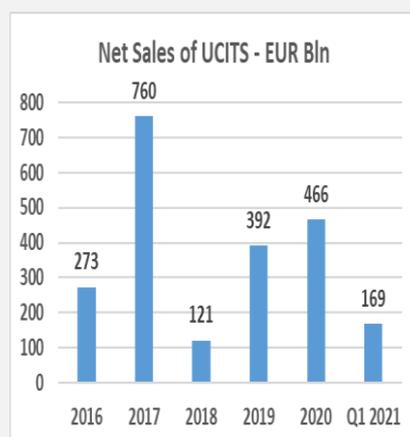


Fund Flow Digest

Following robust stock market gains and strong net sales, UCITS net assets grew by over 6% to €12.3 Trn in Q1 2021. Net sales of UCITS in recent years is depicted in the chart below.



In Q1, demand for equity funds climbed to another record level, bond fund inflows increased by a small amount and multi-asset fund flows declined. Money market fund flows declined for the first time since Q1 2020.

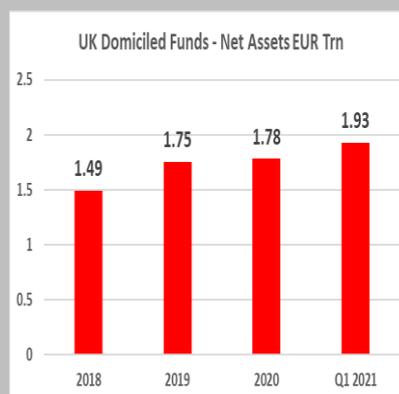
Global equities advanced in Q1 due to factors such as the roll-out of Covid-19 vaccines, news of further US fiscal stimulus (\$1.9Trn) and a commitment to spend \$2Trn on infrastructure. In the Eurozone, the PMI for March reached a record of 62.4, above 50 signals growth. Equity sectors linked to economic recovery such as energy and financials performed well while defensive areas such as utilities and real estate performed less well.

Bond yields rose significantly in the UK and the US in Q1 amid the swift vaccine rollout. Bond yields in EU countries rose by smaller amounts due to the slower vaccine rollout. In general corporate bonds outperformed government bonds.

Sources: EFAMA, Schroders.

Country Spotlight: UK

The UK has an indisputable position as Europe's leading investment management centre. Over one third of European assets are managed from the UK, more than France, Germany and Switzerland combined. The UK is also a prominent fund domicile, the 5th largest in Europe.



2020 was a difficult year for the UK funds market. However, with the Brexit deal on Dec 31 and the success of the vaccine rollout, economic sentiment improved in the UK. The PMI rose to 56.6 in March 2021. UK investors turned to local equity funds and net retail sales in Q1 reached £10Bln.

During Q1 2021, the UK and the EU agreed a memorandum of understanding ("MOU") on financial services. Formal steps must now be taken by both sides to sign the MOU. The MOU is separate to any decisions on regulatory equivalence but the MOU is seen as a prerequisite by the EU for any further market access rights being granted to the UK. It is likely that the UK will limit divergence from EU rules. Possible changes include the removal of MiFID II requirements to provide costs/charges reports to professional investors and limiting PRIIPS rules to very complex products only. Sources:

William Fry, Ignites, Schroders, The Investment Association.

The Quarter in Numbers

1.09 The number in € Trn of European ETF net assets Q1 2021

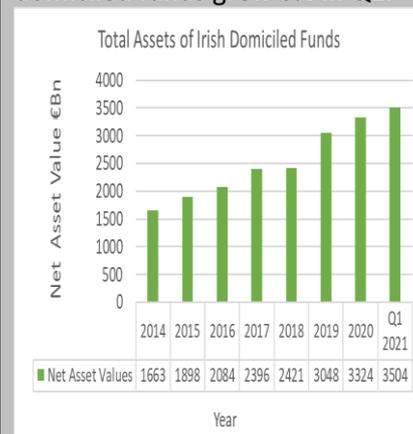
1.46 The number in € Trn of money market fund net assets Q1 2021

0.86 The number in € Trn of real estate fund net assets Q1 2021

37 The percentage of European net assets in AIFs

Irish eyes...

In Q1 2021, Irish funds experienced the 2nd largest inflows in Europe, just behind Luxembourg. Net assets of Irish domiciled funds grew 6% in Q1.



The CBI recently commented on the need for a macro prudential framework for investment funds. The CBI is undertaking a review which is expected to conclude in 2022 with new measures such as leverage limits and options to limit liquidity mismatches likely. In May 2021, the CBI also issued a Dear CEO letter to managers of Irish domiciled UCITS following a recent ESMA review which found shortcomings in the way ManCos deal with liquidity risks. The review discovered liquidity risk management frameworks that were not clearly defined and examples of poor governance and oversight practices among delegates at Irish funds. Sources: Irish Funds, Ignites.