

EFAMA Fact Book 2023

Key trends in the European investment fund industry

Thomas Tilley, *Senior Economist*
Vera Jotanovic, *Senior Economist*

Preview Webinar
12 June 2023



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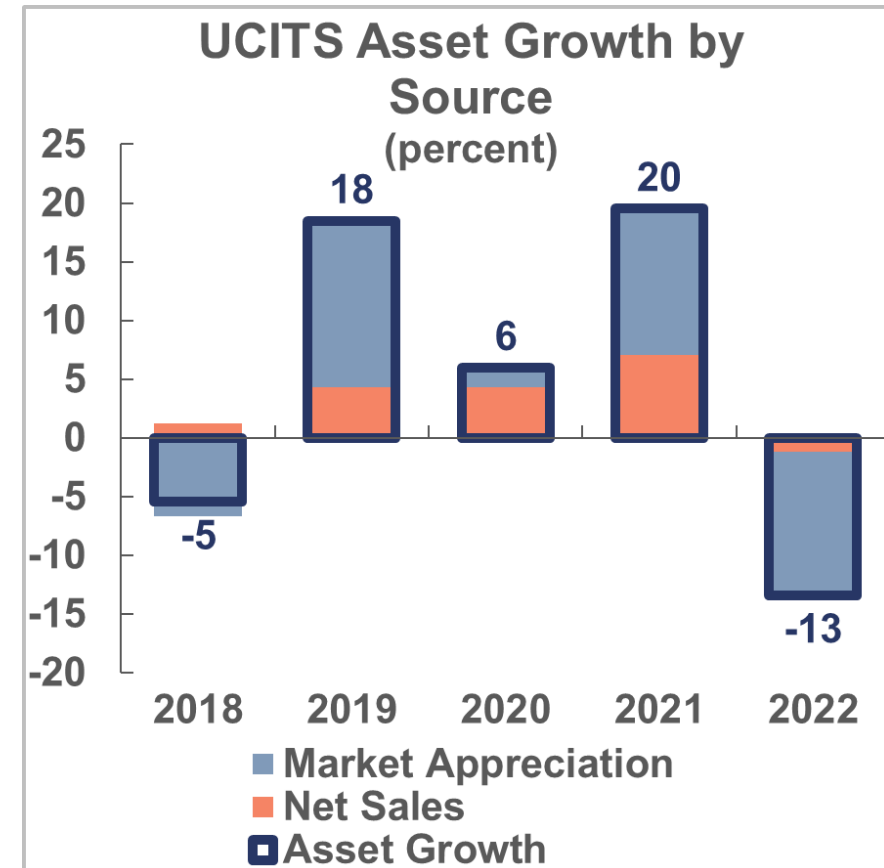
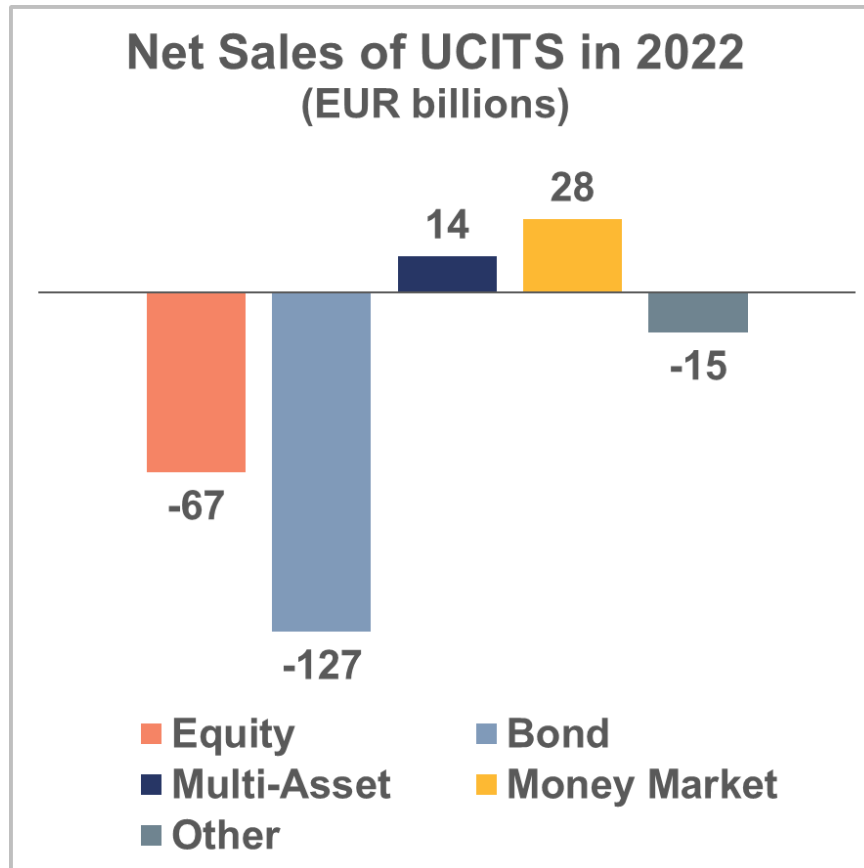
The reference for information on the European investment fund industry.

- In-depth analysis of recent trends in the European fund industry.
- Detailed overview of the developments in the investment fund market in 28 European countries and information on recent regulatory developments in each jurisdiction.
- **New in the 2023 edition:**
 - Special boxes on pertinent policy topics (ELTIFs, financial stability, retail investment strategy, ESG, tax issues, ...)
 - New data on the breakdown of the UCITS market by fund size.
 - Net sales of SFDR Article 8 and 9 funds.
 - A granular breakdown of the net sales of equity, bond, multi-asset and MMF UCITS in 2022.
 - Data on fund ownership and net acquisitions for all EU countries.

What happened in the UCITS and AIF markets in 2022?

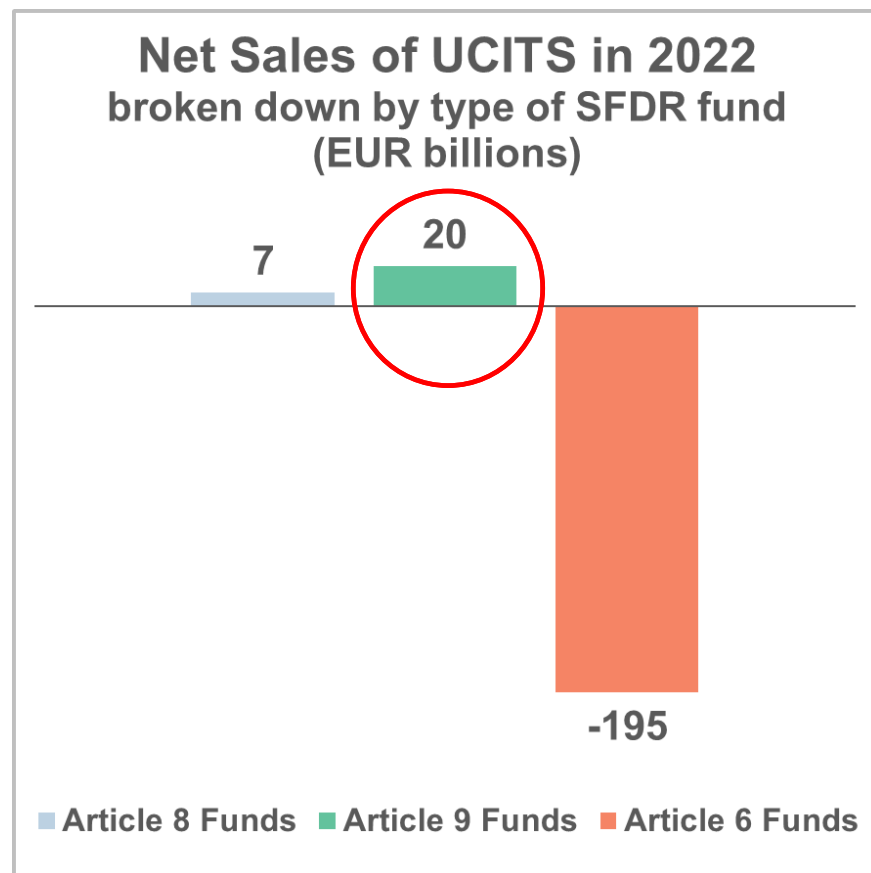
What happened in the UCITS market in 2022?

Substantial net outflows (EUR 167 billion), mainly due to net outflows of equity and bond UCITS. However, the decline in net assets was mostly due to market depreciation (a sharp fall in stock and bond prices) and not net outflows.

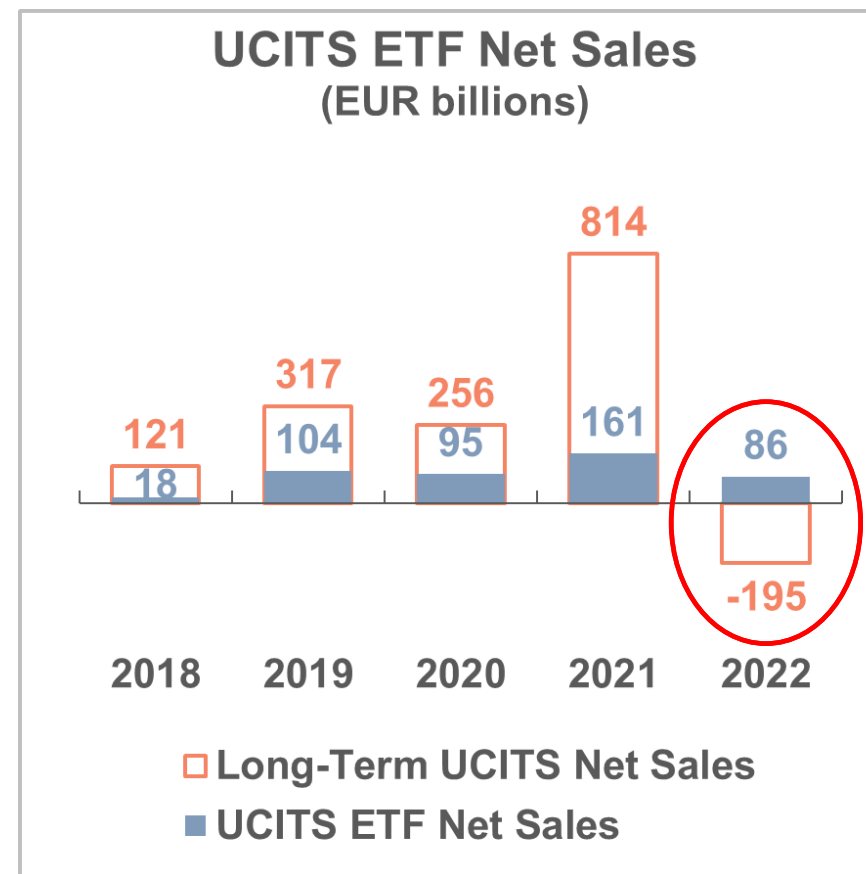


Which types of UCITS performed particularly well in 2022?

