



## **AREAS OF FOCUS 2021 – 2023**

BEAMA vzw | asbl is a member of the Belgian Federation of the Financial Sector





**The purpose of this document is to set out some of the key points for BEAMA and its member community for the period 2021 – 2023.**

**The final draft of the text was presented in the BEAMA Board meeting of 15 March 2021. It has been completed with statistical illustrations from various sources. Several suggestions made by Board Members of BEAMA on previous versions were incorporated.**

**The intention is to send the final text to all BEAMA members at the occasion of the BEAMA General Assembly Meeting 2021, to make clear what members can expect from BEAMA and from the association's agenda in the coming years.**

**The document can further serve as a basis for consultation and dialogue with BEAMA's wider stakeholders such as the government, financial regulators, environmental organisations, ... .**

## *Introduction*

### *Focus points of BEAMA's advocacy and actions for the period 2021 2023*

- 1. Access*
- 2. Transparency*
- 3. Sustainability*
- 4. Tax neutrality*

### *Empowerment of the end investors' choices*

- 5.A. Financial Literacy*
- 5.B. Alternative Asset Classes*

## *Closing word*

## HOW TO STRENGTHEN THE COMPETITIVENESS OF FUND & ASSET MANAGEMENT SO THAT IT BETTER MEETS THE NEEDS OF THE NEXT GENERATION OF INVESTORS

The Belgian Asset Managers Association (BEAMA<sup>1</sup>) is the voice of the investment management industry in Belgium, and as such represents 55 full members and 51 associate members. At the end of Q4 2020, the total net assets of investment funds distributed in Belgium amounted to EUR 231,75 billion. These assets were managed by nearly 2.157 UCITS (Undertakings for Collective Investments in Transferable Securities – subfunds) and 58 AIFs (Alternative Investment Funds – subfunds). Besides being active through the management of collective investment funds, asset managers also serve clients within the framework of discretionary mandates (private and institutional portfolios). Further information and statistics are available on [www.beama.be](http://www.beama.be).

The wealth management landscape has always been evolving, but as new technologies together with advisor and investor expectations are changing at great velocity, it is more important than ever to maintain pace and to stay ahead of the curve. The impact of a contemporary event such as the Covid19-pandemic illustrates all too well that **our society experiences a truly “digital leap”**.

There is also no better way to illustrate what is meant by the need to “facilitate access” than by pointing to the low interest rates in which people are currently living. Over longer periods of time, such a phenomenon erodes the assets of those who do not invest, or do not diversify their investments sufficiently. And that’s still quite a large part of the population. Evidently, it is an important societal task to involve people more actively in such a way that benefits their financial attitudes. BEAMA therefore considers it of utmost importance to increase the participation of retail customers in the capital markets.

One of BEAMA's objectives is to strengthen the competitiveness of the Belgian fund and asset management industry. Sharing expertise among

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<sup>1</sup> The “Belgian Asset Managers Association (BEAMA)” is a non-profit organisation under Belgian law.

members and establishing minimum standards is an effective approach to help achieve **this goal**. To give an example, BEAMA and FEBELFIN, the Belgian Federation of the Financial Sector, have together actively supported the start of a new Central Labelling Agency (CLA). The CLA, following a public consultation with a range of stakeholders, has introduced a Quality Standard in the important area of sustainable investing by February 2019. Compliance with the Quality Standard is promoted by granting the Towards Sustainability Label (TS-label), after verification of the investment products that apply for it.

BEAMA wants to continue to play a leading role in strengthening cooperation between the sector and its stakeholders by developing guidelines to (even) better meet the needs of its clients:

1. By facilitating access to funds and asset management solutions, including retirement planning;
2. By ensuring transparency in performance and costs;
3. By promoting the range of - and transparency about - available sustainable investments;
4. By enabling a broad and diversified fund range for professional investors (some of whom are also distributors);
5. And enabling tax neutrality of investment products.

**The development of these five guidelines will improve the offer of investment solutions** for citizens, (non-financial) companies and governmental organisations present on the Belgian market.

To implement such a strategy, constructive dialogue and a good cooperation with national regulators (e.g. FSMA, NBB) certainly is a prerequisite. And equally necessary is finding the right tone and setting in the communication process with the public. Finding a core message and an understandable way to illustrate and present the net result of investments to Joe Sixpack (in Dutch: Jan met de Pet) is essential. Recent experience shows that we are not there yet (cf. MiFID rules that are often perceived as an administrative burden; or experiences with some crowdfunding initiatives that became popular with a large audience but were clearly not that well understood.) This is of course linked to the

roll-out of financial literacy initiatives.

This document aims to provide BEAMA'S stakeholders with an insight in the key areas where the association will prioritize its efforts and focus its advocacy for the period 2021 – 2023.

In doing so, BEAMA will also actively play its role in the umbrella federations of which it is part, being FEBELFIN (the Belgian Federation of the Financial Sector) and, on a European level, EFAMA (the European Fund and Asset Management Association).

# Focus points of BEAMA's advocacy and actions for the period 2021-2023

## 1. ACCESS

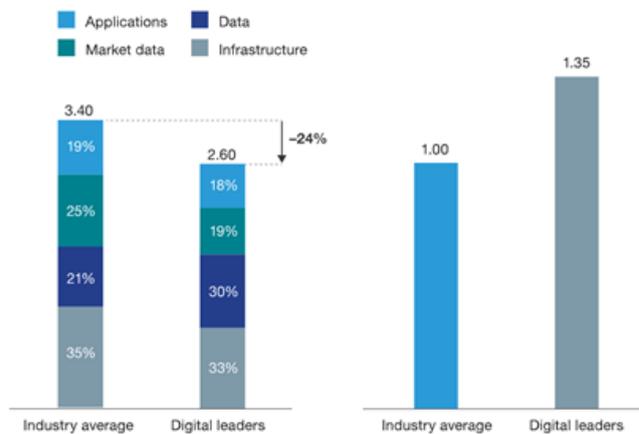
**Data points, illustrating characteristics of digital lead in asset management:**

*McKinsey US Report, November 2018*

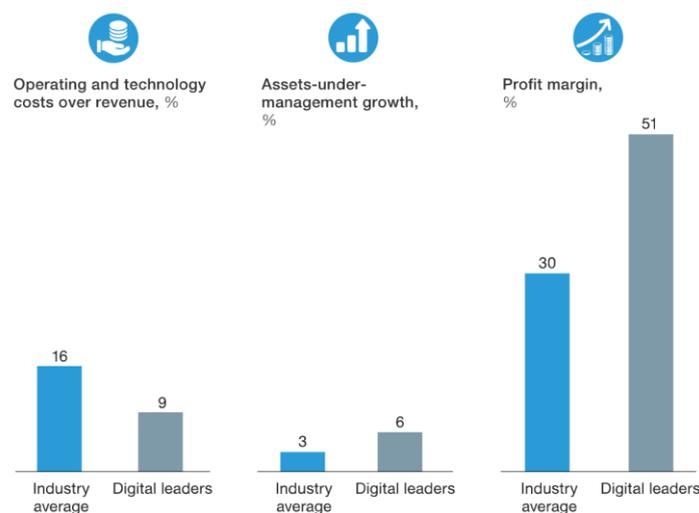
Digital leaders in asset management are characterized by heavy investments in data.

Higher spend on data than the industry ...  
Breakdown of technology expenses, basis points

... including more discretionary spend  
\$ invested in discretionary data projects, adjusted to \$1 for the industry average



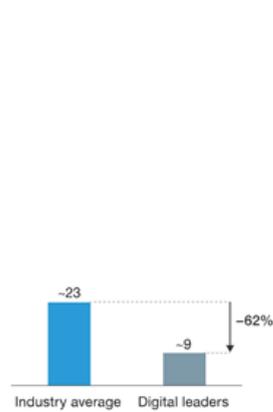
Digital leaders in asset management are outperforming peers.



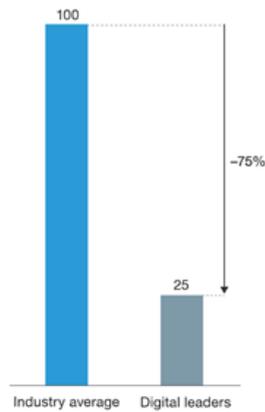
McKinsey&Company

Digital leaders in asset management are transforming the client-onboarding journey.

**Fast institutional client onboarding ...**  
Average time to onboard a new institutional client, days



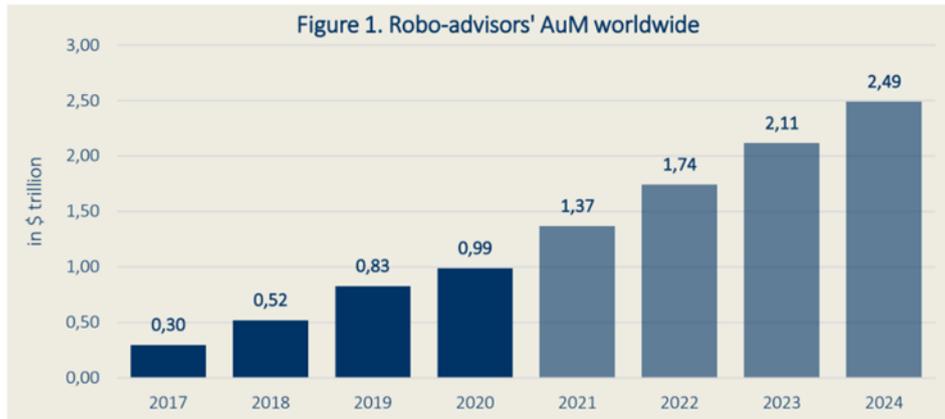
**... at lower cost through automation**  
Operating costs for client onboarding, adjusted to industry average



**80% of Technology Investments concentrates on AI, big data and DTL (Source: Funds Europe)**

Fig 17: What are your priorities for technology investment? A graphical summary





Source: Statista, 2020 (<https://www.statista.com/outlook/337/100/robo-advisors/worldwide?currency=usd>) – figures for 2021 – 2024 are estimated

