the AIFMD (Alternative Investment Fund Managers Directive). Again, Luxembourg was right up front in implementing the directive and making some specific structural changes like bringing in the special limited partnership (SCSp), which is popular these days. And introducing the GP/LP (General Partner/Limited Partner) structure, which was pivotal in developing the private asset industry.

In 2007, the Specialised Investment Fund (SIF) was introduced, which was a fully regulated product specifically for alternatives. This was the first step towards a more product-oriented approach for the alternatives sector. Then the introduction of the RAIF (Reserved Alternative Investment Fund) in 2016 was crucial and more recently the Eltif (European Long-Term Investment Fund), which did not initially take off as expected, leading to the revised Eltif 2.0.

Initially, the focus was on private equity and real estate, with a bit of attention on hedge funds. Over time, we saw a shift towards private debt and infrastructure, driven by high-interest rates and inflation. While some asset classes, like real estate, took a dip, [Luxembourg] has remained resilient and sought out areas of growth.

You mentioned asset classes like private equity and real estate in Luxembourg, but not so much venture capital.

It's there, certainly. There are managers who are focusing on it, but – rightly or wrongly – you hear less of it. So that could be another focus area. And sometimes we are seeing that it's smaller ticket sizes, so you probably have smaller funds, but that's set to change as things go along. We do have some very good managers in that space, but I guess perhaps there needs to be more spoken about them.

Luxembourg holds a critical position in the global and European financial markets for Ucits, but it has tougher competition in the alternatives sector. Why is that?

“We have seen consistent growth

Kavitha Ramachandran

I would say that the alternatives sector is growing, and we have seen consistent growth, particularly since 2020. Many of the big managers now operate in both the traditional and alternatives spaces. They see the advantages of diversifying, and the evolution of products like the Eltif is a good example of bridging these two worlds.

One key catalyst for future growth could be the retailisation and democratisation of private assets, which is gaining traction. But it’s also important to remember that the retail investor will always have their go-to funds. So Ucits are unlikely to disappear. Many investors will continue to be active in both traditional and alternative investments.

For example, pension funds now allocate more to alternatives, which leads to growth on that side, but they will always have a presence in the Ucits market due to its perceived safety.

Now that alternative investments are being made available to retail investors, many may be unfamiliar with these options compared to traditional assets. Could you provide a brief overview of what alternative investments are, and the risks and opportunities they present?

Alternatives are, as the name suggests, an alternative to traditional assets. They include different asset classes, each operating differently – private equity, real estate, debt funds or infrastructure funds. One key point for investors to consider is the time horizon. Alternative investments typically have a longer period before returns are realised, which means they are less liquid than traditional investments.

They also come with higher risk, which is why these investments are often open to “well-informed” or “sophisticated” investors. There are various risk mitigation measures in place, but it’s critical for investors to be aware of the risks. Regulations around alternatives are robust to ensure liquidity is managed appropriately while allowing the flexibility to invest in illiquid assets. This balance is crucial to ensure that funds can meet redemption requests and pay out investors on time.

Investments in alternative assets in Luxembourg have increased in the last few years. Is that due to the AIFMD in 2013?

Yes, I think that played a significant role. Broadly, what has worked is what we call the “toolbox” – the range of products and structures available, combined with robust regulatory frameworks for investor protection. For example, the introduction of structures like the Special Limited Partnership and the typical GP/LP structure, which are very popular in the private asset world, were major catalysts. Additionally, the creation of the RAIF and similar initiatives further built on this foundation, driving growth in the sector.

It was vital to have the right corporate structures, regulatory frameworks and a supportive ecosystem, including service providers, administrators and banks, all working together to offer comprehensive solutions to clients.

What impact do you think the new Eltif regulation might have? It aims to increase retail investor interest and has been described by some as a bridge between Ucits and alternative investments.

I would describe it as taking a middle path. It’s somewhat of a “wait and see” situation right now. We want it to be successful, and steps have been taken in that direction. So you could call it a bridge, but I’d frame it more as finding a middle ground that helps connect the two worlds.

Success with Eltif would provide access to a broader investor base, which is key. It’s also about innovation and looking ahead to explore new opportunities. Given the events we’ve gone through – the financial crisis, Covid-19, geopolitical tensions – people’s mindsets about investments have changed significantly.

Additionally, there’s a generational shift in the investor base. Gen Z investors, for example, have a different approach to investing compared to previous generations.

There appears to be a lot more emphasis on sustainability.

Absolutely. There is a significant shift. I say this with some personal insight – my daughter is a Gen Z, and it’s clear that their approach to saving and investing is very different from mine at that age.

They are more likely to prioritise investments that they believe will have a positive impact on the environment, and I think this perspective will be much more pronounced in the future. They are looking for investments that provide a sense of purpose and satisfaction, rather than just financial returns. This is a shift from previous generations and will likely drive new trends in the market.

In the last decade, there was a boom in ESG (environmental, social and governance) investing, but we have seen a lot of fund managers exit ESG investments in the last couple of years.

Yes, and that’s why regulation is so important. We’ve heard a lot about greenwashing. So, you need to practice what you claim. It’s crucial to be transparent and genuine about ESG commitments. Recently, we’ve seen many firms reclassify their investments under the Sustainable Finance Disclosure Regulation, which shows the limitations they face. For example, in private assets, you might want to pursue certain ESG goals, but you don’t always have the right investment universe available to do so. So, there’s room for growth and adaptation here.

A key issue with ESG investing has been the difficulty in verifying claims. Carbon credits, for example. How do we know if a tree has actually been planted in Brazil? How do we build that transparency and trust?

It will likely start with regulation. There must be a framework that forces transparency, and then it will become a matter of practice. This is why addressing greenwashing is so crucial – companies need to genuinely “walk the talk”.

You think regulation needs to compel companies to act responsibly in the beginning?

Yes, in a way, it does. It’s like a school scenario – if there’s a penalty for not doing something, you’re more likely to do it. It’s unfortunate, but I guess that’s how human tendency is.

So, more “stick” than “carrot”?

Yes, exactly. If you rely too much on incentives, you might not get the desired results. Sometimes a firmer approach is necessary. It might sound old-fashioned, but it seems to be the reality, especially given recent developments in ESG

NET ASSETS UNDER MANAGEMENT IN LUXEMBOURG (IN EUROS BILLION)

Source: Alfi

KAVITHA
RAMACHANDRAN

CV

PERSONAL DETAILS

- Born and raised in India
- Moved to Luxembourg in 1996

EDUCATION

- ACCA – Association of Chartered Certified Accountants, UK
- Postgraduate Diploma in Garment Manufacturing Technology – National Institute of Fashion Technology, New Delhi
- Cost & Works Accountant – Institute of Cost & Works Accountants of India
- Bachelor of Commerce – University of Madras, Chennai

CAREER

- Chief Operating Officer for Luxembourg and member of the group executive committee – Apex Group
- Head of Business Development & Client Management for Continental Europe – Maitland Group
- Early career at Liberty Ermitage

PROFESSIONAL MEMBERSHIPS AND POSITIONS

- Member of the Board of Directors of the Association of the Luxembourg Fund Industry (Alfi)
- Fellow of the Association of Chartered Certified Accountants, UK
- Board member of several Luxembourg-domiciled investment funds

OTHER INTERESTS

- Radio host promoting South Asian music at Radio Ara
- Long-distance running, hiking and avid cricket supporter
- Volunteering with a school in India for disadvantaged students
- Supporting Think Pink Luxembourg

“Regulation is necessary

Kavitha Ramachandran

investing in traditional assets. So, yes, regulation is essential.

But at the same time, you have to be careful to not have too much regulation. That can stifle creativity and crush innovation. It’s about finding the right balance. That’s why maintaining a dialogue with regulators is vital – they need to understand the industry’s perspective. We need clear boundaries, but there must also be flexibility within those boundaries to foster growth and innovation.

Can responsible investing deliver returns comparable to those of traditional investments? Some fund managers have moved away from ESG assets, arguing that they don’t offer similar returns.

It may take some time. Once the investment universe for responsible assets is fully developed, we could potentially see returns improve. But at present, it might be challenging. However, it’s also about balancing returns with ethical considerations. It’s a matter of finding the right balance between the two.

Do you think both – returns and ethics – are equally important?

Yes, I think so. It’s a tough balance to achieve, but both are important. It also highlights the skill of the manager in balancing these priorities and finding innovative ways to deliver on both fronts.

What are some of the major challenges you see for the alternative investment industry in Luxembourg?

There are several challenges. First, we have to consider geopolitical factors. These days, what we used to call “black swan” events seem to occur more frequently. They are no longer as rare as before. While we can’t predict every event, resilience and the ability to adapt quickly are crucial for businesses.

Second, there’s the regulatory landscape. As we discussed earlier, regulation is necessary, but it shouldn’t stifle innovation. Finding that balance is important.

Third, talent is a critical area. Ensuring that we have people with the right skills and that we are continuously developing them is essential. There is a noticeable generational shift happening, and we must focus on attracting and nurturing the next generation of talent.

How do you see the digital assets sector evolve in Luxembourg?

With supportive regulation, including laws around distributed ledger technology and blockchain, Luxembourg is well-positioned to innovate in areas like tokenisation of assets, which could change how securities are managed and traded. This could streamline processes by reducing the need for intermediaries and enhancing network efficiency.

Luxembourg has been good at finding niches, like steel used in high-rises worldwide and space resources. What niche could Luxembourg claim for itself within alternatives?

I believe the entire alternatives space is open for Luxembourg. It’s almost like having a diversified portfolio of asset classes; some will perform well at certain times, while others may not. The market is cyclical, so it’s important not to put all your eggs in one basket. Having variety and spotting the right opportunities are key to capitalising on different market conditions.

This interview has been edited for length and clarity.

The benefits of private debt for financing the triple transition

Private debt funds are a good alternative to bank loans, promoting sustainable and inclusive economic growth.

Debt funds are known by several names – credit funds, loan funds – but they all refer to the same concept: investors put their money into a fund, which then grants loans to companies or projects, or to buy already existing loans. While public debt is borrowed by government bodies for public development, private debt is provided by private entities. The latter has become a success story over the past decade.

In the past, until the financial crisis of 2008, private loans were largely granted by banks. However, since banks have been subject to stricter capital requirements and in light of tight public budgets, the importance of alternative sources of financing has increased significantly. Private debt offers such an alternative, with various strategies that investors can use to diversify their portfolios.

In view of rising interest rates, debt funds have also been advantageous for investors. Their traditional floating rate exposure provides a hedge against inflation, as the interest rate changes in line with a reference rate (an index, benchmark or general market conditions). This has led to increased interest from limited partners in private credit in recent years, as they seek risk-adjusted returns.

On the other hand, this benefits private borrowers who need money for their financing needs. Middle-market companies gain access to funds they can use to finance acquisitions, carry out restructuring or enter new markets. Infrastructure debt funds typically invest in debt linked directly to projects rather than corporations.

Private debt funds also contribute to reducing systemic risk, as 58% of capital invested in private credit strategies is through closed-ended structures with no maturity transformation. More generally, investors in funds acknowledge the risks they face, unlike bank depositors who are unaware of how their money is being invested by the banks.

Infrastructure debt funds typically invest in debt linked directly to projects rather than corporations

Although financing by debt funds in Europe still clearly lags behind the US, the Alfi/KPMG private debt fund survey of 2023 showed an impressive 51% increase in assets under management compared to the previous year, reaching a total of €404.4 billion. Among the fund companies launching credit funds in Luxembourg are illustrious names such as Ares, Blackstone, Goldman Sachs, Pemberton and Apollo.

In terms of trends, the revised Eltif regime is likely to contribute to further growth. As from April 2026, funds launched in the EU will benefit from a cross-border lending passport, marking a further stage in the Capital Markets Union.

Private debt fund managers are also exploring new opportunities provided by digitalisation and artificial intelligence.

All this contributes to the transition to a more sustainable and competitive economy where everyone is included. The digital, green and social transitions proclaimed by the European Growth Model can only be mutually supportive if the economy is stable and the financing needs of companies are secured. Private debt plays a crucial role in this respect.

Susanne Weismüller,

Senior Vice President Legal and In-house Legal Counsel, Association of the Luxembourg Fund Industry (Alfi)

PAYOFFS FROM MODERN LIFE'S MUNDANE MUST-HAVES

Luxembourg draws institutions leaning into financing electric grids, data centres, water lines and transport for promise of steady returns.

By Emery P. Dalesio
Photos: Anouk Anthony, Marc Wilwert | Graphics: Christian Mertes

Are airport toilets cleaner than they were years ago? If so, at least some of the credit is due to investors who have pumped billions into upgrading assets crucial to modern commerce, a Luxembourg veteran of managing must-have public services said.