Demand for SFDR Article 9 funds was remarkably resilient, especially given the fact that many Article 9 funds were downgraded in H2 2022. **UCITS ETFs** was another market segment where net sales remained positive.

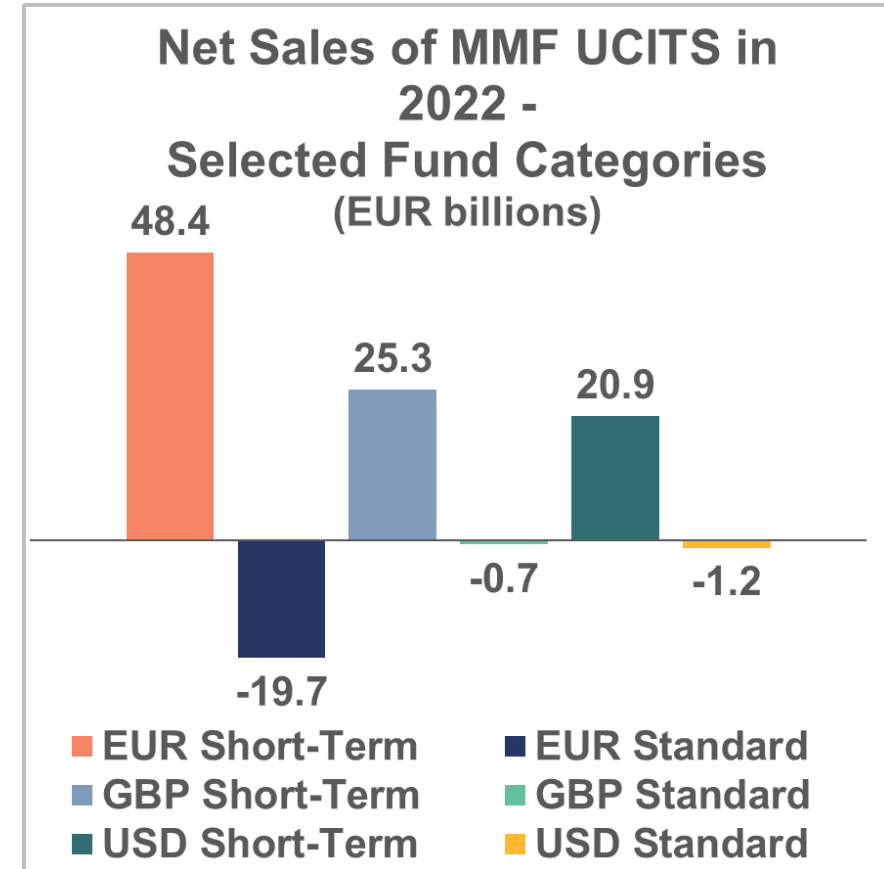
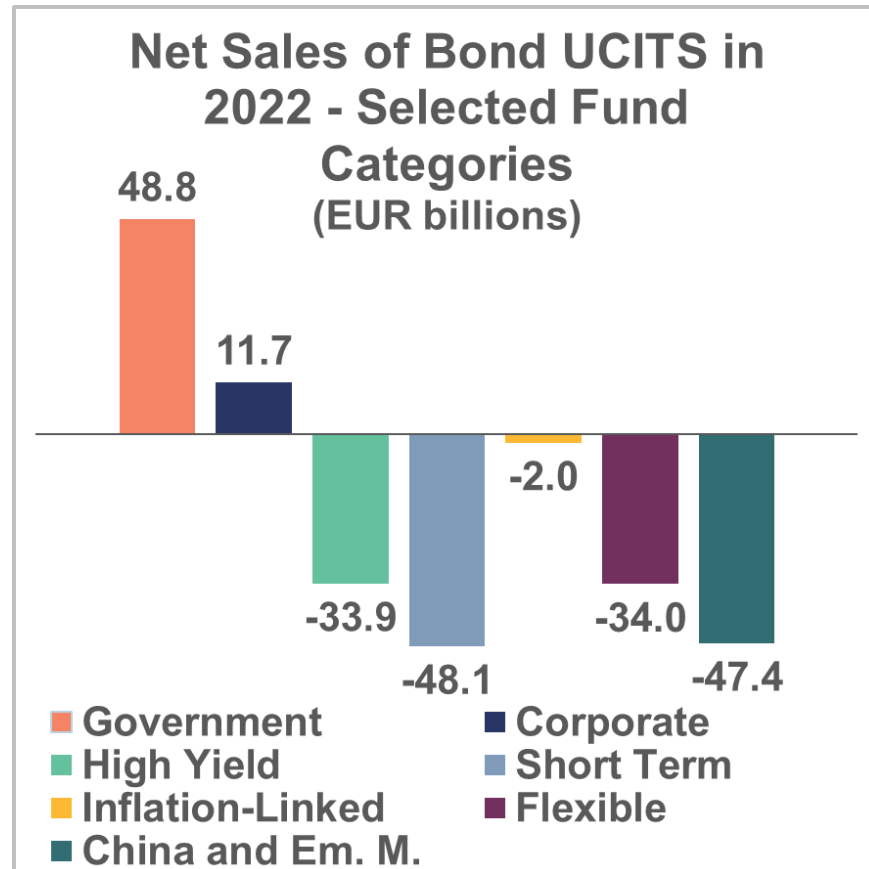


Source: Morningstar and EFAMA



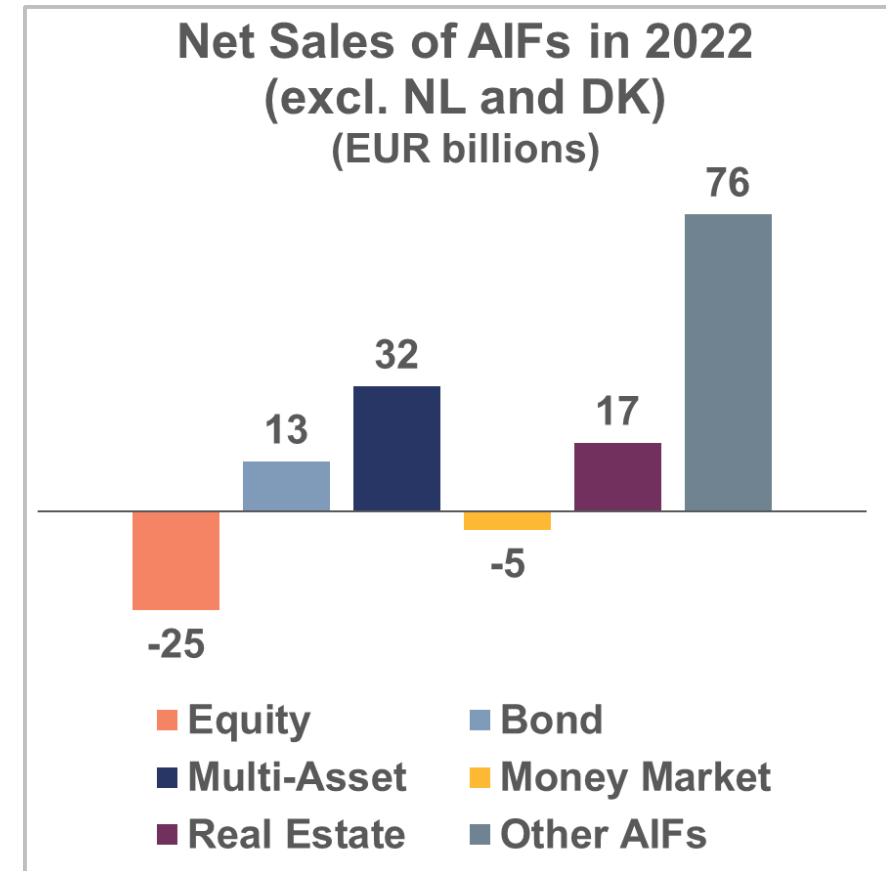
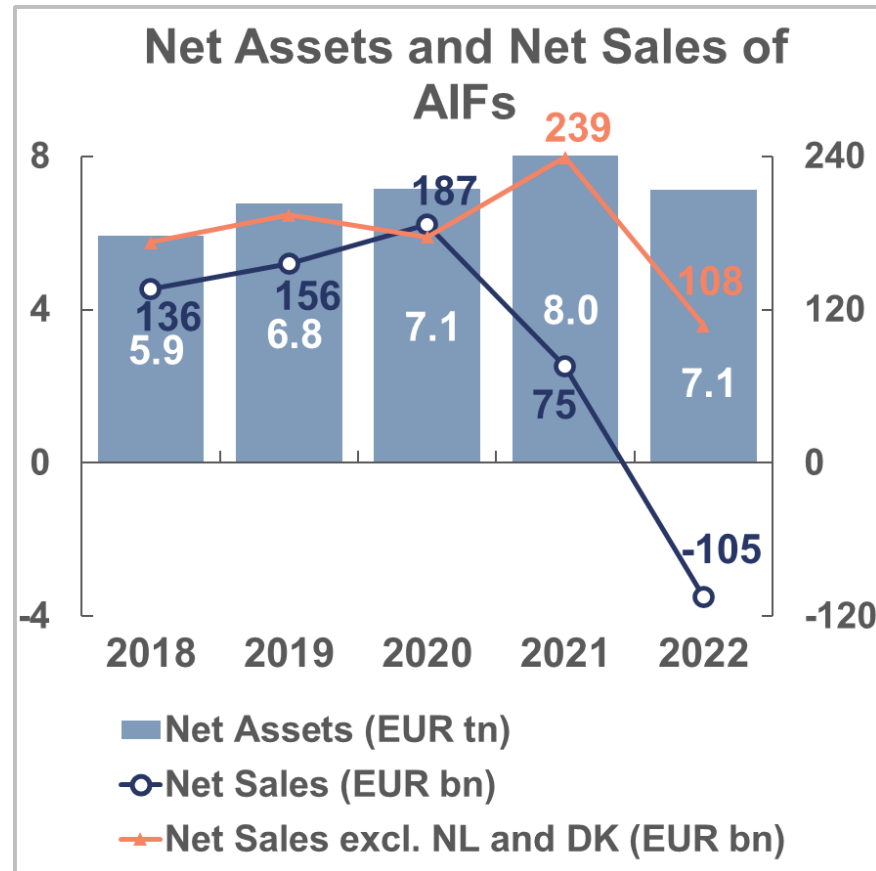
What happened in the fixed-income funds market in 2022?

