

Clearstream Banking S.A.: Insights into Investment Funds

International Assets & Services

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What do Investors want/expect when investing into investment funds?

- **High return** on investments at **low risk** (on the institutional side also the TER and the liquidity of the fund are looked at)
- **High ESG focus**, a form of socially responsible investing that prioritizes financial returns alongside a company's impact on the environment, its stakeholders, and the planet.
- **Diversify** (foreign asset or currency exposure) **their investments** and/or provide low risk environment for pensions and investments (asset classes, countries, currency exposure, etc.)
- **Tax efficiency** (best case tax exempted), easy investment process, recognized product & service, dedicated support by local people in local language, etc.
- **Brand recognition** or star fund manager, e.g. Warren Buffet
- **Trust:** Social/financial and political stability of country of investment, legal & regulatory environment, asset safety, ...

Asset Class

Jurisdiction

Wide selection of funds

Different types of funds depending on strategy or underlying investments

- **Mutual Funds:** A mutual fund is a company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. Daily funds. Public funds. Can not make high risk investments.
- **Exchange Traded Fund (ETF)** type of security that tracks an index, sector, commodity, or other asset, but which can be purchased or sold on a stock exchange the same way a regular stock can. An exchange traded fund (ETF) is a basket of securities that trade on an exchange just like a stock/equity.

ETF share prices fluctuate all day as the ETF is bought and sold; this is different from mutual funds that only trade once a day after the market closes. Lower expense ratio due to passive management.

- **Hedge Funds:** A hedge fund is a type of actively managed fund that focuses on high risk high return investments. Hedge funds invest very aggressively using leverage and shorting available to high-net-worth and sophisticated investors. Can make higher risks. Usually weekly funds, or monthly funds.
- **Private Equity Funds:** funds that invest directly in companies, by either purchasing private firms or buying a controlling interest in publicly traded companies. The very nature of their investments requires their more long-term focus, looking for profits on investments to mature in a few years rather than having the short-term quick profit focus of hedge funds

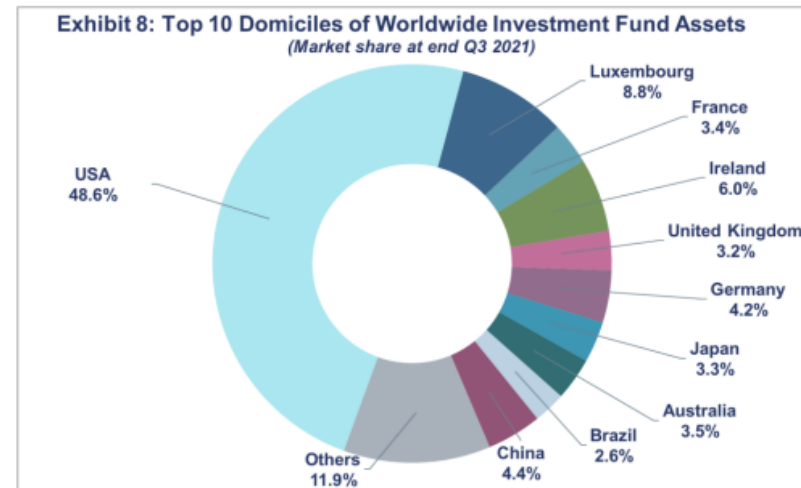
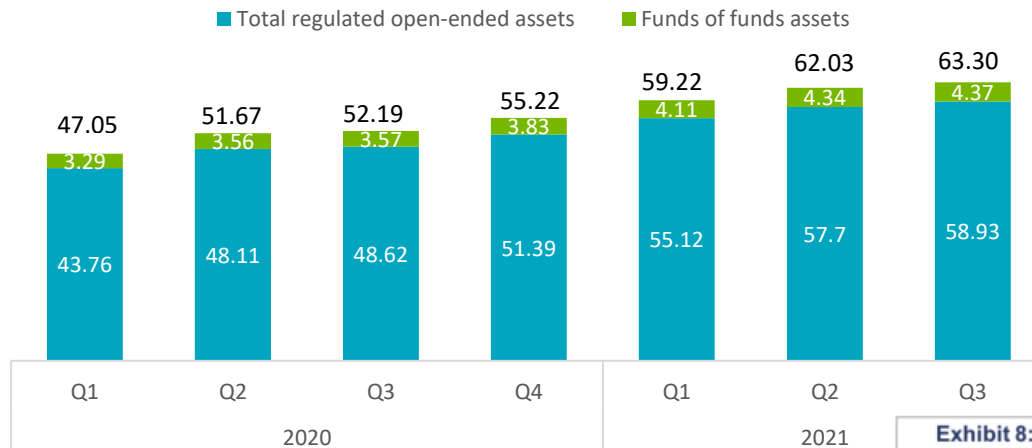
*More Liquid
Lower risks
Lower return?*