You've seen the touch pads displaying smiling and sad faces asking that you describe your satisfaction with the experience. "All that goes into a computer and we have to obtain a certain level of positive responses on the [smiling or] green face if we want to have our bonus under the contract," said Renaud de Matharel, chairman of Cube Infrastructure Managers, one of Europe's earliest investment funds of its kind.

Monarchs, governments and business magnates across centuries funded road, railway and port building. The trend to privatise now includes not only who operates airports and local bus networks but how their creation and expansion is financed. Private infrastructure investments have more than tripled since the global financial crisis in 2008, according to Prequin, a private markets data provider.

Prequin and others project that infrastructure will be one of the fastest-growing segments of the capital markets, powered by multiple megatrends. They include pension funds pressured to keep up with needs of ageing populations, government budgets too overstretched to borrow heavily for needed infrastructure, and the new-in-our-lifetime urgency to save the world by cutting fossil fuel emissions.

The future's very high costs include fibre-optic data lines and towers of computer servers needed to deploy digital technologies, such as artificial intelligence. Europe especially is demanding fleets of electric trains and buses for cleaner mobility, and hydrogen pipelines to distribute cleaner fuel. Then there are water treatment systems, hospitals, semiconductor plants, LNG tanks, battery storage, carbon capture technology, wind turbines, cold-storage warehouses and solar power farms.

It will take worldwide investments of more than \$200 trillion (€179 trillion) – beyond the World Bank's estimate for all global economic activity in 2023 – to eliminate carbon emissions by 2050 and hold global warming below catastrophic levels, according to Bloomberg New Energy Finance, a research arm of the news and information company.

"Nobody can do that alone. You have to be doing government and private. This is a once-in-a-lifetime opportunity," said Rosa Villalobos, who heads the Luxembourg office of Macquarie, the world's largest infrastructure investment manager.

Meeting the EU's green-energy goals for 2030 needs more than €620 billion in additional funding every year, requiring it to attract private investments, the European Commission said in 2023. To unleash that money, the commission should reconsider regulations on insurance companies and pension funds, a long-range outlook by former Italian Prime Minister Enrico Letta published in April said.

A high-speed rail connection between Sevilla and Madrid in Spain is one of the EIB's flagship infrastructure projects in Europe | Photo: Shutterstock

LURE OF LUXEMBOURG

Even without any specific efforts to lure them to Luxembourg, dozens of firms have launched hundreds of infrastructure investment funds. Eight of the top ten infrastructure firms have funds domiciled in Europe's investment fund capital, according to Luxembourg for Finance. They include giants of the field like Macquarie, Brookfield, EQT and BlackRock.

About €104 billion of the more than €2 trillion in alternative investments managed from Luxembourg last year were focused on infrastructure, according to national financial regulator CSSF. That was up from €69 billion in 2022 and €44 billion in 2021, the CSSF said.

Luxembourg's all-purpose buyout behemoth CVC Capital Partners has jumped on the trend. CVC this summer closed on one of the largest infrastructure firms, DIF Capital Partners, while also buying a UK-based company that repairs and maintains water, energy, telecom and transport infrastructure.

"Infrastructure continues to be the rising star," said David Zackenfels, a senior vice president at the Association of the Luxembourg Fund Industry (Alfi).

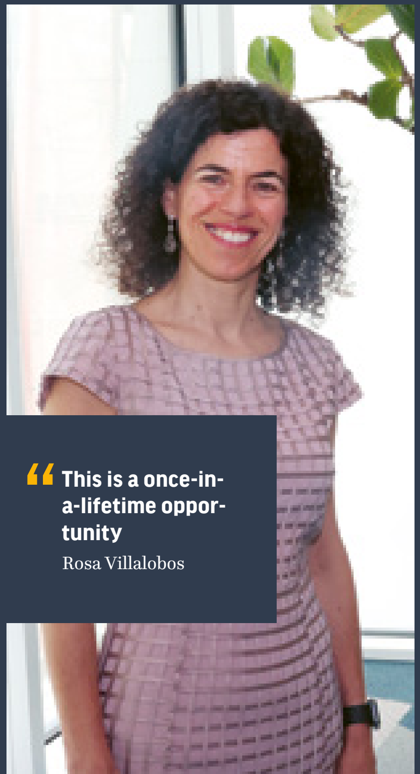
For investors, infrastructure assets are attractive because they tend to maintain steady demand, long operational lives and stable cash flows. Hardware like water and electrical systems are core public services whose operation and collected fees are seen as safely regulated, generating predictable streams of revenue through long-term operating contracts. Other infrastructure – like toll motorways, tram lines and electric vehicle charging stations – can have more variable demand and thus pose greater investor risk.

Whether regulated by a public authority or simply grabbing a central role in an open market, infrastructure assets are positioned to consistently pass along inflationary costs to their customers. High barriers to entry mean big, costly projects also tend to be protected from competitors. "As you can imagine, you cannot put [in] pipelines for gas distribution or water distribution easily," Villalobos said.

Luxembourg, which is free of the heavy public debts facing France and Belgium, also plans to examine how to grow with private money, according to the coalition agreement struck last November. The Grand Duchy's government foresees extensive infrastructure spending on wastewater and drinking water plants, energy storage, the electricity grid, heating networks, clean hydrogen production and distribution, hospitals, schools and police stations, the parties agreed.

EIB HEAVYWEIGHT

Infrastructure's growth in Luxembourg is due in part simply because it is Europe's capital for all kinds of investment funds. The country is also home to one of the world's largest infrastructure investors – the European Investment Bank.



> "This is a once-in-a-lifetime opportunity
>
> Rosa Villalobos

> "Infrastructure continues to be the rising star
>
> David Zackenfels

It annually pumps hundreds of millions of euros into infrastructure in Europe and abroad.

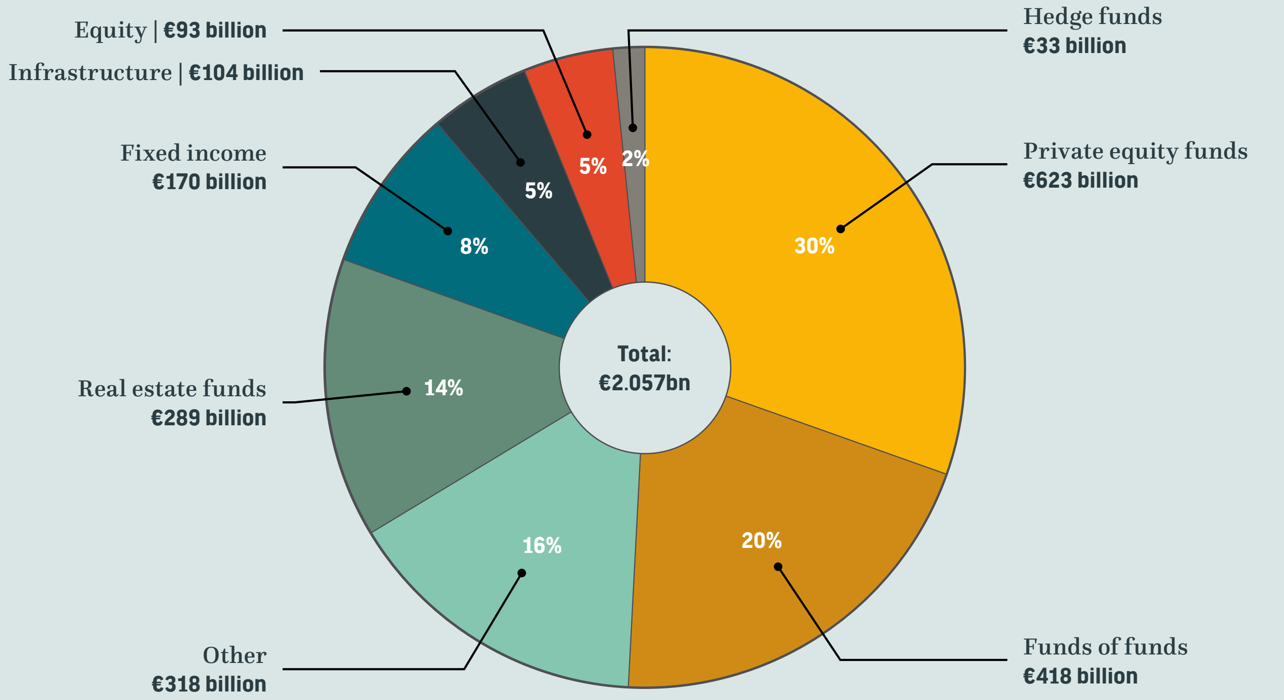
The EIB works indirectly, through asset fund managers like Cube and its rival Marguerite, which buy into companies aiming for sharp management decisions and infusion of growth cash to increase their value. The two infrastructure firms are among the 100 largest worldwide and the few actively managing their portfolios from Luxembourg.

The EU's investment bank also directly backs new projects, like a Bavarian gas pipeline or an undersea cable between EU countries and North Africa. "Global infrastructure managers know Luxembourg and use Luxembourg structures because the European Investment Bank plays a key role in financing large infrastructure investments," Alfi's Zackenfels said.

Marguerite was born in Luxembourg in 2009, when the EIB and state-connected banks from five EU countries pooled €600 million to support new or growing companies advancing the bloc's transport, energy and renewables goals. Modern infrastructure is correlated to higher productivity and economic growth.

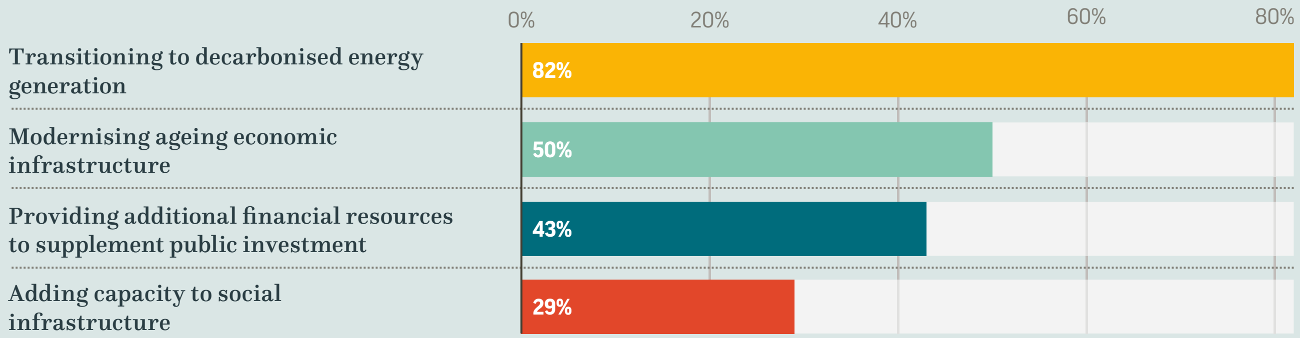
"We are here to work on behalf of our investor [to] try and find where the risk is mispriced in order to get the additional return that will be there because you have a better understanding of the situation," Marguerite Managing Partner Michael Dedieu said.

INVESTMENT STRATEGIES OF LUXEMBOURG ALTERNATIVE INVESTMENT FUNDS, 2023



Source: CSSF, Alternative Investment Funds Managers reporting dashboard 2023

INFRASTRUCTURE FUND MANAGER PREDICTIONS FOR MAIN INVESTMENT DRIVERS IN THE NEXT 10 YEARS



Source: Preqin fund manager survey, November 2023

One of its first investments was in 2013 after it weighed whether to jump into a €1.3 billion offshore wind farm in Germany's North Sea, Dedieu said. "There was a perception in the market that offshore was very risky, especially from a construction perspective," he said. The firm helped assemble needed investors, pushed the project to the launch of operations in 2015 and watched over it until selling its 22% stake last year.

The experience proved offshore turbines were not so risky to build "and then it flooded with many financial investors, including pension funds investing directly, not through [managers], a huge amount in offshore wind," Dedieu said.

"We are here to work on behalf of our investor
Michel Dedieu

Margarite's many environmentally friendly plays include buying two-thirds of the French workboat company behind the special cargo ship ferrying Ariane 6 rockets from Europe to their French Guiana launch site. Its four Kevlar sails catch enough ocean winds to cut engine consumption by up to 30%, Dedieu said.

Cube launched in 2007, moving from France to Luxembourg because the country allowed investment vehicles to be structured for longer than a decade, its chairman said. Cube is invested in companies that hold contracts to operate public bus services in France, Denmark and Sweden, fibre telecommunications networks in Italy, and electric vehicle charging stations in Norway. "We buy control in operating companies that have existing infrastructure assets, where we believe that their business is going to grow because it requires a lot of capital expenditure and that we are uniquely positioned to take benefit of this expansion requirement," Cube's de Matharel said.

Know-how gained from Norway and Belgium – replacing diesel buses with costlier electric vehicles that need recharging and revamped scheduling while also offering timely service and clean equipment – is beyond the scope of most public operators, de Matharel said.