Bond fund investors de-risked their investments, moving into **government bond funds** and American and European corporate bond funds. In the MMF market, **short-term MMFs**, with their stricter investment rules, **attracted all net inflows**.



What happened in the AIF market in 2022?

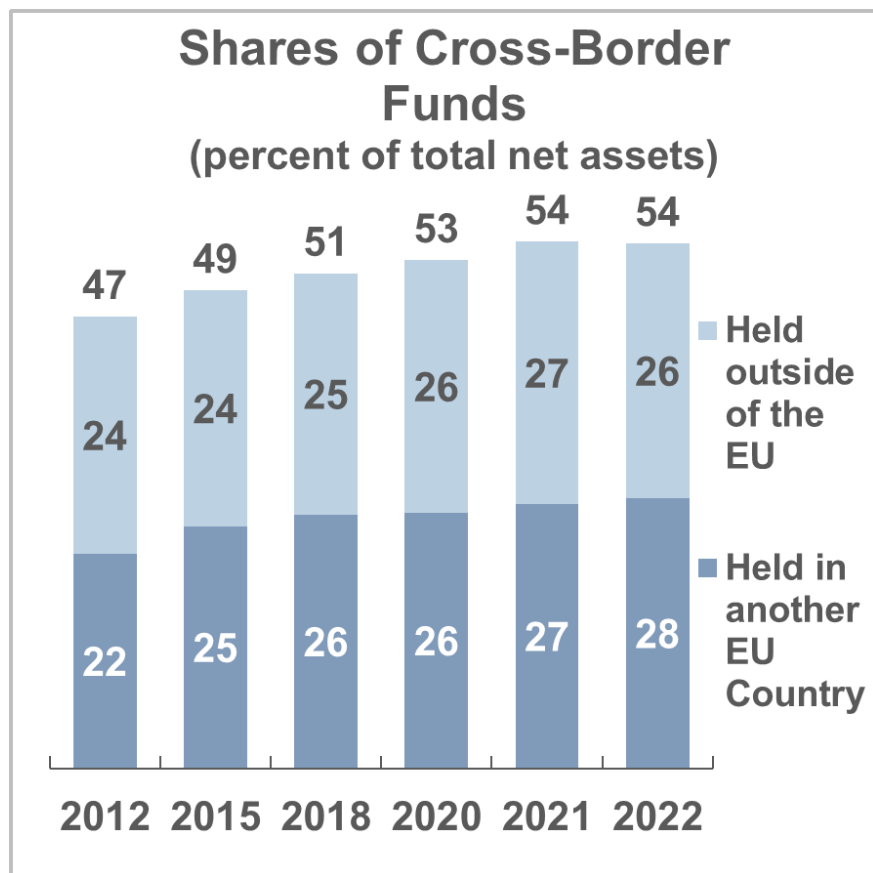
Net sales of AIFs were negative, a result of **Dutch pension funds moving away from AIFs**, which was a continuation of the 2021 trend. Excluding NL (and DK), AIFs would have registered solid net inflows, in particular into multi-asset and other AIFs.



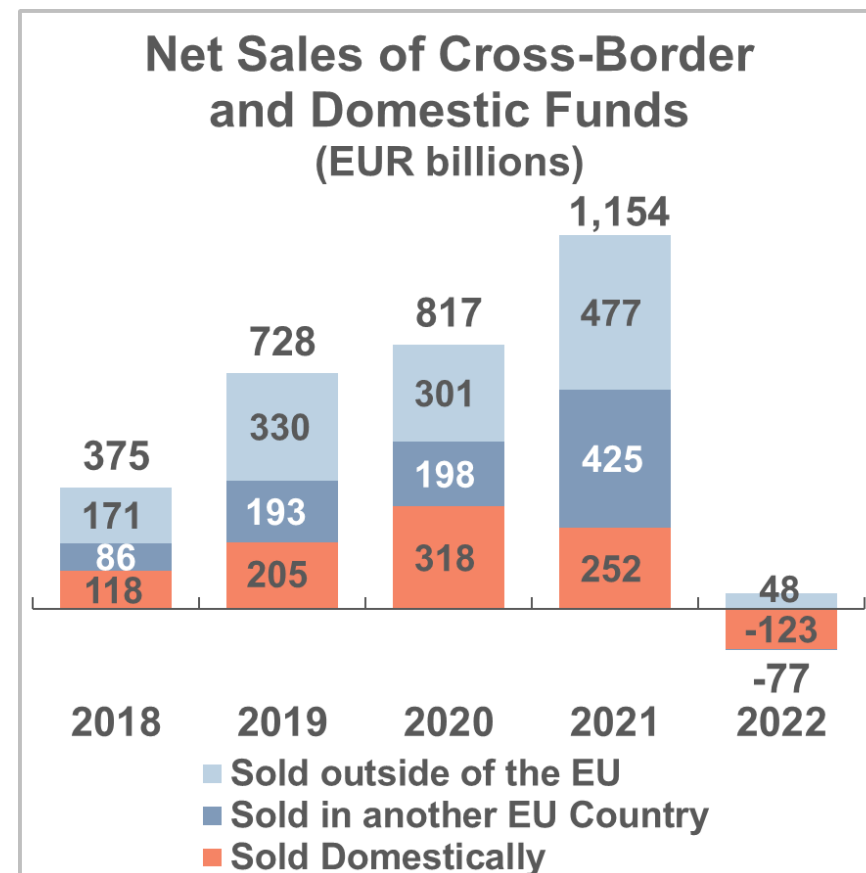
What are the long-term trends in the European fund market?

An increasingly international fund industry

The **share of cross-border funds domiciled in Europe** (both held in another EU country and outside the EU) **steadily grew**. This trend confirms the vitality of the single market for UCITS and their success outside of the EU, in particular in Asia and South America.



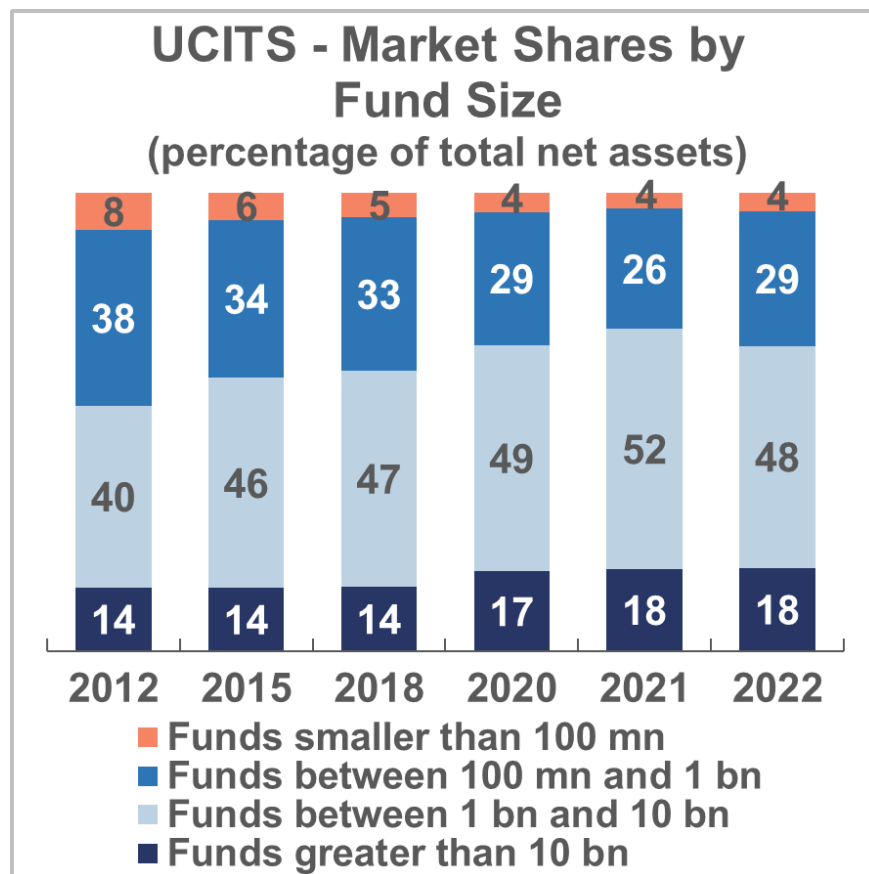
Source: ECB



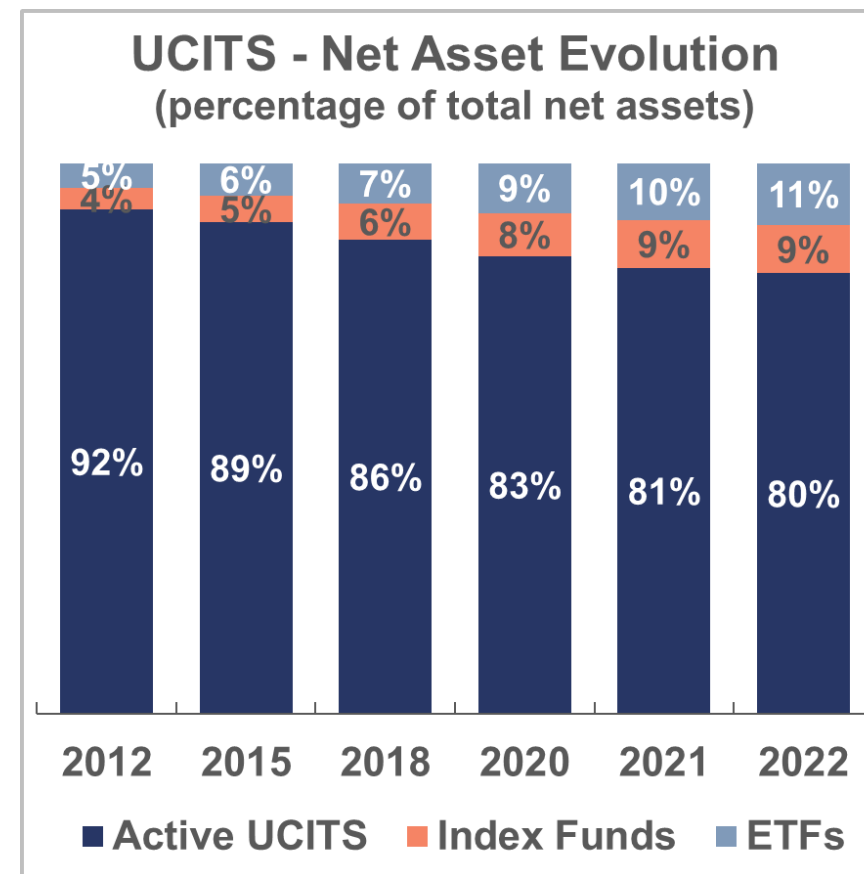
Source: ECB

Gradual switch towards larger and passive funds

Larger funds are becoming **increasingly important** in the UCITS market. At the same time, thanks to their **lower costs** and **higher liquidity**, the market shares of **index funds** and **ETFs** have **steadily grown** over the last decade.