**Table 5. European robo-advice markets (2020)**

	AuM		Users		Avg. AuM/user
	€ mil	% total	millions	% total	
IT	13,522	23.2%	1.01	10%	13,387
FR	11,372	19.5%	1.56	15%	7,309
DE	8,608	13.8%	2.09	20%	4,119
NL	6,355	10.9%	0.80	8%	7,992
ES	4,724	8.1%	0.43	4%	10,996
BE	2,507	4.3%	0.30	3%	8,268
SE	2,146	3.7%	0.28	3%	7,697
PL	1,673	2.9%	0.45	4%	3,759
DK	1,418	2.4%	0.17	2%	8,216
FI	1,290	2.2%	1.48	14%	871
IE	843	1.4%	0.12	1%	6,961
PT	746	1.3%	0.22	2%	3,431
AT	500	0.9%	0.17	2%	2,924
BG	461	0.8%	0.45	4%	1,024
CZ	431	0.7%	0.16	2%	2,660
EL	364	0.6%	0.18	2%	2,056
RO	355	0.6%	0.16	2%	2,208
HU	288	0.5%	0.11	1%	2,507
CY	183	0.3%	0.02	0%	8,512
HR	178	0.3%	0.06	1%	3,128
SK	178	0.3%	0.07	1%	2,377
EE	139	0.2%	0.03	0%	3,994
LT	136	0.2%	0.07	1%	2,042
LU	130	0.2%	0.02	0%	8,176
SI	119	0.2%	0.04	0%	3,005
LV	108	0.2%	0.04	0%	2,813
MT	32	0.1%	0.01	0%	3,441
<b>Total</b>	<b>56,585</b>		<b>10.5</b>		<b>5,392</b>

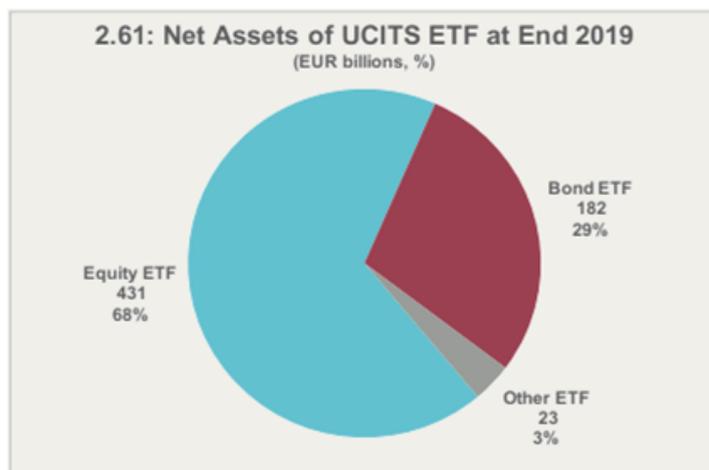
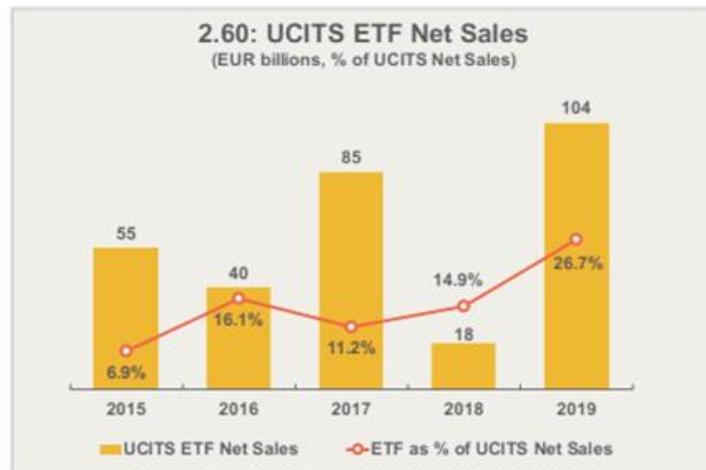
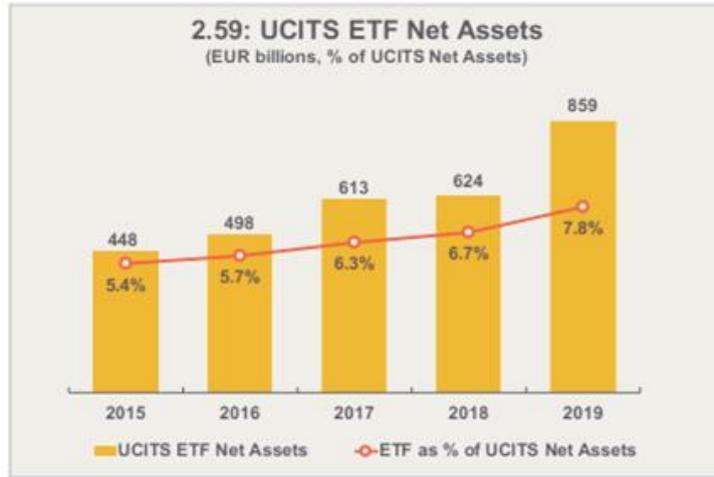
Source: Statista, 2020 (see Annex I for links to source);

**« Research Report » CALASTONE MARCH 2020 - Distribution channels Asset Managers**

**Fig 8.2: Importance of distribution channels for an asset manager in your country or region (Europe ex UK respondents only)**

Distribution channels Europe	Ranking					
	1st	2nd	3rd	4th	5th	6th
Banks	42%	21%	19%	9%	6%	3%
Fund platforms	21%	25%	15%	13%	21%	5%
IFAs	9%	16%	28%	24%	19%	4%
Insurers	6%	24%	21%	27%	13%	9%
Direct-to-consumer	17%	7%	13%	19%	25%	19%
New entrants to the market	5%	7%	4%	8%	16%	60%

**EFAMA Fact Book 2020 – Growth of UCITS ETF's in Europe**



## ***Key guidelines for BEAMA***

The investment management industry has been experiencing a wave of digital disruption for some time now. Investors of different generations and from different asset segments now prefer increasingly strong digital service channels, ranging from online wealth management and investment tools to robo-advisers.

As digital channels and digital interaction become more prominent in investment management, they also provide the investment industry with a unique opportunity to learn from stakeholder exchanges and to establish new minimum standards.

Various steps in the asset management value chain are affected by this digital change process, such as the “investment process” of the managed portfolios, the “operational processes” involved in fund administration and transaction processing and their reporting, and last but not least the “distribution channels” for approaching existing and potential clients.

BEAMA sees opportunities in each of the three parts of the value chain mentioned above; in addition, there is much food for thought in the dialogue with financial regulators on the one hand, and the public, on the other, with regard to the areas of:

- digital marketing tools and social media;
- digital client onboarding including the assessment of their risk profile;
- digital reporting tools;
- special attention for elderly investors (digital literacy).

In general, the digitalisation (of communication tools) has also made some people refrain from investing, as the forms of digital communication offered to them are far too complicated and elaborate to read. Looking at some recent experiences with the Covid-measures, it should certainly be emphasized that the elderly are at risk of not always being included in the rapid process of digitised communication tools. Separately adapted initiatives should be set up to reach them. The same message applies to young people from less privileged households. Many of them do not have the money for a personal computer, which means they are missing out on general (and financial) education. This is another group for which

appropriate action plans are needed.

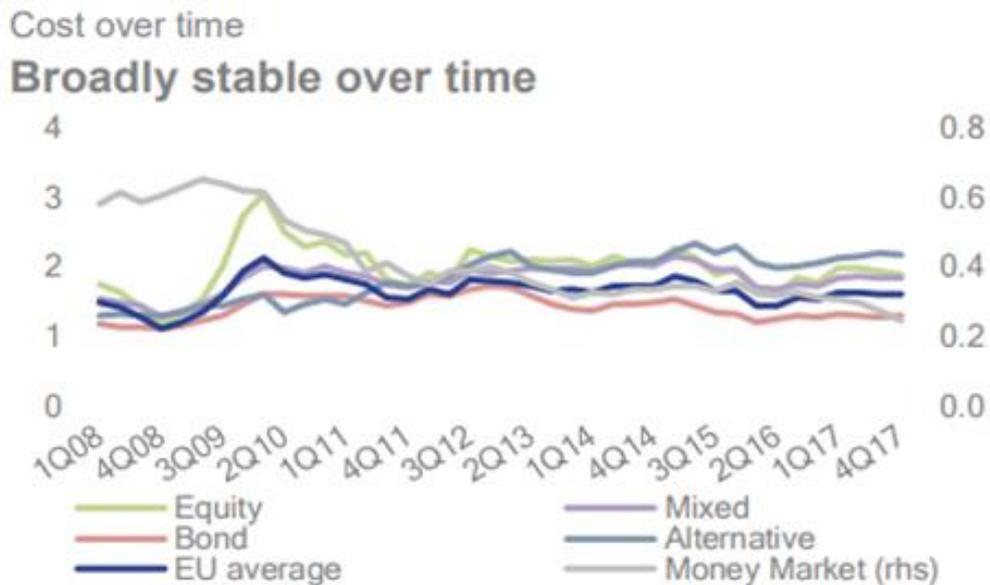
These examples show that at the sectoral level, it can be of great added value to cooperate actively with the FSMA (as an organisation with an official mission to raise the level of financial literacy) to set up more actions and projects that want to stimulate (digital) ways of appropriate communication and financial attitudes in our society.

Amongst the financial attitudes to be promoted, the lesson that people should start participating in pension schemes when they enter the labour market carries significant weight. After all, the existing national pension scheme will not be able to meet participants' expectations of maintaining their purchasing power and lifestyle, once they reach retirement age. Another focus of financial education could be the characteristics of actively managed funds versus the ever-increasing promotion of trackers (ETF's). More transparency about the specifics particulars of both forms of asset management could help in making better decisions.