DOWNSIDES

But like everything, infrastructure investing has its downsides. "There have been abuses by the private sector on the way they've been extracting profits of the contracts they were entrusted with," de Matharel said, referring to managers who borrowed in the name of an essential public service provider and then paid investors a special dividend.

In some cases, financial trouble followed and public authorities were forced to step in to continue the necessary service. "When that happens, our reputation as an industry is badly affected. Unfortunately, it happens," de Matharel said.

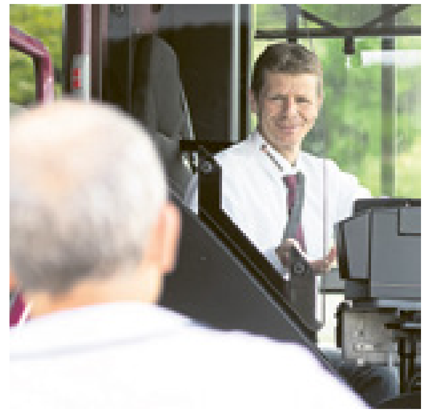
Without him mentioning anyone, that seems to describe Macquarie's ill-starred ownership of the UK's Thames Water, the country's largest water company with 25 million customers. The utility's debt tripled in the 11 years before Macquarie sold its final stake in 2017, the *Financial Times* reported. Meanwhile, nearly £5 billion (€5.9 billion) was taken out in dividends and loans during that period, although Macquarie said it spent £11 billion (€13 billion) from customer bills on improvements. Despite that, Thames Water polluted rivers with sewage. Villalobos defended Macquarie's work. "If you think of who are our investors, they are institutional investors. They are pension funds. Where is that money going back to?" she queried. "People. Pension money."

Investors also may not be getting the promised returns from the closed-end infrastructure funds commonly used, researchers from the universities of Luxembourg and Stanford argued in 2021. Those time-limited funds on average failed to deliver expected returns and were as volatile and sensitive to business cycles as other private equity options, their study found. "The failure of closed funds to match investor expectations and the underperformance of public investors imply that society runs the risk of not being able to attract sufficient capital in competitive private markets to cover the infrastructure funding gap," the study said.

Emile Weber

Innovating for sustainability

"Innovation, particularly sustainability innovation, requires much more than just buying new technology," said Luc Miller the head of Marketing and Communication with one of Luxembourg's leading mobility and travel firm Emile Weber. Organisational innovation driven by a motivated, skilled workforce is at the heart of putting the customer first.



While the Emile Weber group offers services ranging from the innovative WEBTAXI platform, leisure and business travel agencies, and vehicle rental (including camper vans, coaches with drivers, minibuses, vans, and commercial vehicles), its principal activity is the bus fleet it operates on behalf of Luxembourg's local authorities. Making these services as efficient as possible is central to the firm's philosophy.

Managing an EV bus fleet

Of the more than 1,600 vehicles they operate, about 250 are fully electric, with this share increasing as they grow and modernise the fleet. However, making these hardware investments is the relatively easy part. They have to ensure that each vehicle's battery has to be charged to just the right level for the day ahead, and that the drivers are trained to help maximise range.

Buses serving towns benefit from the regenerative braking systems that keep batteries topped up, but there is a different dynamic for vehicles serving hilly rural areas. Each bus battery needs to be charged to the most appropriate level, balancing the needs of each vehicle with the supply of energy to Emile Weber's charging depots.

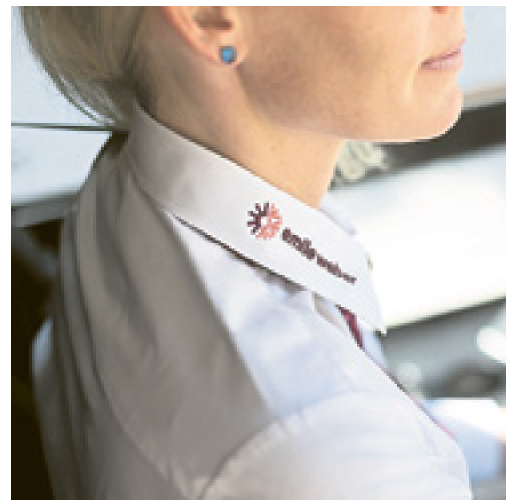
Smart charging technology

"We use 'smart grid' together with 'smart charging' energy management techniques with charging carried out mostly at night," said Mr Miller. Most of this is managed at the firm's main depot in Canach, supplemented by substantial infrastructure around the country. The vehicles communicate with a central charging management system which calculates their energy needs for the following day. These plans are put into action overnight, with buses then parked ready for drivers to make the first trips of the day in the early hours.

Thus Emile Weber buys an optimal amount of electricity at lower nighttime rates, using a system designed and managed in partnership with a local power supplier. To this is added the electricity they generate themselves from the photovoltaic panels they have installed in their premises around the country.

Employee buy-in

Ensuring that trained employees buy into this philosophy is the final piece of this sustainability jigsaw. "It is motivating for our staff to know the company puts sustainability at the heart our activity, and, for example, this encourages them to embrace the energy conserving driving-training we provide," Mr Miller added.



The crypto assets landscape

Three key figures from the crypto assets industry in Luxembourg share their impressions about the possibilities that the growing industry could open, with upcoming regulatory changes set to mark a pivotal point for the industry in Europe and Luxembourg.

By Kabir Agarwal | Photos: 6Monks, Homsy Legal & Bitstamp

Crypto assets have emerged as a relatively new asset class since Bitcoin appeared on the scene in 2009. Since then, however, the space has grown and evolved substantially. The global market capitalisation of cryptocurrencies today is €2.02 trillion and is growing rapidly, although volatility remains a key feature of the market.

The cryptocurrencies market is expected the be valued at €9 trillion by 2030 growing at a compounded annual growth rate of 28%, according to research by the crypto exchange OKX and *The Economist*. In Europe, too, the cryptocurrencies market has grown significantly in the last few years. It is now the second-largest cryptocurrency economy in the world, behind only North America. Between 2022 and 2023, Europe accounted for 17% of global transaction volume, underscoring its importance on the global stage.

Historically, cryptocurrencies were primarily adopted by individual investors, with institutional players remaining on the sidelines. But this is now beginning to change.

Last year saw increased mainstream acceptance. A significant milestone was the US Securities and Exchange Commission's (SEC) approval of Bitcoin and Ethereum exchange-traded funds (ETFs), signalling the traditional financial sector's growing adoption of crypto assets.

This institutional involvement is expected to drive further expansion in the crypto market. Projections in a ResearchAndMarkets report suggest that the global crypto asset management market could quadruple by 2030.

For Luxembourg, a country with a prominent position in the European and global fund industries, this presents a substantial opportunity.

A 2023 survey commissioned by the Luxembourg House of Financial Technology found that 19% of industry professionals in Luxembourg view the Grand Duchy as a leading player in the global crypto space, trailing only the US, Switzerland and Singapore.

Luxembourg should do more and adopt a more proactive approach in the crypto domain, said 82% of respondents, while 39% saw significant potential in the global crypto assets industry.

Three experts working in the crypto assets space spoke to the *Luxembourg Times* about the ecosystem, opportunities, regulatory landscape and future possibilities.

All three see the upcoming implementation of Markets in Crypto-Assets Regulation (Mica) as a pivotal moment for the industry in Europe and Luxembourg.

There is also consensus that Luxembourg has the wherewithal to emerge as a major player in the global crypto assets space.

DIGITAL DOSSIER

"Luxembourg has all the features and maturity to be the leader in the fund industry dedicated to crypto"

The entrepreneur

Julien Wolff is head of risk management at 6Monks, the only authorised alternative investment fund manager in Luxembourg which can provide tailored services to third party funds with investment interests in crypto assets, private equity and Web3.

What are the origins of 6Monks?

6Monks is a very young company and I joined the project at the very beginning. I began exploring the world of crypto assets in 2018. Personally, I found it fascinating and professionally, I was convinced that crypto as an investment would have a huge impact on the fund industry.

If we draw a parallel to the early days of alternative investments, particularly around 2012, that expansion revolutionised investment assets. I believe crypto is on a similar path and will become a significant asset class as it offers diversification benefits.

How and where do you see crypto fitting into the broader alternative investment world?

Those within the crypto ecosystem are confident about its adoption. The timeline may be a bit uncertain due to various factors, like macroeconomic conditions. But if we consider that crypto could represent, let's say, 5% of the European market, that's already a €500 billion market. The opportunities are massive.

Regulatory advancements like Mica will accelerate institutional adoption, and the ecosystem is ready. A recent example is the success of crypto ETFs, like those from BlackRock and Fidelity, which have attracted significant investment.

What role does 6Monks play in the crypto assets market in Luxembourg?

We are an alternative investment fund manager (AIFM), directly supervised by [financial sector regulator] CSSF. We provide services to third parties and manage third-party funds. So, if an asset manager wants to set up a fund and if they wish to have the most robust framework attracting institutional investors, if they want to do their business in a regulated way, they need to appoint an AIFM like 6M.

The crypto market has historically been dominated by offshore funds, which struggle to attract European investors due to regulatory constraints. Now, with 6M, we can manage these funds in a regulated way, making them more attractive to institutional investors.

We are the first and currently the only one to have the AIFM licence in the digital assets space in Luxembourg.

What kinds of clients are you attracting?

We're seeing interest from two types of clients. First, there are those asset managers who are native to the crypto ecosystem and who have so far managed investment vehicles in an unregulated way and now want to transition to a regulated framework. Our role is to help them navigate this shift.

We also have traditional finance players, like those specialising in foreign exchange instruments, and are now looking to expand into crypto. They see the demand from their clients and need a partner like us to launch regulated crypto investment vehicles.

What kind of space can Luxembourg carve out for itself globally in crypto assets?

We have all the features and maturity to be the leader in the fund industry dedicated to crypto. We do have some competitors, like Ireland. But we have the advantage of having an established fund industry that can really use this expansion for its benefits. So, I would say Luxembourg can become the EU hub for alternative funds in the crypto space.

The legal expert

Biba Homsy is a lawyer specialising in crypto-asset and compliance matters. She leads the law firm Homsy Legal in Luxembourg and Switzerland and is the president of LëtzBlock, an association devoted to the crypto asset ecosystem.

"Mica will simplify operations but will also bring new challenges, especially for smaller players"

What are the current legal frameworks governing crypto assets in Luxembourg?

Until March 2020, there was not a specific framework for virtual [or crypto] assets. Then the law of 2004 on the fight against money laundering and terrorist financing was amended to capture new activities based on virtual assets, such as brokerage of crypto-to-fiat exchanges, transfer of crypto assets, custody or safekeeping.

Those providing these services were then required to register with the CSSF as a Vasp [virtual asset service provider]. However, a new EU regulation has since been adopted, the Markets in Crypto-Assets Regulation (Mica). It will come fully into effect in January. This will allow for transition of Vasps to Crypto Asset Service Providers for which they will have an 18-month period.

How will Mica change the regulatory environment?

I think the big difference is that EU jurisdictions will have a regulation that will apply uniformly across the region. This creates a level playing field across EU jurisdictions, which is beneficial. It also introduces the so-called "passporting", meaning once a company is authorised in one EU country, it can provide services across the region without needing separate authorisations in each country.

This will simplify operations but will also bring new challenges, especially for smaller players, who may find it difficult to meet the comprehensive requirements Mica imposes. Some of these include extensive compliance requirements not only in the field of AML/CTF, but also in the field of managing conflict of interest, best execution and market abuse.

How does the regulatory environment in Europe and Luxembourg compare with that in other countries?

In the EU, regulations are more text-driven, while in the US, the regulatory landscape is more complex with multiple authorities involved. Each state in the US can also have its own regulations, adding another layer of complexity.

Other countries, like those in the Asia-Pacific or Middle East and North Africa regions, have taken different approaches, often creating specific frameworks for crypto. It is a constantly evolving landscape.

Do you think European regulation has caught up with market trends, or is it still catching up?

It is catching up, but that is not necessarily a bad thing. In such a rapidly evolving field, it is difficult for regulation to be ahead of the market.

The development of ETFs in the US and similar products in the EU shows that the market is moving fast, but regulation needs to find the right balance between enabling innovation and protecting investors.

How do you see the regulatory environment evolving for crypto assets in the next two to three years?

Mica will start applying from January 2025, with an 18-month transitional period. By July 2026, the focus will shift to ensuring compliance with the new regulations.

The market practice will evolve as regulators and the industry work out the practical details. The regulation is just the beginning. It will be very interesting to see how it is implemented one year later.

The established player

Jean-Baptiste Graftieaux is the chief executive officer at Bitstamp, a global cryptocurrency exchange registered in Luxembourg. It was set up in 2011 and now has 5 million customers worldwide.

Bitstamp is one of the oldest crypto exchanges in the world. How has the journey been over the last 13-14 years?