Source: Morningstar

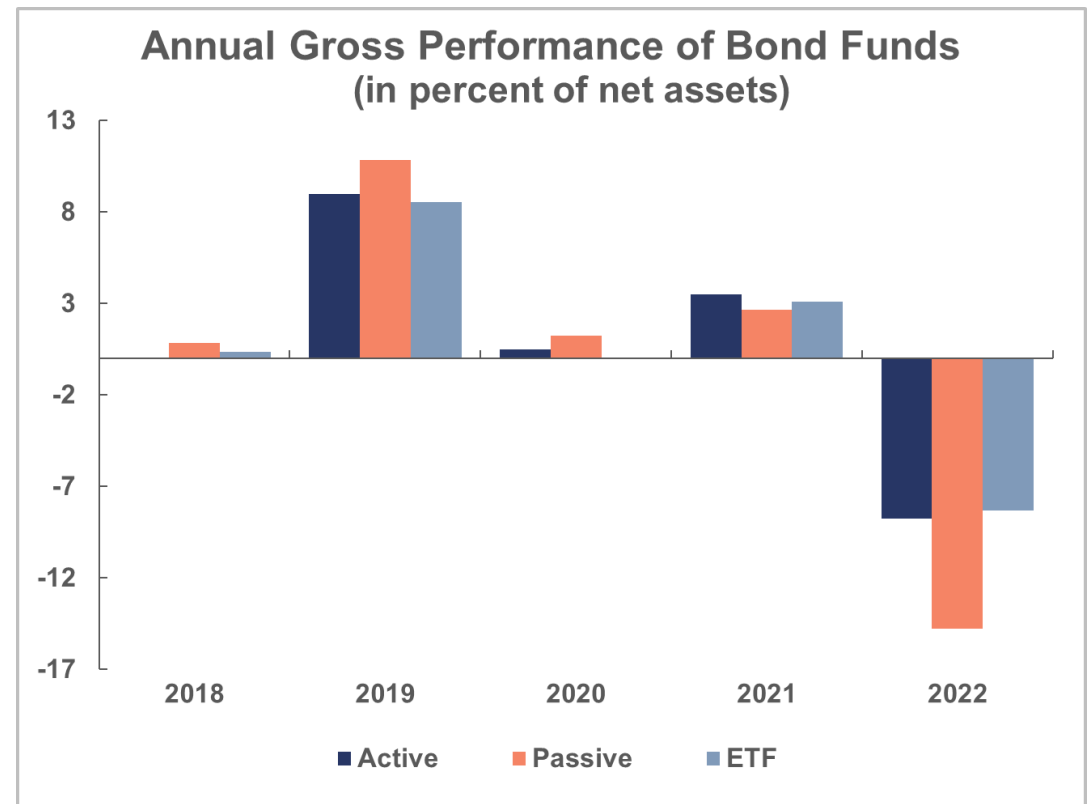
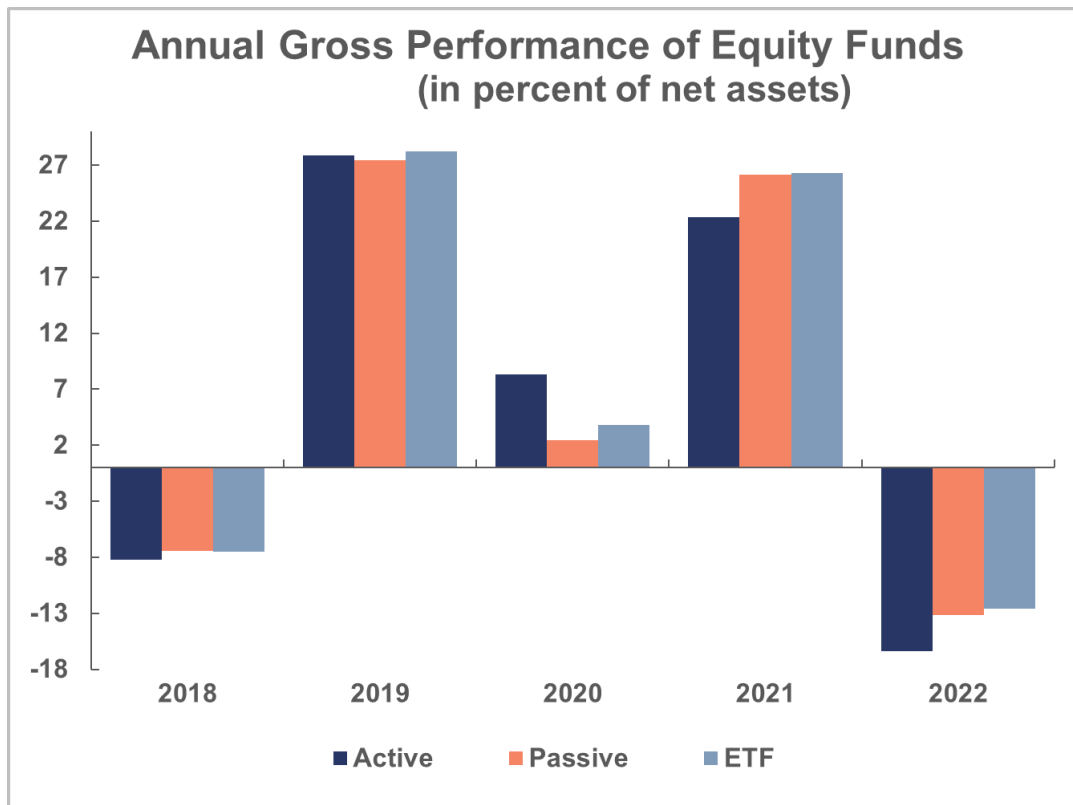


Source: EFAMA and Morningstar

How have the performance and costs of UCITS funds evolved in the last years?

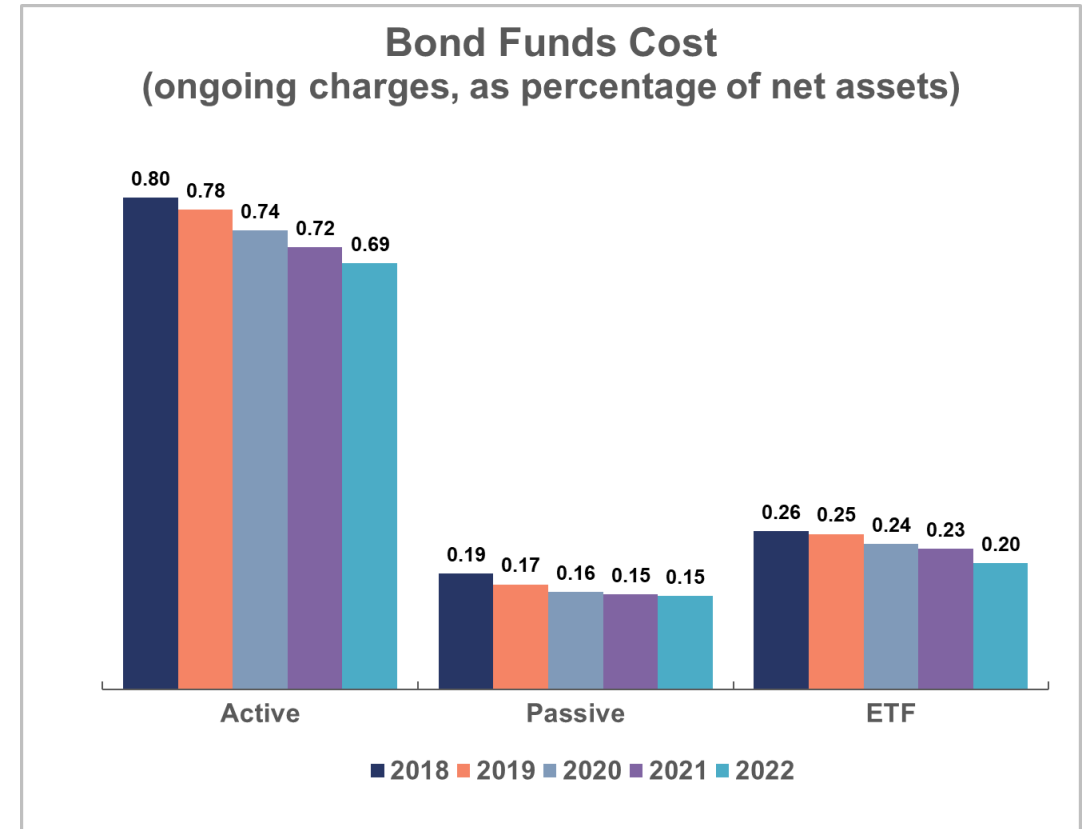
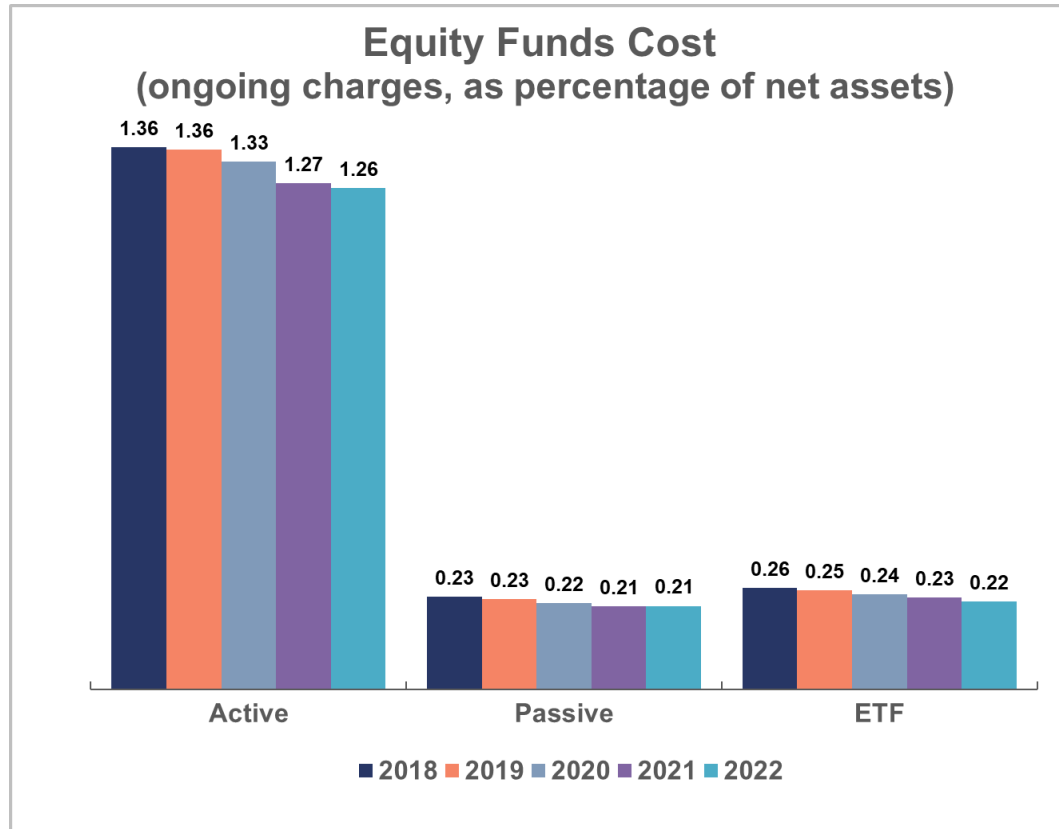
Performance of UCITS Equity and Bond funds