## 2. TRANSPARENCY

**Data points, illustrating performance and costs by asset classes; also on reasons to start saving & investing**

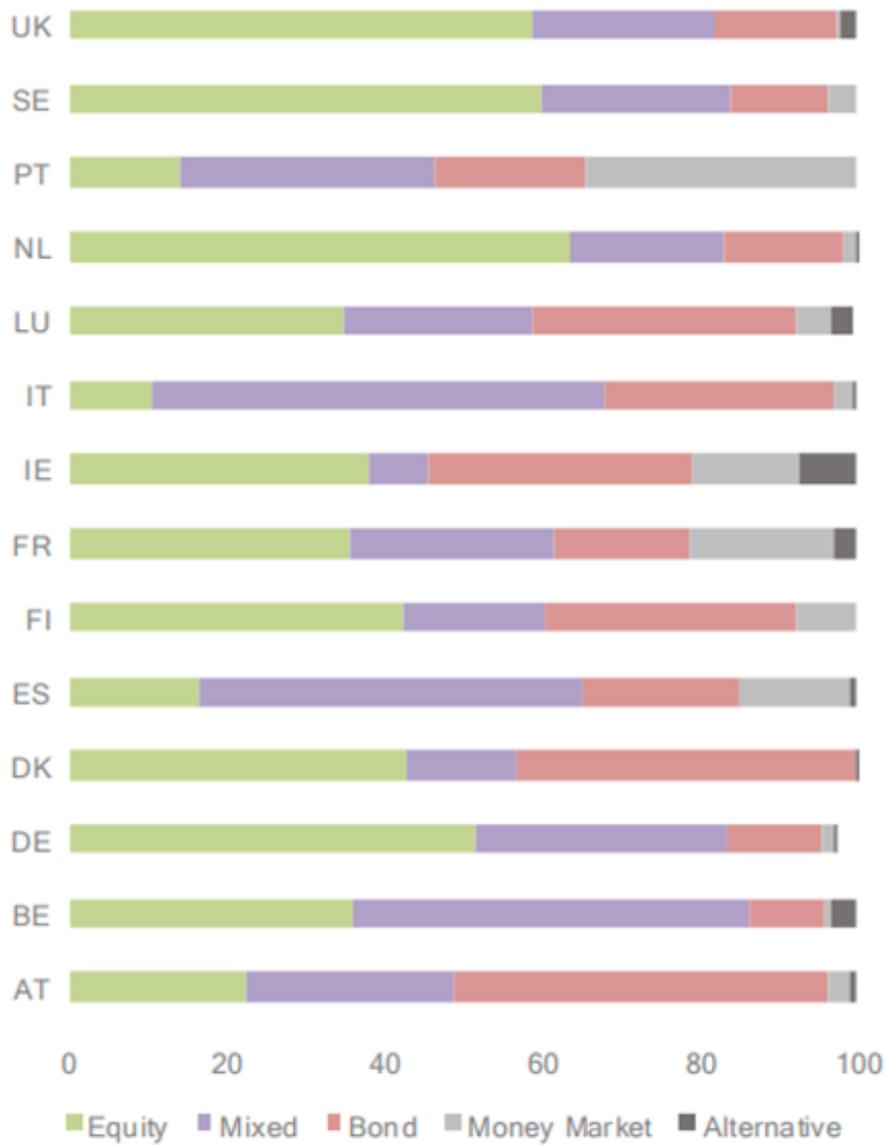
Europe: Overall costs of funds (Source: ESMA)  
(Legend: rhs = right hand scale)



*Heterogeneity in Europe in asset classes → difference in risk appetite*  
(Source: ESMA)

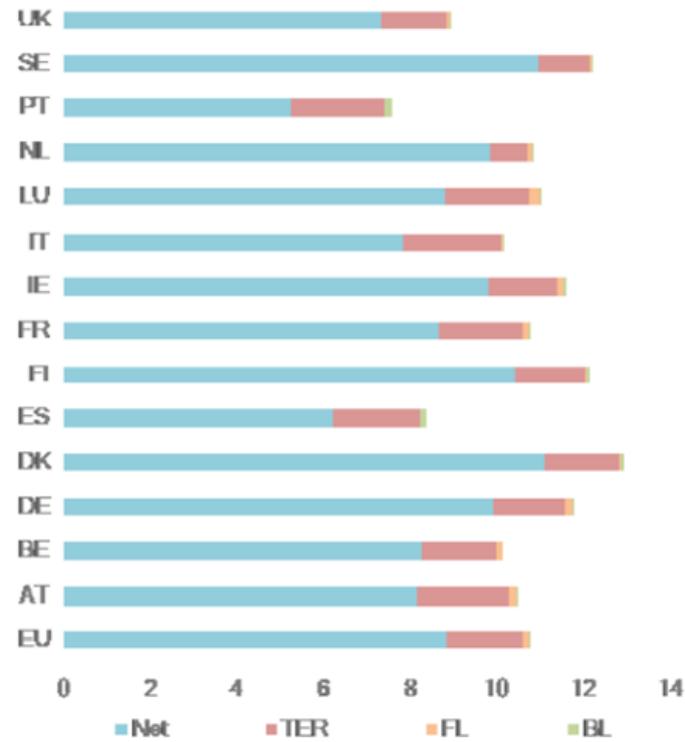
Asset class share by member state

### Heterogeneity across Member States

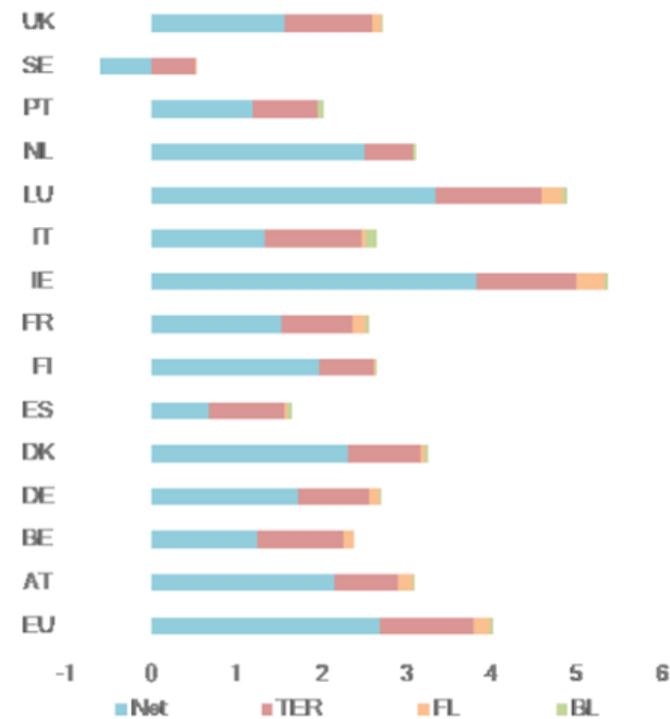


**Heterogeneity in Europe: in costs/performance per asset class. Legend: net returns (Net), ongoing costs (TER), subscription (FL) and redemption (BL) fees**  
 (Source: ESMA)

Equity UCITS performance by domicile, 3Y horizon  
**Gross performance and cost fluctuating**

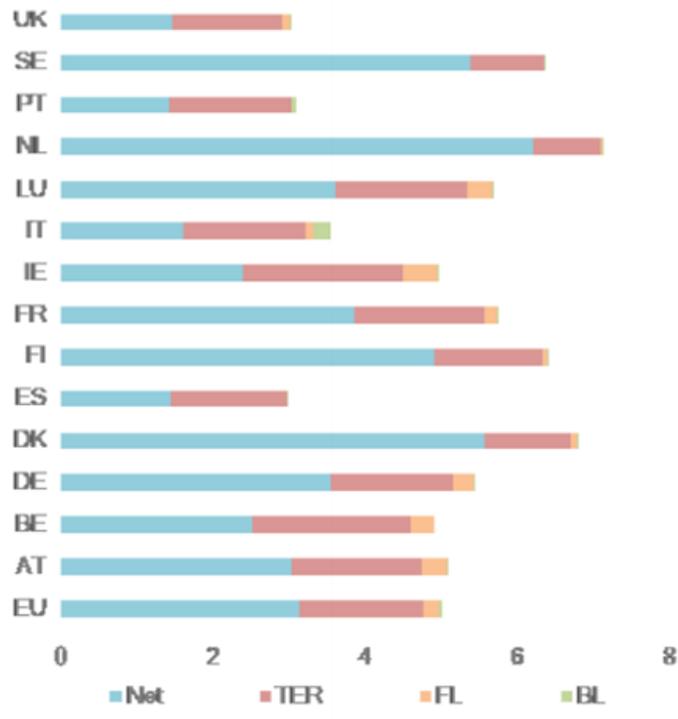


Bond gross and net performance by domicile, 3Y horizon  
**Impact of current interest rate environment**

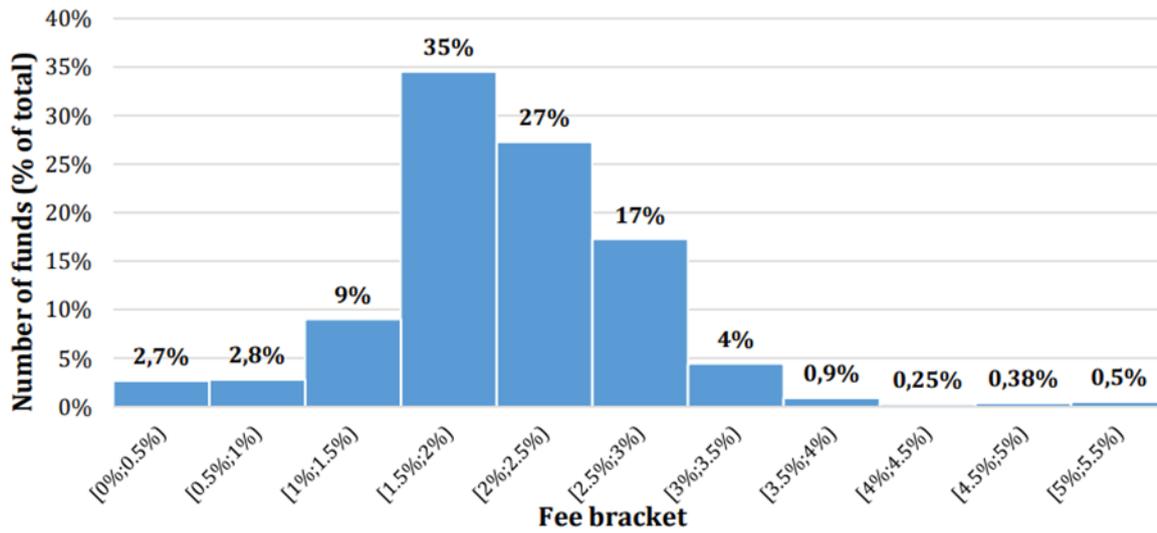


Mixed UCITS gross and net returns by domicile, 3Y horizon

### Heterogeneity across countries



Distribution of funds (BE, FR & LU) by fee bracket (Source: Better Finance)



## ***Key guidelines for BEAMA***

In a climate of low interest rates, **investing in long-term assets** is essential for many citizens to maintain their standard of living. Transparency should create sufficient trust among savers to shift (part of) their savings into investments. Transparency should cover all areas of reporting: cost reporting (ex-ante and ex-post), performance reporting, product scoring (e.g. energy label methodology).

The goal should be to have investor information that is easy to understand. In this context, the use of big data can be a powerful way to streamline complex transactions and make them more understandable through user interfaces that use data visualisation.

Currently, a private investor receives an accumulation of information about the financial instrument when he/she wants to invest. The information that the investor receives must comply with both MiFID II and PRIIPS. This is in addition to the rules from specific regulations for investment funds such as UCITS and AIFMD. These various financial regulations were drawn up quite a long time ago and mainly aimed to improve transparency by including information on costs in particular, **while the need of the investor today calls for a better overall and transparent overview.** These regulations also ensure that, in an advisory environment, only products that match the investor's risk profile and investment horizon can be offered.

