

# The Magazine of the Spanish Financial Forum in Luxembourg

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The background of the image is a blurred, high-angle view of a modern office hallway. On the left, there is a large glass wall that reflects the interior and exterior. The floor is a light-colored, polished material. On the right, a series of white cylindrical columns support the ceiling. At the far end of the hallway, a bright light source creates a strong lens flare effect, illuminating the scene. The overall atmosphere is clean, professional, and bright.

**The first publication  
connecting professionals  
of the financial sector  
from **Spain and Luxembourg****

# Editorial



**Yuriko Backes**

Minister of Finance of Luxembourg

Dear readers,

Let me first start by commending the Official Spanish Chamber of Commerce in Belgium and Luxembourg, for having launched this magazine a year ago with the explicit aim to **promote the already excellent and growing relations that our two countries share in the field of finance**. I would like to take this occasion to reflect on the state of play in Europe, the importance of a **strong European economy** and the role financial centres like Luxembourg play to help channel the investments we need for a more sustainable future.

War has returned to Europe, and with it the world seems to have entered into an age of “permacrisis”. The illegal and unjustified **war in Ukraine** is not only a human tragedy, but also an additional crisis on top of the ongoing Covid-19 pandemic. And all the while, the climate crisis has lost none of its urgency.

A major blow to the global economy, the conflict is driving **inflation and energy prices**. Governments have to act to support households and companies in these dire times. This is exactly what we have done in Luxembourg. In spring, we initiated support measures to the tune of 1.4 billion euros, while a further package of more than a billion euros has just been agreed to specifically fight inflation by curbing energy prices and offering a sustainable relief for our economy as a whole, including the financial sector.

National efforts are essential, but we also need a strong **common response at the European level**. I am pleased to see that European solidarity has remained steadfast during the pandemic and cooperation is still strong in the face of the Russian aggression of Ukraine. Our answers have to inevitably be European, whether we provide humanitarian aid, financial and emergency assistance; or work together for energy security, drive forward the **energy transition** or fight **climate change**.

However, helping others and fighting common challenges will require a **strong European economy**. The EU has learnt the right lessons from the financial crisis and the sovereign debt crisis: its answer to the pandemic has been to focus on growth-enhancing investments, especially in the **green and digital transition**,

rather than austerity. Achieving the dual transition will make the European economy not only more resilient, but also more competitive.

This also means fostering a strong pan-European financial sector to support our companies in **financing their growth and investing in innovation**. The financial sector will be key to the EU's ambition to become a net-zero economy by 2050, which will require trillions in new investments. In order to succeed in these efforts, the EU will need to **promote cross-border financial services within the internal market**, while at the same time remaining open to the rest of the world.

We need **international financial centres like Luxembourg** to help channel investments and finance the EU economy across national borders. Luxembourg is already today a leading financing hub when it comes to mobilizing the required private capital to finance sustainable projects.

During recent exchanges with some of the major financial players in Madrid, I have been delighted to see that **sustainability** is a top priority on their agenda and that they are already using Luxembourg as a key hub in Europe for their sustainable investment products.

The financial centres of our two countries are in many ways complementary and as Minister of Finance, it is one of my priorities to keep developing common avenues and **build bridges** that will strengthen our economies and help finance the world of tomorrow.



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# About the SFF

The **Spanish Financial Forum in Luxembourg (SFF)** is a Committee of the **Official Spanish Chamber of Commerce in Belgium and Luxembourg**. It was launched in 2019 at the initiative of professionals linked to the Luxembourg financial services industry.

Through the SFF, the Chamber aims **to create both in Luxembourg and in Spain, a space for opinion and debate on economic and financial issues**, where professionals working in companies related to the provision of financial services can share experiences, establish collaborations, exchange information on sector trends and develop business opportunities.

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## Organizational structure

More than **50 companies and over 100 professionals** are involved in the SFF. Its organizational structure is composed of **a President and four coordinators** who lead respectively the following sub-sectors:

- Banking
- Asset Management
- Tax
- Insurance



## Join the SFF

All financial services providers that are members of the Official Spanish Chamber of Commerce in Belgium and Luxembourg can apply for free to join the SFF.

Access **HERE** for more information about membership application and benefits offered by the Chamber to its members.



# SFF Magazine

THE OFFICIAL PUBLICATION OF THE  
SPANISH FINANCIAL FORUM IN LUXEMBOURG

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The SFF Magazine is a **quarterly and digital publication** addressed to financial professionals linked to the Spanish, Luxembourg and Latin American markets. It is published in **bilingual**, Spanish and English edition.

Most of the content is provided by SFF members and financial stakeholders. If you are interested in participating in the next future editions providing contents, do not hesitate to contact us by sending an email to [publicacioneslux.ext@e-camara.com](mailto:publicacioneslux.ext@e-camara.com). The Chamber also offers the possibility of advertising and sponsoring contents.



## Interview **Sherry Madera**



Senior Vice President Public Policy &  
Government Affairs  
**Mastercard**



Sherry Madera joined Mastercard's global public policy and government affairs team as Senior Vice President in 2022. She oversees the company's public policy and government affairs activities in Europe, the Middle East and Africa, Central Asia and China. In this interview, she shares with us how Mastercard is actively contributing to the global challenges of sustainable development, and other insights on sustainability.

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INTERVIEW

Despite today's geopolitical, economic and security concerns, climate change remains one of the biggest challenges of our generation. Europe has led the way in the fight against climate change. How can the payments industry contribute to meeting the challenges of sustainable development?

The **payments industry is very competitive and innovative**, particularly in Europe. The past years have seen tremendous change in the way people shop and pay. The industry has kept up and even pre-empted some of these changes and consumer expectations. During the pandemic, when online commerce was at times the only commerce possible, payments worked well and met people's expectations.

Today, sustainability and environmental concerns are front and centre, giving rise to the "Conscious Consumer" looking to include carbon and sustainability data in their purchasing decisions. **The payments industry is in a unique position to contribute to society's sustainability efforts.** Payment actors have access to significant insights into consumption patterns and with that, the ability to analyse consumption trends. For instance, in cooperation with Swedish fintech Doconomy, Mastercard has developed and is offering the **carbon calculator** which allows people to better understand the carbon footprint of their purchases. That allows them to take actions. This is a journey and we believe in the future offering the conscious consumer more sustainability data will help make bottom-up change in purchases. This solution is constantly evolving and I'm sure that new and exciting solutions are on their way.

How does Mastercard look at ESG overall? What social impact is Mastercard aiming to make?

Mastercard has been **a leader on the front lines of financial inclusion, inclusive growth and data responsibility** for more than a decade. We believe in doing well by doing good, so that everything we do enables people and the planet to thrive.

Mastercard has been transforming how people pay and get paid for more than 50 years. Our technology enables global commerce to thrive and keeps the world economy running. By advancing efforts to bring 1 billion people into the digital economy, we work to achieve a **more inclusive financial system**. Our core behaviors of operating ethically, responsibly and with decency are linked to ESG, making it a vital component of our culture and our future. **ESG drives financial value aligned with our business goals**. It can help mitigate risks, and is key to our goal of building a more inclusive and sustainable digital economy. This is at the heart of Doing Well by Doing Good.

With technology evolving at a rapid pace — and global crises exacerbating inequalities and economic uncertainty — we are applying our capacity for innovation and our global network of partners to create positive social impact. Our innovation platform, **Foundry**, helps us to accelerate business growth as well as to enhance the lives of the customers, consumers and communities we serve by experimenting with, co-creating and de-risking new technologies. Building on our track record of impact-focused innovation, including our Financial Inclusion Lab, we launched a new Sustainability Innovation Lab that's focused on co-creating the next generation of sustainable commerce solutions.

We also take seriously our contribution to thought leadership and policy development in sustainability and sustainable finance. Europe is a global leader in policy initiatives and frameworks including the **EU Taxonomy** and the implementation through regulation of the **European Green Deal**. However, other global jurisdictions are also making great strides in setting rules, frameworks, definitions, regulations, law and policy in this area. As a global business, Mastercard works closely with policymakers to offer our views and suggested pathways to using data for all types of financial transactions to allocate capital to a sustainable future.