2022 was a **difficult year** in terms of fund performance **due to global geopolitical and macroeconomic challenges**. However, taking a **longer-term view**, the average annualised gross return over 2018-2022 amounted to 7.3%, 6.5% and 7.6%, for active, passive and ETF equity funds, respectively.



Cost of UCITS Equity and Bond funds

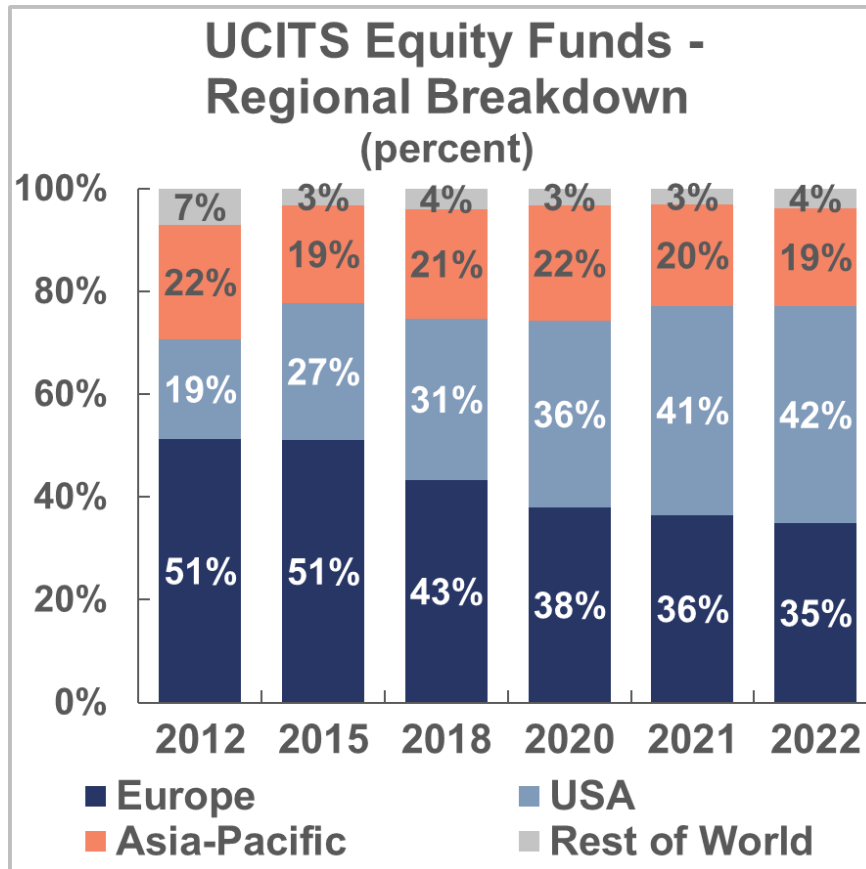
The cost of UCITS continued to fall in 2022 across different fund categories, with ETFs recording the sharpest fall.



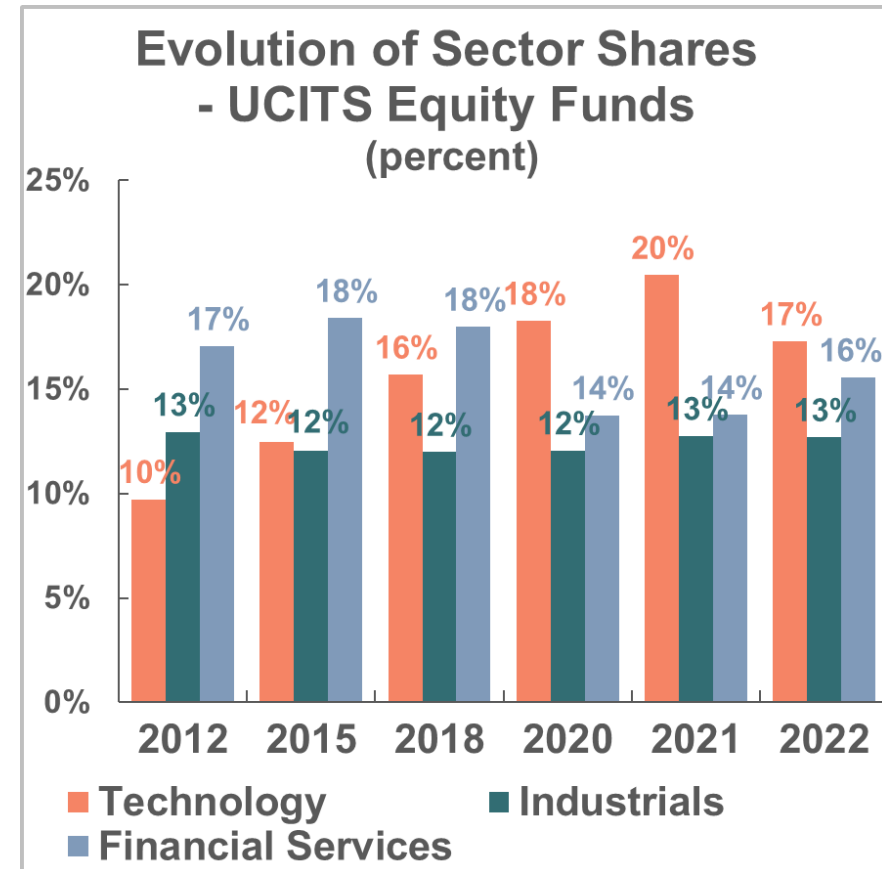
How has the asset allocation of UCITS changed in the last decade?

How has the asset allocation of equity UCITS changed?

Growing share of US stocks in the equity UCITS asset allocation. Until 2021 this was driven by the **growing share of technology stocks** (Apple, Microsoft, ...). This trend also reflects the stronger demand by investors in cross-border UCITS for a greater exposure to US stocks.



