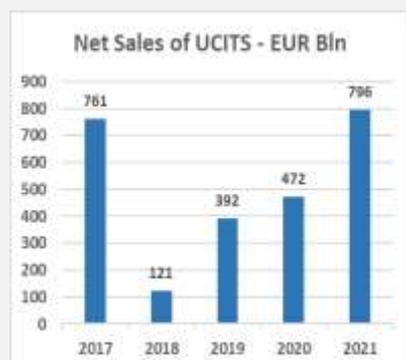


Fund Flow Digest

Net Sales of UCITS reached a record level of €796Bln in 2021. Net sales of Luxembourg UCITS were €348Bln and Irish UCITS were €237Bln in 2021. Net assets of European UCITS reached just under €14Trn. Overall UCITS net sales were 69% higher in 2021 than the 2020 figure.

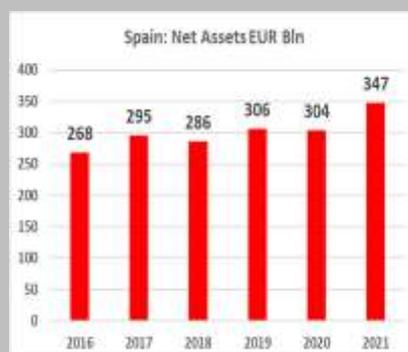


Net sales of UCITS equity funds reached record levels of €397Bln in 2021, much greater than the previous record level of €163Bln in 2017. Net sales of UCITS bond funds in 2021 were also well above the 2020 levels, €181Bln compared to €84Bln. Multi-asset UCITS funds surged to €194Bln in 2021, much higher than the €29Bln seen in 2020. There was a substantial decrease in the popularity of money market funds in 2021 which reflected a risk-on approach from investors.

2021 saw European equity markets grow by 25.8%. Eurozone equities were boosted by strong corporate profits and economic resilience with the Q4 PMI (> 50) at 53.4. These factors offset concerns over the new Omicron Covid variant. Eurozone inflation reached 5% in late 2021. The ECB signalled an intention to scale back bond-buying stimulus and potentially increase interest rates in late 2022 to tackle rising inflation. Sources: EFAMA, Schroders, Bank of Ireland, Irish Times.

Country Spotlight: Spain

The growth in net assets of funds domiciled in Spain is as follows:



Spain is a significant market for Irish funds with over 2,200 Irish funds registered there. Spain is the 3rd largest EU market for cross-border funds after Italy and Germany. Banks are the main distribution channel. Approx 90% of the distribution of retail funds in Spain is channelled through banks including local savings banks, *Cajas*. Other distribution channels include insurance companies and independent financial advisory firms.

In late 2021, the Spanish government published plans to lower the minimum threshold for investment in private equity funds. The required minimum investment would be reduced from €100,000 to €10,000. This would allow Spanish banks to sell private equity funds to private clients and to retail investors once they have conducted a suitability assessment.

In early 2022, a new fiscal regime came into force in Spain which impacted domestic *Sicavs* aimed at wealthy investors. The funds are now required to have at least 100 investors with a minimum of €2,500 each to avail of a 1% corporation tax. Over 2,300 *Sicavs* exist with AUM over €30Bln. With the new tax change over 80% of them are expected to close. Sources: EFAMA, Ignites.

The Quarter in Numbers

- 1.35** The number in € Trn of European ETF net assets Q4 2021
- 1.55** The number in € Trn of money market fund net assets Q4 2021
- 0.99** The number in € Trn of real estate fund net assets Q4 2021
- 37** The percentage of European net assets in AIFs

Irish eyes...

Assets of Irish domiciled funds exceeded €4Trn in Q4 2021. In 2021, Irish funds had the 2nd largest inflows in Europe just behind Luxembourg.



Following Brexit, the value of Luxembourg assets serviced cross border by Irish ManCos reached \$439Bln across 800 Luxembourg domiciled funds. Brexit forced UK based ManCos to move to an EU jurisdiction and many of them chose Ireland. There has been a noticeable trend in the market for larger asset managers to rationalise their passport licences and select one main EU licence (typically in Ireland or Luxembourg) to support all their EU domiciled funds from one location. This avoids duplication of substance in multiple jurisdictions. Many large asset managers have established ManCos in Ireland such as Blackrock, Goldman Sachs, Morgan Stanley, Pimco and Vanguard. Sources: Irish Funds, Ignites.