“As a global business, Mastercard works closely with policymakers to offer our views and suggested pathways to using data for all types of financial transactions to allocate capital to a sustainable future.”

Can you tell us a bit about Mastercard's approach to sustainability?  
How Mastercard can play a crucial role in the transition to net zero?

Mastercard's continuing commitment to building a more environmentally sustainable approach to growth calls first for **reducing the impact of our own operations**. This means accelerating active steps to reduce our carbon emissions and working with our suppliers to make similar commitments. But our impact can be even more substantial when **we engage our global network of customers and partners to drive collective climate action**.

Starting with addressing the impact of our own operations, let me clarify that compared to other industry sectors, we do not have a huge carbon footprint. We do not run factories or manufacture complex physical products that require an intensive use of energy. Having said that, we recently moved up the target date of our commitment to reach net-zero emissions by a decade, from 2050 to 2040. We launched initiatives to help us meet that goal, including formally linking **executive and employee compensation to carbon neutrality** so our (leadership) teams are held accountable for these commitments; increasing outreach to our supply chain to encourage and assist them in setting their own net-zero targets; tying corporate debt financing to green initiatives; and continuing employee engagement in helping to achieve goals like waste management and recycling.

Going beyond our own impact, we are continuing to build capabilities to meet growing consumer demands for sustainability-oriented products and solutions, such as the **Priceless Planet Coalition** and the **Carbon Calculator** which I mentioned a little earlier. These programs are intended to galvanize our network of issuers, banks, retailers, merchants and cardholders to prioritize environmental conservation.

In addition, as people's passion for the environment grows, we also offer ways for people to contribute to environmental causes. The **Wildlife Impact Card program** is available to issuers globally and offers consumers who are passionate about the environment and nature a way to help protect wildlife and its habitats. This program highlights the urgency for action with its cards that carry expiration dates reflecting the projected extinction of many critically endangered species.

*“We are continuing to build capabilities to meet growing consumer demands for sustainability-oriented products and solutions, such as the **Priceless Planet Coalition** and the **Carbon Calculator**. These programs are intended to galvanize our network of issuers, banks, retailers, merchants and cardholders to prioritize environmental conservation.”*

Finally, **the products that we offer are also increasingly made from sustainable resources**. From 2018 to the end of 2021, there were 60 million Mastercard-branded cards produced with approved sustainable materials using Mastercard's Sustainable Card Materials Directory. That's up from 10.7 million at the end of 2020. As we approach COP27 in November, the commitments of countries, companies and organizations to Net Zero will require increasing specificity on how we can collectively achieve them. Mastercard's business and employees are prepared to contribute to these targets as a committed partner operating globally.

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INTERVIEW

How is Mastercard engaging its customers and clients in sustainability?

We look at engaging them in the same way we engage with our partners on any other activities. Most of them are asking for **sustainable solutions** and ways to respond to consumer demand, including environmental concerns. So, there is great momentum for activities in this field given the priority that consumers attach to this.

Let me give you one example of how we engage with our partners in general: **The Priceless Planet Coalition unites companies, communities and consumers in climate action and now includes more than 100 partners globally**, including sustainably minded merchants, fintechs and global banks. Each partner is helping to fund forest restoration through consumer engagement and donation campaigns that encourage people to take climate-friendly actions or make direct contributions through a donation platform. The Priceless Planet Coalition employs a forest restoration model dedicated not only to the planting of 100 million trees but also to the regrowing of forests in geographies that represent the greatest global need. It is a large-scale, high-value conservation opportunity that prioritizes benefits for climate and biodiversity by engaging and directly benefiting local people to promote a sustainable economy. Today, it has 18 restoration projects globally, ensuring we are able to maximize our climate, community and biodiversity commitments. Partners, including customers but also other like-minded companies are regularly joining this coalition.

In your opinion, what are the biggest challenges that the payments industry will face in the coming years? What goals have you set to achieve them?

As I mentioned before, the payments industry is very competitive and changing fast. There is a great variety of players across Europe, many of them nimble and agile. At the same time, technology evolves quickly and so do consumer expectations. One of the greatest challenges for the industry and individual players is **to keep up with these expectations and provide products, services and solutions** that meet these expectations. This includes sustainability solutions using ESG inputs.

An interesting area for the future is considering how proposed carbon border taxes or adjustment mechanisms will roll out into practice. For the payments industry this will require an understanding of the information needed to do our part to balance cross border commerce with upholding best practice in production and carbon emissions.

At Mastercard we are always thinking about how **we continue to serve the needs of our users while conserving planet's limited resources** without leaving anyone behind. Our experience of doing well by doing good positions us well to address this particular challenge. Our goal of bringing 1 billion people into the formal economy and planting 100 million trees are two of the goals that we have set for ourselves directly targets this.



# Dossier

# Alternative Investments

More and more investors are shifting to alternative investments to boost returns, generate income, provide diversification from traditional investments and achieve their goals.

Of course, along with these potential benefits come additional complexities and risks. That is why it is imperative that investors understand the various strategies available to make more-informed decisions regarding the role of alternatives in their portfolios.

Alternative investments cover a wide range of assets and strategies. In this dossier, we address some of them thanks to the collaboration of members of the SFF.

Natural capital

Art

Vacant inheritances

Cat bonds

Mortgage-backed securities





**Samara Brey**  
Director  
Deloitte Tax & Consulting



**Marcell Koves**  
Director  
Deloitte Tax & Consulting

# Natural capital – an opportunity for alternative asset managers and some related tax considerations

## Deloitte.

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DOSSIER / ARTICLE

**Sustainability and ESG** – the now-familiar parlance for Environmental, Social, and Governance – are increasingly becoming metrics most asset managers think about day-to-day. Investors are also increasingly applying these considerations as part of their investment decision-making process.

Riding on this momentum, more and more market players are developing **sustainable investment products** offered to investors. Among them, investments in natural capital present an up-and-coming, and yet untapped, market opportunity rooted in truly sustainable returns.

Asset managers venturing into such waters should anticipate **tax considerations** that surround these types of investments.

### What is natural capital and why it is important?

The term **natural capital** typically refers to the **world's stock of natural assets**, which consists of the stock of renewable and non-renewable natural resources such as the soil, minerals, rivers and oceans, the air, plants and animals. Such environmental elements may offer valuable goods and services to the public.

According to the World Economic Forum, more than half of the world's total Gross Domestic Product (GDP) is moderately or highly reliant on nature and its services, with the three largest sectors being construction, agriculture, and food and beverages production<sup>1</sup>. Deterioration of biodiversity and nature has a negative impact on the economy. Therefore, **climate inaction could result in substantial losses for the planet**, with a projected impact of between 4% and 18% of global GDP with different impacts across regions<sup>2</sup>.

<sup>1</sup> World Economic Forum, Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy, 2020.

<sup>2</sup> World Economic Forum, The Global Risks Report 2022 – 17th Edition, 2022.

The United Nations have put forth a **global goal to be nature-positive by 2030**<sup>3</sup>, ensuring the development, adoption and implementation of an effective biodiversity framework and aiming to reverse the current catastrophic nature loss. According to Forbes, there is a US\$100 trillion investment opportunity in climate transformation<sup>4</sup>.

New nature-based investment markets and legal frameworks recognize **investment into natural capital**, allowing alternative asset managers to directly invest in nature and accredited projects which target the conservation, sustainable management and restoration of natural capital. These could be, for example, forestry management projects, regenerative and sustainable farming practices, water supply management, biofuel, restoration of land and livelihoods (e.g., sustainable grazing practices), or other natural capital assets. The underlying streams of revenue would vary based on the underlying investment derived from certified sustainable commodities (such as timber logs, coffee beans and cotton), conservation fees, fishing and hunting rights, carbon sequestration, and carbon corporate offset arrangements, among others.

