



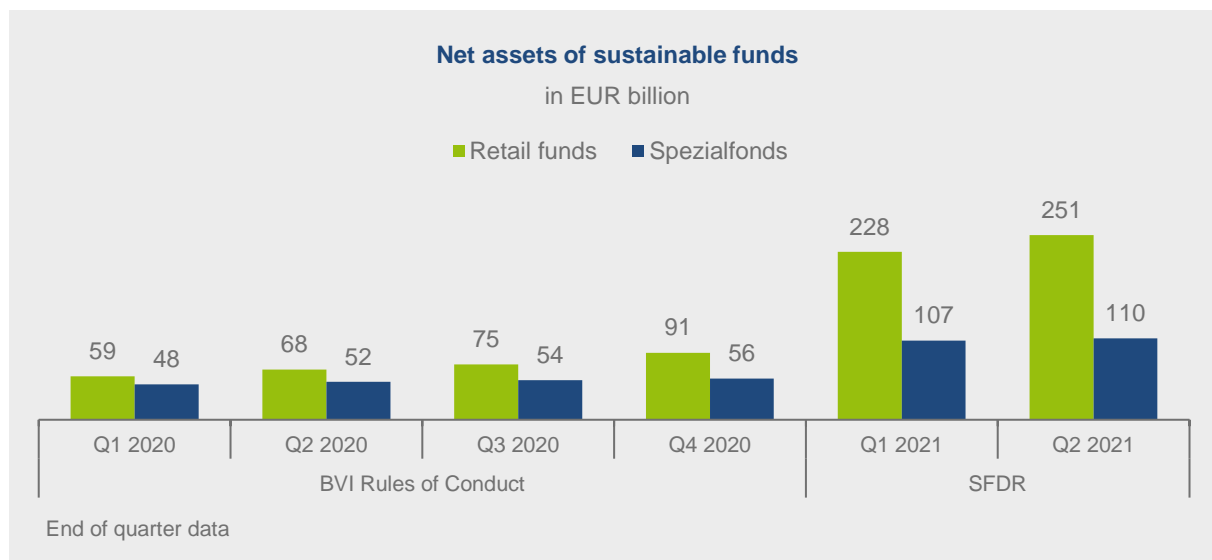
Snapshot Sustainability

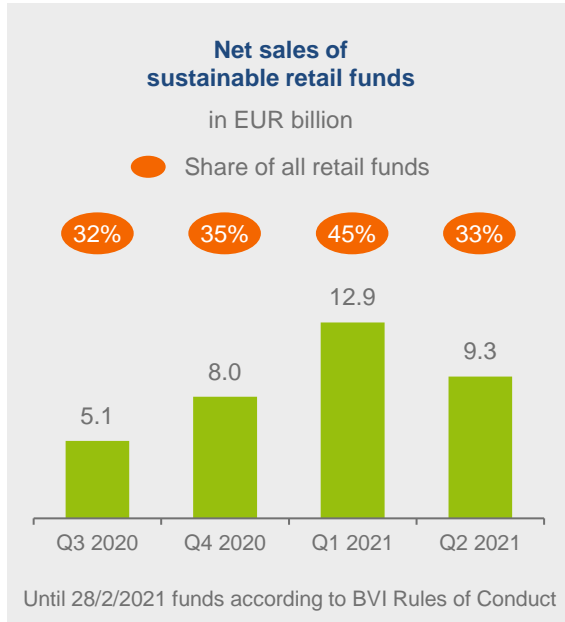
THE GERMAN SUSTAINABLE FUND MARKET IN Q2 2021

German investors hold more than EUR 360 billion in sustainable funds

Sustainable funds managed EUR 361 billion on behalf of German investors at mid-year. This translates to an average amount of about EUR 4,500 for every German – either directly or indirectly, for example through life insurance or occupational pension schemes. Compared to the end of the first quarter, assets have increased by eight percent. Most of the growth came from retail funds. With EUR 251 billion, they now account for almost 70 percent of the total assets. Spezialfonds come to EUR 110 billion. At the end of 2019, the two groups were on approximately the same level.

Starting with the reporting for March, products are considered sustainable if they are classified by BVI members as Article 8 funds (funds with a sustainability strategy) and Article 9 funds (impact funds) according to the Sustainable Finance Disclosure Regulation (SFDR), which came into force on 10 March. Since some fund companies have only gradually adapted their reporting to the new rules, the assets for the second quarter include late registrations of about EUR 80 billion. Currently, information on the sustainability status of funds is available for about 85 per cent of the total market.





New business continues to be characterised by strong inflows. Investors invested a net EUR 10.2 billion in sustainable funds in the second quarter of 2021. Retail funds accounted for EUR 9.3 billion of this. The net inflow of EUR 22.2 billion in the first six months of this year already exceeds the figure for the entire year 2020 (20.6 billion euros). The great importance of sustainable products for investors is also shown by their share in the new business of all retail funds. In the last few quarters, it has fluctuated between 30 and 45 per cent; in the last quarter, it amounted to one-third.

Sustainable Spezialfonds, on the other hand, recorded only comparatively low inflows – which is in line with previous quarters. However, the data based on the SFDR most likely underestimate the prevalence of sustainable investing among these funds. Being aimed at institutional clients, Spezialfonds' investment strategies are often customised. Hence, there is hardly any incentive for fund companies to formally classify them as sustainable funds according to Article 8 or 9 SFDR.

A recent BVI survey shows that even funds that are not categorised as sustainable often take environmental and social criteria as well as issues of good corporate governance ("ESG") into account. For 70 percent of the total assets of those retail funds and Spezialfonds whose daily investment decisions are made in Germany, sustainability strategies apply at the level of the fund company. These can be, for example, the exclusion of investments in securities of certain issuers or the systematic analysis of ESG risks. The prerequisite, however, is that the fund companies have published these rules in a formal sustainability strategy. When exercising voting rights for shares held by funds, the consideration of sustainable criteria is standard in the industry. They are part of the decision-making process at almost all fund houses.

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