*Less liquid
Higher risks?
Higher return?*

The International Investment Fund Market

Worldwide Assets of Regulated Open-End Funds

(Trillions of EUR, end of quarter)



Source: EFAMA: December 2021 - <http://www.efama.org>

Cross-border Investments in LATAM

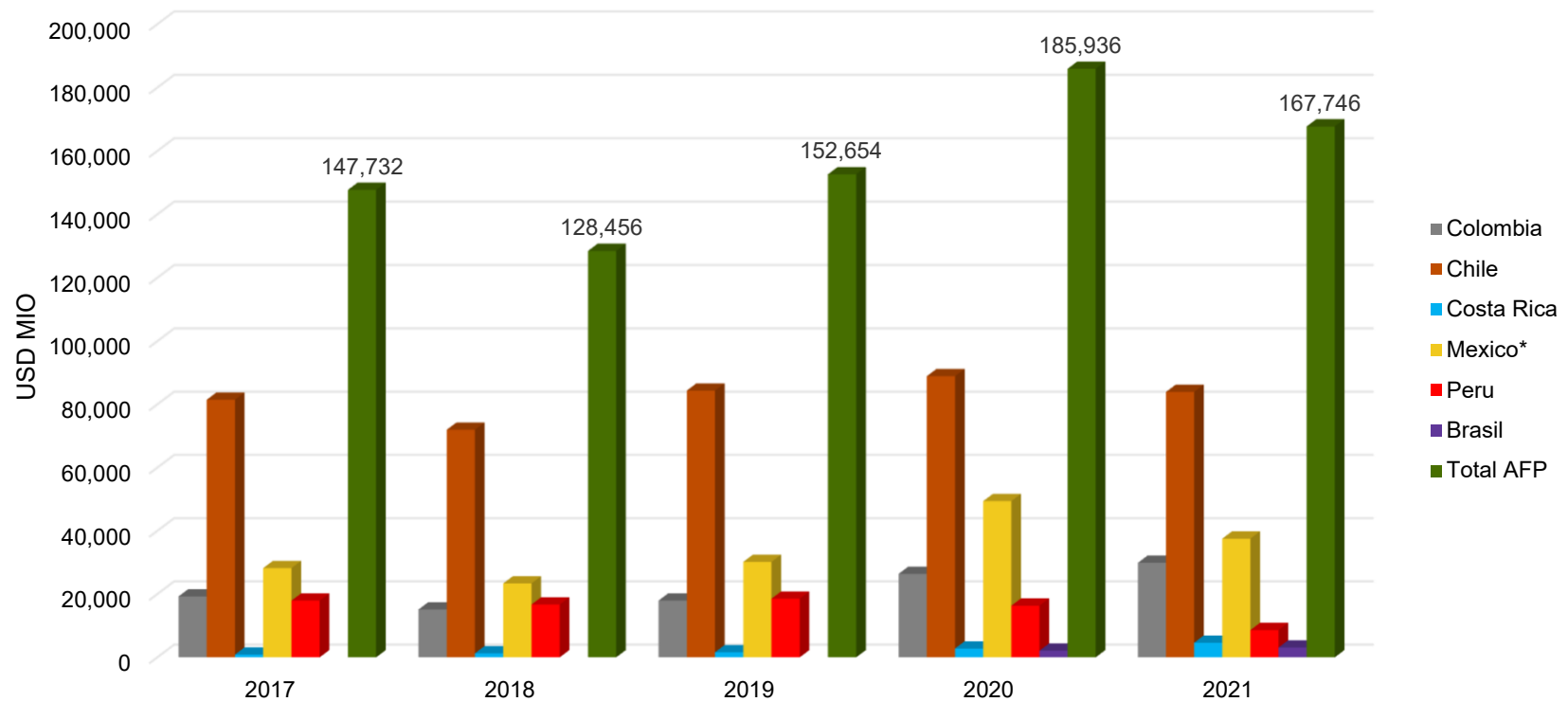
Market trends and needs: asset diversification, risk and cost control

- Latin American investors historically invest in local or regional stocks.
- Domestic markets offer little diversification and liquidity.
- Investors require fund managers to seek greater diversification and increase cross-border investments.
- Regulators respond to the need for diversification by increasing cross-border investment limits and risk diversification.
- Investment decisions driven not only by returns but also the sustainability characteristics of an investment fund.
- UCITS and ETFs remain the most popular cross-border investments
- **Investment Fund Services is the unique solution for Latin American investors to access cross-border investments, benefiting from trading, post-trading, data including ESG fund performances and trailer fees services.**

Cross-border Investments in LATAM

Latin America Pension Funds Exposure to Cross Border Funds

Latin America Pension Funds Exposure to Cross Border Funds



* For Mexico, Equity includes ETF's

Source: Fund Pro Latin America

Clearstream Banking S.A.