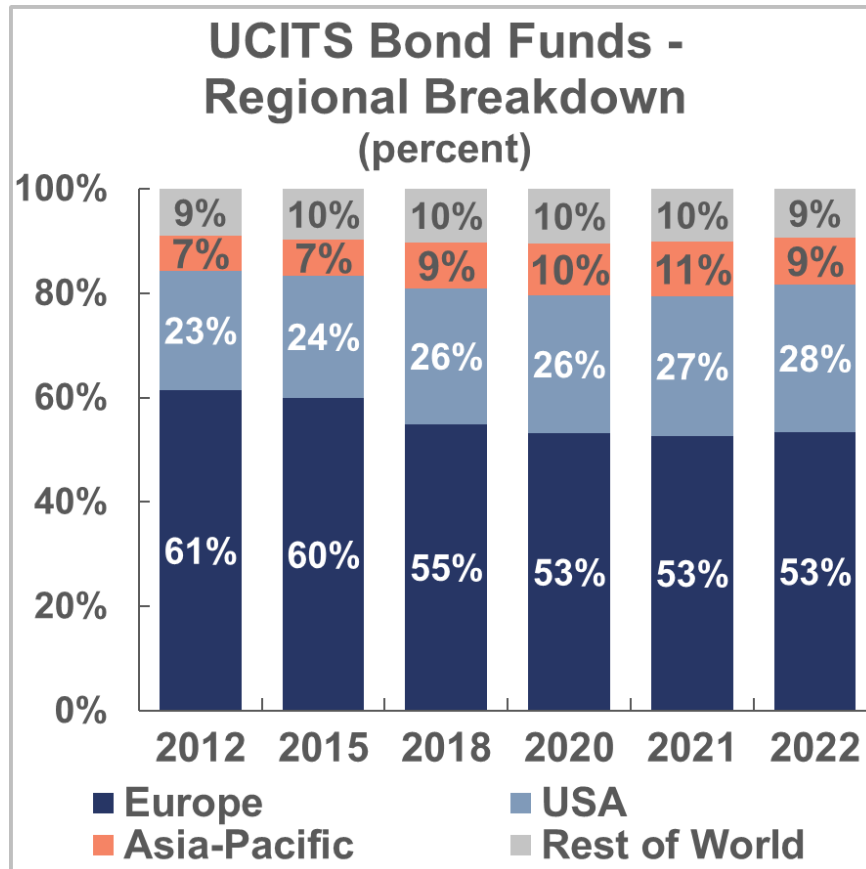
Source: Morningstar



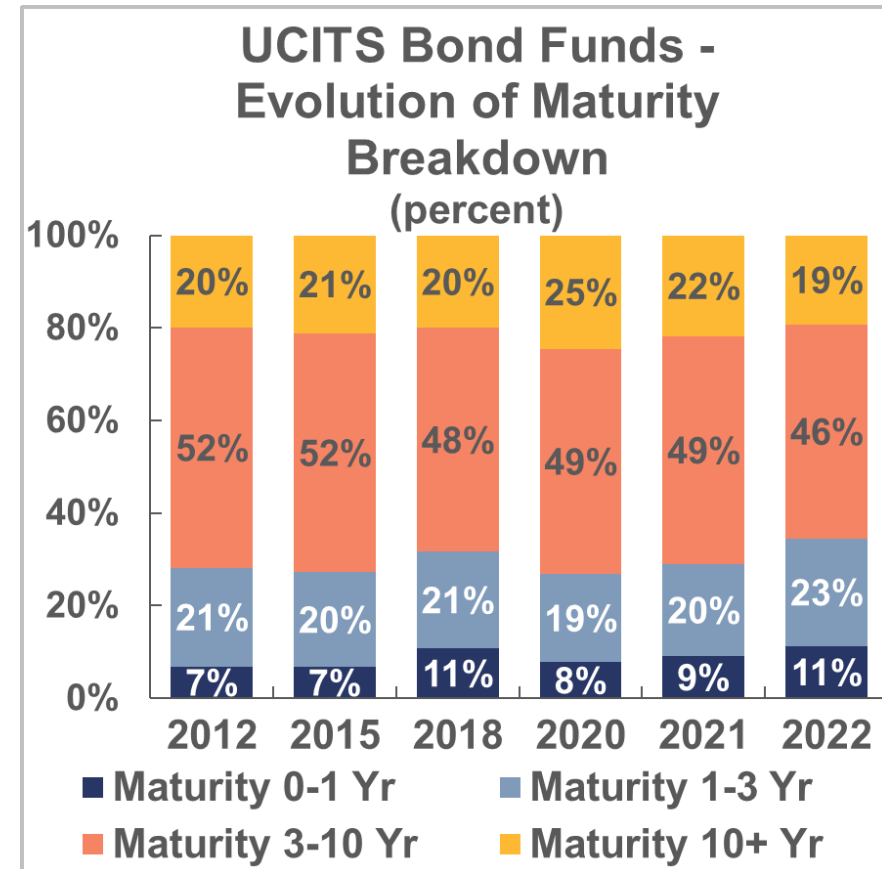
Source: Morningstar

How has the asset allocation of bond UCITS changed?

The **gradual decline** in the share of **European-issued bonds** came to a halt in 2020. The share of bonds issued in the US steadily rose. Looking at the overall **maturity breakdown** of the asset holdings, there was a **shift towards shorter-term maturities in 2022** as the yield curve flattened.



Source: Morningstar

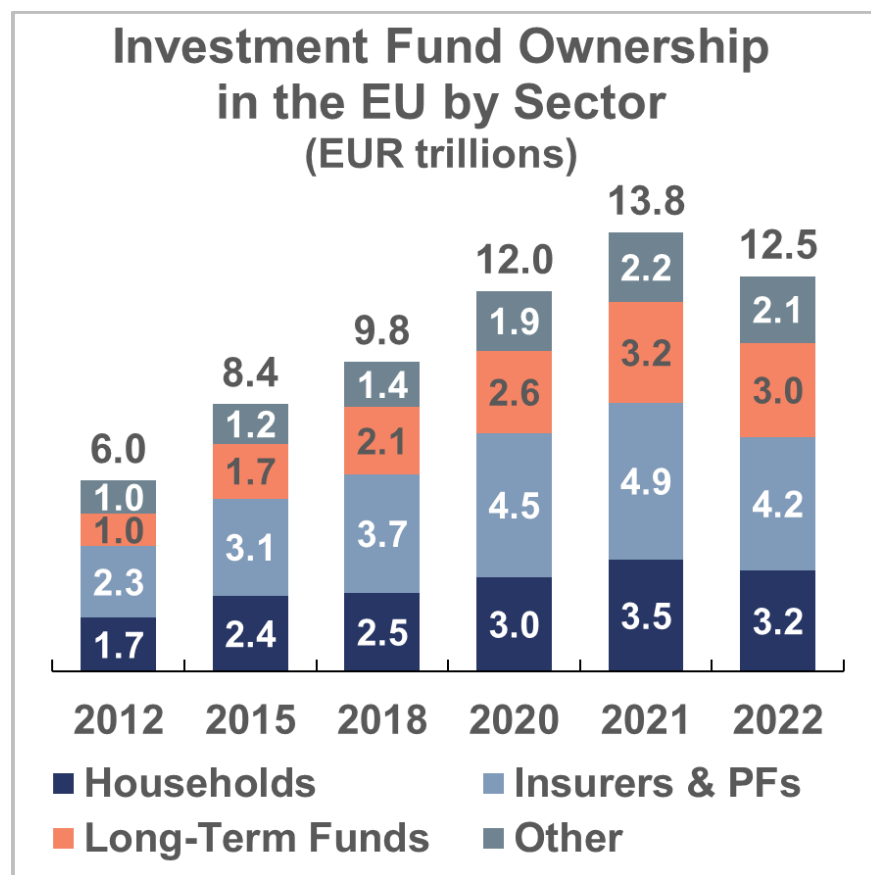


Source: Morningstar

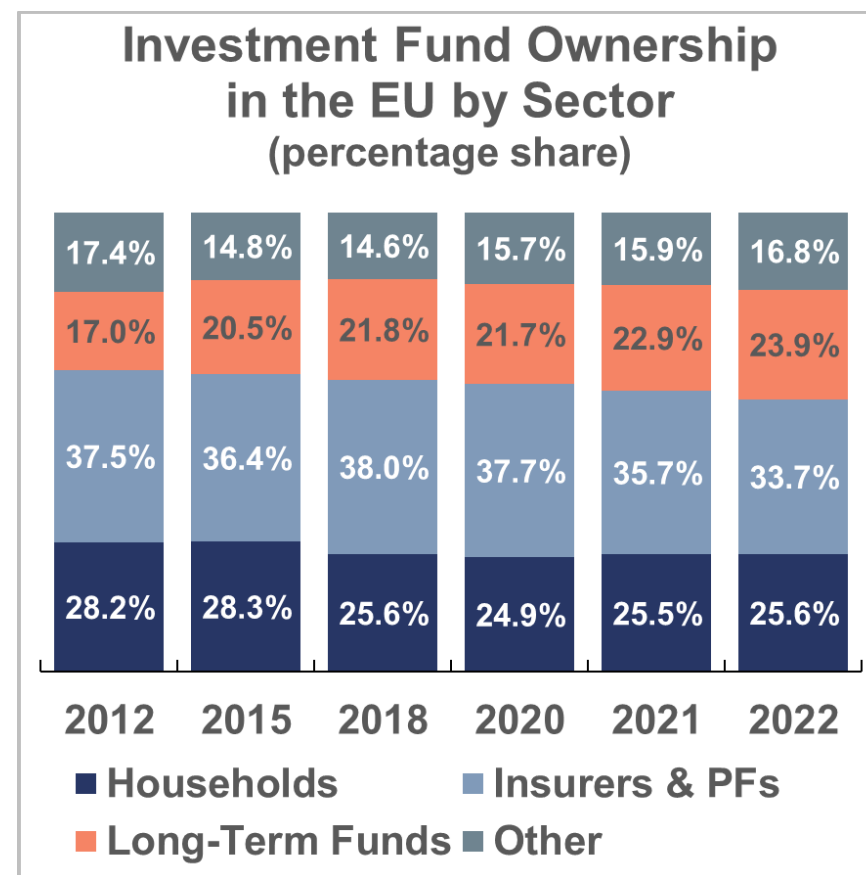
Who invests in European funds?

Who are the main fund owners in the EU?

Insurers and pension funds, households and long-term funds are the main clients of the fund industry. In recent years, the share of **Insurers and pension funds (PFs)** gradually decreased and that of **long-term funds** rose, the share of **households** also has edged up since 2020.