Unfortunately, the rules contained in these different regulations are not always consistent. These contradictions mainly relate to elements on which an investor usually bases his/her investment decision, namely (i) historical results, (ii) future returns and (iii) costs. These elements are interpreted or explained slightly differently in different regulations for exactly the same product, which creates the risk that the investor will often not see the wood for the trees.

It is therefore important that BEAMA's members actively participate in the various consultations organised by regulators or authorities **to ensure that these inconsistencies are addressed.**

Furthermore, professional clients and specific counterparties should be given more flexibility. These clients want and should be able to receive more tailor-made information. The same applies to more sophisticated investors, such as high net worth individuals, who should also be given more flexibility than small private investors.

One could also ask whether, for long-term investments, we should not be able to accept, even for small investors, **a new form of investment funds** with less liquidity (given the well-known trade-off between liquidity and long-term risk-adjusted return). That would open up more opportunities for investment. A combination within a fund of highly liquid assets that can be easily cashed, on the one hand, and the illiquid assets for the long term, on the other. It could fit well with retirement savings. It could also meet certain social needs, such as finding more money to invest in infrastructure projects over the long term. The current debate among legislators about liquidity goes in the narrow direction of ensuring more and more liquidity in funds. And while that in itself is of course very positive, it is also a one-sided perspective that mainly emphasizes a short-term view on investments.

In the context of the recent supervisory measures taken by financial supervisors within ESMA, it is worth noting that the net return of investment funds is an objective criterion when comparing results. The more unilateral view of comparing investment products solely on the basis of costs involved is less preferable. This is also an area where BEAMA can bring awareness.

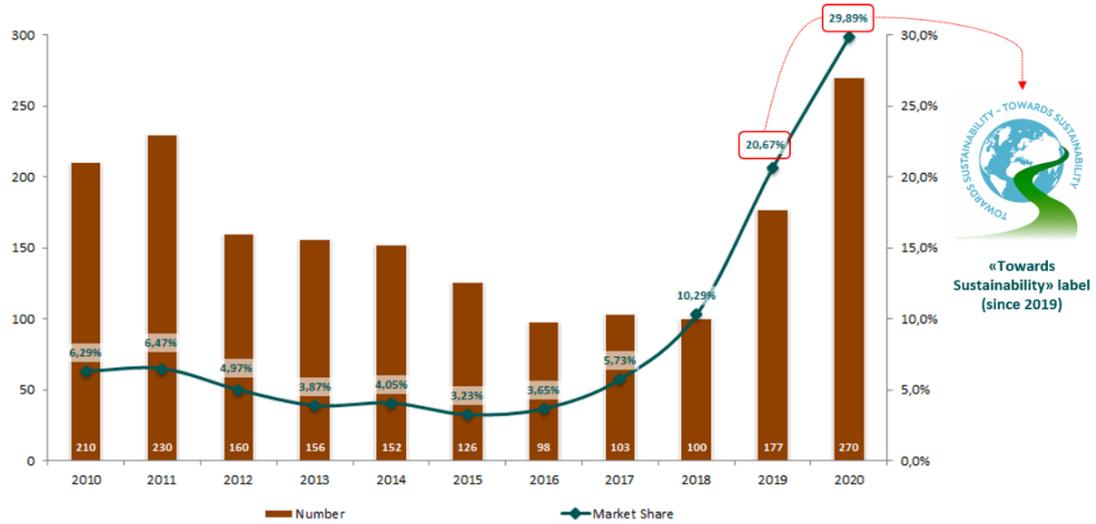
### 3. SUSTAINABILITY

#### Data points, illustrating growth in SRI funds and AuM in Belgium

Figures anno Q4 2020 (Source: BEAMA)

#### Belgian fund market – Market share of “SRI” on the Belgian market (in %)

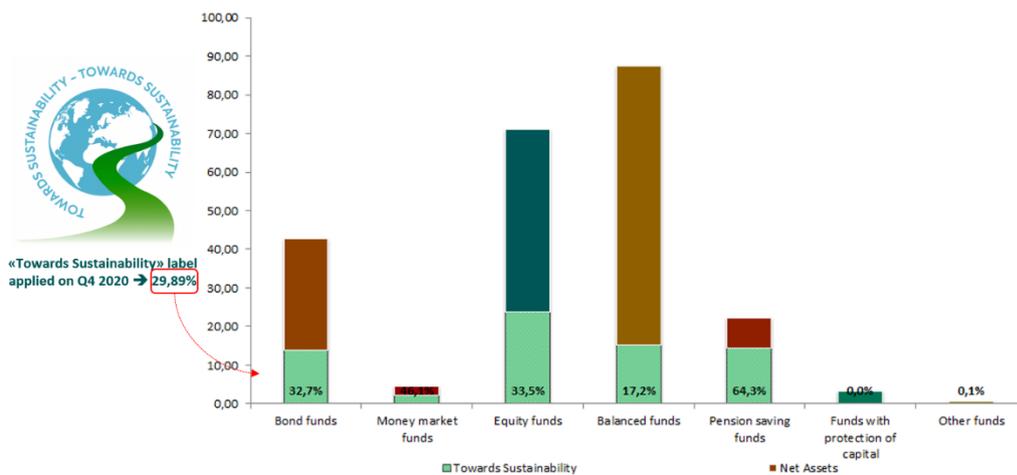
- Decline in the number of sustainable funds until ...  
... the anticipated introduction of the «Towards Sustainability» label -



Market share as percentage of net assets in Belgium

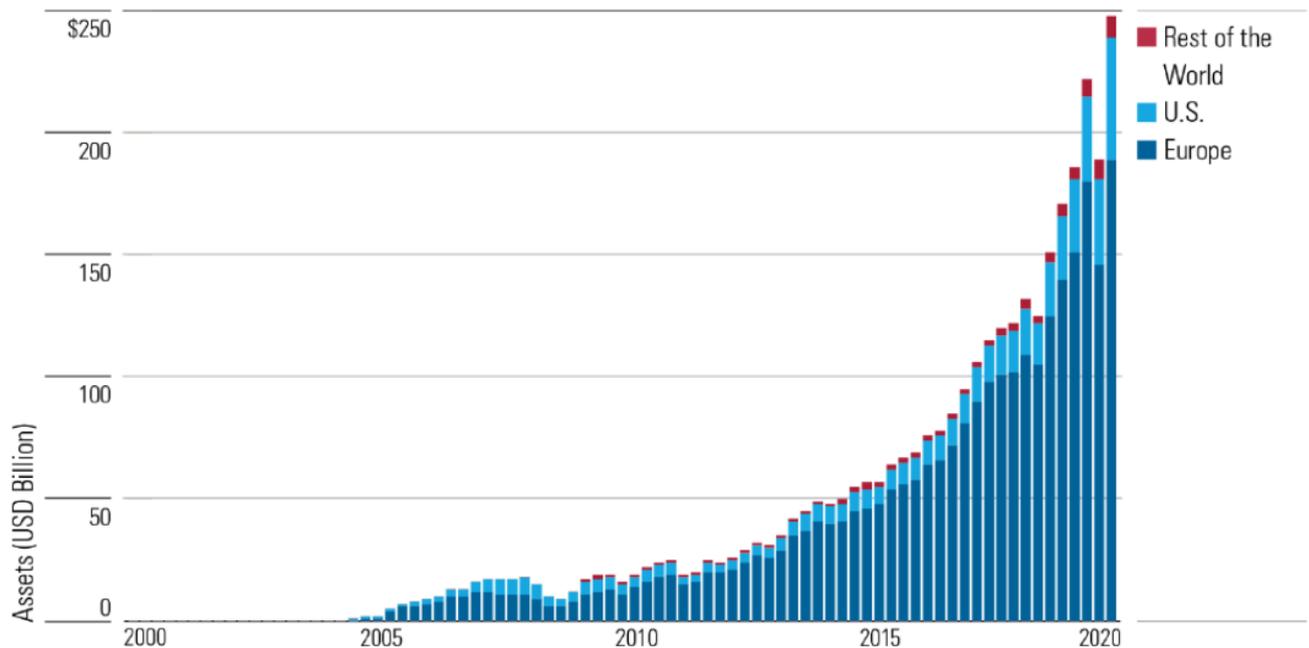
#### Belgian fund market – Market share of “SRI” on the Belgian market (in %)

- Deeper look at the «Towards Sustainability» label (anno Q4 2020) -



Source: Morningstar

**Exhibit 3** Global Passive Sustainable Fund Asset Growth by Region



Source: Morningstar Direct, Morningstar Research. Data as of 06/30/2020.

### **Key guidelines for BEAMA**

Spurred by the public's growing commitment to environmental sustainability and other social and governance-related needs (water supply, education for children in developing countries, etc.), the introduction of sustainability goals into corporate culture has increased significantly in recent years. This has also created the need to embed environmental, social and governance (ESG) principles in global capital investments.

It will therefore be important for the Belgian fund and asset management industry to take a leading role in insuring that all existing and future measures are considered and consistent and that implementation is well coordinated. In particular, the further development and promotion of the Towards Sustainability Label (organised by the Belgian CLA) should be an important lever for a wider dissemination of sustainable funds in Belgium.

Asset managers channel "savings" into sustainable investments and thus

play a prominent role in Europe's efforts for a sustainable planet (cf. the Green Deal). BEAMA will monitor ways to improve process efficiency and sufficiency in this strategy for a sustainable future.

Process adequacy requires, by way of example, that small amounts of savings can be collectively deployed and managed, and that the sustainability targets include a steady transition path (measurable and realistic goals in a progressive timeline).

Process cost efficiency requires that the regulations involved (reporting, external data requests) prove themselves sustainable and proportionate.

Referring e.g. to a report from the ONG Share Action (see: <https://www.ifa-asso.com/mediatheques/voting-matters-le-rapport-des-politiques-de-vote-sur-les-resolutions-esg-saison-des-ag-2020/>), it is best that BEAMA shows that it acts along the line "we do what we say". Give an explicit push to companies to improve while avoiding green washing.

In the context of promoting ways to finance the economy in a sustainable way, BEAMA strongly supports the introduction and promotion of the Pan-European Personal Pension Product (PEPP). The PEPP is based on a voluntary agreement between the individual saver and the provider. It is clearly oriented towards longer term investments and because of this feature it is well suited to integrate the transitional vision on e.g. infrastructure projects required by the climate plan reforms.

## 4. TAX NEUTRALITY

**Data points, illustrating the tax treatment of Belgian funds and insurance (mainly branches 21 and 23) products in comparison to EU**

*Belgium (Source: BEAMA)*

Table presenting the Distinctive Taxes on UCIs vs. Insurance Products implemented in Belgium.