### What is it about natural capital investment that catches the eyes of fund managers and investors?

Today, external pressures from the public, regulatory bodies and stakeholders to **reduce detrimental impacts on nature** and the threats of climate change and biodiversity loss which are degrading the ecosystem are increasing. This propels investors to seek – and alternative asset managers to offer – investment products into natural capital.

Investors are looking into **nature-positive investments** that could sustain their return expectations. They are thus increasingly employing screening tools and standards to identify ESG risks in order to make an informed decision, turning away from negative ESG impacts and protecting their public image.

**Alternative asset managers are setting up more natural capital funds.** By investing into natural capital, the asset managers are putting an economic lens on environmental assets and may seek market opportunities with substantial returns. The pivot towards sustainable investing is accelerating, surrounded by schemes to balance the risks associated with nature, expected returns and sustainable goals.

Thematic funds create opportunities for engaging with natural capital (attracting capital from institutional investors including sovereign wealth funds, pension funds and insurance companies) by valuing environmental and social returns and mitigating long-term climate risks.

### Why is tax a relevant consideration for natural capital?

Based on our experience, an increasing number of alternative investment funds are being set-up, especially in Luxembourg, focusing on natural capital strategies.

*“Thematic funds create opportunities for engaging with natural capital (attracting capital from institutional investors including sovereign wealth funds, pension funds and insurance companies) by valuing environmental and social returns and mitigating long-term climate risks.”*

<sup>3</sup> Following the Kunming Declaration adopted in October 2021 at the 15th meeting of the Conference of the Parties to the United Nations Convention on Biological Diversity (known as COP15) in Kunming, China.

<sup>4</sup> The \$100 Trillion Investment Opportunity In The Climate Transformation, published on 2 June 2021.

When considering investment into natural capital, there are a few things to keep in mind from a **commercial and tax perspective**, as they could have an impact on a fund's internal rate of return:


- **Tailor the structure to the underlying investment:** From the outset, alternative asset managers would need to consider an appropriate type of fund and holding structure tailored to the type of investors and the specific nature of investment. Certainly, investments into green bonds, concession rights and investments into tangible assets each require different structuring considerations and arrangements, and may result in unintended outcomes if left unchecked (e.g., investors may become subject to tax filing obligation outside their country of jurisdiction, or additional tax reporting).
- **Local tax considerations:** Some types of investment may need to factor in the relevant direct tax and indirect tax considerations that naturally feed into the viability of the project from a financial point of view. For example, local investment jurisdictions may provide for specific value-added tax regimes for carbon credits, targeted levies (e.g., royalty on timber production), or may introduce specific incentives (e.g., grants and incentive schemes to promote specific activities and/or employment, accelerated tax depreciation rates or more tailored depreciation methods). In addition, the features of commercial agreements and differentiated nature-based streams of revenue should be considered from a tax and transfer pricing angle.
- **Non-resident capital gains taxation upon exit:** As noted, it is key to understand the local tax rules where the natural capital asset is located to anticipate relevant exit strategies. For example, from a tax perspective, the land in agricultural projects and forestry projects may qualify as a real estate investment or be considered as forming part of a commercial business, depending on the jurisdiction where the project takes place. Many jurisdictions may retain taxation rights on the sale of the project companies holding these assets, claiming that it is in substance and actually a sale of the underlying real estate instead of a business. Therefore, potential capital gains taxes and real estate transfer tax may need to be particularly considered.
- **Cash repatriation:** The regular cash yield for institutional investors – especially, pension investors – may be of essence. Therefore, appropriate funding strategy is key, and the related withholding tax impacts would need to be considered.

*“Sustainable investments are both a growing trend and global need in achieving a nature-positive outcome, and natural capital is the asset class that can boost climate transformation with a beneficial impact on the world's biodiversity, while achieving attractive returns.”*

#### Concluding remarks

Sustainable investments are both a growing trend and global need in achieving a nature-positive outcome, and **natural capital is the asset class that can boost climate transformation with a beneficial impact on the world's biodiversity**, while achieving attractive returns.

The creation of nature-based streams of revenues comes with attached risks and rewards, but also **new challenges for asset managers**, from selecting nature-positive investments, understating the relevant income streams and all the related tax implications.





## Art as alternative investment

A retrospective outlook reminds us, that **art has been one of the most coveted passions of human beings**. From ancient Egypt, through the Roman Empire, the Viking Age, the golden age of piracy or even the monarchies and Bourgeoisie during the XIV century, supported by patrons such as the Medici, treasure art, has always represented prestige, wealth, and as a consequence power. However, we can only talk about art in a **financial market** environment since the beginning of the XIX century, when some American families, including the Rockefeller family or JP Morgan, began **to invest in art as an alternative to their businesses**.

Nowadays, investors continue looking to invest in **non-traditional financial capital market assets**. That is, they seek to invest in alternative assets such as hedge funds, capital markets (Pe), private debt, infrastructure, real estate or physical assets.

There is not a clear definition of what is considered an alternative investment, but we could say, that they are those assets, that are characterized by the long term, provide greater opportunity for return, low volatility, offer a greater capital value and they behave differently from traditional assets, that is, **a low correlation**.

However, they are associated with other **risks**, especially due to their higher administration costs than traditional ones, and the complexity to obtain liquidity since they are long-term investments.

Therefore, taking into account the above, we could say that **art is also an alternative investment** that, in addition to what has been said, in a period of uncertainty, we could consider it, as a **refuge asset** and would even act as a good investment option, during a time of high inflation, without forgetting that over time, supply and demand always make their own adjustments to the value of the artwork.

Then, let us see, what the **profile of the investors/collectors** will be, or what dilemmas they may face when making an investment decision in art.

Contrary to what we might think, the collector does not have to be an individual person, but can be an entity, and in both cases, they could decide to invest in **established artists** or in those **emerging ones**. It seems, that the established ones will continue to offer a good opportunity to businesses even if the amount of the initial investment is higher, while emerging artists can always surprise us positively. In one case or in another, the decision of this investment, has usually a strong **emotional factor**, that differentiates it, from the decision-making in other investments alternative.

For the time being, the big players in sales of the art market continue to be **outside Europe**, the USA followed by China, and in Europe, the United Kingdom followed by France, Germany and Italy. Spain is still a small market despite being a sector consolidated with heritage wealth, but still with many challenges to increase the **Spanish artistic culture**, and patronage.

Fortunately, new online initiatives, social networks, increasingly professional advisors, and institutional support are improving the art collecting in Spain, and making Spanish art known outside our borders, where worldwide sales of artworks continue to grow.

Without a doubt, art is an alternative investment, that allows families and entities to **diversify their wealth** and preserving it for future generations.



**Enrique Mestre Nieto**, CAIA  
Partner  
Alaluz Capital SGIC, SA

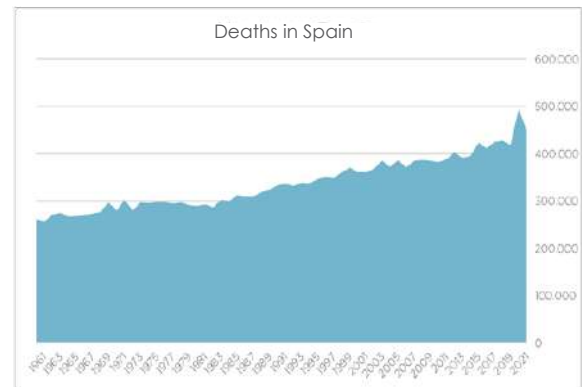
# Vacant inheritances: an alternative investment in times of crisis

In the current context of economic uncertainty, **investors are looking for alternative investments** to diversify their wealth while obtaining above market returns. Thus, investing in assets with very little correlation with traditional asset classes generates enhanced returns.

In this regard, the recent pandemic and its consequences have put the spotlight on the **vacant inheritance** business. The sale and purchase of inheritance rights is not new, but after Covid, it has certainly caught the attention of a larger number of investors.