At-a-Glance

Created by the market, for the market

International Central Securities Depository (ICSD) originally created in the 70's to ease settlement in the Eurobonds Market. Created by the market, for the market

Part of the Deutsche Börse Group

Core values: Integrity, Transparency, and Safety for investors

Securities Settlement System

Proven expertise in providing DvP (Delivery-versus-Payment) infrastructure to securities markets for bonds, equities and investment funds, domestically and internationally

Securities Financing

Provider of the leading Securities Financing engine managing a monthly average of €700bn including Triparty Repo, Sec Lending and Collateral Management

Investment Fund Services

One-Stop-Shop for order routing, safekeeping and distribution support services for investment funds

Excellent and stable credit rating

Clearstream
AA/Stable/A-1+

Sovereign rating

Luxembourg
AAA/Stable/A-1+

Parent Company

Deutsche Börse
AA/Stable/A-1+

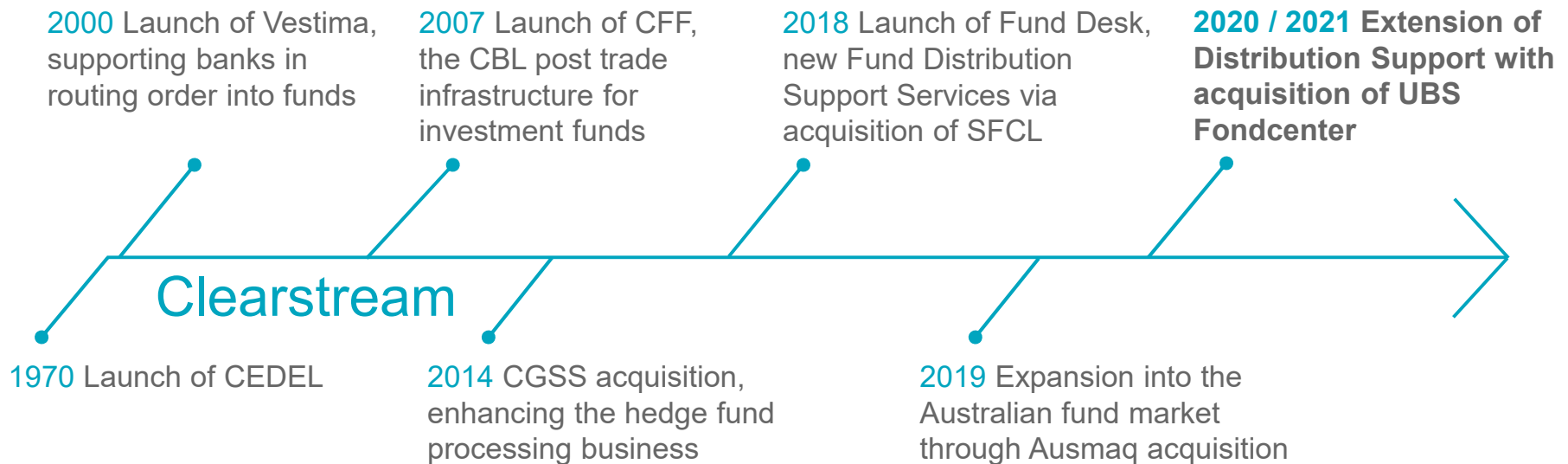
Serving 2,500 global banks and financial institutions in 110 countries³⁸

