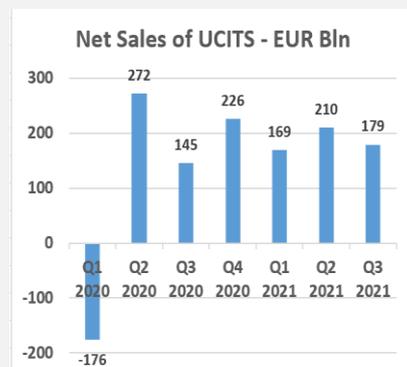


**Fund Flow Digest**

Net assets of UCITS and AIFs increased by 1.7% in Q3 2021. Recent trends in UCITS net sales are outlined in the chart below.



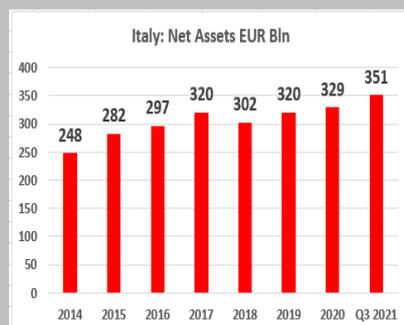
Following exceptionally high net inflows in the previous three quarters, net sales of equity funds decreased in Q3 2021. This was against a backdrop of more volatility in the markets. During the quarter, investors diversified and increased their allocations to bond and multi-asset funds. Investors continued to reduce their holdings in money market funds, shifting to long term funds.

Eurozone equities were relatively flat in Q3. The quarter had started in positive territory following a positive Q2 earnings season, ongoing economic recovery from the pandemic and high vaccination rates in Europe. Later in Q3, concerns emerged over possible lower global growth, potential contagion from corporate failures in China, global supply constraints, a slightly more hawkish US Fed, surging gas prices and US political uncertainty.

Annual Eurozone inflation was estimated to be 3.4% at the end of Q3. The Eurozone PMI dropped to 53.4 in December, the lowest reading in 9 months. Sources: EFAMA, Schroders, Irish Life.

**Country Spotlight: Italy**

The total net assets of investment funds domiciled in Italy is €351Bln. Net asset growth is shown below:



Italy is the 6th largest market for Irish funds. There are currently over 2,500 Irish funds registered there. Local banks in Italy are the main distribution channel.

Italy is deemed a prime market for the distribution of cross-border funds. Many Italian banks have recently expanded their asset management divisions and have increasingly focused on selling their in-house funds in addition to third party funds.

In 2017, the Italian government launched the *Piano Individuale Di Risparmio* ("PIR") fund structure. The PIR was created to channel investment into listed companies in Italy and enables investors to avoid paying capital gains on investments of up to €30,000 a year over a limited period of 5 years.

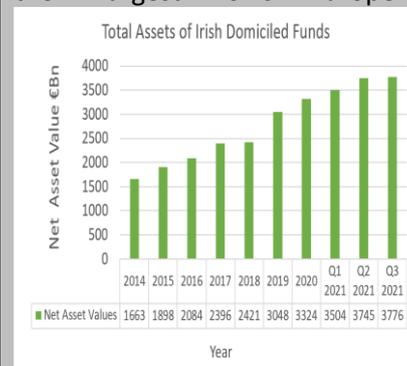
At the end of 2020, the total assets of PIR funds was €17.8 Bln. In order to boost the attractiveness of these funds, the Italian government introduced a tax credit to compensate for any losses suffered by investors of funds set up from January 1<sup>st</sup> 2021. Flows into these funds have turned positive in Q3 2021 after many months of net outflows. Sources: EFAMA, Ignites, Lexology, FundGlobam.

**The Quarter in Numbers**

- 1.22** The number in € Trn of European ETF net assets Q3 2021
- 1.43** The number in € Trn of money market fund net assets Q3 2021
- 0.90** The number in € Trn of real estate fund net assets Q2 2021
- 37** The percentage of European net assets in AIFs

**Irish eyes...**

In Q3, Irish funds experienced the 2<sup>nd</sup> largest inflows in Europe.



The European Commission recently proposed to create a new regulatory regime for loan-originating funds. The proposed new EU regime bears many similarities to the regime for loan-originating funds which has been in place in Ireland since 2014. Luxembourg currently has a less strict regime for these funds and has therefore been favoured as a domicile. The proposed new EU regime should level the playing field for Ireland.

The CBI recently wrote to the CEOs of regulated financial service providers in relation to its expectations regarding climate, environmental, social and governance matters. The letter focuses on items such as governance, risk management, scenario analysis and disclosures to address compliance with ESG related requirements. Sources: Irish Funds, Ignites.