In Spain there are more than 400,000 deaths every day, and about 3-5% of these deaths do not have recognized heirs.

Inheritance Rights refer to assets that belonged to someone who passed away before a partition is executed and assets assigned to the legal heirs. "Vacant Inheritance Rights" are those when **the deceased person did not leave a written will or when the heirs can not be reached**.



Source: Consejo General del Notariado

These rights remain, therefore, in a kind of "stand by", waiting to be assigned. In some other cases the heirs have no notice of the passing because of lack of re-cent contact or live far away from the deceased person, difficulting the necessary notifica-tions and legal procedures.

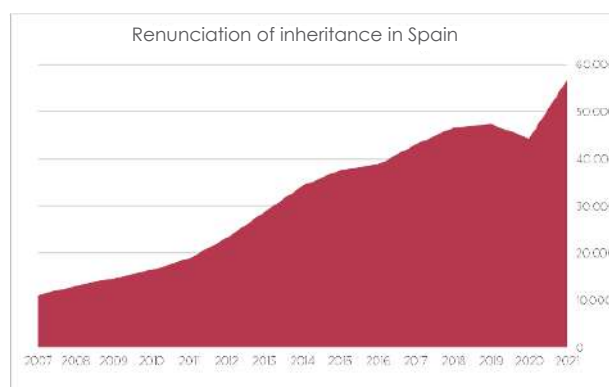
In this context, **Alaluz Capital launched its first fund focused on vacant inheritance rights** at the end of 2021. This fund is addressed to professional clients or to those who the legislation of the country in which they reside allows them to invest in a RAIF.

For this vehicle, the geographical scope of distribution is very ambitious. For this reason, it has been decided to set up a **RAIF** (Reserved Alternative Investment Fund) in **Luxembourg - ALX Hereda SCA SICAV RAIF** (the Fund).

**Alaluz Capital is an asset manager regulated and supervised in Spain by the CNMV** (*Comisión Nacional del Mercado de Valores*) and licensed to manage traditional and alternative assets. The company has extensive experience in the management of alternative vehicles under Luxembourg and Spanish law.

Given the idiosyncrasies of the asset class, Alaluz Capital relies on **Grupo Hereda**, a business group dedicated to inheritance law, which supports us in the process of searching and acquiring the inheritance rights. Grupo Hereda (investment advisor to the fund) has more than 20 years of experience managing inheritance rights in Spain. Acquired assets and approved deeds are deposited with **TMF Luxembourg**, and **Deloitte** is the external auditor who signs the fund's accounts, verifying the value assigned to the assets every year. There are different reasons for an inheritance to become vacant:

- The deceased person did not leave a written will and, therefore, it is an **intestate inheritance**. In these cases, the State calls the heirs to succeed according to the law.
- There is a written will, and the identity of the heirs is known, but **it is not possible to find them** either due to family distancing between the heir and the deceased person or between co-heirs, or due to geographical location difficulties, thus making communication difficult.



Source: Consejo General del Notariado

In addition, heirs may have a strong incentive to sell their inheritance rights at a significant discount due to:

- **Lack of liquidity** to accept the assets and debt (expensive paperwork, immediate tax obligations and lawyers' fees).
- **The process is lengthy** (between 18 and 24 months) and is not straightforward, particularly if there is no previous experience.
- **Conflicts with other heirs:** there are usually several heirs, who sometimes do not even know each other, and disputes and disruptions in the family unit often arise.
- **Emotional disconnection** with the inheritance: Some heirs prefer to receive cash rather than an asset to which they do not feel attached and that they do not know how to manage.

In this context, **the Fund purchases inheritance rights**, mainly real estate assets acquired at a price significantly below of their market value (60%-70% discount). To this must be added all the expenses and other items required to obtain the ownership of the assets, mainly in real estate, and their subsequent sale on the market.

The inheritance rights management process consists of four stages:

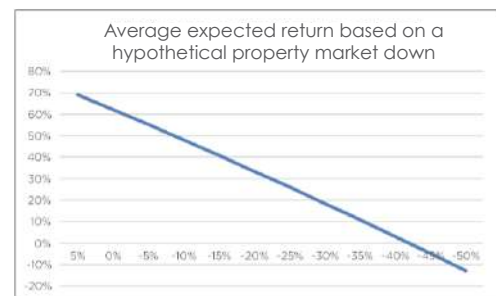
1. **Research and search:** it includes the search and location of interesting vacant inheritances through a network of agents throughout Spain.
2. **Processing:** Legal, administrative and negotiation processes needed in order to acquire and manage the inheritance rights. In this phase, Grupo Hereda has a proven track record of the whole administrative process.

3. **Selection and management:** Alaluz Capital filters and selects the most suitable inheritance rights for the fund. The main selection criteria are:
  - Features of the underlying assets.
  - % of inheritance to be acquired.
  - Number of total heirs.
  - Potential liabilities or claims.
  - Estimated timeframe to full execution.
4. **Execution:** this last phase involves the sale of the assets and payment of its associated debts, taxes and fees. The Fund's main purpose is not to generate income from real estate investments, but rather to rotate the portfolio and thus generate capital gains.

In addition, **the Fund can also invest in other assets related to Inheritance Rights**, such as the purchase of options on inheritances being managed by Grupo Hereda, or mortgage loans in arrears where the debtor has passed away. Alaluz Capital will assess the acquisition of these assets according to their suitability to the overall risk profile of the fund.

The nature of this fund really **differentiates it from other investment strategies**, traditional or alternative. Although it is true that it has a certain correlation with the real estate market in Spain, the attractive purchase price (discounts of over 60%) offers the Fund ample flexibility and the capacity to move in the face of adverse movements in the real estate market.

The Fund has a management fee of 0.50%. In terms of returns distribution, the investor receives the first 7% generated by the Fund, while the remaining will be distributed by applying an increasing scale between the investors and the asset manager, as a success fee. In aggregate, the initial estimated return expectations for investors are in the double-digit range.



Therefore, the fund has a significant **flexibility** to sell properties at significant discounts and rotate the portfolio, obtaining profits, even in times of market crisis. The particularities of this business mean that there is very little correlation with traditional capital markets, which makes it easier for the Fund to act as **a haven in times of uncertainty**.

For additional information about the Fund or how to subscribe, write to [contacto@alaluzcapital.com](mailto:contacto@alaluzcapital.com).

# Elevated inflation and rising interest rates: what's the solution?

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2022 has been a traumatic year for financial markets, with **global equity indices down double digits year to date**. Markets have had to grapple with a continual flow of negative news, most notably the war in Ukraine. Around the world, **inflation** is hitting multi-decade highs while **interest rates** are rising. In September, both the US Federal Reserve and the European Central Bank raised rates by 75 basis points, with further hikes expected in the coming months. Against this challenging backdrop, investors are increasingly seeking ways to **protect returns** and to **diversify their portfolios**. Below we outline two alternative asset classes – catastrophe (cat) bonds and mortgage-backed securities (MBS) – which we believe are well positioned for the current environment.

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DOSSIER / ARTICLE

## Cat bonds

### What are cat bonds?

Cat bonds, a type of **insurance-linked security** (ILS), are fixed income instruments issued primarily by insurers and reinsurers to transfer to investors exposures from potentially large insured losses associated with **natural catastrophes**. For issuers, ILS represents **an alternative to the traditional reinsurance market**: instead of passing catastrophe risk on to reinsurers by buying reinsurance, a cat bond issuer aims to transfer it directly to the capital markets, where capacity for such risks is greater.

### What can they offer investors in the current environment?

Cat bonds and ILS, by their very nature and construct, are **adjustable-rate instruments** that index well with interest rate rises and inflation. The coupons on cat bonds and ILS are all floating rate, so every basis point rise in interest rates on the short end of the curve flows directly into the coupon. The inflation element is a little more complex, but easiest to understand at a fundamental level. Insurance companies themselves meticulously reset their premiums on an annual basis with every policyholder according to prior and expected inflation. This means that the very nature of the business itself is **indexed to inflation**.