We have been around since 2011 and have grown and evolved with the market. When we started 13 years ago, we were processing about $20 million (€ 18 million) daily in terms of trading activity. Now, we process between $500 million and $2 billion daily. We started with 20,000 customers and today, we serve about 5 million customers. We've seen the market's ups and downs, but we've remained resilient and in a strong position to serve both retail and institutional clients.

How has Bitstamp avoided some of the troubles that other exchanges like FTX have faced?

Since the early days, we've been regulatory-first and security-first. We were the first crypto exchange in Europe to get a license in 2016 and today, we hold 53 licenses worldwide. For us this is very important because it shows how strong we want to be in compliance. A third of our employees work in compliance, legal, regulatory, data protection, security and audits. This approach has helped us avoid the issues that other exchanges have encountered.

How should investors think of crypto assets in a portfolio, given the volatility?

It depends very much on individual risk appetite. That also tends to attract traders who can make a lot of money by taking advantage of the price movements. On the other hand, there are also more stable options like stablecoins, where there is zero volatility.

Last year, the Securities and Exchange Commission in the US granted approval to Bitcoin and Ethereum ETFs. Is that going to pave the way for more mainstream crypto adoption?

Yes, ETFs will support broader adoption, particularly for investors who might not want to directly interact with crypto exchanges but still want exposure to crypto. It will add more investors to the market. The introduction of ETFs for assets like Bitcoin and Ethereum, and potentially others like Solana, is bringing a new class of investors to the market, which is very exciting.

How do you think new regulatory requirements like Mica will impact Bitstamp?

Mica will simplify things by allowing us to obtain one licence in an EU country and then passport it across all member states, similar to how banks and payment service providers operate. This will make it easier and less costly to operate across Europe. We're very supportive of Mica and see it as transformational for the market and Bitstamp. Since we've been regulated for eight years, the shift to Mica will be a relatively smooth transition for us.

What can you tell us about the deal with Robinhood?

Bistamp is going to be acquired by Robinhood. We are going through the regulatory approval processes. So, we will be part of the Robinhood family at some point in 2025. It is quite exciting both for us and Robinhood as they are extremely strong in the US and they were interested in Bitstamp because of our European footprint. Robinhood does not have their own crypto exchange. Their goal is to have Bitstamp as a crypto exchange being core to their crypto business.

"A third of our employees work in compliance, legal, regulatory, data protection, security and audits"

AI gets fund professionals to focus on core business

Luxembourg can use artificial intelligence in the alternative investments industry to its advantage, says L3A President Alan Dundon.

By Duncan Roberts | Photo: Alain Piron | Graphic: Christian Mertes

In Luxembourg, as around the world, the inevitable growth in the use of artificial intelligence is set to transform the way that the financial services industry operates.

To what extent that will lead to greater efficiency and increased business, maybe through the democratisation of access to funds, remains to be seen. Many industry players and analysts agree, though, that AI could eventually have an effect on employment levels as well as the very nature of jobs within the industry.

Alan Dundon, president of L3A (the Luxembourg Alternative Administrators Association), is positive about the implications of AI for the alternatives sector, and he is certainly not worried that new technology will take away jobs in the industry. "All I see is better quality of decision making, and a move up the chain in terms of what people are doing; away from data input and more into analysis and allowing them to focus on their core business and what really matters."

That is backed up by a recent white paper, *The AI Revolution in Financial Services*, produced by market analysts Vital Briefing.

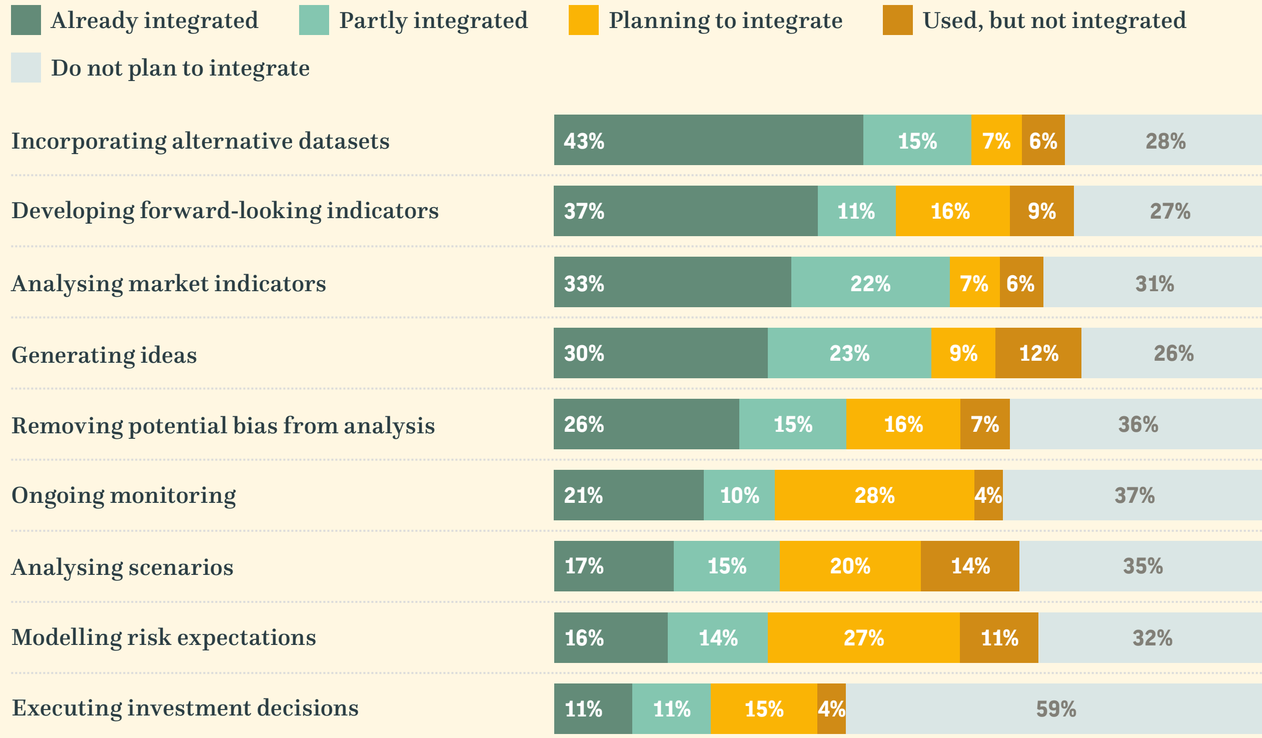
"Enthusiasm for the efficiency gains offered by AI is equally evident in Luxembourg, where the technology appears to offer at least some help in addressing the acute shortage of skills in key areas for the financial industry," writes the paper's author, financial journalist Simon Gray.

L3A President Alan Dundon says AI will ease the pressure on human resources growth

"All I see is better quality of decision-making, and a move up the chain in terms of what people are doing"
Alan Dundon

DIGITAL DOSSIER

HOW DO COMPANIES INTEGRATE AI APPLICATIONS IN INVESTMENT PROCESSES? (COMPANIES THAT CURRENTLY USE AI)



Charts do not add up to 100% due to rounding | Source: Mercer AI integration in investment management 2024 global manager survey

Dundon is keen to cite a widely published forecast of 50% growth in worldwide alternative assets under management in the next five years, from $16 trillion to $24 trillion. "That's an important number. It comes from [London-based investment data company] Preqin, and they are very well respected," he said. "It's good to have that independent marker out there."

Luxembourg's position as a leader in alternative investments will allow it to take a good chunk of that growth, he believes.

The Grand Duchy's financial centre has a significant head start on its main rival in the alternatives sector, Dublin, because it has a well-established ecosystem and it is well-regulated, well-resourced and has a broad level of experience, said Dundon. That makes it "pretty natural for Americans, the UK, Asians, anybody who's looking to do something in Europe, to track into Luxembourg," he said. If the Grand Duchy is to take full advantage of the impressive growth forecast by Preqin, then it will need additional human resources. On the other hand, if the industry is able to change its operational model in a couple of ways, then the additional human resources needed to meet the growth in assets will not be so great, and certainly not 50%, Dundon argues.

"Firstly, we can become more efficient, and that's centred around technology and AI. And secondly, something that has already been happening for a long time, is, how do we offshore some of the activity to other centres but keep them under the control of Luxembourg? I think without that happening, at some point you have to start saying to clients, sorry, join a queue and wait until next year to launch your fund."

But Dundon is optimistic that the combination of offshoring, while complying with regulators, and using AI and automatisation can help attract talent to what would be the more analytical and higher-level roles in the industry. Automation, of course, does not necessarily mean using artificial intelligence. Technology has steadily changed and progressed since Dundon first entered the industry some 30 years ago. "Back then you would spend a lot of time producing accounts. These days your set of accounts gets produced by the system and somebody reviews it. But that's automation, not AI."

Indeed, AI covers a lot of areas including generative AI, large language models and machine learning models. Nine out of ten managers are currently using (54%) or planning to use (37%) AI within their investment strategies or asset class research, according to a 2024 global management survey by Mercer Investments, *AI integration in investment management*.

As for reports that AI will lead to democratisation – a word he professes to hate – Dundon thinks that new technology will be useful in helping with reporting and communicating. "It has to, because as you get more people investing, it gets more difficult to dedicate time talking to them."

More confidence

Gray, too, thinks AI will make tools available to the wider public. "And it will also lower the cost of investment, whether it's alternatives or traditional investment, which has always been something that has put off a lot of people."

Access to AI will give retail investors more confidence in being able to align their risk profile perfectly with their investments, he said. "That's possible, obviously, at the moment, but you're kind of trusting advisors and wealth managers and, as everyone knows, they have their own interests."

As more and more clients become familiar with AI – and as the cost of not using AI becomes obvious and scepticism will diminish – they will start asking real questions about its use. "I mean, it is a technology that's highly accessible in some form or other," Gray said. "So, people won't be impressed simply by the term AI. Clients will want to know precisely what firms are doing with AI, and how is it helping them."

AI could also be useful in the fundraising phase, especially as new products such as Eltifs (European Long-term Investment Funds) come online, said Dundon. "We're no longer talking about 20 investors; we're talking about possibly 20,000. Then you can't go off on roadshows and go and sit down with somebody and explain the product to them. If you want to retain that kind of tailored response to investor questions, you will need to use AI."

Temptation to 'over engineer'

But the L3A chief is also wary of the temptation of allowing use of AI to "over engineer" processes. "AI allows you to look at thousands of data points, whereas in the past you may have looked at 20. What you don't want to do is take three times as long to make what is potentially a better decision."

The Mercer report reveals that 65% of managers already using AI have fully (43%) or partly (15%) integrated capabilities to incorporate alternative datasets, or are planning to do so (7%). They are "filling data gaps across areas including sustainability factors and potentially improving insight into fundamental values," the report's authors say. More than a third (37%) use AI to develop forward looking signals, while a third (33%) use AI to analyse market indicators, the report states.

More than half of managers surveyed by Mercer have also already fully or partly integrated AI to remove potential bias from analysis, or plan to do so. This, the authors say, could be through careful data collection that aims for representation, data augmentation to balance underrepresented data classes, use of fairness metrics to evaluate and adjust datasets, and the involvement of domain experts and diverse teams in data preparation.

"Of course, we need to address concern about biases and ethics, but let's be real – I worry more about the biases and ethics of people than I do about ChatGPT," Nasir Zubairi, CEO of the Luxembourg House of Financial Technology (Lhoft), told Gray for the Vital Briefing white paper.

Zubairi and others, including Claude Marx of Luxembourg financial regulator CSSF, warn of the dangers of AI regulation being overbearing and of the EU rushing into creating rules before there is a full understanding of what it entails. "We may end up with a rocket ship capable of interstellar travel, but our concern about risk will limit it to taking tourists between Luxembourg and Mallorca at the speed of a snail," the Lhoft CEO said.

"Clients will want to know precisely what firms are doing with AI, and how is it helping them"
Simon Gray

The future of finance is being written in code

The financial landscape is changing rapidly, and this change is happening in code. This is a profound reality that captures how technology is transforming the world of finance. The very essence of finance is evolving.

Traditionally, finance has been about numbers, statistics, risk management and market predictions. Now, it's increasingly about lines of code, cryptographic protocols and machine learning algorithms. We are shifting from pen and paper to a new digital script, where the subtleties of our financial transactions are embedded in the algorithms that power them.

With this shift comes a new reality: the skills required for a career in finance are rapidly changing. The traditional banker's toolkit – filled with knowledge of financial instruments, regulation and market analysis – now needs to include proficiency in coding languages, data science and cybersecurity. "Quants" and "coders" are becoming frontline in the financial industry, building the systems that automate interactions, enhance data into valuable information and provide the competitive edge to institutions.