	UCIs	Insurance Products (Branch 21/23)
Withholding Tax on (half) yearly Dividend Payments of Distribution Shares	✓	✗
Belgian "Levy on savings" (article 19bis ITC): Exit Tax in case of Redemption of Capitalization Shares > 10% fixed income amongst portfolio assets	✓	✗
Tax on Stock Exchange Transactions in case of Redemption of Capitalization Shares	✓	✗
Yearly Subscription Tax	✓	✓ (only Branch 23)
Entry Tax on Life Insurance Premium (Branch 21/23 - individual Contract)	✗	✓
Yearly Insurance Tax	✗	✓
Exemption of Withholding Tax at Exit of Product, upon respect of a holding period > (8 years + one day) OR opting for Death Coverage > 130%	✗	✓

### Europe - Taxation on Pensions Savings (Source : Better Finance)

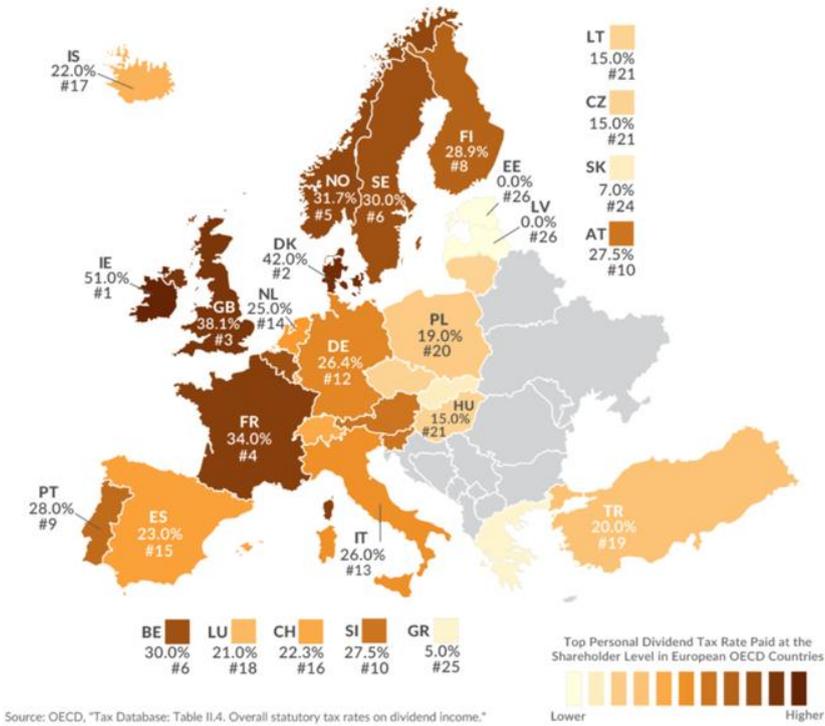
exempt (E) or taxed (T) in each country under review.

	Taxation of pension savings					
	Contributions		Returns		Pay-outs	
	Pillar II	Pillar III	Pillar II	Pillar III	Pillar II	Pillar III
Austria	E	E	E	E	T	T
Belgium	E	E	E	E	T	T
Bulgaria	E	E	E	E	E	E
Croatia	E	E	E	E	T	T
Denmark*	T	T	T	T	T	T
Estonia	E	E	E	E	T	T
France	E	E/T	T	T	T	T
Germany	T	T	E	T	T	T
Italy	E	E	T	T	T	T
Latvia	E	E	E	E	T	T
Lithuania	E	E	E	E	E	E
Netherlands	E	E	E	E	T	T
Poland	T	E/T	E	E	E	E/T
Romania	E	E	E	E	T	T
Slovakia*	E/T	E	E	E	E	T
Spain*	E	E	E	E	T	T
Sweden	E	E	T	T	T	T
UK	E	E	E	E	T	T

European comparison (Source: OECD)

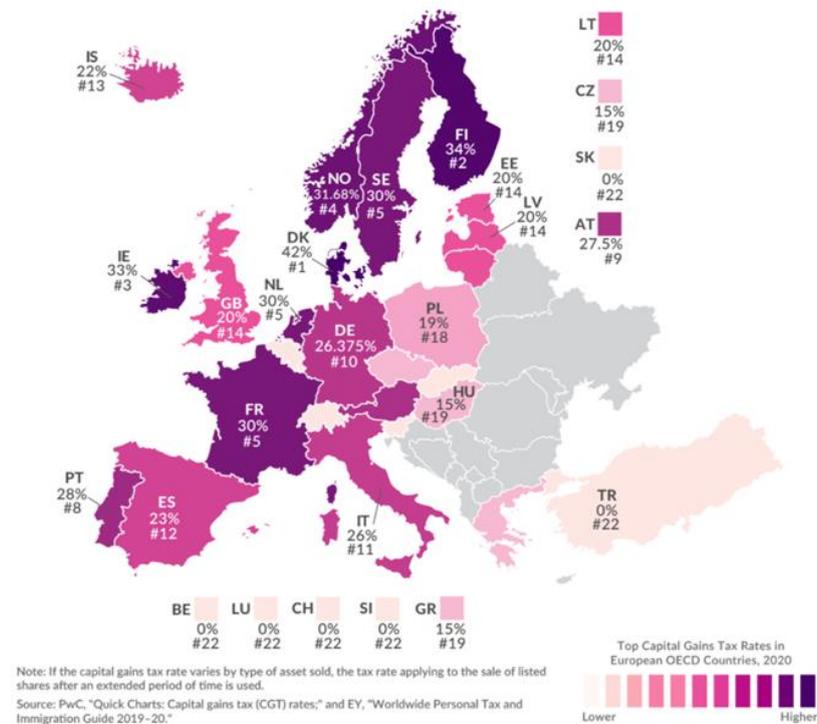
Dividend Tax Rates in Europe

Net Top Personal Dividend Tax Rate Paid at the Shareholder Level in European OECD Countries, 2020



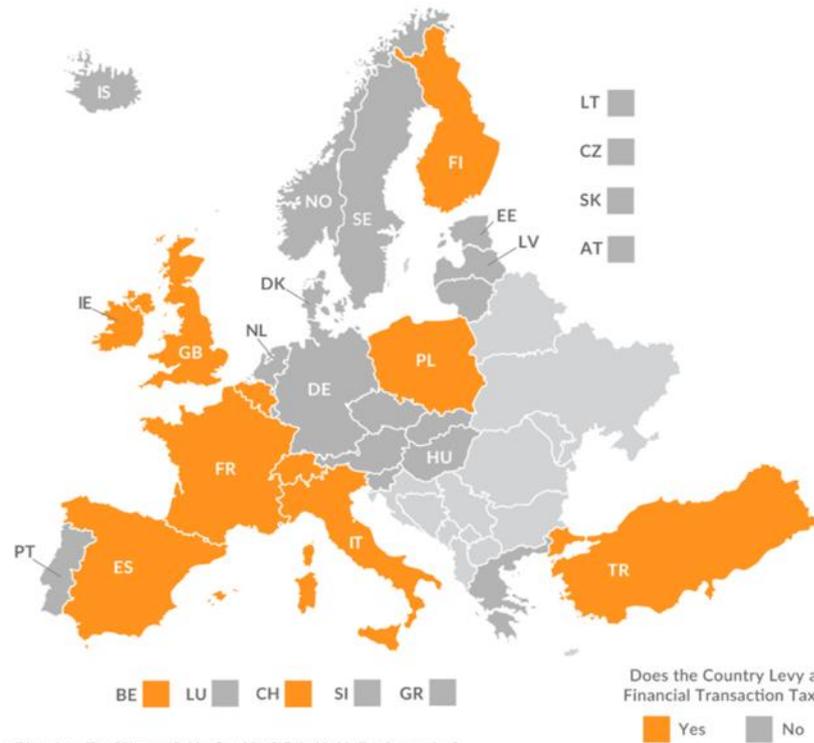
Capital Gains Tax Rates in Europe

Top Capital Gains Tax Rates in European OECD Countries, 2020



## Financial Transaction Taxes in Europe

European OECD Countries that Levy a Tax on Certain Financial Transactions, 2021



## European OECD Countries with a Financial Transaction Tax (FTT), as of 2019

Country	Tax Rate
Belgium (BE)	0.12% – 1.32%*
Finland (FI)	1.6% – 2.0%
France (FR)	0.01% – 0.3%
Ireland (IE)	1%
Italy (IT)	0.02% – 0.20%
Poland (PL)	1%
Switzerland (CH)	0.15% – 0.30%
United Kingdom (GB)	0.5% – 1.5%

\*Belgium's lower tax rate has been increased from 0.09% to 0.12%; see PwC, "Belgium, Individual – Other taxes," last updated July 1, 2019, <http://taxsummaries.pwc.com/ID/Belgium-Individual-Other-taxes>.

Sources: BNY Mellon, "A Global View of Financial Transaction Taxes (FTT)," 2018, [https://www.bnymellon.com/emea/en/\\_locale-assets/pdf/our-thinking/tax-and-regulatory-client-forum-2019/global-view-of-financial-transaction-taxes.pdf](https://www.bnymellon.com/emea/en/_locale-assets/pdf/our-thinking/tax-and-regulatory-client-forum-2019/global-view-of-financial-transaction-taxes.pdf); and Deloitte, "Tax guides and highlights," 2019, <https://dits.deloitte.com/#TaxGuides>.

### ***Key guidelines for BEAMA***

The current Belgian tax treatment of savings and investments could be adjusted on several points to create a real level playing field. Savings and investment products should be treated as equally as possible for tax purposes.

Starting points for a better financial tax treatment could be (without being exhaustive):

- the application of an real level playing field between all forms of savings and investments offered in Belgium, in accordance with the general interest of society,
- no competitive disadvantage in relation to foreign countries,
- sustainability,
- transparency and
- simple and effective administrative implementation.

The focus of such reform scenarios is on maintaining purchasing power, meeting needs and social responsibility.

BEAMA sees opportunities with regard to

- third-pillar pension savings funds, which should be allowed in the global basket of long-term savings (tax deduction rules);
- UCI's which, as collective investment schemes, should in general also be admitted to the global basket of long-term savings.