Less obvious is the fact that an environment filled with fear, uncertainty and doubt drives insurance and reinsurance policies. More specifically, **market turmoil tends to affect the psychology of insurance buyers**, compelling them to buy more insurance, for which they are willing to pay a premium. This is positive for the asset class, but crucially investors do not necessarily pay with a higher risk because a market crash cannot cause a hurricane or an earthquake to occur. Further, given the **uncorrelated nature of the asset class**, no hedging is required to insulate cat bonds or ILS from traditional market factors.

In addition to their low correlation with traditional asset classes, cat bonds and ILS are **well aligned with environmental, social and governance (ESG) principles**. With regard to environmental factors, ILS are at the forefront of monitoring the cost of extreme weather and, to our knowledge, is the only market that provides a direct climate-priced signal. Making the analogy to inflation-linked bonds, ILS are themselves climate linkers in our view.

Moving to the 'S' in ESG, insurance in general is a **social form of finance**, applied to essentially neutralise risk across a broader pool to reduce its impact and severity on society. Were it not for ILS, following the hurricane losses in the US in 2004-05 there would have been a significant global increase in the cost of insurance. Reinsurance is a global scheme and as such, if it comes under stress, it affects the pricing of insurance globally.

In relation to governance, the ILS market brings an unprecedented level of **market transparency** around pay outs for catastrophes. This allows governments to plan and budget for their response to such catastrophes; The World Bank estimated that having funding in response to a catastrophe from ILS has a multiplier effect of at least one hundred times. This means that every USD 1 of response to a catastrophe coming from ILS is worth at least USD 100 of aid that comes through the traditional response system.

## Mortgage-backed securities

### What is an MBS?

An MBS is an instrument which is **backed by a pool of mortgages** whereby the investor is entitled to the cash flows associated with those underlying mortgages; each pool can include individual mortgages on either residential or commercial properties.

There are two main groups of MBS: '**agency**' and '**non-agency**'. The former are generally guaranteed or insured by a government agency, and are therefore more secure but offer lower rates of return. The latter are issued by private institutions, are privately insured or not insured at all, and are therefore subject to credit risk, but may potentially deliver greater benefits.

## What can they offer investors in the current environment?

It may surprise you to learn that MBS is **the second largest segment of the US bond market** after treasuries, accounting for almost a quarter of the US fixed income market. The combination of high credit quality, large size and a diverse range of investors also mean the US MBS market is generally highly liquid.

The MBS market played a central role in the global financial crisis (GFC), but the asset class has evolved considerably in the years since. Almost inevitably, the subprime crisis served as the harshest form of **quality control**. Since then, only individuals with higher credit profiles have been able to obtain mortgages.

We have seen the US mortgage market undergo dramatic change in 2022. Higher mortgage rates are contributing to declining home sales, which have now fallen to levels consistent with those pre-Covid. Despite this, **the price of houses in the US is continuing to increase**. In June, house prices increased by +0.6% from May, and 18% year-on-year, according to Case-Shiller. While we are not expecting these large increases to continue, we believe the lack of inventory and strong household formation should continue to provide support for house prices for the foreseeable future, mitigating the impact of rising mortgage rates.

As most mortgages in the US are fixed rate, rising interest rates do not have a material impact on the credit quality of most of the outstanding mortgage market. The increase in house prices has in fact improved the loan-to-value ratios on existing mortgages, which in turn has improved the **credit profile** of seasoned mortgage securities. Loss severities on seasoned mortgages have steadily decreased as house prices have risen, and the number of mortgage liquidations that have resulted in no-loss has steadily increased over time.

Regulations and tighter lending standards have improved **mortgage credit quality** in the wake of the GFC. Consequently, the underwriting criteria for US agency residential mortgages remain fairly tight, although they have been loosened to some extent to help first-time buyers. Non-agency underwriting criteria are also tight, and the amount of capital required by banks to hold them is significantly more than for agency.

Despite concerns about strong inflation and the prospect of a recession, we believe MBS can weather the storm. We expect the US consumer to remain **resilient** due to the tight labour market and the high savings rate during the pandemic; the US unemployment rate in August was 3.7%, which we believe should allow the Federal Reserve to act aggressively without crushing the labour market and leaving consumer credit relatively unscathed. Further, the MBS market continues to be supported by strong house prices which, in our view, are unlikely to fall significantly while there is a shortage of homes.

Clearly then, **both ILS and catastrophe bonds and MBS hold a special position in the market**. Given today's challenging and volatile markets, the diversification and low correlation benefits they can offer have never been more important.





## Articles

- How LaLiga's Economic Control and Squad Cost Limit work
- The challenges of sustainability in the financial landscape



# How LaLiga's Economic Control and Squad Cost Limit work

Summer is traditionally a time for football transfers. It's when clubs strengthen and make the necessary adjustments to their squads ahead of a new season and it's a period of excitement and fresh hope for fan-bases. But how does this process work from behind the scenes? What must a club do when signing a player in order to register the new arrival with LaLiga? **What is involved in the Economic Control and Squad Cost Limit rules that have been approved in LaLiga?**

Here comes a look at how the LaLiga transfer market works from within.

## Economic Control

**Economic Control** is a regulatory framework that was **self-imposed by the LaLiga clubs and SADs** (public limited companies), launched in 2013 with the clear objective of guaranteeing the sustainability of the competition and of the clubs themselves through financial review. This framework applies in the top tier, which is LaLiga Santander, and in Spain's second division of LaLiga SmartBank too, so all participating clubs must abide by the same rules. LaLiga's Economic Control is **preventative** and coexists alongside retrospective measures such as UEFA's Financial Fair Play. The clubs know how much they can spend in advance, making it easier **to stay within the limits** and preventing the creation of unsustainable debt. Looking at the five major European leagues, this measure differentiates LaLiga from the others when it comes to the transfer market.

When making signings, one of the pillars of Economic Control is particularly important, that of the **Squad Cost Limit (SCL)**. This is, in other words, **the amount that each club can spend on their squad**. It should be noted that the squad is made up of Registrable and Non-Registrable parts. The Registrable squad refers to the players with shirt numbers 1 to 25, the head coach, assistant coach, fitness coach and other coaches with similar roles. However, there are also players who aren't assigned to a particular squad of the club or some who have already departed but who still account for a cost (such as a compensation). So, the Non-Registrable squad encompasses the other players and coaches at the club.

## Squad Cost Limit

**This framework isn't only concerned with the salaries of these professionals**, but with various other factors too, such as variable payments, image rights payments, agent fees, amortisation of transfer rights, loans costs, social security contributions, compensations, 25% of the purchase option price (when it's quite likely to be carried out), license fees and other remunerations. As such, any new player a club wishes to register must fit within the club's SCL.

**The limit for each club corresponds to a simple equation: budgeted non-sporting expenses are subtracted from the budgeted revenues, taking also into account the debt repayments, as well as the losses to be recovered. The remaining sum is the SCL of the club in question."**

Looking at all the factors that make up the SCL, the limit for each club corresponds to a simple equation: budgeted non-sporting expenses are subtracted from the budgeted revenues, taking also into account the debt repayments, as well as the losses to be recovered. The remaining sum is the SCL of the club in question.

When a club or SAD signs a new player they send all the documentation to LaLiga, who will authorise or reject the registration of the player, based on the rules and on the SCL at the date of the application. There is a **Valuation Body** that, using reports from independent experts and following the rules set out in the policy framework, can revise any particular operation, for example, to ensure that a deal is in line with market values and/or economic trends. This guarantees that **all registrations of players by LaLiga clubs are in line with Economic Control**. Only in this way can it be ensured that all of the teams are competing with the same rules and that there is no form of financial doping. Above all, this ensures the sustainable growth of LaLiga clubs.

There is a **Valuation Body** that, using reports from independent experts and following the rules set out in the policy framework, can revise any particular operation, for example, to ensure that a deal is in line with market values and/or economic trends.