Digitalisation does come with challenges. For one, the demand for tech-savvy finance professionals is outstripping supply. The demand for people with strong technical and financial skills is rising as both traditional institutions and fintech companies seek to incorporate new technologies. This combination of abilities is becoming more than merely desirable; it's becoming essential.

Consider the emerging role of "fintech translators" – experts who bridge the gap between complex technology and traditional financial practice. These people will be essential in bridging the gap between institutional strategy and the language of algorithms and technology in the financial services industry, while also making sure that innovations comply with ethical and legal standards. This new environment requires a different kind of adaptability. In

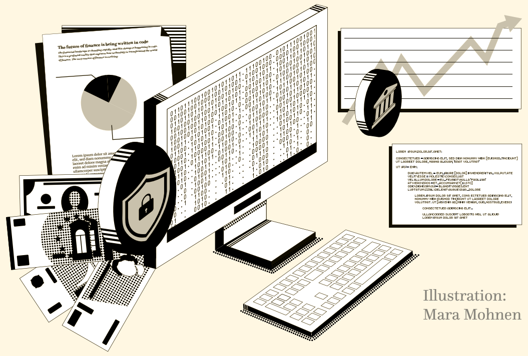


Illustration: Mara Mohnen

New technologies are changing finance

addition to being up to date with technology, professionals need to predict how new developments will alter competitive dynamics, customer expectations and the regulatory landscape. The ability to navigate these changes will separate those who thrive from those who merely survive. As Peter Drucker once said: "The greatest danger in times of turbulence is not the turbulence – it is to act with yesterday's logic."

The financial sector is not just adopting new technologies; it's being transformed by them. As participants in this digital revolution, we must recognise that the success of tomorrow's finance professionals will hinge on their ability to master both the old and the new. As we look ahead, it's clear that the future of finance will be one of continuous innovation, demanding a blend of technical prowess, ethical insight and strategic foresight. In the end, it's not just about understanding the code but about understanding how it will shape our financial future. The story of finance is evolving, and it's up to us to ensure that this new chapter is written with both clarity and purpose – in code.

Nasir Zubairi
is the CEO of the Luxembourg House of Financial Technology (Lhoft)

Bumpy ride for real estate investors nears end

Rising interest rates impacted sector profoundly, but investors also look nervously to a floated rent cap.

By Yannick Hansen
Photos: Marc Wilwert

Luxembourg's real estate industry has been on a rollercoaster ride. First came the steep ascent that lasted for decades and saw double-digit growth, powered by all-time low interest rates that caused valuations to soar. Then came a sudden and equally impressive drop in property prices and a jump in rents, this time propelled by rates that reached a record high of 4% in September 2023 in the eurozone, just 14 months after hovering at 0%.

That shook all segments of the market, rent and buy, commercial as well as residential properties – but all in different ways.

"Rising interest rates don't stop investment in commercial real estate, but they are a hurdle," said Vincent Van Brée, head of capital markets Belux at JLL Luxembourg. "What was different when rates started rising in 2022 is that they rose very quickly, too rapidly." Leveraged deals suddenly became very expensive for investors and there was no timeframe when rates would stop rising. "For long-term investors who have to allocate a portfolio and might have invested in real estate, fixed-interest investments became more attractive," he said.

The vast majority of commercial real estate transactions in Luxembourg are office spaces, with retail a minority.

Commercial real estate had a turbulent 2023 as investment volumes for Europe were even lower than in 2009, the year after the financial crisis in the United States and Europe. Last year saw investments in Luxembourg of around €800 million and consisted of just one big project in Kirchberg, Van Brée said. That represents almost a two-thirds drop from 2022.

Core transactions – new properties sold to institutional investors – practically did not happen. "We expect this market to recover in the second half of this year, certainly next year," Van Brée said. One notable example is this year's €175 million acquisition of the Royal Park building near Luxembourg City's municipal park by the family office of Zara billionaire Amancio Ortega.

However, so-called valued-added segments, where investors re-fit, modernise and redevelop an existing property, were very active in Luxembourg in 2023. One such example is BGL BNP Paribas' former head office in Kirchberg, Kronos. The site will be completely refurbished to host KPMG's new flagship campus – just across the street from their current HQ.

PANDEMIC LEGACY

The pandemic did not majorly impact office space transactions in Luxembourg. Real estate investments of Luxembourg's €5.6 trillion fund industry held firm over the last two years. Real estate funds held around €131 billion in assets in July, roughly the same as in September 2022, when interest rates started soaring, and up from €87 billion in March 2020, when the Covid-19 pandemic struck the country, according to the latest figures by regulator CSSF.

What the pandemic did do, however, was to turbocharge a trend towards more all-encompassing office spaces.

"Tenants, whether they are companies or government departments, want sometimes less space, but they always want better space. They are very conscious about the building's carbon footprint for one thing. But to attract people to the office you also need top facilities," Van Brée said, referring to companies seeking premises that can have cafeterias, gyms and shared spaces.

Teleworking, which has perhaps been the most long-lasting feature of the pandemic in the business world, also had just a small impact on Luxembourg's commercial real estate market.

In North America the vacancy rate of office spaces is 20%, in Europe it is 7.5% while in Luxembourg it is just 4.5%. "We have an extremely low vacancy rate across Luxembourg," said Pierre-Paul Verelst, head of research Belux at JLL.


Vincent Van Brée | Photo: JLL Luxembourg

Agreements with Luxembourg's neighbouring countries cap the number of teleworking days for the country's 200,000 cross-border workers without risking dual taxation. Only a third of staff in a Chamber of Employees survey published this year said they still regularly work from home.

TRAM SELLS

One of the biggest drivers on the market is the capital's tram that will link the airport to the business district in Cloche d'Or via the city centre from 2025.

"The plans might have looked excessive, but thanks to good ESG ratings and excellent accessibility through the tram, the Ban de Gasperich had decisive advantages to find occupiers," Verelst said. The area around the airport will become equally more attractive, he said.

Findel's shiny new Skypark is one such development. It offers 60,000 square metres of office space and will count Deutsche Bank as one of its tenants when the German lender moves out of its iconic Kirchberg HQ. Other players, such as Ferrero or J.P. Morgan, have already been in Findel for several years.

"In contrast, if you look at other Luxembourg City suburbs, it is a totally different story. It is much more difficult to lease offices in Windhof, Capellen or even Leudelange. It takes much longer to let buildings there than in areas connected to the tram," Verelst said.

Whether that will be enough to bring the commercial real estate market back to where it was remains to be seen. "Demand for real estate will increase compared to last year. There will be more portfolio allocation to real estate investments, but it will take a few months or even a year. Whether they will reach the record levels we saw three years ago, we will see," JLL's Van Brée said.

THINGS TO COME

While commercial real estate was on the downturn, the residential segment had a mixed record since rates started going up. While higher borrowing costs put construction of new rental units practically on hold – and led the government to pour hundreds of millions into buying them up – existing landlords cashed in.

Rents in Luxembourg soared by 10% in the second quarter of 2023 compared to the same time the year before and continued to climb well into 2024, although at a slower pace.

However, investors are still eyeing the segment with scepticism because of floated changes to legislation. The first draft of a comprehensive rental reform included a cap on rent increases at 3.5% of the invested capital, down from 5%. The provision, spearheaded by the previous government, came at a time when the economy was aflush with cheap money and demand for all kinds of housing was vastly outstripping supply. With demand cooling under higher borrowing costs, the new CSV-DP government shelved the measures under the reform that took effect in August.

"It is very clear that provisions in the initial draft law tabled by the previous government, especially the 3.5% cap on rent increases, caused a lot of foreign investors to say that they will avoid the Luxembourg market," real estate lawyer Mario di Stefano said.

"Luxembourg is really a very interesting rental market for investors as we have a high demand and a shortage of housing. But of course, if a draft law says that the yearly return on investment in a rental property is below that of a fixed term deposit account, then it is less interesting for investors," he said.

Earlier this year, the government changed tack and started pouring taxpayer money into the market, buying up unsold yet-to-be-built flats. Alongside the monetary stimulus, the government also enacted a wide range of incentives to stimulate demand in a once-overheated and now barely lukewarm market, such as tax credits for first-time buyers, tax-free rental income from affordable housing and higher tax deductibility on mortgage interest.

The short-term measures announced by the government were "a signal for investors and a step back from what has happened in the past," di Stefano said.

> **"Property owners have a responsibility**
>
> Claude Meisch

"Whether that is enough to lure back some investors is a different question," he added.

However, investors can still expect tighter government control of the rental market. The interior ministry continues work on bringing a law that would tax empty dwellings and constructible land to a vote in the autumn, Housing Minister Claude Meisch told the *Luxembourg Times*.

"We agree with the spirit of that law to force those who hold onto constructible land or empty flats for speculative purposes to either make them available, or to pay higher taxes for keeping them empty," Meisch said in August. "I say that as a liberal, who subscribes to the belief that the right to property is inalienable, but that doesn't apply here. It is about an essential good for the population, and property owners have a responsibility. They must not escape it."

Simon Gorbutt

A WARM WELCOME FOR WEALTH IN NEED OF MANAGEMENT

Luxembourg's wealth management sector has blossomed – but generational, geographical and political changes bring threats and opportunities alike.

By Alex E. Stevensson
Photos: Marc Wilwert & Gilles Kayser | Graphic: Christian Mertes

Luxembourg wants to be the go-to place for people to park their billions as the global wealth management industry balloons. A dedicated law to regulate multi-family offices, however, may have missed the mark, despite being widely applauded, and competitors from abroad are catching up.

As an EU member, Luxembourg's financial sector is closely regulated, and the country has become a wealth management hub even though it is no longer considered a tax haven by industry standards. It has a reputation for stability – as well as for a tax system that remains attractive by European if not by world standards.

"If you want to invest in Europe, you have to invest through a European holding," said Pascal Rapallino, the President of Lafo (the Luxembourg Association of Family Offices) and co-founder and managing partner of Lagonda Advisory. "Luxembourg is one of the best for sure, because I would say it's 'tax efficient'."

Stability is a big draw. "The law will not diverge so much for the next decades. As you know, in France sometimes, and other countries, the law on 1 January is not the same as the law at the end of the same year. But we need consistency from a structuring perspective. That's why Luxembourg is a perfect hub for European investment," he said.

ATTRACTING THE RICHES(T)

There is no legal threshold for wealth management, but the services of a wealth manager are not really necessary – or affordable – for fortunes under €5 million. Some say €2 million, at a bare minimum.

"Wealth management is a combination of advice, structuring, management and a whole range of services provided to wealthy individuals and their families," said Simon Gorbutt, deputy CEO of Luxembourg for Finance.

Banking in Luxembourg is a trillion-euro industry, and Gorbutt says some €600 billion of that is in private banking. Assets under management in the private banking sector have more than doubled in the past decade.

Private banking is central to wealth management, but there is much more: "Banking, funds and insurance, of course, also have a role to play in wealth management," Gorbutt said. "A very broad range of services connected with achieving outcomes for a mobile clientele who have rather more complex lifestyles and demands today than they used to."

Wealth management is so significant that the University of Luxembourg even offers a master's programme in the field. "Wealth management is very niche and caters to very specific needs of clients, a different profile of clients. So that explains the need to make a more specific offer within the bigger asset management umbrella of courses being offered," said Denitsa Stefanova, associate professor with the University of Luxembourg's Faculty of Law, Economics and Finance.

"Luxembourg has expertise in managing or allowing – from a regulatory point of view – from a servicing point of view, multiple jurisdiction funds to exist and to be managed within Luxembourg," Stefanova said. The green transition also plays into the country's allure, she believes.

"One of the global trends I've seen in wealth management is more and more of these wealthy families start to shift their philanthropic activities away from simply charity and rather towards investments in sustainability, impact investments, etc. In Luxembourg we have the Green Exchange, sustainability labelling is very well developed here, sustainable impact funds, a lot of them are domiciled in Luxembourg. It's a hub for microfinance funds as well," she said.