Safekeeping EUR 16.38 trillion AuC

Providing access to 58 securities markets

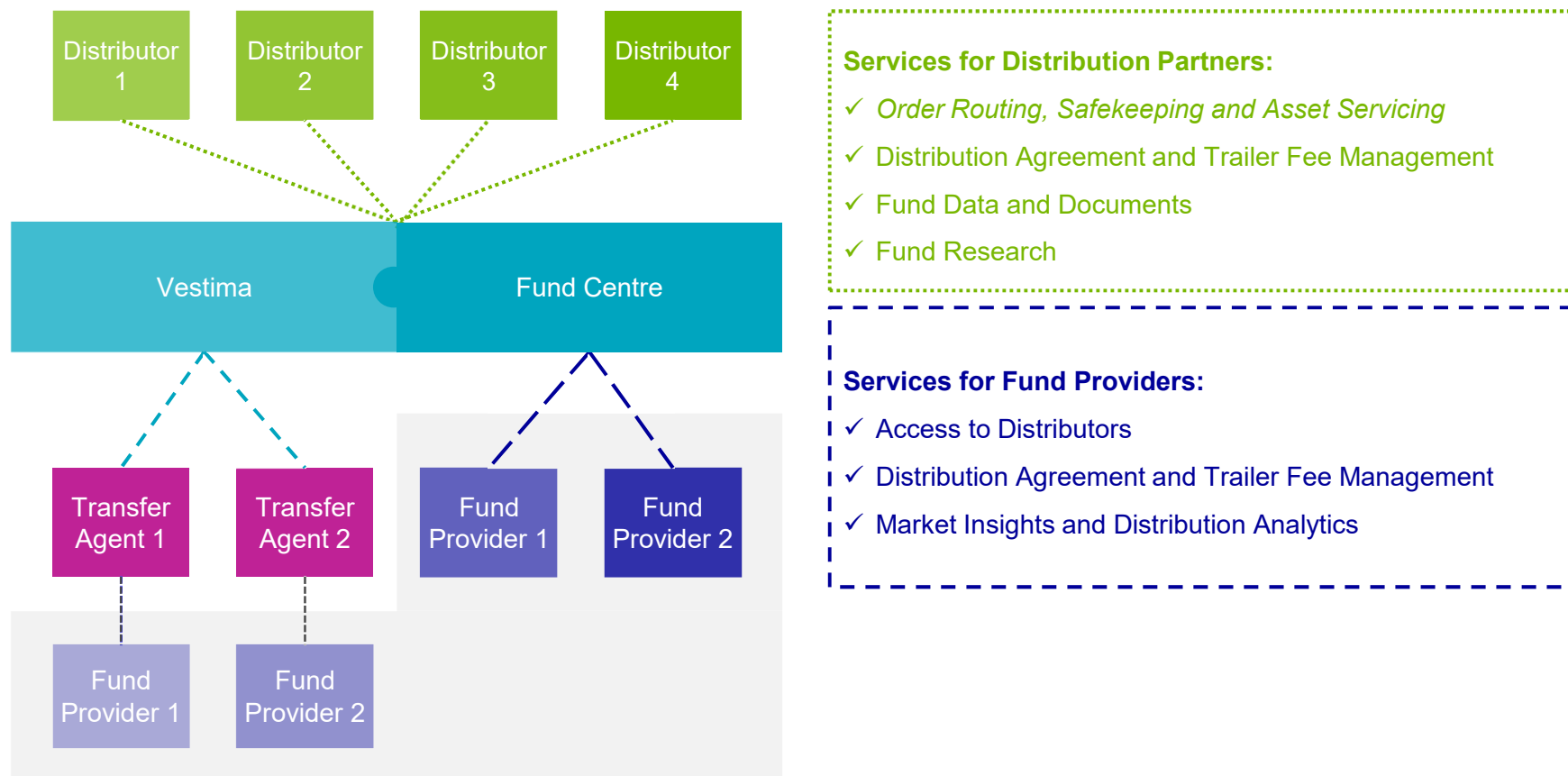
Clearstream

Over 20 Years of Investment Fund Services Experience



Clearstream Investment Fund Services

One-Stop-Shop – Execution-Custody-Distribution



Fund Markets Covered

Clearstream holds investment fund assets on behalf of customers in over 40 jurisdictions.

Market	
Americas	
Argentina	2
Bahamas	1
Bermuda	1
British Virgin Islands	1
Canada	1 + 2
Cayman Islands	1
Curaçao	1
Saint Vincent & the Grenadines	1
United States of America	1 + 3
Asia Pacific	
Australia	1 + 2
China	5
Hong Kong	1 + 2
Indonesia	1
Japan	4
Malaysia	1 + 4
New Zealand	1 + 4
Singapore	1 + 4
Thailand	1 + 4

Market	
Europe	
Austria	3
Belgium	1 + 3
Bulgaria	2
Cyprus	1
Czech Republic	2'
Denmark	3
Estonia	1 + 3
Finland	1
France	1 + 3
Germany	3
Gibraltar	1
Greece	4
Guernsey	1
Ireland	1 + 2
Isle of Man	1
Italy	4'
Jersey	1
Liechtenstein	1
Lithuania	3
Luxembourg	1 + 3
Malta	1
Netherlands	1 + 3