The application of Economic Control in LaLiga and the responsibility of the clubs have already produced undoubted benefits. **From 2014/15 to 2019/20, the combined equity of clubs rose by 250%**. Meanwhile, debt owed to public bodies has gone down from €650m in 2013 (the majority overdue) to just €17m in 2021 (all up to date). Furthermore, complaints from players over non-payment have fallen drastically, from €89m worth in 2011 to €1.5m worth in 2021, with most of the current objections stemming from conflicting interpretations of criteria, rather than unsubstantiated failures to pay.

In the time since the introduction of Economic Control, the positive off-the-pitch results have been accompanied with **success on the field of play**, as 17 of the past 26 European titles in this time have been won by Spanish sides. All players who ply their trade in LaLiga know that they are in a competition that is very strong in a sporting sense and, at the same time, stable financially. That is a double achievement, one that is even more impressive in the recent times of the COVID-19 crisis.

## Which bodies play a role in establishing the SCL?

When a club or SAD sends the documentation for a new player, the managing body of LaLiga's Economic Control is in charge of authorising the registration request. Furthermore, **LaLiga is also responsible for approving the SCL of each club**. In order to make these decisions, there are some specialised bodies and tools that act as guarantors of the just compliance with the rules. There is a team of analysts in the Economic Control department at LaLiga, there is a Validation Body and there are technological appliances (software, BI&A, AI, etc). Nothing is left to chance.

This is all done to reassure clubs that the rules are being followed to the letter. **To provide further guarantees, there is auditing of data and the compilation of independent expert reports**. In the case of any discrepancy, it is possible to go to the Financial Supervision Committee of LaLiga's Economic Control, to a UEFA Appeals Committee (RFEF – Spanish Federation) or to the ordinary courts.



**Mélanie Mortier**  
Senior Portfolio Manager  
Banque de Luxembourg



**Juan Carlos Durán**  
Senior Private Banker  
Banque de Luxembourg

# The challenges of sustainability in the financial landscape



**Sustainable and responsible investment** is gaining traction globally and is set to grow further in the coming years. Financial services providers face numerous challenges when offering solutions that meet their clients' expectations in terms of sustainability. Knowledge and transparency are the watchwords.

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Societies have undergone profound changes in recent years. Scientific studies and warnings from experts regularly highlight climate change, and its associated natural disasters have become daily topics of discussion. This theme, which is also driven by **changing regulations**, has finally percolated into the sphere of finance. *"The expansion of sustainable and responsible finance over recent years is linked to the very evolution of society with regard to the issue of climate change"*, says Mélanie Mortier, Senior Portfolio Manager at Banque de Luxembourg. *"However, it is also a consequence of other important issues taking centre stage, such as gender equality and equality between people of different ethnicities, driven for example by the 'Black Lives Matter' movement."*

## Sustainable finance fuelled by crises

Covid is another factor that has had an impact on the **development of sustainable finance**. *"This crisis has highlighted a whole series of problems linked to our economic model, such as the need to source certain products from distant countries"*, explains Mélanie Mortier. *"Worker protection also became critical during the crisis, and companies that did the right thing in this regard stood out."*

Another crisis that could bolster the fight against climate change and play an unexpected role in the development of sustainable finance is the **conflict in Ukraine**. Apart from the humanitarian aspects, it has highlighted the dependence of European countries on **energy supplies**, especially from Russia.

"Governments are no longer just asking what they can do to counter climate change, but also where the energy they use comes from", says the Senior Portfolio Manager at Banque de Luxembourg, who points to the European "REPowerEU" plan that is intended to **save energy and diversify our energy sources**. In this context, companies that offer alternative energy and develop less polluting solutions at a local level also have a card to play.

### Integrating ESG criteria into financial analysis

ESG analysis of companies is complementary to the fundamental analysis of financial criteria. "Our aim is always to fully understand the company in which we invest, and in particular to measure all the risks which could affect it", explains Mélanie Mortier. "There is no doubt that taking **ESG risks** into account gives us a deeper understanding of the companies in which we invest."

Whereas historically, there was a strong focus on the environmental side of things, which is easier to quantify, now the **social aspect** is increasingly being taken into account. "This is obviously linked to how society evolves", continues Mélanie Mortier. "Nowadays we aren't just looking for ecological transition, we also want this transition to be fair."

### Harmonisation is necessary


Analysis of ESG criteria is based in part on the **ESG ratings** of companies, which in itself raises a raft of questions. The fact that these rating systems are not harmonised between the various data providers is fuelling the debate but also poses a problem in terms of the rating methodology's transparency. "Tesla was excluded by S&P from its ESG index as it was disqualified by several factors (absence of a low carbon strategy, code of conduct, cases of racism and poor working conditions, etc.). However, MSCI, another major data provider, considered that the product proposed by Tesla was more important, in terms of sustainability than these other considerations", Mélanie Mortier points out.

### A year full of regulatory changes

The European Commission has an ambitious plan to promote the transition, including regulations to direct capital flows towards sustainable investments, improve transparency and **integrate sustainability into risk management**. In 2021, the Sustainable Finance Disclosure Regulation (SFDR) paved the way in this respect, with very clear effects. "In March 2021, 20% of European funds had declared themselves to come under Article 8 or 9 of the SFDR, i.e. promoting environmental or social characteristics to a greater or lesser extent. By the end of 2021, this figure had risen to 40%. This shows that the market has already adapted to the new regulatory situation and this is a trend that is set to continue", says Mélanie Mortier.

### Clarity for investors

For private banks, the changes are equally numerous and require efforts in terms of **transparency and clients' knowledge**. "The challenge is to open the discussion with our clients and understand what they are looking for in terms of sustainability, so that they can take this into account in the management of their portfolios." This process of discussion creates an opportunity to explain sustainable and responsible products. Reporting on investments also helps ensure maximum transparency. The challenge is to provide useful, **understandable and relevant information**. "As a committed bank, we support our clients in a responsible approach to their investments. We offer them sustainable and responsible solutions for a positive impact on society and the environment", concludes the Banque de Luxembourg expert.





## MEET THE TEAM

In this edition of the SFF Magazine, we incorporate a new section dedicated to the presentation of the structure and teams of SFF companies.

**Caixabank Asset Management Luxembourg, S.A.** shares with us some information about its track record in the Grand Duchy and introduces us to the Luxembourg team, which is the main active of the asset management company in its aim to offer its clients access to global investment opportunities.

*“Our mission of contributing to the financial well-being of our clients and the progress of society is developed in a culture in which people come first. In this sense, I would like to highlight the spectacular work of the team to offer investment solutions adapted to the client’s profile, seeking to have a positive impact on society as a whole”*

Ignacio Nájera-Alesón, General Director at CaixaBank Asset Management Luxembourg S.A.



## CaixaBank Asset Management, the leading asset management company in Spain

Talking about asset management in Spain necessarily involves talking about CaixaBank Asset Management. Following the **integration of the “Bankia Fondos”** business, the asset management company has extended its leadership in Spain and, according to Inverco data as of August 2022, it manages more than 75.2 billion euros in funds. *Its objective is to maintain national leadership as a reference in asset management and innovation, with a wide range of efficient and sustainable solutions, which allow it to always meet the needs and expectations of its clients.* The management company has **branches in Luxembourg and Portugal**, CaixaBank Asset Management Luxembourg and BPI Gestão de Activos in Portugal, respectively, allowing it to **diversify its offer and investment solutions** for CaixaBank clients with geographically diversified wealth.

## CaixaBank Asset Management Luxembourg

CaixaBank Asset Management operates in **five locations**: Madrid, Barcelona, Lisbon, Oporto and Luxembourg. Its mission is to offer **investment vehicles** in the different regions that provide solutions to the needs of investors in both the local and international markets.