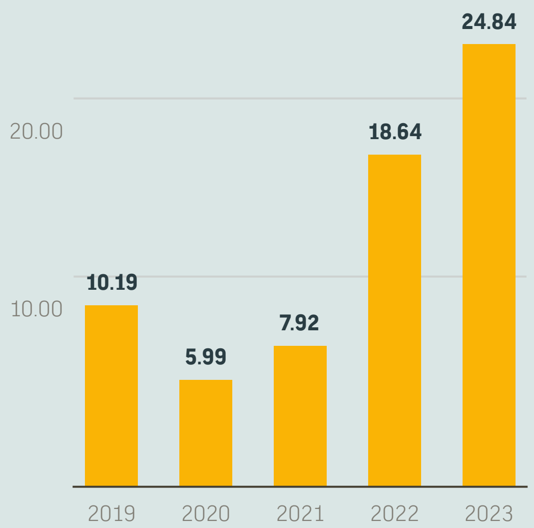
PERFORMANCE OF LUXEMBOURG PRIVATE BANKS

Cost/income ratio	2023 average compared to 2022	**70.8%** **-3.6 pp**
Return on equity	2023 average compared to 2022	**8.2%** **+1.7 pp**
Return on assets	2023 average compared to 2022	**0.55%** **+0.14 pp**
Interest margin	2023 average compared to 2022	**1.13%** **+0.51 pp**
Commission margin	2023 average compared to 2022	**1.08%** **+0.02 pp**
Net profit per FTE*	2023 average compared to 2022	**€93,639** **+28.8%**
Staff costs per FTE*	2023 average compared to 2022	**€168,195** **+5.7%**

*Full-time equivalent employee

AVERAGE NET PROFIT OF PRIVATE BANKS

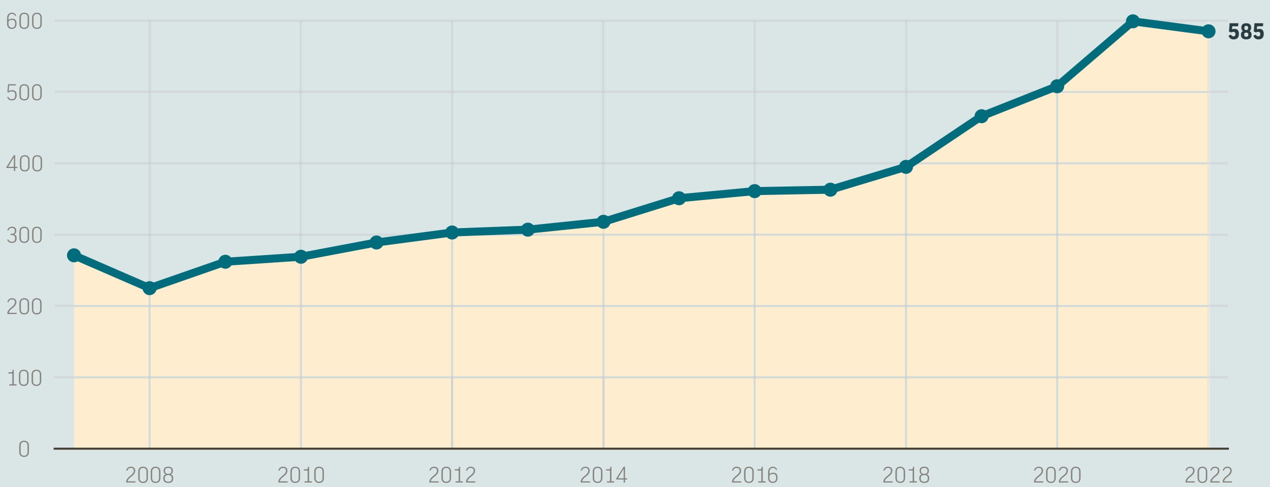
The data indicates a recovery and growth trend in net profits for private banks, highlighted by the significant increases since 2020's low.



In millions of euros

EVOLUTION OF PRIVATE BANKING ASSETS UNDER MANAGEMENT IN LUXEMBOURG

In billions of euros



Source: KPMG in collaboration with the Luxemburger Wort

PIONEER REGULATION

These wealthy families might opt to dump their wealth management firm and, in effect, set up their own – either alone (a single-family office) or with well-heeled friends or colleagues (a multi-family office).

How rich do you need to be to have a family office? "Well, different estimates of that exist. Some say that a single-family office becomes viable around a billion. But multi-family offices cater to lower levels of wealth," Stefanova said.

In late 2012, Luxembourg passed a pioneering law that boosted its financial reputation by regulating multi-family offices for the first time. Regulation means they are subject to some of the same CSSF oversight as banks and other large finance houses.

"Luxembourg was unique in 2012, but now I would say Monaco did enact more or less the same regulation. The spirit of the law is the same. And we have, I would say, an equivalent law in Dubai as well," Lafo's Rapallino said. "But Luxembourg is still unique because it's a key milestone to have this type of law," he added.

IRONIC EFFECT

Since 2012, the number of single-family offices in Luxembourg has reportedly skyrocketed. "We saw a lot of single-family offices moving their headquarters to Luxembourg because of the good buzz [...] but the big difference between a single-family office and multi-family office is as a single-family office, you don't need to be regulated," Rapallino said, adding that because they are unregulated, their precise number is unknown. They are not publicly listed as Lafo members, even though many have joined. Luxembourg for Finance estimates their number at roughly 90.

Even though the sector welcomed the legislation, it has also likely repelled some of the multi-family offices it aimed to attract: "When you are regulated by the CSSF, from a risk perspective, from a reputation perspective, it's just amazing because you can say to your clients, to the sales provider, that you are regulated. It's a proof of consistency. It's good to be regulated," Rapallino said. "But on the other hand, it costs sometimes a lot of money for small companies."

Rapallino estimates there are roughly 60 "pure" multi-family offices in Paris, and only ten in Luxembourg. Paris is a bigger city, of course, but its financial centre is comparable in size to Luxembourg's, meaning the goal of the 2012 law may have backfired slightly, he said. "We should keep this law for sure. But maybe we should make [it] a bit more flexible for the small entities and to make sure the costs are a bit lower in the coming years."

That flexibility could come in handy as Luxembourg faces competition near and far. "Singapore is mimicking Luxembourg a lot and they're having great success doing that," said Jefferson Oliveira, director of asset and wealth management at PwC Luxembourg. "Mimicking and improving it, in the Southeast Asia market. They [even] have a draft law for family offices."

Understanding what is best for the client is a cornerstone of wealth management. "You're not pushing products; you're not pushing any sort of investment structure." Instead, you put "clients' trust and asset protection first," he said. "If you want to invest in the US, for instance, a Cayman Island fund could be one of the best," Rapallino said, adding that there is competition in the EU, too: "We can mention Ireland as well. Ireland and Luxembourg. But Luxembourg is, I think, better because all the service providers you need to do such investments are also located in Luxembourg,

> **"It's a key milestone to have this type of law**
>
> Pascal Rapallino

like lawyers, life insurance companies, trusts and corporate service providers. That's why it's always a key hub for European investments," he said.

"Switzerland has always been the other wealth management hub in Europe. But they're not surging ahead in any way that we're not also doing," said Stefanova.

IS WEALTH LEAVING LONDON?

The City of London was spooked by plans to phase out the so-called non-dom tax status, allowing people to live in the UK but pay tax in a cheaper country. No idle threat, the new Labour government under Prime Minister Keir Starmer has pledged to speed up the demise of the non-doms. "I think the initial estimates were that some 75 [high-net-worth] people who were using the non-dom regime would leave the UK," Gorbutt said. "In practice, it turns out to be many more, I think."

There were also predictions that wealth would leak out of London with Brexit, but it's hard to quantify how much Luxembourg benefitted, if at all, due to its globally destabilising effect.

"Brexit wasn't something we sought out or ever wished to celebrate in any way," said Gorbutt. "But yes, of course, it had an effect on businesses who then needed access to the European Union." The loss of EU access forced UK-based firms and wealth managers to look for services in other financial centres.

"We did see business move over. One of the examples is in the insurance space: the non-life side of the insurance industry in Luxembourg has increased fairly substantially since then," he said.

THE FUTURE

Wealth management is changing, borders are disappearing and the biggest-ever transfer of assets between generations has already begun, thanks in part to wealth generated in the tech sector since the late 20th century.

"The biggest investors in private equity are pension funds, be it public or private, but the next big investors are family offices, surprisingly," said Stefanova. "I just opened my last slides from my class on alternative investments and I noticed 8% overall globally of private equity investments come from family offices. It is really huge."

As wealth passes down, new generations come with new expectations. "This newer generation of wealthy individuals, they are definitely looking for all sorts of tokenisation, crypto assets, investments. They understand the benefits of using distributed ledger technologies, DLT," PwC's Oliveira said. "I think there is a threat indeed for the next decade if wealth managers in general don't embed this sort of transformation into their agenda."

Some $31 trillion are set to transfer between generations over the next ten years, according to Gorbutt. "The primary transfer will now be to Gen X and millennials, and they have their own priorities, their own ideas around, for example, sustainable outcomes and also around how they access services and advice," he said. The younger generation of high-net-worth individuals want services which are fast and global.

"The new generation require a more light-touch type of approach and solution," Oliveira agrees. "And the digital experience behind that is very important. I think Luxembourg will need to evolve and transform a lot the way that they serve wealthy individuals in the next decade or so. I don't see the point in an individual receiving an account opening form from a depository bank that has 90 pages. It doesn't make sense. The onboarding process must be, in my opinion, the sort of Revolut or N26 approach, where you can open it seamlessly, digitally, in two or three days."

The same applies to the instant online statements that have long been commonplace at retail banks. "I don't see the Luxembourg wealth management infrastructure coping with that in the short term. I think it's still a bit too old-fashioned, designed for the first generation of wealthy individuals," he said.

Technology brings more opportunity than threat for Rapallino. "At the end of the day, [wealthy clients] don't want to discuss with AI about specific acquisitions. They want to discuss with me and the other advisors or lawyers to make sure that this investment is a good one. I'm not afraid at all of new IT solutions – AI, plus digitalisation, everything. At the end of the day, wealthy families still want to discuss with their main advisors to make sure they are right on the acquisition."

Luxembourg, and Europe, must stay on their toes. "In my opinion, there are three to four big jurisdictions of the future for wealth management. Miami for the Americas in general, Luxembourg slash Switzerland for Europeans, and Singapore for the Asian market. I think there is a growing shift of interest and power moving a bit away from Europe," said Oliveira.

"The digital transformation requires service providers, product providers and advisors to step up their game a bit and to offer more flexible and easy-to-access solutions. But the flip side of that is that we have generations that are used to accessing their services very freely and changing between them. It just means the value proposition has to be that much stronger on the provider side," Gorbutt said.

> **"The biggest investors in private equity are pension funds, be it public or private, but the next big investors are family offices**
>
> Denitsa Stefanova

By Heledd Pritchard

How to insure valuable items in your home

Got an expensive watch, extensive wine collection, a rare piece of jewellery or a limited edition chess board in your home? Valuable items are not necessarily only determined by their price but also their rarity.

Photo: Shutterstock

If you have highly valuable items in your home, it is wise to take out a specific insurance for those items and revalue them regularly to make sure the insurance cover remains adequate over time, insurance experts say.

Items can be considered valuable due to their price or because of their rarity, such as a limited edition piece of jewellery, which cannot be easily replaced.

"It could be a painting worth tens of thousands of euros or a collection of designer handbags which, in large quantities, represent an important sum," said Kris Van Roye, head of large accounts and special risks at Foyer Assurances. "You can order another expensive TV but with a collection watch, maybe there are only ten or even one in the world. That defines its rarity more than its price."

Most insurers offer separate packages in addition to standard home insurance, specifically covering items of high worth which are not usually found in a traditional home policy. Highly valuable items people have at home can include expensive or collection watches, jewellery, paintings, handbags, furniture, wine and even a limited edition chess board, comic books, musical instruments, records and chinaware.

"Since these are costly objects, it is even more important to insure them," said Steve Balance, commercial director at Lalux Assurances.

Insurance companies often offer coverage for the value defined in the contract and both Van Roye and Balance agree it is wise to re-evaluate such items as they increase or decrease in value over time.

"If the value of a precious object increases over time, it may be useful to review the sum insured, which will then be set based on an expert appraisal of the object," Balance said. "To remain properly insured, it's important to regularly reassess the sum insured in your policy, which determines the amount of compensation in the event of a claim. It's vital that this sum takes account of new acquisitions over time and of changes in the value of the most valuable items."

It is important to re-evaluate these items regularly, Van Roye added, so that the new value is taken into consideration in case of damage or loss, or that the insurance premium is lowered if the value has decreased.

Such specific insurance packages often cover all risks – loss, theft, damage and sometimes even extending outside the home. Some offer the option of replacing an item with an equivalent or restoring a damaged item.

It is important to check if your insurance policy stipulates a limit to the amount of compensation per item, verify how your insurer defines the value of the expensive or rare item, and check under which circumstances and to what extent they cover your valuables.

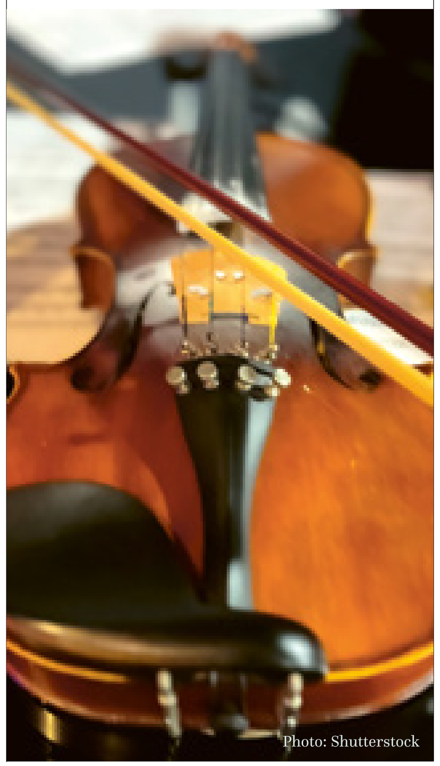


Photo: Shutterstock

Ask the Expert

How should I invest my money?