## Empowerment of the end investors' choices

### 5.A. FINANCIAL LITERACY

#### *Data points, illustrating financial literacy amongst the population*

*Millennials Out-Saving Older Generations  
(Source: Discover.com)*

In a study of the savings habits of 2,205 adults, the Discover Savings Survey finds that:



**81%**

of millennials are saving in some capacity



**74%**

of Gen Xers are saving in some capacity



**77%**

of baby boomers are saving in some capacity

**67%**

of millennials are saving for something specific

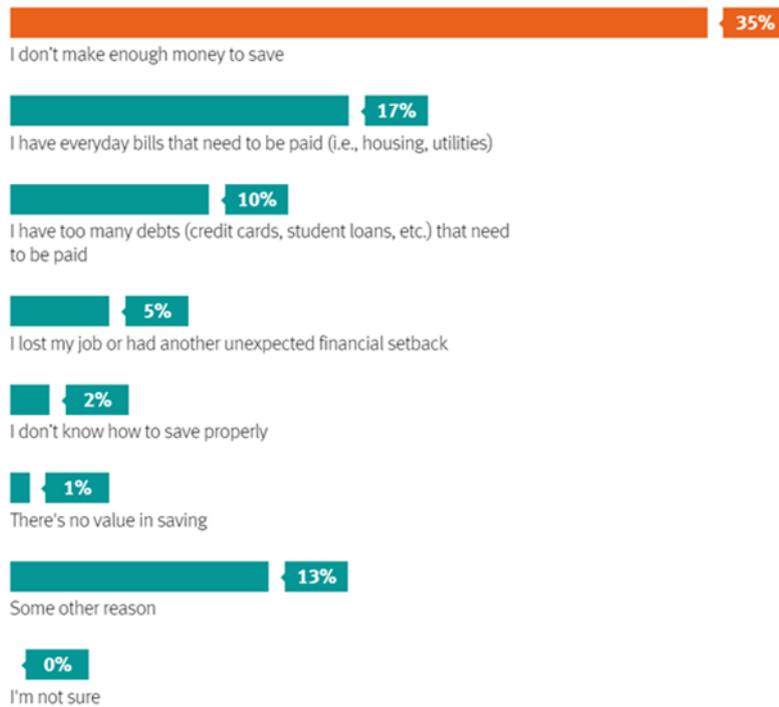
**56%**

of Generation Xers are saving for something specific

**49%**

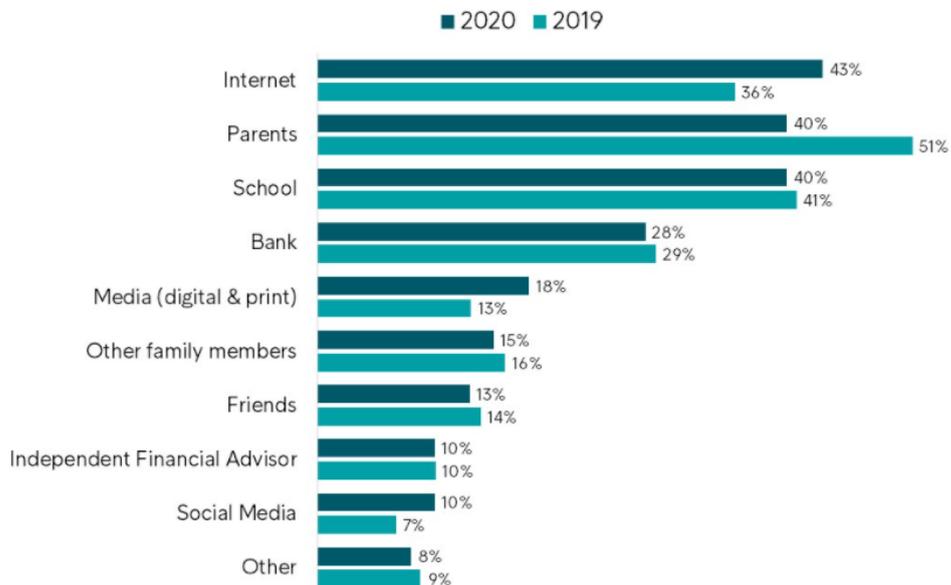
of baby boomers are saving for something specific

**Almost one in four persons can't save, and 35% of those persons doesn't even know "why not"**  
 (Source: Discover.com)



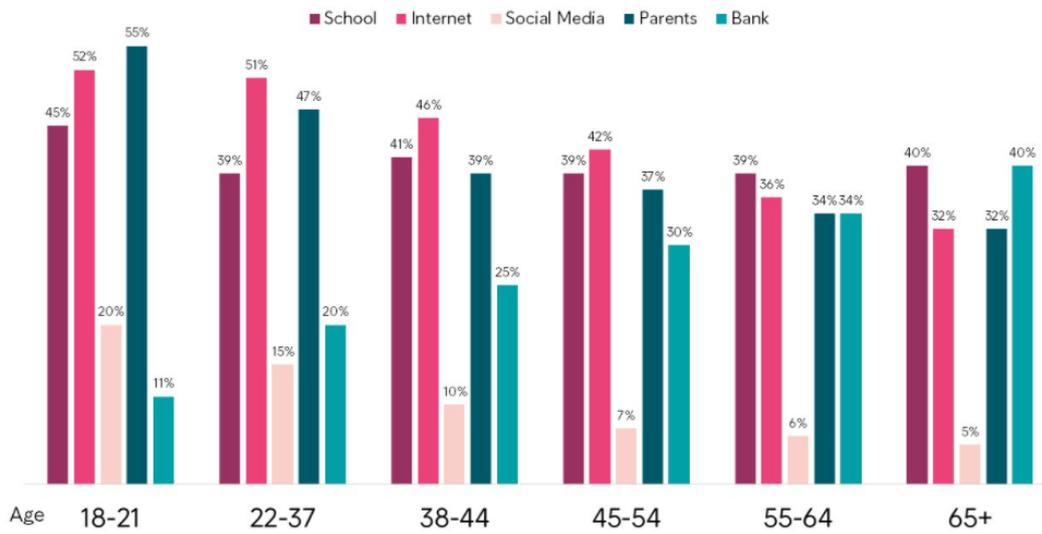
**Europe - Financial literacy (Source: www.intrum.be)**

**Q: Over the course of your lifetime, what have been your primary sources of financial education? (European average, year on year)**



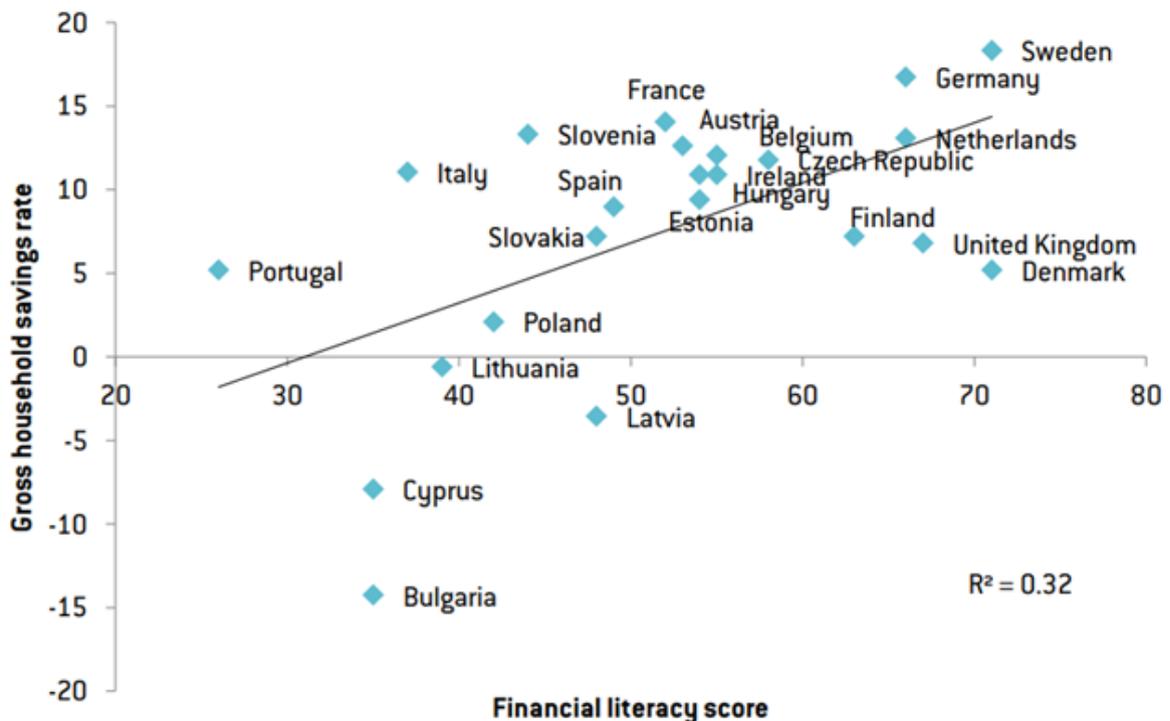
Europe - Financial literacy (Source: www.intrum.be)

Q: Over the course of your lifetime, what have been your primary sources of financial education? (top 5 sources, split by age groups)



Europe – Financial literacy (Source: Bruegel)

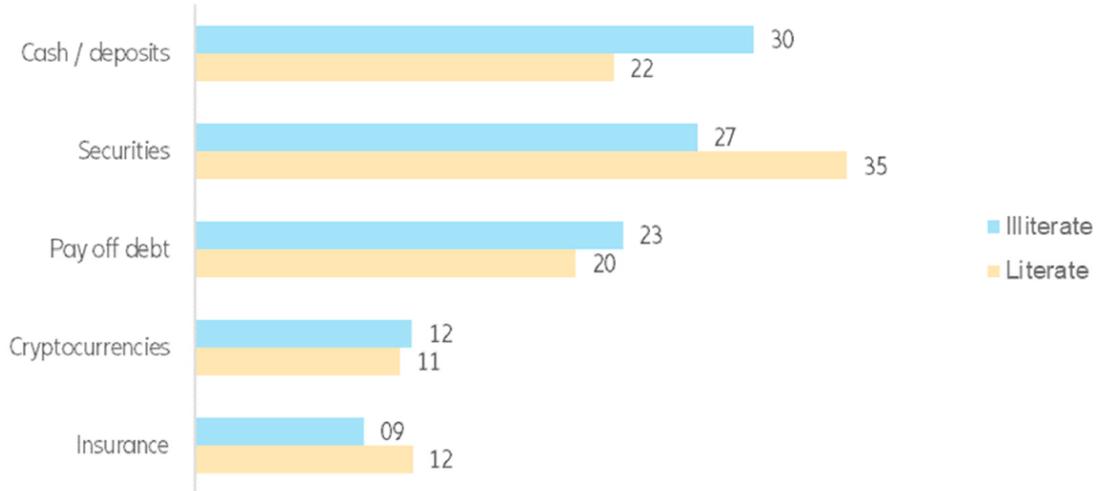
Figure 5: Financial literacy and gross household saving rates



Source: Bruegel based on Eurostat, code-nasa\_10\_ki and Standard & Poor's Global FinLit Survey. Note: Gross household saving rate is defined as gross saving divided by gross disposable income. Gross saving is part of the gross disposable income which is not spent on consumption.

Source: Euler Hermes & Allianz

If you were given \$1,000 to invest in one of the following instruments and leave it for 12 months untouched, which of these options would you prefer? Choose one.