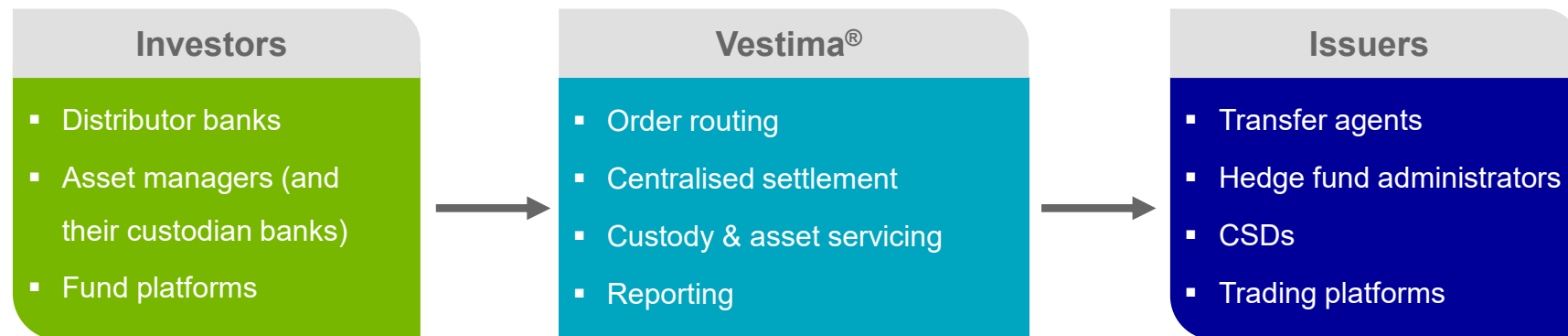
Market	
Europe	
Norway	1 + 4
Poland	4
Portugal	3
Spain	4
Sweden	1 + 4
Switzerland	1 + 3
Turkey	2 + 3
United Kingdom	1 + 2
Middle East & Africa	
Dubai	4
Mauritius	1
Saudi Arabia	4
South Africa	1 + 4
Legend	
1	Register
2	CSD eligible closed-ended funds and ETFs (Settlement and Custody only)
2'	CSD eligible open-ended funds and ETFs
3	CSD or domestic link eligible funds (Settlement and Custody)
4	ETFs (Settlement and Custody)
4'	Foreign ETFs (Settlement and Custody only)
5	Mutually recognised China domiciled funds

Clearstream Investment Fund Services

Vestima – Order Routing and Execution

Facts & Figures

- 200,000+ funds available for custody and execution
- Connectivity to 700 transfer agents and fund administrators around the globe
- Around 500 financial institutions in over 75 countries use Vestima
- Client segments include universal banks, private banks, retail banks, global and local custodians, asset managers, fund platforms and other institutional investors
- Over 40.2 million annual STP orders placed
- €3.44 trillion fund units deposited in Clearstream



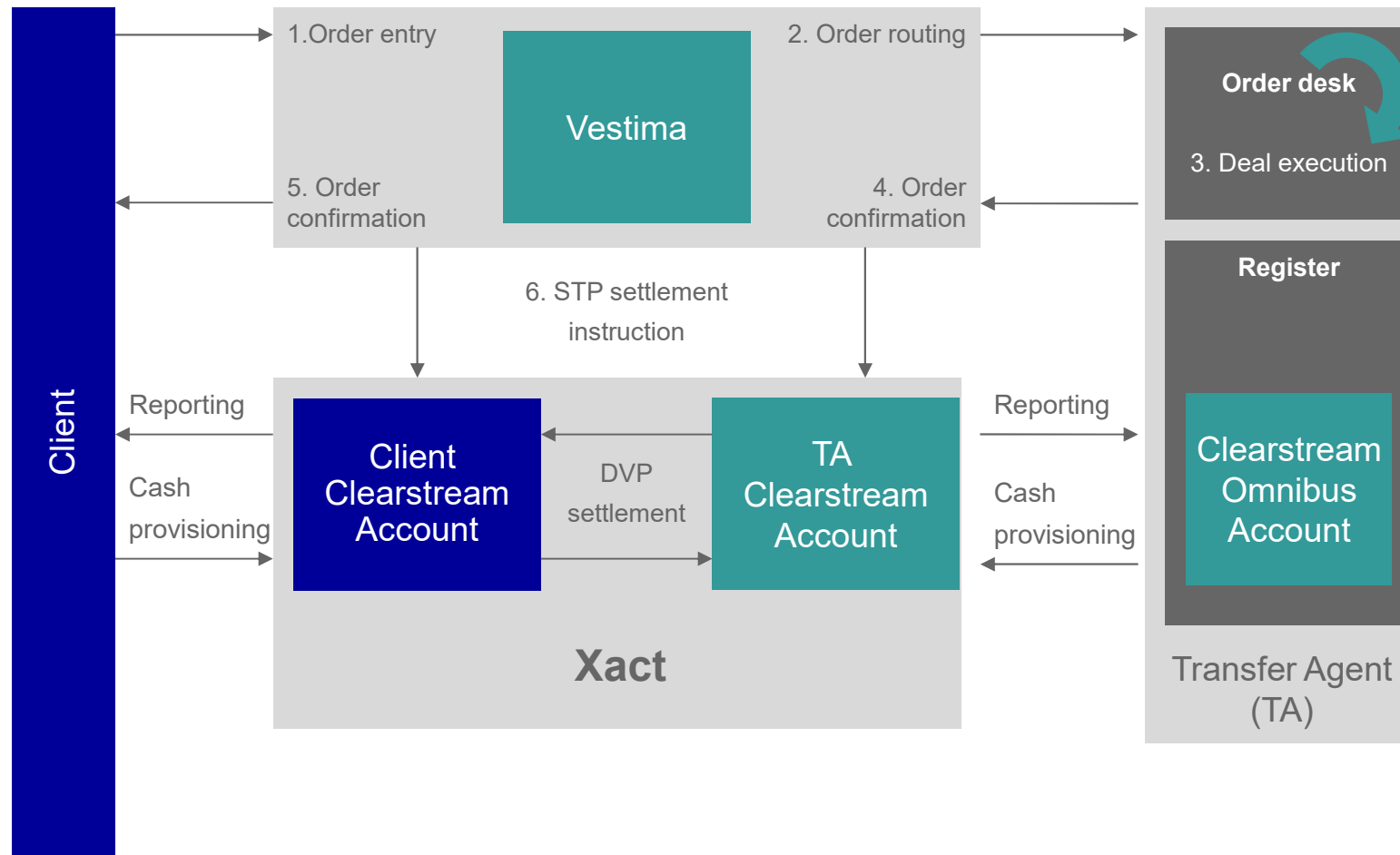
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Vestima in Simple Terms