CaixaBank Asset Management Luxembourg, S.A., entirely owned by CaixaBank Asset Management, SGIC, S.A., is the manager of **two SICAVs** registered in 2013 and **one FCP** registered in 1994: CaixaBank Global SICAV CaixaBank Wealth SICAV, and BPI Global Investment Fund (fonds commun de placement).

Both the SICAVs and the FCP are vehicles established in Luxembourg in accordance with the **UCITS Directive** and managed under delegation by CaixaBank Asset Management, which as the investment manager is empowered to take investment decisions in line with the investment policies contained in each of the respective prospectus of these vehicles and prevailing regulations.



The three vehicles have an umbrella structure encompassing different compartments which offer different investment policies. Together they provide a **full offer** with a high volume of assets under management, while guaranteeing the **flexibility** to provide “tailored” investment solutions.

CaixaBank Asset Management Luxembourg is integrated into CaixaBank AM Spain's parent company together with BPI Gestão de Activos in Portugal. This integration allows the entity to be **more competitive and flexible**; thanks to the capillarity and integration in different countries and financial cultures, they offer investors the most efficient solutions in international markets.

In addition, the CaixaBank Group has a **new bank in Luxembourg from 2020, CaixaBank Wealth Management Luxembourg**, with the aim of serving CaixaBank's private banking clients who have investments outside Spain and who want to diversify their wealth in different jurisdictions.

Para Ignacio Nájera-Alesón, director general de CaixaBank Asset Management Luxembourg: *“Luxembourg is the cradle of investment fund management in Europe and being present in the country allows us to offer CaixaBank clients access to global investment opportunities,”* says Ignacio Najera-Alesón, CEO of CaixaBank Asset Management Luxembourg. *“This strategic location is highly valued by the client, and allows us to fulfill our purpose; that is, to offer efficient and sustainable solutions to CaixaBank's clients”*, he adds.

## Structure and team in Luxembourg

People are the keystone of the CaixaBank Asset Management Group. Its professionals are known for their skills, integrity and for sharing the values of the CaixaBank Group. The CaixaBank Asset Management Luxembourg team is composed of:



- **Ignacio Nájera-Alesón**, General Director and Conducting Officer
- **Victor Vizcaíno**, Fund Controller & ManCos (Management Companies) Operations oversight
- **Isaac del Toro**, Risk Manager
- **Paula Gómez**, Compliance Officer
- **Emmanuelle Lemarquis**, Register Compliance Officer for the CSSF, RC y DPO.
- **Eric Chinchon**, Independent Conducting Officer responsible for oversight of Internal Audit and Marketing and Distribution.
- **Nuno Malheiro**, Conducting Officer, Risk Manager ManCos and Supervision of IT, Finance and Operations.

Compliance with the law, respect, integrity, transparency, excellence, professionalism, confidentiality, and social responsibility are the basic principles of action of CaixaBank Asset Management Luxembourg, as reflected in the **Code of Ethics and Business Principles of CaixaBank Asset Management**.

In this way, CaixaBank Asset Management Luxembourg integrates the talent and experience of the specialized teams of the CaixaBank Asset Management Group in the management of investment vehicles domiciled and registered in Luxembourg. **Their approach to value creation is based on specialization, diversification, agility and methodology, with a competitive advantage that lies in their ability to be consistent and reliable.**

## Asset management company committed to social responsibility

The CaixaBank Group was founded at the beginning of the 20th century with the aim of encouraging savings and welfare in a historical context of instability, with a clear social purpose: **to help the most disadvantaged people**. This vision, now one of the pillars of the welfare state in Spain, remains in the Group's DNA nearly 120 years later.

*"The Group's distinctive feature, to which we are all proud to belong, is its strong social commitment and vocation to work for the benefit of the general interest. We have been generating social impact for nearly 120 years without being aware of it, and without following any trend or tendency... Simply by vocation",* says Ignacio Nájera-Alesón. And he adds: *"Our mission of contributing to the financial well-being of our clients and the progress of society is developed in a culture in which people come first. In this sense, I would like to highlight the spectacular work of the team to offer investment solutions adapted to the client's profile, seeking to have a positive impact on society as a whole".*

In this regard, CaixaBank Asset Management Luxembourg's team works with the highest level of **responsibility and transparency** to offer the most competitive and innovative value proposition, always responding to the financial needs of customers, while remaining committed to the Group's values of quality, trust, and social commitment.







# Opinion

## LatAm in focus: opportunities and challenges for fund managers

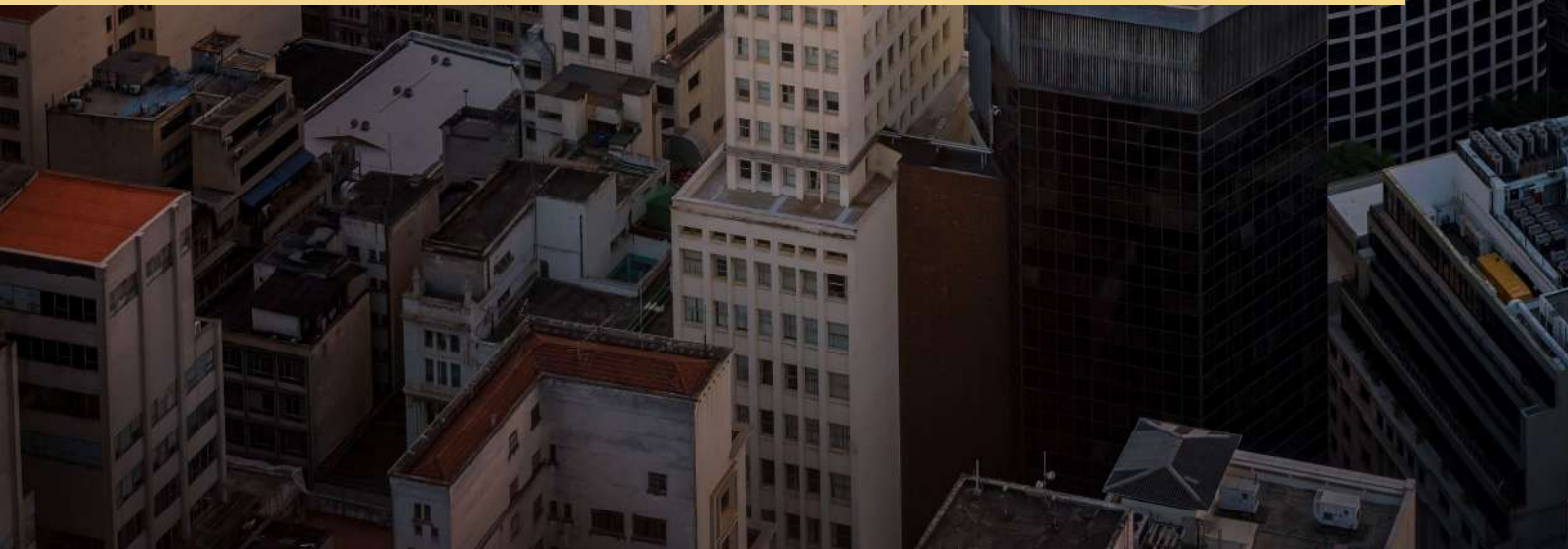
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OPINION

Growth in the LatAm Asset & Wealth Management industry has been strong in recent years, with assets growing at a 13% CAGR post Global financial crisis. According to a recent report of PwC Luxembourg, despite global economic uncertainties, as well as rising political and trade tensions, short-term effects will be shrugged off post 2020 and assets (in US dollars) will rise by 2025. In fact, they predict a 12.3% CAGR between 2020 and 2025, with assets reaching above the US\$5 trillion mark.

In this context, what are the opportunities and challenges for asset managers?

We have the testimonials of a selection of asset managers with consolidated track record in Latin American markets



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Historically, **Latin America** has been one of the regions with the greatest potential for development and investments in the western world, given their similar cultural and legal systems.

If we compare with other geographical areas, Latin America has been one of the regions that has grown the most in terms of **venture capital** in the last decade and that has quite significant growth expectations, according to all current analysis, for the next ten years.