Mostly save via multiple resources (Source: Discover.com)



## ***Key guidelines for BEAMA***

Financial literacy is an essential part of investor empowerment as it enables investors to understand how to (self)manage their finances in everyday life, how to plan their (future) financial resources and how to avoid unnecessary risk, excessive debt and potential financial exclusion. It also enables people to better understand the options of the financial markets available to them, and thus become better decision-makers about their own budget and assets.

**Mastering basic financial attitudes is crucial for investors** facing today's complex financial markets. People need to become familiar with investing from an early age. So that they can fully benefit from the cumulative effects of investments over time. Building on the expected long-term returns and the long-term effects of inflation on purchasing power. It is important here for BEAMA to promote investing as a sensible way to manage personal finances and not as 'playing the stock market'.

The focus should also shift from a one-sided view on costs alone to a broader "value-for-money" approach. Understanding volatility and tolerance to (intermediate) loss are crucial to make people feel comfortable with investing. The idea of financial literacy can also be illustrated by the common lexicon that BEAMA wants to put forward with its working groups.

Although often perceived as a problem for young people (who may not automatically look "long term"), **it is in reality a problem of "all ages"**. An example involving both young people and adults, is the joint initiative of "The Belvue Museum" with the "Roi Baudouin Foundation" and "Peace Education". Some years ago, this partnership developed the concept of the "democracy factory" which takes the form of an interactive exhibition (see: <https://www.vredeseducatie.nl/democratiefabriek/>). They are now working on a follow-up project, the "Mystery of Finance".

The FSMA has a coordinating authority on financial literacy in Belgium, and has already launched several projects aimed at the participation of schools (see: [Online oefenen dankzij Financial Literacy @ School | Wikifin](#)).

## 5.B. ALTERNATIVE ASSET CLASSES

**Data points, illustrating the volume of assets invested in alternative asset classes in Belgium, and their growth**

Source: *The Economist*



EFAMA – “Assets under management in Europe” (12th ed. Nov. 2020)

Debt Securities Issued in the Euro Area and Owned by Euro Area Investment Funds at End of 2018  
EUR billions, percent

Euro area issuers	Securities held by euro-area IF	Total securities issued	Share of euro area IF
General Government	915	7,446	12.3%
MFIs	645	4,193	15.4%
Non-Financial Corporations	415	1,319	31.5%
Other	482	4,005	12.0%
<b>Total</b>	<b>2,457</b>	<b>16,962</b>	<b>14.5%</b>

Source: EFAMA calculations based on ECB data

Total AuM, managed via funds & mandates: 23,1 trillion EUR (end 2018)  
 EFAMA – “Assets under management in Europe” (12th ed. Nov. 2020):

EXHIBIT 4.1  
**Asset Allocation at the End of 2018**  
 share in total AuM

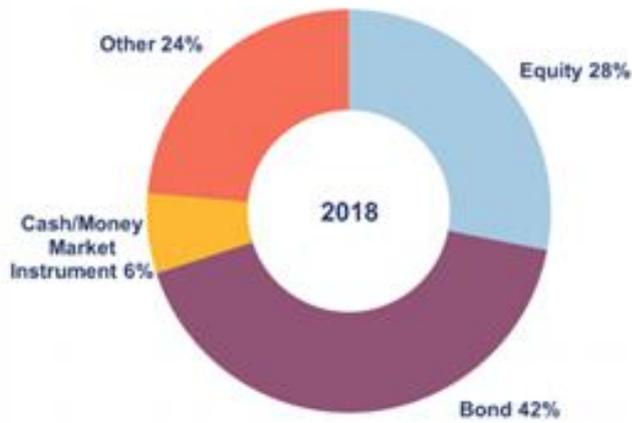
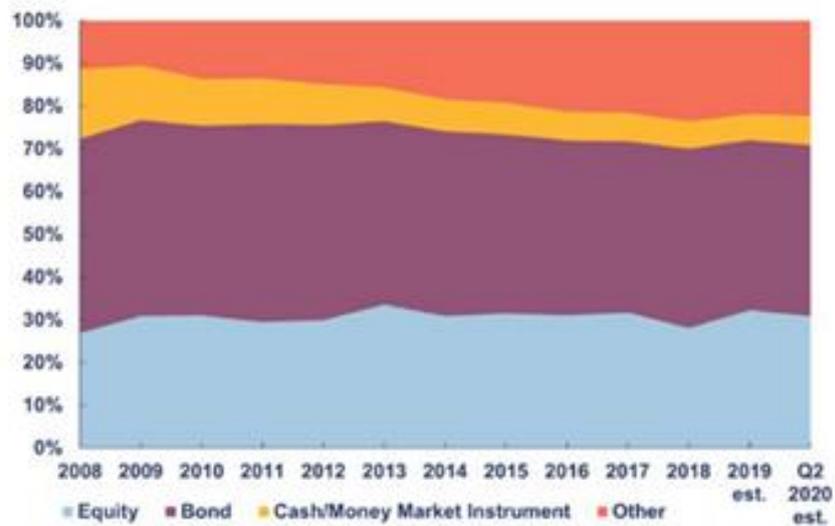


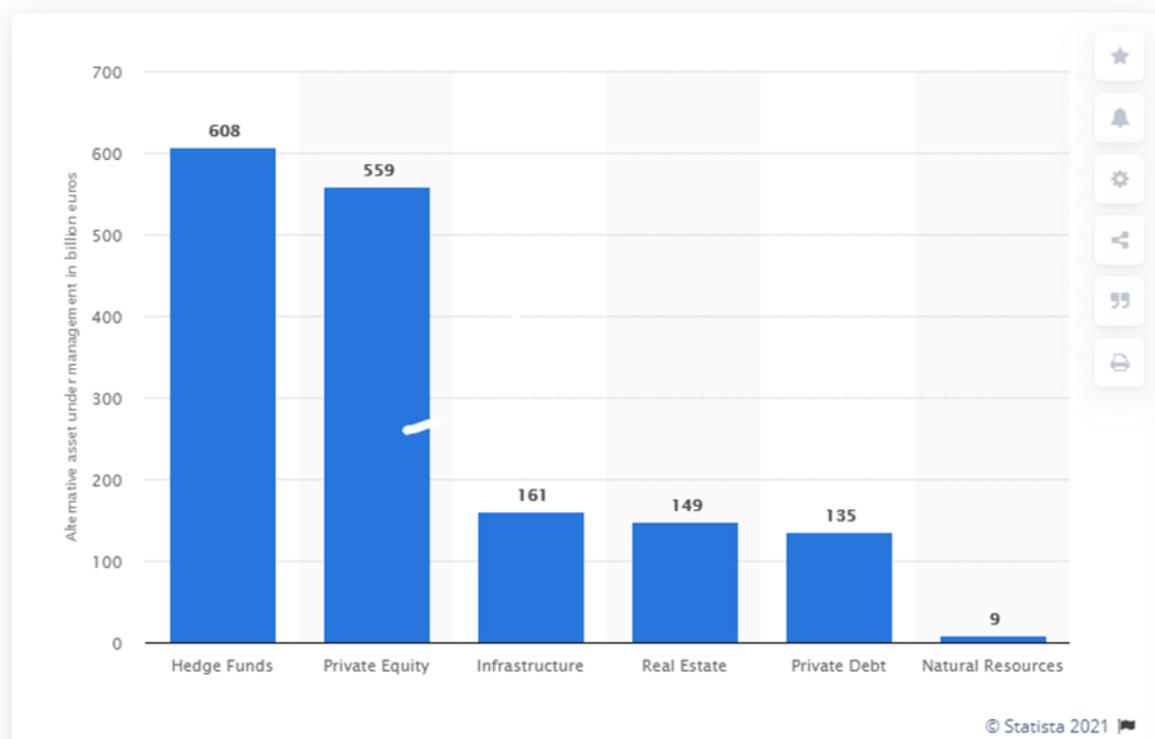
EXHIBIT 4.2  
**Other Assets: Breakdown**



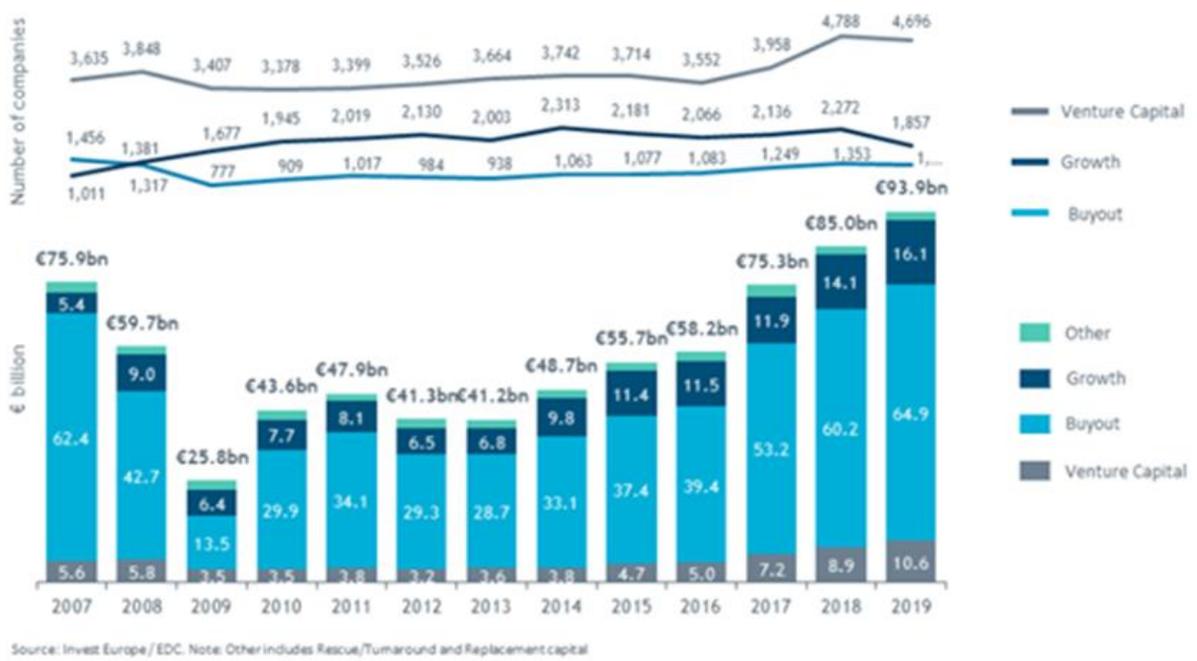
EXHIBIT 4.3  
**Evolution of Asset Allocation**  
 share in total AuM



**Alternative assets under management in Europe as of September 2018\*, by asset class (in billion euros)**  
 Source: Statista