- Market Account Opening, maintenance and operation, AML/KYC
- **Order Routing and Execution** for 200,000+ funds through a single point of access
- **Custody of Fund Assets** from plain vanilla to complex private equity funds
- Flexible order capture connectivity options (Swift, FTP, File Upload, Browser Access)
- Automated **DvP Trade Settlement** of orders into mutual funds
- **Transfer Service**
- **Reconciliation** with the market side
- Full **Asset Servicing** – Income and Corporate action processing
- Scheduled and **Real Time Reporting** for orders, cash and securities
- Full **Funds Reference** Table

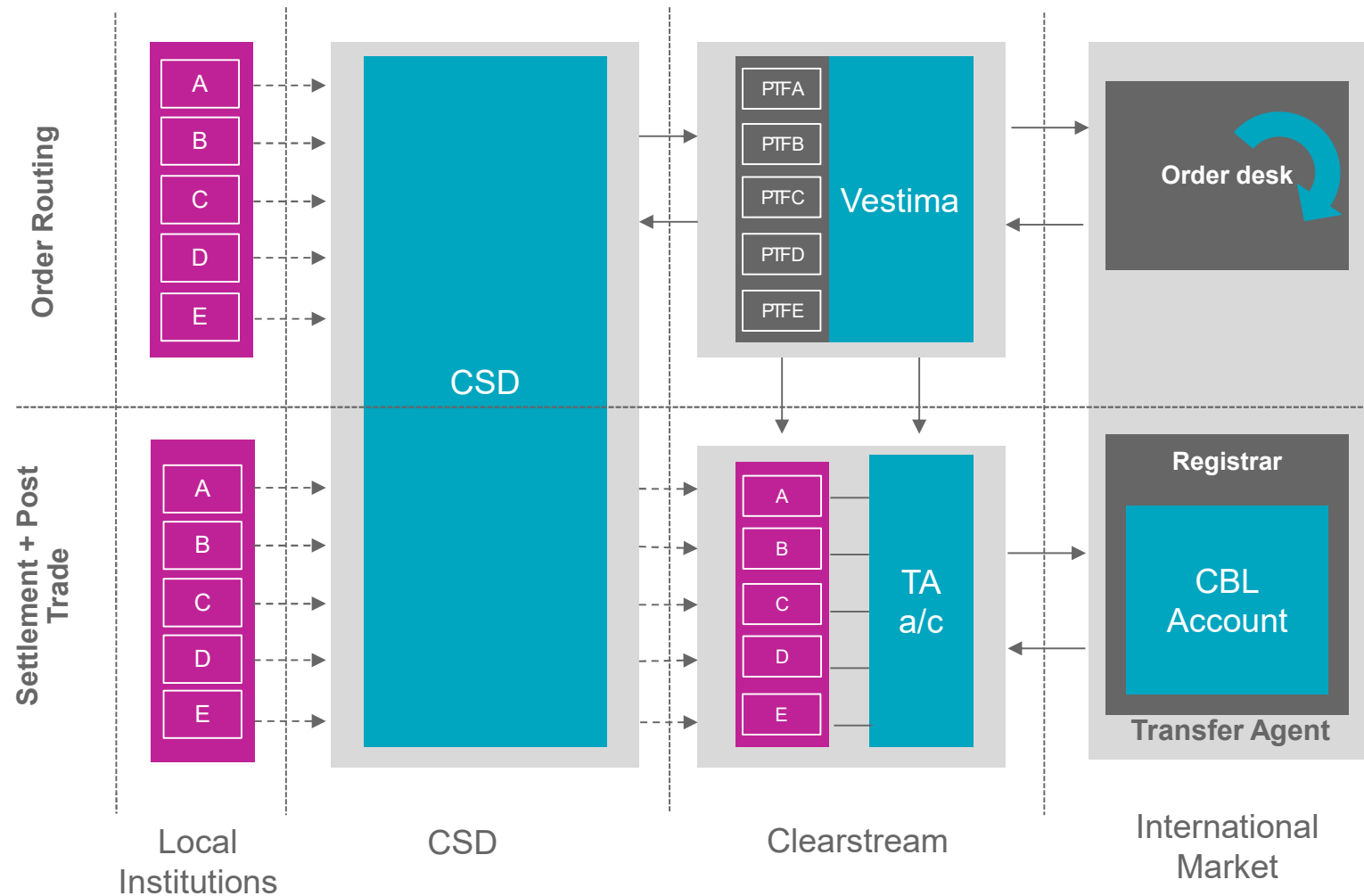
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Trade Processing Model for Mutual Funds