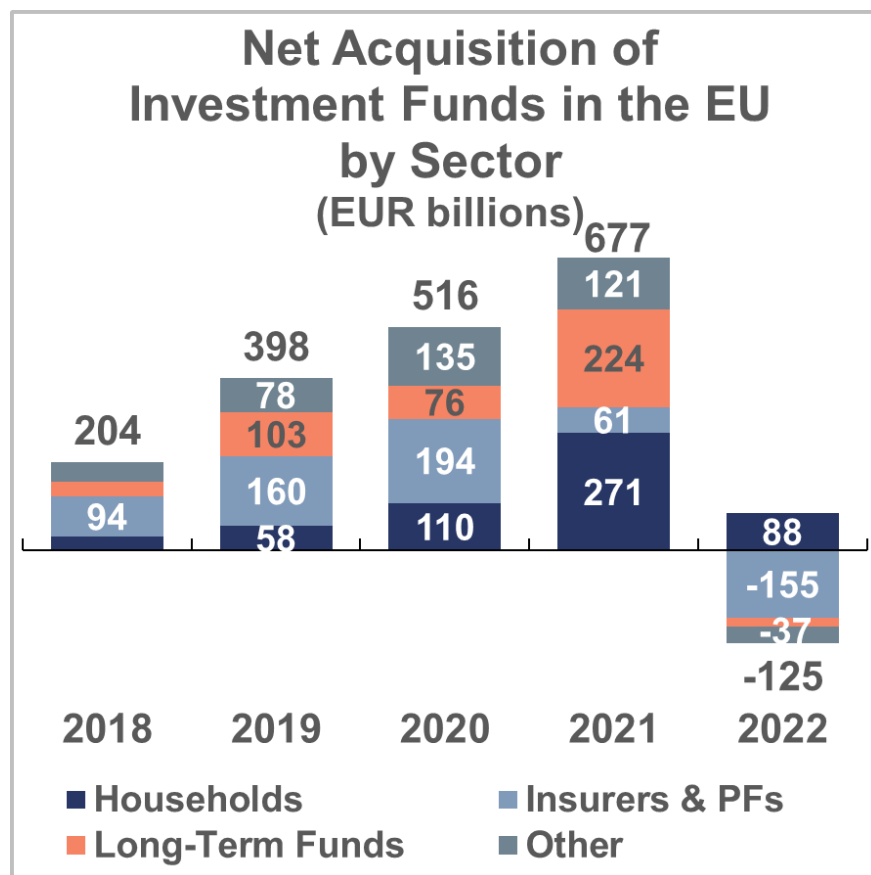
Source: ECB



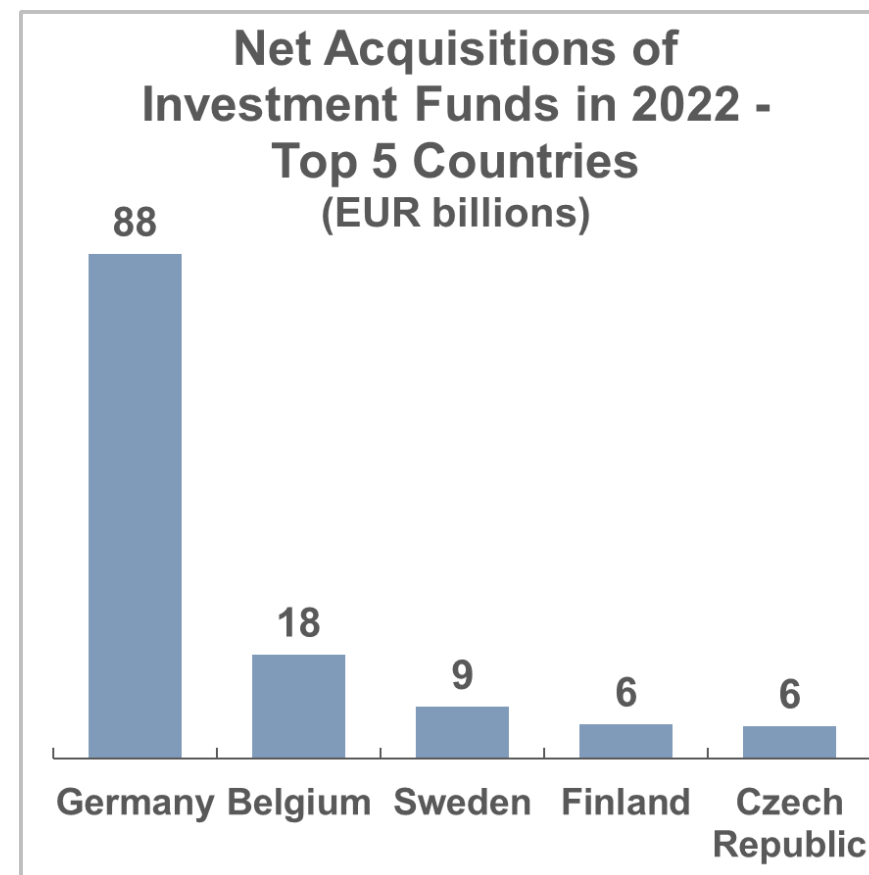
Source: ECB

Who bought investment funds in recent years?

In 2022, **institutional investors disinvested from funds**, mainly due to Dutch pension funds moving away from AIF wrappers, at the same time, **households acquired new funds** (EUR 88 billion). **German investors**, for the most part households, acquired the bulk of those funds.



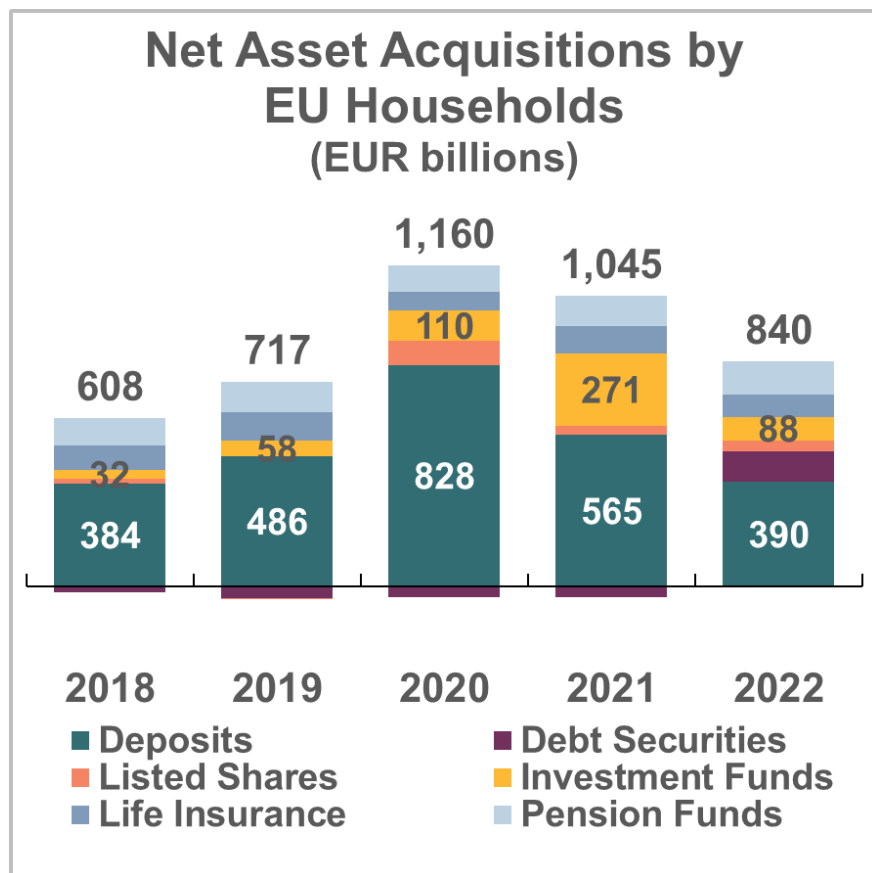
Source: ECB



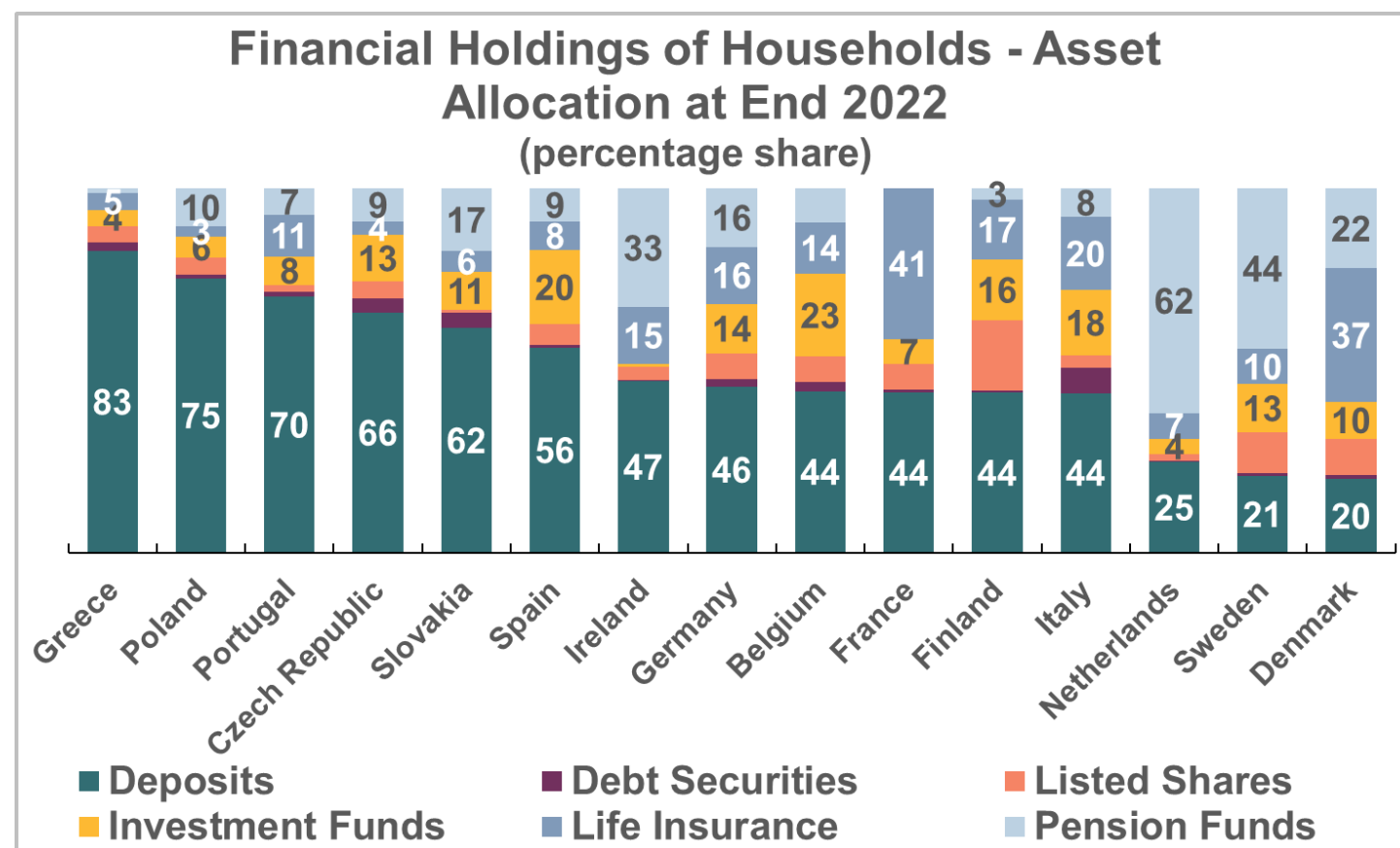
Source: ECB

Retail investors in the EU, what are the trends?

European households steadily **purchased investment funds** in recent years. Flows into bank deposits gradually decreased since their peak in 2022. Significant **differences** continue to exist in the financial asset allocation of households **across different European countries**.