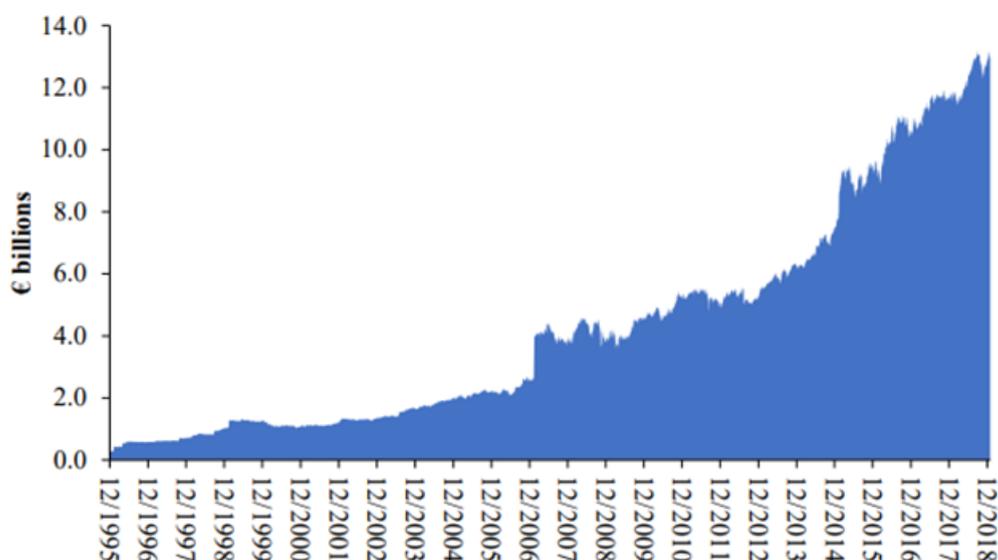


**Levels of private equity and venture capital investment into European companies**  
 Source: Invest Europe



*Listed Real Estate Investment Funds (REIT) (Source: EPRA)*

Figure 1. Growth in market capitalisation for Belgium REIT index: July 1995 – December 2018



Source: Authors' compilation from Datastream

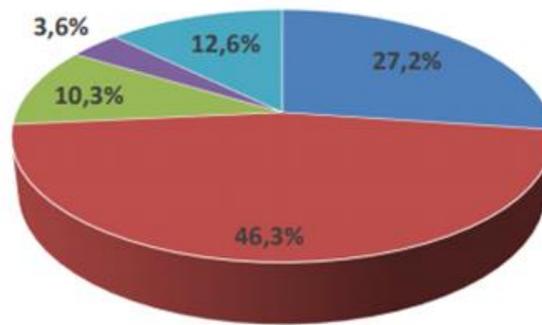
Table VI. Belgium REIT performance analysis

	Average annual return	Annual risk	Return/risk ratio	Sharpe ratio	Rank
<b>Panel A: Full period: July 1995 – December 2018</b>					
REITs	8.68%	9.90%	0.88	0.85	1
Stocks	6.16%	18.51%	0.33	0.32	3
Bonds	3.67%	6.07%	0.60	0.57	2
<b>Panel B: Pre-GFC: July 1995 – June 2007</b>					
REITs	10.47%	9.00%	1.16	1.13	2
Stocks	13.36%	16.53%	0.81	0.79	3
Bonds	4.87%	3.37%	1.44	1.36	1
<b>Panel C: Post-GFC: July 2009 – December 2018</b>					
REITs	11.18%	8.81%	1.27	1.26	1
Stocks	10.43%	14.37%	0.73	0.72	2
Bonds	2.05%	4.72%	0.43	0.41	3

Source: Authors' compilation / analysis

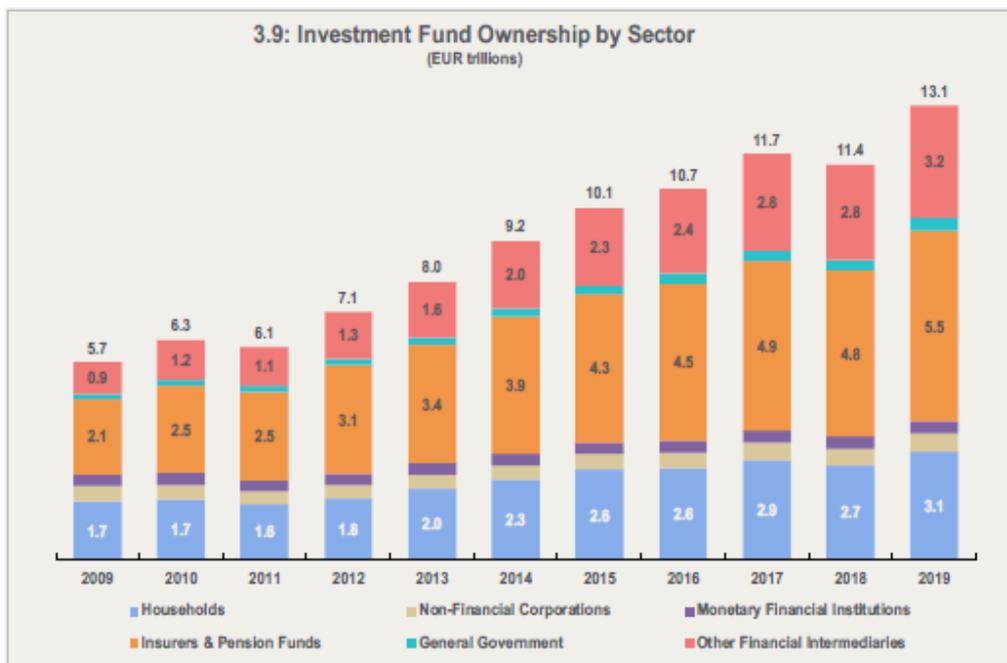
**Asset allocation (Source: Pensions Europe)**

Figure 2. Asset allocation of pension funds



- Equities (%)
- Debt, Fixed income, and Money Market assets (%)
- Real estate (%)
- Cash and deposits (%)
- Alternatives (such as loans, infrastructure, hedge funds, other funds etc.) (%)

**Insurers and pension funds as largest investors in investment funds (IF), holding around 42% of IF in Europe (ECB). - EFAMA Fact Book 2020**



Source: ECB

### ***Key guidelines for BEAMA***

Alternative asset classes have been on the rise for some time. This trend started in the wake of the global financial crisis and is also driven by low interest rates, making investors feel the need to diversify and look for higher returns. The challenge is to package these alternative asset classes in such a way that they appeal to a large group of retail investors. It is about finding the right way, directly or indirectly, to combine more investments with longer holding periods to improve the return on your initial savings.

However, private investors are often nervous about stock market trends and periods of volatility peaks, and constantly evaluate their asset allocation strategies. The investors who do increase their participation in alternative asset classes are mainly institutional investors, especially pension funds, as well as family offices and "qualified investors".

It is our role as an organization to properly guide and inform this very specific group of investors who do not fall under the standard "retail customer" and have a clear need for customised portfolios. They are open to being informed about the opportunities and also the risks of these specific alternative asset classes. It is also crucial that the regulatory framework for these asset classes really helps asset managers to protect and grow their clients' capital and to monitor their investments effectively over the long term.

Finally, BEAMA should also consider how to bring these interesting investments (especially in times of very low interest rates) directly or indirectly to retail clients. This can be done, for example, through a Belgian framework for ELTIFs, company pension savings funds, individual pension savings funds, a specific vehicle for "qualified (private) investors".

## **How does the above fit in the Regulatory Agenda of the financial supervisors, national and European authorities?**

BEAMA has an ongoing dialogue with the FSMA, as the financial regulator responsible for the legal framework of fund and asset management in Belgium.

In line with the five guidelines developed in this document, BEAMA adds points of interest to the agenda when dealing with technical work files in consultations and work meetings with the FSMA. Some recent examples:

- Sustainability and how to implement it appropriately and efficiently for asset managers, is at the heart of the discussions on the impact of the Sustainable Finance Disclosure Regulation (SFDR). Implementation of this EU-regulation has begun with an initial deadline on 10 March 2021, with further key deadlines in the summer of 2021 and on 1 January 2022.
- Mapping the ways of digital communication and the practices for dealing with information shared on social media, is at the heart of the technical exchanges and possible solutions between BEAMA and the FSMA. The initiative for a lexicon explaining technical terms has already been mentioned. BEAMA is active in providing examples and proposing solutions to the FSMA, in order to reach out to customers in a way that meets their specific needs.
- Monitoring the legal framework is also a long-standing feature of BEAMA. This is particularly the case now that, due to the impact of covid-19 on the financial markets of March 2020, financial regulators are reactivating a number of revisions to existing directives (e.g. revision of the AIFMD) and are also placing new emphasis on certain aspects of portfolio and risk management functions within asset management companies (e.g. number of liquidity management tools, specific valuations of sustainability risk in different asset classes).



BEAMA<sup>2</sup>, as part of EFAMA, supports the ambitions of the new **CMU Action Plan**. If properly implemented, it could boost market finance in Europe, which is essential for financial innovation and the transition to a more sustainable and digital economy. It should also naturally lead to a more resilient financial system and much more investment opportunities, to everyone's benefit.

We encourage the Commission to pay particular attention to the following objectives, which we believe are crucial to the success of the CMU project:

- We welcome the emphasis on greater participation of the retail sector in capital markets as an essential part of creating an effective CMU. This offers end-investors the best chance of achieving a higher return on their long-term savings by and a better retirement income. In addition to the various actions foreseen in the Action Plan, we also stress the importance of urgently addressing the well-documented PRIIP KID flaws and extending the current UCITS exemption until this is done. Furthermore, it is necessary to make the economics of the PEPP viable to expand pension solutions for end-investors.
- A second objective should be to improve access to financial and non-financial information and address the issue of data costs. The need for effective measures to close the ESG data gap is made even more urgent by the introduction of new disclosure requirements for financial market participants. Robust ESG data is essential for identifying and assessing sustainability factors in lending and investment activities. In turn, this will translate into reliable and comparable information for end-investors, ultimately encouraging a growing and increasingly sophisticated demand for sustainable investment products.

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<sup>2</sup> See EFAMA's Letter addressed to the newly appointed EU Commissioner for Financial Services, Mrs Maireed McGuinness (in December 2020).

- Finally, the competitiveness of the European asset management industry in a global environment must be maintained and improved. Europe must remain at the forefront of innovation and open to flows of knowledge, ideas, capital and investment with the rest of the world in order to remain competitive. The importance of promoting the development of international regulatory standards is particularly relevant in the field of sustainable finance and information. We share the Commission's ambitions regarding its leading role in the framework of the International Platform on Sustainable Finance.





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