In the last months, we have seen a lower growth in international trade, the appreciation of the US Dollar and the **tightening of global financial conditions**, which are some of the factors affecting the economic recovery of the countries in Latin America. Likewise, the political board is changing on important countries towards more interventionist and protectionist governments that must be closely followed.

Due to the clear Hispanic orientation of Octogone Europe's clients, we are proud to say that we can appreciate the differences between the different markets, as it would be **a mistake to classify Latam as a single market** without paying attention to the evident gap between all the countries from a political and economic point of view.

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OPINION

Given this global scenario, we have noticed a **strong demand for alternative assets**, in our case, with projects of creating alternative investment funds (Private Equity) where we work closely with several clients and Partners in Latin America in order to analyze and monitor different opportunities in **Real Estate, Infrastructure and Telecommunication sectors**.

Luxembourg is the ideal place **to structure and consolidate these investments** towards Latin America, as it is the largest investment fund center in Europe, with more than 6 trillion euros in assets under management. Being leader in the development of private equity investment vehicles such as RAIF, SICAR or SIF, and a very attractive regulatory and tax framework.

We have been able **to advise and follow up on the creation and management of several RAIF funds** so that our clients and partners feel safe and protected about the way their investments in the Latin American market will be structured.”



**Manuel Arteaga**  
CEO, Luxembourg  
Octogone Europe S.A.



**Jorge Madrideo**  
Portfolio Manager,  
Luxembourg  
Octogone Europe S.A.

## Luxembourg: The European gateway for Latin American sponsors and investors



“Luxembourg stands as the second largest invest fund center worldwide. Its prime location at the heart of the European Union, its diverse fund structuring toolbox, its attractive legislative and tax framework, and its unmatched experience in global distribution, sustained the success of Luxembourg as the perfect gateway for Latin American (**LATAM**) clients to conduct their operations in the European and international markets through Luxembourg investment funds.

It is expected that the commercial trade and exchange between Luxembourg and LATAM jurisdictions will continue to grow in the coming years. **Luxembourg has a wide network of double tax treaties in force including treaties with Argentina, Brazil, Mexico, Panama and Uruguay.** Certain tax treaties (including one with Colombia) have been signed last year or are under negotiation, as is the case with Chile. This is certainly welcomed as it should dynamize this commercial trend and the integration between the European and LATAM markets.

Depending on the adopted fund strategy, Luxembourg offers a wide range of legal regimes to structure investments, through regulated funds (e.g. specialised investment funds (**SIFs**)), semi-regulated funds (e.g. reserved alternative investment funds (**RAIFs**)) and unregulated funds (e.g. whether exempted or compliant funds under the alternative investment fund managers rules). Several corporate forms are also possible, including as a partnership limited by shares (*société en commandite par actions* – SCA), a public limited company (*société anonyme* – SA), or one of the two Anglo-Saxon-inspired forms of limited partnerships. Subject to conditions, certain fund structures may grant access to the benefits of any relevant double tax treaties with some LATAM jurisdictions.

### Conclusion

Luxembourg is an international hub for accessing investments into Europe and structuring investments worldwide and raise funds from international investors. Besides its attractive tax regime, it offers a **wide range of regulatory regimes, legal forms and structuring options**, allowing maximum flexibility to establish an investment fund, and making it the perfect location for LATAM sponsors and investors.”

### CMS Luxembourg

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**José Bonafonte**

Representative in Luxembourg  
**Belgium/Luxembourg –  
Colombia Chamber  
of Commerce**

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“Latin America remains one of the most dynamic and attractive regions for investment, and **Colombia** is currently one of the main alternatives. Colombia is the fourth largest economy in South America, is projecting higher growth than Brazil or Mexico in the next 5 years, and in the first half of 2022 has surprised on the upside due to the great dynamism of private consumption and investment in machinery and capital goods.

It stands out for its conditions of stability, legal security and investment guarantees. At the same time, government institutions are making a great effort to **attract foreign investment**; it offers fiscal and tax incentives for companies that bring investment projects to the country, and has a competitive free trade zone regime. In the same vein, it is worth noting the recent approval in late 2021 of the **One-Stop Investment Window**, VUI. This platform will provide investors with relevant information for their business and will make available to them policies, actions, services and tools to facilitate the management and fulfilment of the investment cycle procedures.

Investment in Colombia, which has traditionally focused on the **classic sectors**: raw materials, infrastructure, tourism, etc., is also beginning to focus on sectors such as electric mobility, ecological agriculture, clean energy, circular economy, Artificial Intelligence research, etc., always with a strong commitment to the application of sustainable and impact investment criteria. On an anecdotal level, it is worth highlighting the Colombian government's strong promotion of tourism linked to cycling, the king sport in this country.

There is a wide variety of ways for foreign investors to access the Colombian market, which in many cases also **acts as a platform** for entry into the region. In Luxembourg, the Chamber of Commerce of Colombia, Luxembourg and Belgium, together with the Colombian institutions, helps to channel this investment.”



VANDENBULKE keeps **watering** your startup's  
**success** from seed to IPO

# Flash News

*Lastest news and events*



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## **SFF Learning Solutions: New financial training courses for young people in Luxembourg**

Within the framework of the Spanish Financial Forum working group, the Official Spanish Chamber of Commerce in Belgium and Luxembourg is launching a new training offer. These are the SFF Learning Solutions training focused on the Luxembourg financial market and will run from October 2022 to March 2023. These three modules, divided into four individual sessions, will take place in a hybrid format and are mainly aimed at young Spaniards who have recently arrived in Luxembourg and are interested in improving their employability by increasing their knowledge of the Luxembourg financial sector.

The topics covered in each training will be the following:

### **Private Equity**

**20 October 2022 / Duration: 3 hours**

This module will provide participants with an introductory overview of private equity, an explanation of its fundamental concepts and a basic understanding of this alternative asset class.

### **Compliance**

**24 November 2022 / Duration: 2 hours**

**26 January 2023 / Duration: 2 hours**

This module will address the fight against money laundering and terrorist financing, understanding the risks, assessing the threats, cybercrime, fraud prevention and its detection and sanctioning systems. It will also explain tax transparency and information exchange, detail the latest European and non-European developments in this area and analyse the latest initiatives in Luxembourg to improve tax transparency.

### **Corporate and Governance**

**16 March 2022 / Duration: 2 hours**

This module will be an overview of the Luxembourg legal and tax considerations for the Corporate & Governance of a Luxembourg commercial company, with a special focus on governance, corporate bodies, main applicable laws and regulations, reporting obligations or available legal structures.

These pieces of training will be given by renowned professionals from multinationals and specialized consulting firms in Luxembourg and will include case studies. The SFF Learning Solutions will be conducted in English in online and face-to-face format (Chambre des Métiers, 2 Circuit de la Foire Internationale, 1347 Luxembourg).

The registration fees for each training course are as follows:

Module 1 – Member price: 195€ + VAT / Non-member price: 225€ + VAT.

Module 2 – Member price: 260€ + VAT / Non-member price: 300€ + VAT.

Module 3 – Member Price: €130 + VAT / Non-member Price: €150 + VAT.

You can consult the full programme [HERE](#).

Registration is now open via this [LINK](#).

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## Luncheon-debate with Jean-Claude Juncker

*Former President of the European Commission*

**NOVEMBER 2022**  
Luncheon-debate



On Wednesday 15th November, between 12:30 and 14:30, the Official Spanish Chamber of Commerce in Belgium and Luxembourg is organising a lunch-debate in Brussels with Jean-Claude Juncker, Former President of the European Commission.

The event will take place at Cercle Münster (5-7 Rue Münster, 2160 Luxembourg).

The presentation will be in English.



More information and registration :  
[luxemburgo@e-camara.com](mailto:luxemburgo@e-camara.com)  
[www.e-camara.com](http://www.e-camara.com)

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# Official Spanish Chamber of Commerce in Belgium and Luxembourg ASBL



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