Our CSD Processing Model

Partnering with the local market infrastructures



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Customer Benefits

Neutrality

- ✓ **Pure infrastructure provider**
- ✓ Not acting as distributor

Increase of Operating Margins

- ✓ Reduction of manual processes
- ✓ Reduction of operational risk
- ✓ **Reduction of processing and administration costs**

Efficiency

- ✓ Efficient and **scalable IT infrastructure**
- ✓ Standardised processes with counterparties

Safety

- ✓ **Excellent and stable credit rating** of Clearstream AA/Stable/A-1+
- ✓ Strong ownership structure (part of **Deutsche Börse Group**)

Clearstream Investment Fund Services

Clearstream Fund Centre – Figures

76,000

Different funds covered by Cooperation Agreements

422

Distributors* using the platform

394

USD billion Assets under Administration

1

Single contract to access a global fund universe

573

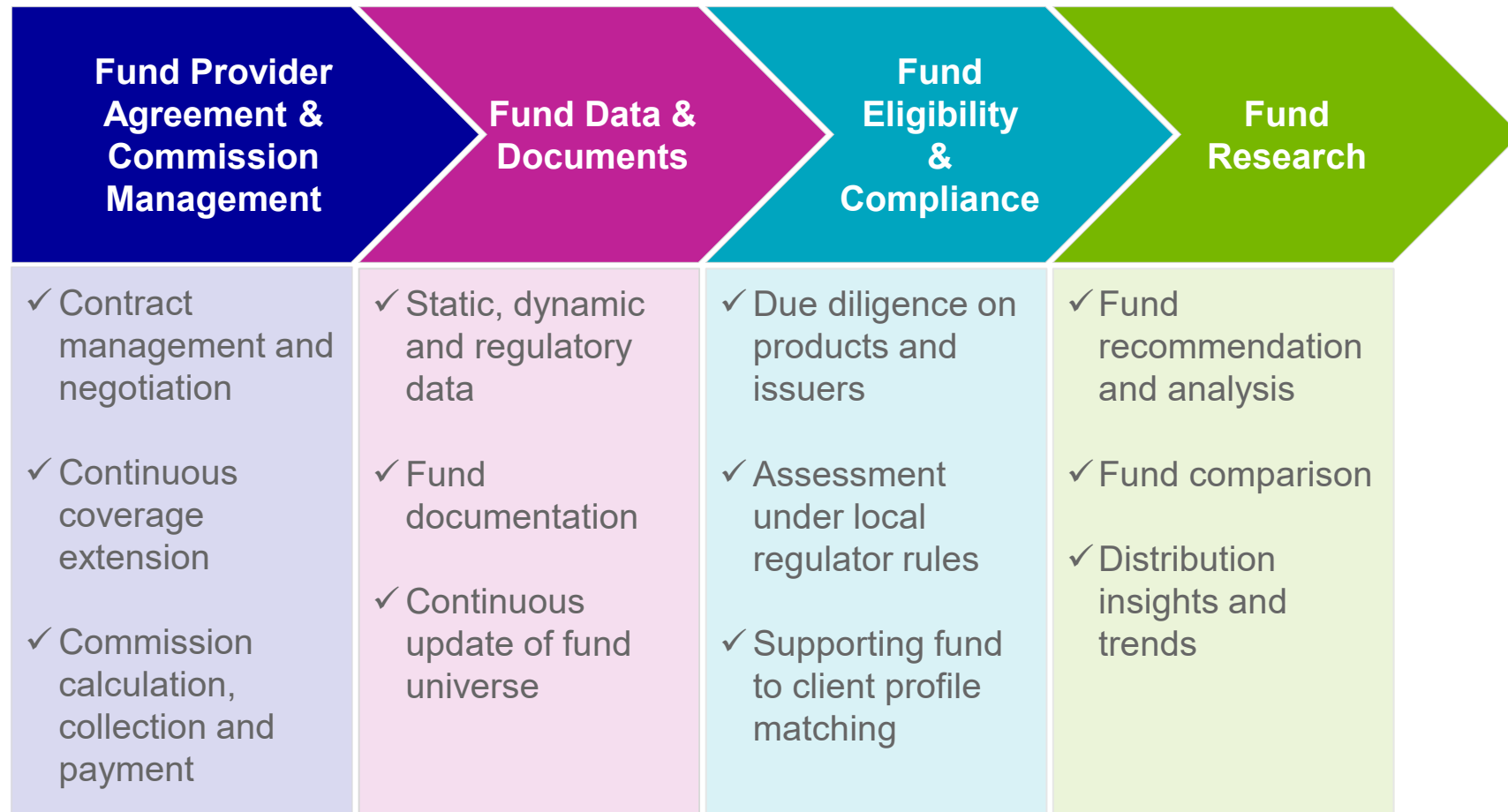
Fund Providers connected

950

Fund data points available in Fund Compass

Clearstream Fund Centre

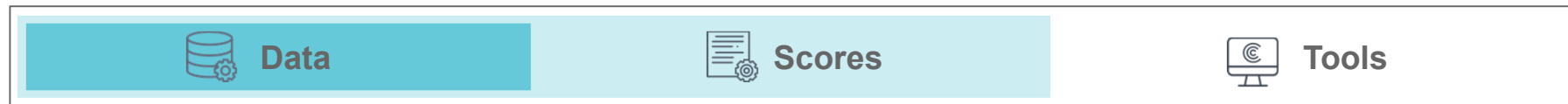
Flexible and Tailored Offering



Clearstream Fund Centre

New Sustainability Solution in collaboration with Clarity AI

A tech platform covering all sustainability needs, from data to entire capabilities