Establish a risk profile to determine the right investment balance for you, says Claude Hirtzig, head of retail banking at Spuerkeess.

Photo: Shutterstock

Question: I want to start investing but I don't know where to start. How should I go about it? Is there anything in particular I should consider or look out for? Are there any investments you would suggest for a novice investor? How reliable are online financial advisors or would you advise that I speak to an advisor at my bank?

Answer by Claude Hirtzig, head of retail banking at Spuerkeess:

Investing can feel complex, but there are simple strategies to navigate it. We suggest beginners start by establishing a risk profile with their bank to determine the right balance between stocks and bonds based on their goals.

For those seeking more control, researching brokers, mixed asset allocation funds and exchange-traded funds (ETFs) is beneficial, as ETFs offer diversified investment options that are easy to trade. Some investors consistently put money into investments over time, thus reducing price volatility and avoiding the challenges of market timing. Overall, using these approaches can help make investing more straightforward and manageable.

Before making any investment decisions, it is important to thoroughly assess your overall financial situation, including your liquidity position and both immediate and future spending needs. Take the time to analyse various investment alternatives and choose options that you understand and that align with your investment profile. It is generally recommended to exercise caution and start by gradually investing. For instance, you can consider a savings plan that allows you to gradually build your investment position over time.

It is also recommended to allocate a minimum amount for emergencies. Starting with diversified and risk-conscious investments like term deposits and diversified investment funds can be a good initial step.

Claude Hirtzig is head of retail banking at Spuerkeess, a position he has held since 2014. He is also senior vice president and a member of the extended management of the state savings bank.

Each Wednesday, the *Luxembourg Times* publishes an answer to a reader's question as part of its Ask the Expert series.

A form to submit your questions on personal finance, jobs and careers, and family and relationships can be found at the end of every Ask the Expert article published on luxtimes.lu. All questions are published anonymously.

Our experts include executive recruiters Darren Robinson from Anderson Wise and Courtney Charlton of Greenfield, executive coach Rachel Treece from The Henka Institute, counsellor Laura Fox, Christophe Joosen and Selin Karataş from EY Luxembourg's People Advisory Services, and retail banker Claude Hirtzig of Spuerkeess.

Our experts are here to answer your questions about careers, relationships and personal finance.

By Sarita Rao

Galleries for would-be art collectors

If you're thinking of investing in art, these three galleries in Luxembourg can help you find the right artworks to suit your budget but also bring you personal pleasure.

GALERIE SCHORTGEN

What artworks do you specialise in?

We specialise in art consulting, custom framing, restoration and estimation. We mostly sell contemporary art by both established artists and promising talents, leaning towards figurative art.

What advice can you give a would-be art collector?

Buying art is first of all an aesthetic acquisition, and personal enjoyment is very important. Younger new collectors can invest in emerging artists and limited editions, which are both financially rewarding later on, but give you personal enjoyment.

Galerie Schortgen | Photo: Marc Wilwert

Price range of artworks sold

€2,000 to €13,500 (as shown on Artsy)

NOSBAUM REDING GALLERY

What artworks do you specialise in?

We have two spaces, one with more established artists, and the other is our project where we show upcoming talent or things that we have discovered. We also build relationships with artists, such as the Luxembourgish artist Tina Gillen.

What advice can you give a would-be art collector?

In summer we have a second market exhibition in our larger gallery which is for big-time collectors, but for first-time collectors it's about meeting the work, then you can look at the price and your budget. You are investing in something for your everyday life, so you must like it. We can try paintings in your house to help you decide.

Price range of artworks sold

€500 for young emerging artists to €50,000 for established artists.

Nosbaum Reding Gallery | Photo: Anouk Antony

REUTER BAUSCH ART GALLERY

What artworks do you specialise in?

We specialise in emerging young artists with a few exceptions and all artistic mediums are represented, such as painting, photography and drawings.

What advice can you give a would-be art collector?

The best advice would certainly be that you should start your collection with pieces you are passionate about. When passing by you should always be happy to see the artwork. If the value of your artwork increases that's a bonus, but it should not be the main criteria.

Price range of artworks sold

€2,000 to €30,000, but we sell artworks representing young, emerging artists for smaller budgets.

LUXEMBOURG ART WEEK: 20 TO 24 NOVEMBER 2024

Bringing together 77 galleries and artist collectives from 17 countries and five continents. Would-be collectors can get advice and purchase artworks at the exhibition.

www.luxembourgartweek.lu

By Sarita Rao

Investing in historic vehicles

Classic or vintage cars and motorcycles are an appreciating investment, particularly if the make, model and year are highly sought by other collectors, offering a return on investment over 10 years of up to 97%. This not dissimilar to stocks and shares, according to automotive firm Vanarama.

Unlike many mainstream investments, they can also be enjoyed and driven, offering a global community of enthusiasts.

Vintage cars are usually classified as 1950 to 1990, early vintage as pre-1950, those manufactured before 1919 as veteran and anything pre-1915 as pioneer, but vehicles more than 25 years old can be considered classic.

Mercedes-Benz 300SL | Photo: Shutterstock

Trading platform MyArtBroker lists some of the most valuable cars as the 1955 Mercedes-Benz 300SL, the 1960s Porsche 911, the 1961 Jaguar E-type and the 1960s Aston Martin DB5. However, you can opt to invest in a newer car such as the 1991 Volkswagen Golf Cabrio GTI.

Guy Laroche, president of Vintage Car & Bikes Steinfort, said investors should consider budget and brand, and if they want to keep it and drive it, or put it in a garage and resell it. Either way you will need some knowledge of mechanics or have a budget and people to manage this aspect.

It's worth noting the maintenance of a classic vehicle can add up to 25% of the sale price according to MarketWatch.

Fernand Kohl from Medernach is the proud owner of a 1930s Chenard & Walker he discovered 10 years ago. He spent four years repairing the engine, painting it and refurbishing the interior. Like many vintage vehicle owners, he considers it a labour of love.

Steve Marquis and Aparicio Gomez from vintage motorcycle group AMAL agree that maintenance consumes all their free time. The club has 115 members in Luxembourg, and both say that buying in Luxembourg goes by hearsay mainly. Ben Delfel and Maxime Lenert from Ateliers Nic Georges work on some 50 classic cars. When they cannot source parts, they make them bespoke.

ASSOCIATIONS

Conservatoire National de Véhicules Historique
20-22 Rue de Stavelot, Diekirch
www.cnvh.lu

Lëtzebuerger Oldtimer Federatioun
36 Rue de Bourglinster, Junglinster
www.lof.lu

Anciennes Motos au Luxembourg
www.amal.lu

Buying a classic car

LL Classic Cars
106 Route d'Esch, Luxembourg City
www.llclassiccars.com

Eau de Petrole
22 Rue de Luxembourg, Steinfort
www.eaudepetrole.com

Classic-Garage.lu
33 Route de Luxembourg, Dippach
www.classic-garage.lu

Classic Workshop Luxembourg
ZA Gadderscheier, Differdange
www.classicworkshop.lu

RESTORATION AND MAINTENANCE OF VINTAGE CARS

Ateliers Nic Georges
ANG Automotive Sàrl
10 Rue Albert Simon, Contern
www.anga.lu

EMO Classics garage and carrosserie
33 Gruuss-Strooss, Weiswampach
max@emoclassics.com

BK Concept
6 Rue du Commerce, Foetz
info@bkconcept.lu

Dream Cars
59 Munnereferstrooss, Frisange
www.dreamcars.lu

Car Project
12A Allée John W. Lëonard, Mersch
www.car-project.lu

Garage Repacom
132 Rue de Bettembourg, Fentange
55-57 Rue Basse, Schifflange
www.garage-repacom.com

Phil Cars
1A Rue Principale, Ospern
www.philcars.lu

Marc Pesch Sàrl (upholstery)
6 Op Zaemer, Bascharage
www.pesch.lu

Garage Weis-Schon
7 Rue Henri Tudor, Munsbach
www.garageweis.lu

ART, AN EMOTIONAL INVESTMENT

Art is unlike other alternative investments, says Adriano Picinati di Torcello, global art and finance coordinator at Deloitte.

By Tracy Heindrichs
Photos: Getty Images & Gerry Huberty

Why should investors consider adding art to their portfolio?

We are not asset managers [at Deloitte], so we don't provide advice about investments in art or real estate. But if we look at why people are offering art as an investment, the main reasons are the return, diversification, protections against inflation, stored value, currency protection... However, not all art is an investment opportunity.

Art in the past was considered a resilient investment in comparison to stocks and bonds, but contemporary art has been losing a lot in value recently. Is art as an investment prone to crashes?

In art, you can talk about many different things, so it's important not to consider that everything is homogenous. Buying a Leonardo da Vinci painting is not the same as owning an NFT made by generative AI.

There isn't a crash in the current market. What we have is a supply-driven market: there are fewer iconic works coming to the market, meaning there is a reduction in sales, rather than prices. The modern and contemporary art market represents more or less 50% of the market, so this is the most dynamic part.

Of course, the art market, like any other sector, is subject to cycles. So when you have a global market that is a bit less positive, due to inflation, interest rates, higher economic downturn, political turmoil... that might push some people not to buy or sell.

Non-fungible tokens (NFTs) were very popular a few years ago, but less so now. Is there still an interest in them? Is there a big risk to fall victim to poor investments in art?

Firstly, I think it's important to say that people don't just buy art as an investment – the main reason for buying art is emotion. There is a financial dimension to it because you can spend €100,000 or €500,000 on it.

For NFTs, yes, we have seen ups and downs. We've had a kind of crypto winter, but things are settling down and improving. We see some activity and, from my perspective, a regain of interest.

There are regulations coming too. What we have to understand is what NFTs bring to the creative world. If we look at the fundaments of the technology, it's really positive.

A study by the Bank of America said that 83% of Gen Z and millennials were interested in investing in art collections. Is that the kind of appetite you see in Luxembourg and Europe as well?

We see the same thing in our [2023] *Art & Finance Report*: the younger generation has a stronger interest in the financial component of buying art. What's interesting is that they also have a higher interest in social impact and impact investing related to art and culture.

How can art be socially impactful?

From a global perspective, we see a growing interest for cultural and creative sectors. On the other hand, there is an issue in terms of financing or funding these activities. In art, there are not-for-profit and for-profit activities, meaning there will be discussions around giving grants, but also investments. If we imagine a case where I'm a younger artist and I need capital to produce a new artwork, so I go to the bank. Will I get money? Probably not. I might have good friends who can support me, or maybe I can create some NFTs that allow people to co-own my future work. Here, the investor will be a social impact investor and supports art.

In another example, a cultural institution might not be able to purchase an expensive artwork, but through a crowd ownership mechanism could co-own it with private people. This happened in Luxembourg. People bought shares of a Francis Bacon painting through a multilateral trading facility called Artex.io. Now the painting is going to be showcased at the MNAHA in Luxembourg for two years.

Do the motivations behind art investments change from generation to generation?

I think it's a question of generations and of awareness. If you look at collectors who began in the 1960s or 1970s, they did that without all the references we have today. For them, the financial dimension maybe was further away. Prices were also different at the time when they started to collect art.

Today, there is so much more discussion on the financial attributes of art. Of course, the younger generation is – I would say – keen to engage with everything that is developing. But it's not just pure investment, it's more subtle than that, I think. They want something they like, but, if on top of that, it can keep or increase its value over time, it's even better. We have to keep in mind that art is a very particular asset that should not be viewed as any other alternative assets. It has two strong components: the emotional and, depending on its value, the financial component.

Some platforms allow people to buy a share of an artwork. How does this impact the market?

What is interesting is that in the last 20 years, we have seen the sharing economy, the idea that maybe it's not necessary to own 100% of something, evolve. This idea has evolved in every domain. The fact that we have this kind of trend has made it more acceptable to buy a share of an artwork. This is not related to the sharing economy, but there is an openness of financial regulators to grant licences to all investment funds that invest in art or to those kinds of platforms – as you can see in Germany, France, Switzerland, Liechtenstein or the UK.

Is there a similar interest in Luxembourg?

This is a global trend. I can imagine that we have the same kind of approach in Luxembourg but there is no analysis to say that there is a growing appetite for that in Luxembourg.

If art is first and foremost an emotional investment, how do you feel about some artworks being stored away in places like the Luxembourg Freeport?

