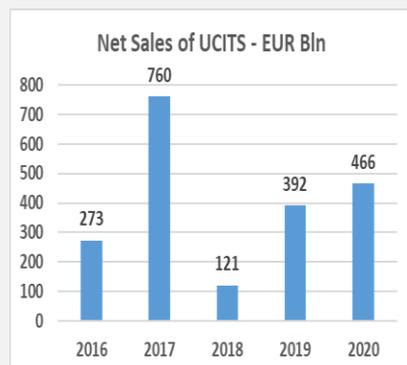


Fund Flow Digest

Despite the impact of Coronavirus on financial markets in early 2020, total net assets of UCITS and AIFs grew by 5.7% to €18.8 Trn at the end of 2020. Net sales of UCITS were higher in 2020 than in each of the two preceding years.



Equity funds were the bestselling long-term category in 2020, followed by bond funds and then multi-asset funds. Money market funds enjoyed significant inflows due to market uncertainty.

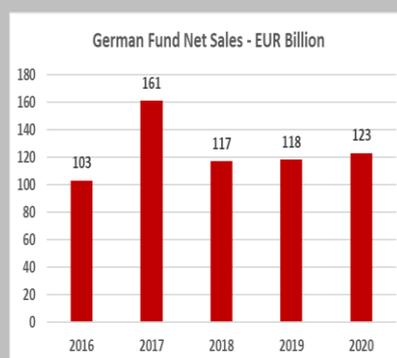
Equity funds suffered only moderate outflows in Q1 and returned to positive territory in Q2. In Q4, Eurozone equities gained sharply on news of effective vaccines, a Brexit trade deal and approval of a landmark EU budget package of €1.8 Trn. In 2020 there was a wide dispersion between the positive performance of technology focused growth stocks and negative performance of traditional value/dividend focused stocks.

There was significant divergence in government bond yields between the US and Europe in Q4. US bond yields rose while major European government bond yields (Germany, Spain and Italy) declined as the ECB increased quantitative easing.

Sources: EFAMA, Schroders, Seeking Alpha.

Country Spotlight: Germany

Germany is a very prominent fund domicile with AUM of over €2.5 Trn. It is the 3rd largest fund domicile in Europe behind Ireland and Luxembourg. Funds in Germany are split by retail funds and non-UCITS - “*Spezialfonds*”. These funds may only be held by institutional investors which include insurance companies and pension funds. In 2020, German fund net sales were strong with 65% being in *Spezialfonds*.



Germany is one of the largest markets for sustainable funds with net inflows of €20.6Bln in 2020. The German funds industry association, the BVI, has been vocal on the need for “practical” EU sustainability regulation and the need to avoid overregulation.

Germany is the 2nd largest market for Irish fund distribution. In late 2020, the German finance ministry published a bill, the *Fondsstandortgesetz*, with the aim of making Germany a more attractive location for the registration of funds. The new legislation will implement the EU guidelines for the cross-border distribution of UCITS and AIFs.

In terms of distribution channels in Germany, retail banks are dominant with private banks and pensions also prevalent.

Sources: BVI, Ignites, EFAMA

The Quarter in Numbers

0.98 The number in € Trn of European ETF net assets Q4 2020

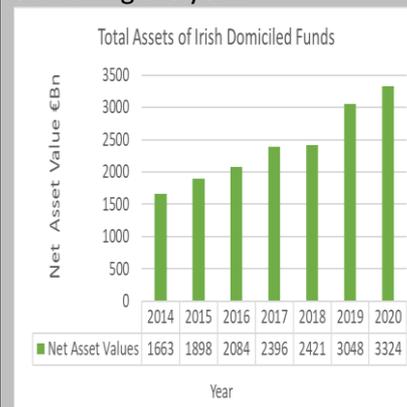
1.50 The number in € Trn of money market fund net assets Q4 2020

0.84 The number in € Trn of real estate fund net assets Q4 2020

38 The percentage of European net assets in AIFs

Irish eyes...

In 2020, Irish funds experienced the largest inflows in Europe. Ireland posted higher UCITS inflows than Luxembourg which were mainly in ETFs. Net assets of Irish domiciled funds grew by 9% during the year.



In April 2021, the CBI published its cross industry guidance on operational resilience which aims to “address existing vulnerabilities and weaknesses” to ensure the industry can better withstand future shock events. In 2020, the CBI assessed a number of firms and found that they needed to improve their BCP processes. Under the guidance there is a focus on outsourcing arrangements with third parties. As a result, firms will be required to have clear written agreements in place with third parties that outline how critical services will be maintained during a disruption. Sources: Irish Funds, Ignites, PWC