Best data quality and coverage, through algorithms and technology

- +29k companies
- +195 countries
- +185 local governments
- +135k funds

Focus on impact & risk

- proprietary methodologies
- expertise & thought leadership
- transparency and granularity

Integrated into Fund Compass for screening & seamless fund selection

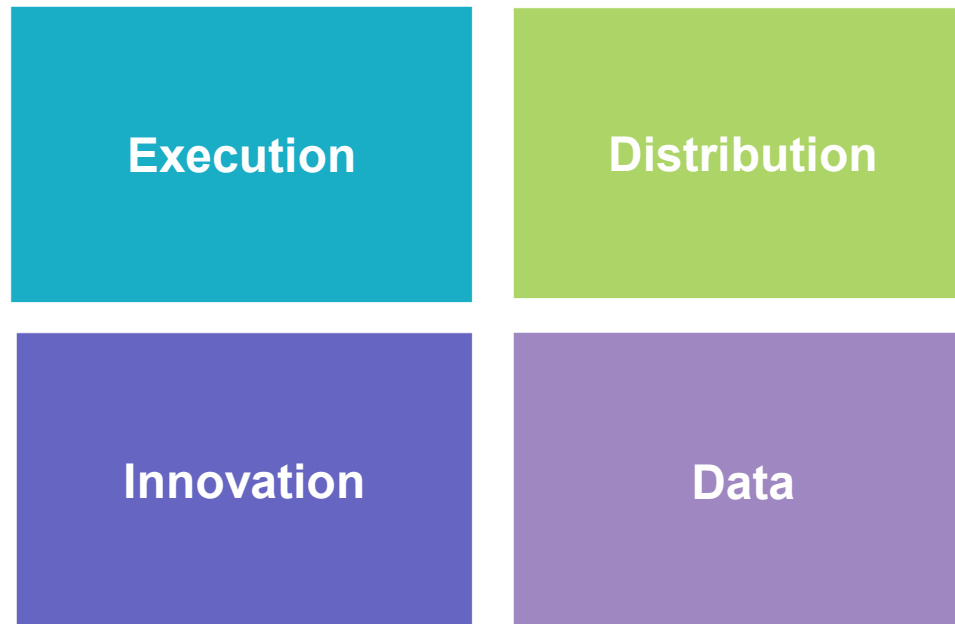


Powered by



The engine for any sustainability/Impact capabilities

Our Strategy: EDID



Clearstream Investment Fund Services

In concrete... How do we execute our EDID strategy?

- **Execution** : More markets: Mexico, Spain, Italy
- **Distribution:** More Asset Managers, more ISINs, more coverage
- **Data:** Increased Data Analysis within Fund Compass (more than €40mio transactions per year). Integration of Clarity AI to provide ESG data for sustainable investment decisions.
- **Innovation:** Blockchain technology will be used for both funds distribution and funds execution. Our partnership with Funds DLT allowed us to successfully process the first live blockchain-based end-to-end fund transactions,. FundsDLT, is a decentralized platform for fund transaction processing. Hereby, the overall processing time for an investor order was reduced from several hours to only a few minutes.

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