Do you know how many artworks of museums are displayed on their walls? Very few. They keep a lot of them in their storage. So, not all artworks are on walls, and not all artworks stay in freeports forever. Freeports allow big collectors to store their art in a place that has all the right conditions to maintain the art. It's properly insured and secured. Even if it's there, they can still loan their work to a museum or sell it.

There is a negative view on these kinds of storage facilities, but we have to understand how the market works: most works are in storage anyways, and they move between places.

Talking about negative perceptions of the art world: the market has been involved in some high-profile money laundering cases. The fifth AML directive in the EU is supposed to tackle this. Has it had a noticeable impact?

I think so. But first, let's put things into perspective because people may say that anyone dealing in the art world is a money launderer: any type of asset that bears value can trigger illicit activities, not just art.

Now we have a regulation which all the art players in Europe need to respect. There was a period of adaptation to implement all these measures, but now we can see that some measures are taken by regulators to sanction those who do not have the right setup to perform their responsibilities.

Do you think this is enough?

For 12 years, we looked at regulations and risk management in our report. Our report is based on surveys with professionals, collectors, family offices, private bankers… and we've listed a number of risks like lack of transparency, conflict, price manipulation and the likes. These still rank quite high, so we still have issues in the art market that need to be addressed.

The market suffers from a certain kind of inefficiency. If you look at the evolution of trading, you can see that the art market has been flat for more than ten years. So it's going up and down, but it isn't growing. Whereas, if you look at the evolution of the luxury sector, which is also devoted to wealth, it is booming.

The key question is: should the art market grow? Is it not growing due to the lack of transparency? It's an open question our market players should ask. In our last report, even art professionals were recommending some intervention from the public sector to try to improve transparency in the market.

Do you think the art market should grow?

For me, it should grow. If we have an efficient market, the entire value chain will benefit from it: the artist, the primary market, the secondary market, the collectors and the museums.

Is there a difference between being an art collector and an art investor?

They are different. You have people who just purchase art with investment in sight – they just look at the financial attributes and pick the one that will increase in value. According to our survey results, they represent 3-5% of the collectors that we serve.

The majority buy art because they like it but also consider the financial attributes, and only a few do not care about the financial side. In the acquisition process, over time, the financial component has become more and more part of the decision-making process. In fact, for the first time in our report, emotion was the main driver and the financial component the second main driver.

What advice would you give to someone interested in investing in art?

If someone is looking at art as a pure investment, I would say to look at the investment opportunities that are there and do your own analysis. Look at the risk, the performance, the correlation – benchmark that with other asset classes that have a similar type of sharp ratio and decide if you want to buy it.

Then, identify which solutions are on the market. Nowadays, you can buy directly, you can have fractional ownership, you may want to invest in a fund… So, do your due diligence and look at the figures, like you would do with any other investment.

This interview has been edited for length and clarity.

"Not all art is an investment opportunity

Adriano Picinati di Torcello

A DIFFERENT KIND OF LIQUID ASSET

With rich undertones of branding, wine investment runs deeper than profitability. But it is not to everyone's taste.

By Teodor Georgiev
Photos: Anouk Antony & Marc Wilwert | Graphic: Christian Mertes

A love of fermented grapes – their rich flavour, bouquets and aromas – might draw the wealthy to diversify their portfolio into wine, but alcohol percentage is not the only measure of strength and the asset promises high returns and overall stability.

During the financial crisis of 2008 wine industry benchmark Liv-ex 100 dipped 20% but recovered by 2011, climbing by 70% in that year. Over the last five years, the same index has grown by 11.1%. Some famous wines can see their value soar by more than 10% in one year, said Eran Habets, managing partner at Cellar Investment Partners, confirming fine wine's high return potential.

The Luxembourg-based alternative investment company manages a closed-end wine fund. This operates much like a hedge fund, pooling people's resources to invest, in this case in tens of thousands of fine wine bottles. This volume allows for a diversification in products from multiple regions, which increases the chance of making a profit. Like all wine funds, CIP uses bonded warehouses, free from the payment of duties or taxes, which allows the firm to invest more money. This type of storage is the standard in the game of professional wine investing and trading as the temperature-regulated facilities protect the bottles and ensure their quality.

Eligible investors for CIP's fund, and most others like it, are ultra-high-net-worth individuals, single family offices (managing the assets of a single wealthy family) or professional investors. Getting into the wine investment game requires capital. Famous wines can go for €5,000 or €10,000 a bottle with vendors often selling cases of six or nine bottles. But companies like Vinovest, established in 2019, are lowering that entry point, with a minimum investment of €1,000. There are also new platforms that offer shared wine investment, with multiple people owning parts of a bottle or a case. Those services are still at a nascent stage.

LESS IS MORE

When Germany occupied France during World War Two, the price of French wine rose by 600%, says Liv-ex on its website. As is the case with luxury goods, the worth of wine is defined by scarcity. Less than 1% of global production is made up of fine wine created for investment. The domain (a parcel of land under the control of a winemaker) of Burgundy wine producers, for example, is fixed. Even if demand becomes higher, output cannot really increase. Wine also has a drinking window, during which consumption is deemed optimal. When that period arrives, value increases even more. "It is consumable. In the end, people drink their wines. As time passes, expensive wines become extremely scarce," said

Habets. As long as a bottle of wine is unopened it can be enjoyed, even a long time after the drinking window has expired, he said. However, it's worth will start to diminish.

Brand, domain, the vintage and, of course, the score it is given by well-known critics determine the price of a bottle. "It is similar to stocks. They give wine a rating like Morningstar does with investment funds," said Habets. A high ranking also helps when it comes to selling. This part is somewhat tricky. Not only do you have to sit and wait for seven to ten years for your wine to gain value, but you must also find a buyer. Auctions are a popular place to sell wine, especially for private investors. CIP uses those, as well as trading platforms and specialised wine traders. The latter are more active and could even approach a wine fund manager about purchasing some of their bottles. They don't have the equity to invest themselves but do so for their clients.

Unlike funds, private investors cannot amass the same quantity that will yield significant results. Finding a seller is also more difficult for an individual than it is for wine funds, according to Habets. Buying directly from a domain is harder, as a fund's offer to purchase much larger quantities might be more appealing. Purchasing directly from the winemaker, however, is the best way to certify that what you're selling is precisely what is in the bottle. Scams are a very real concern. "The older the wine is, the more transitions of ownership there have been, and the older the wine is, the bigger the risk is," said Habets.

ON THE HORIZON

Blockchain has the potential to help with traceability, and there are many new companies offering this service. It is still relatively new, however, and it will have to gain the trust of investors, which is important in the luxury goods sector.

As the years roll by and new technologies start to have an impact on wine investment, so will climate change. Its effects are already being felt in Champagne and Burgundy. Higher temperatures have pulled the harvesting period forward by two weeks and the grapes tend to be riper and with higher concentration of sugar. Spring frost has seen winemakers in France and Germany use candles in an attempt to save their grapes while extreme heat, drought or rot from humidity have marked recent summers. Climate risks are expected to affect production, which from a cold-blooded investor perspective isn't always bad. "If we can buy good wine at the right price and we sell it correctly, in the long term, it will develop in the right direction for sure," Habets said. Since fine wine's price is directed by scarcity, logic dictates that cult wines like Château Pétrus or Château Lafite Rothschild will only become more premium.

The market is also looking to become more competitive with increasing interest in China and the Middle East. This could lead to higher demand and therefore an increase in prices, said Fabienne Stanitz, founder of FabstWines. The German national turned her passion for wine into a platform connecting buyers with winemakers. Not only are buyers coming from new regions but also the wines themselves. New Chinese domains are starting to win prizes, said Stanitz. "You never know where it will go. But if you look at the French, Italian, Spanish wine industry, or California wine, there is so much history and prestigiousness. That storytelling takes ages to develop," she said. A 2010 bottle of Pétrus, one of the most sought-after wines, can easily go for over €5,000. Although it has no *premier cru* classification, it has made a name for itself and is among the most expensive fine wines. It was served at Queen Elizabeth's wedding and is known for having been a favourite of John F. Kennedy's.

> "There's so much passion, so much luck with nature, and so much art in one bottle
>
> Fabienne Stanitz

> "As long as the economic system is based on profit first and the human comes in 10th or 11th position, it cannot really work
>
> François Dickes

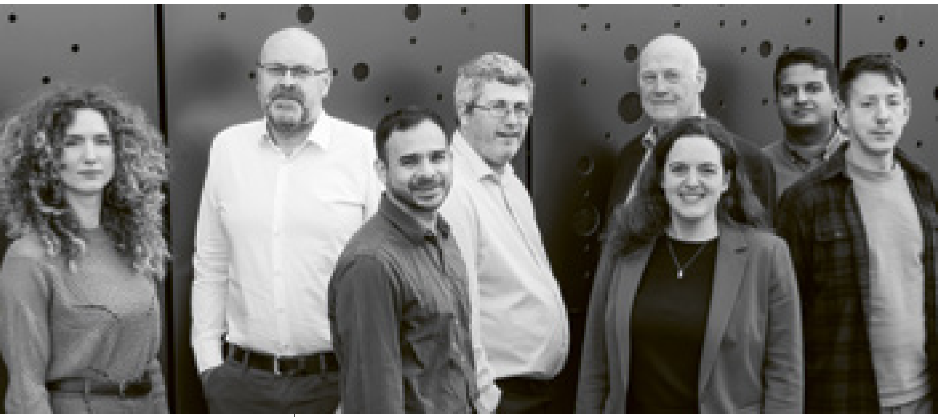
Wineries can remain under the management of the same family for four, five or even ten generations, said Stanitz. FabstWines works with a winery from Bordeaux, which has operated since 1507 without the owner's last name changing. "There's so much passion, so much luck with nature, and so much art in one bottle. And each bottle in the world tells a story," said Stanitz.

At the same time, diving head-first into this history-rich world can result in an unwelcome hangover and the FabstWines founder advises newcomers to be aware of fraud and counterfeit. Doing research and getting in touch with wine merchants and auction houses is a good way to go, said Stanitz. Being at an auction is extremely exciting, she said, and even though her personal collection is still in its early stages, she is fond of it.

THE SOUR TASTE OF PROFITABILITY FIRST

But not all wine connoisseurs have acquired a taste for investment. François Dickes, who owns wine bar Vins Fins and grocery store La Cave de la Grocerie, has little advice for aspiring buyers, except perhaps "don't do it."

"I am convinced that the economic model that rules the planet for the moment is bringing the planet down. As in every speculation, you do it for the profit of someone but against the profit of many. As long as the economic system is based on profit first and the human comes in 10th or 11th position, it cannot really work," said Dickes. The close contact with the producers is the hallmark of Dickes' way of working. Rather than banking on a bottle, the merchant wants to see investment that supports the winemakers. Dickes plans to grow grapes for natural wine in Portugal in the coming years and expects this operation to require the help of a few investors. Those would "not be people who want to speculate but who believe in sustainable winemaking," he said.



The *Luxembourg Times* is your guide to understanding Luxembourg in English, covering politics, business and finance, but also life and culture in the country and useful things to know. Here are the faces behind the stories that you can read in this magazine and online.

Cordula Schnuer is the editor-in-chief of the *Luxembourg Times*. She returned to Luxembourg in 2011 following her studies in the UK, working as a political journalist with a particular interest in human rights and social issues.

John Monaghan, deputy editor, joined the *Luxembourg Times* in 2020, after building up extensive experience as a news reporter in his native Northern Ireland. He covers EU institutions in Luxembourg.

Kabir Agarwal is a financial journalist at the *Luxembourg Times* with over 10 years' experience covering finance, the economy, business, climate change and national security. Originally from India, he has previously worked with *The Wire* and *The Times of India*.

Emery P. Dalesio is a business reporter who joined the *Luxembourg Times* after nearly 30 years with the *Associated Press*, where he reported from the United States, Hungary and Romania. He also covered business in Budapest and coached journalists in the Balkans.

Yannick Hansen worked for the Luxembourg Times for more than three years, reporting on tax and big business, but also venturing into legal disputes and finance. He left the paper in September.

Tracy Heindrichs joined the *Luxembourg Times* in November 2023 as a political journalist, after a stint in radio. Starting as a freelance culture journalist, Tracy quickly found herself drawn to climate, human interest and health issues.

Haneyl Jacob is the *Luxembourg Times*' publishing manager. He moved to the country in 2022 after having worked at Reuters in Bangalore for five years. Jacob has experience in news monitoring and creating newsletters for a specific audience.

Duncan Roberts, originally from Manchester in England, is a journalist with more than 25 years' experience in the Grand Duchy. He is now on the politics desk at the *Luxembourg Times*, but also covers business and industrial relations.

Alex E. Stevensson writes about Luxembourg's small and medium-sized companies, including its vibrant start-up scene. He joined the *Luxembourg Times* this year, with experience spanning over 15 years with Icelandic media outlets including national broadcaster *RÚV*.

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