Source: ECB

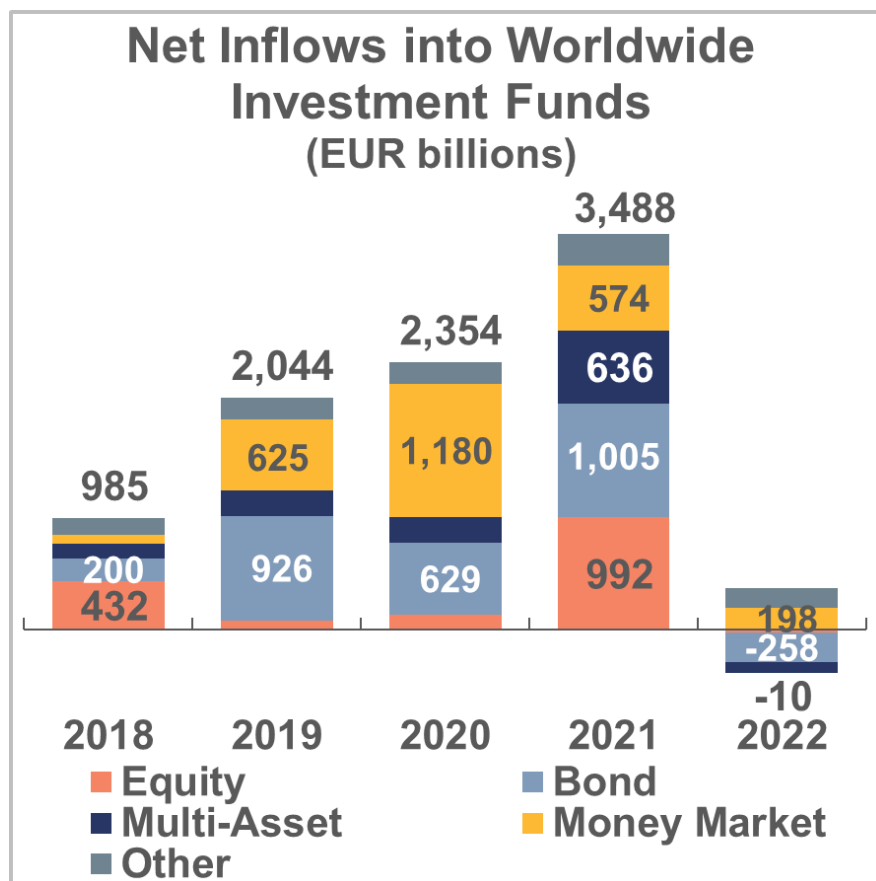


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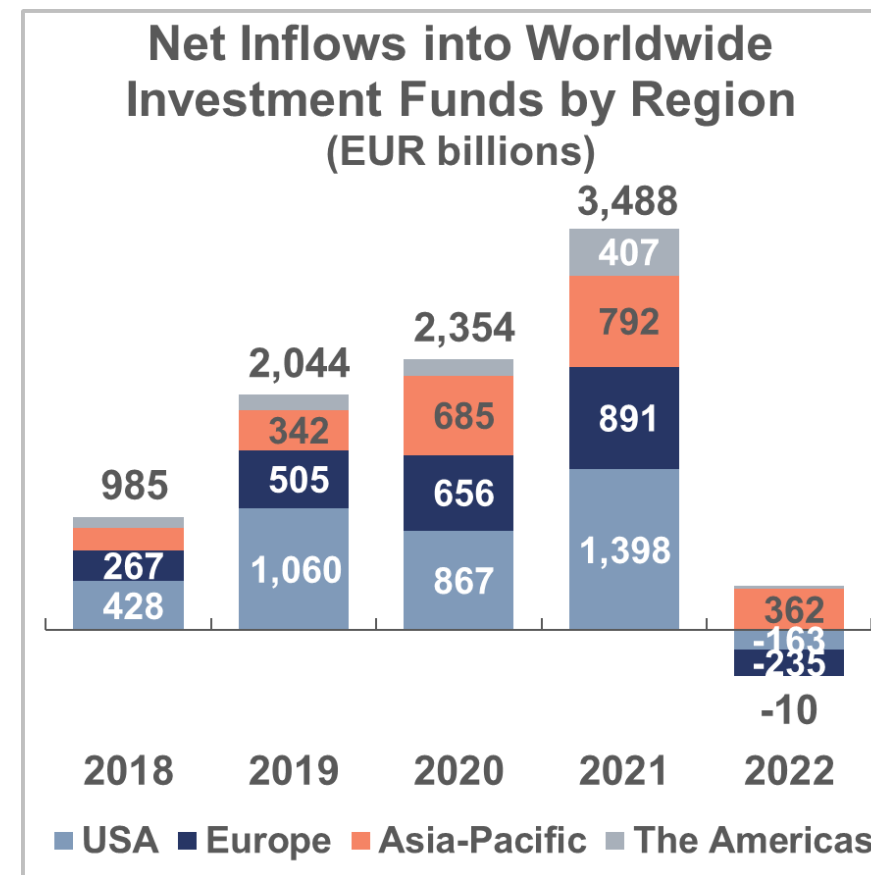
What happened in the global investment fund market?

What happened in the global investment fund market?

Net sales of worldwide funds turned negative in 2022, mainly due to net outflows from bond funds. Europe and the US accounted for the bulk of net outflows, whereas the Asia-Pacific region still registered net inflows, thanks to solid net sales in China and Japan.



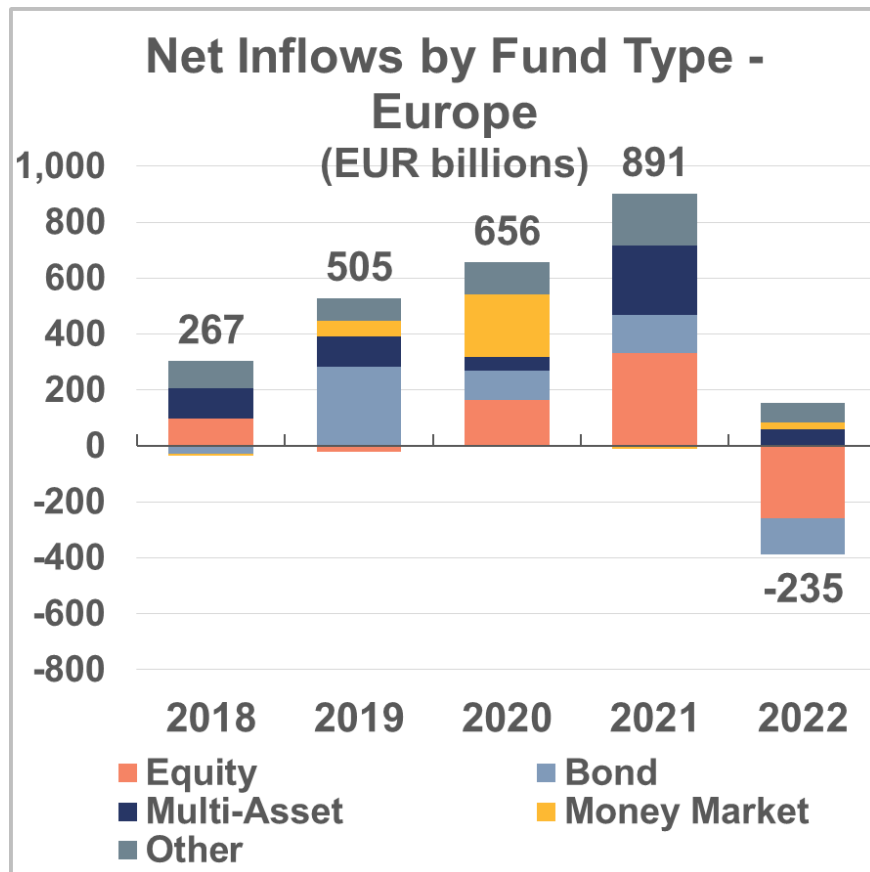
Source: IIFA and EFAMA



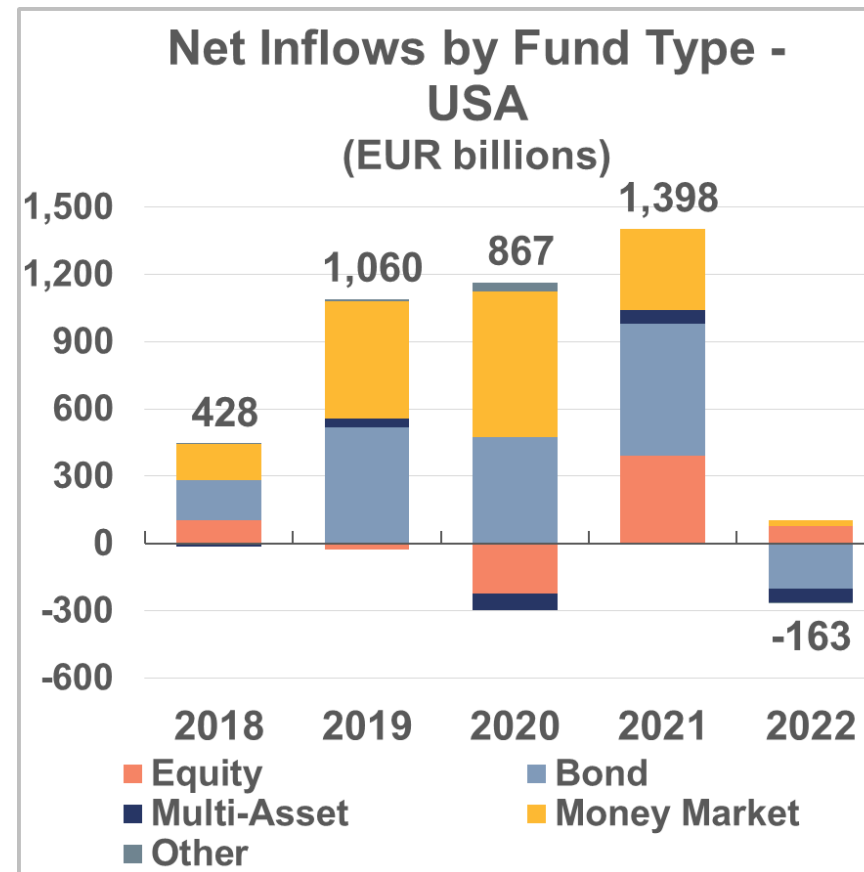
Source: IIFA and EFAMA

Global investment fund markets – trends in Europe and the US

Net fund flows in **Europe** turned **negative** in **2022**, pushed down by net outflows from equity and bond funds. **US inflows** in recent years have been mostly driven by strong **net sales of bond funds and MMFs**, but **bond flows turned negative in 2022**, resulting also in a **net outflow year**.



Source: IIFA and EFAMA



Source: IIFA and EFAMA

THANK YOU



CONTACT

Thomas Tilley
Senior Economist

Thomas.tilley@efama.org - +32 25 48 26 62

Vera Jotanovic
Senior Economist

Vera.Jotanovic@efama.org - +32 25 48 26 58

EFAMA

Rue Marie Thérèse 11 - 1000 Brussels
+ 32 (0)2 513 39 69
[info\[at\]efama.org](mailto:info[at]efama.org) www.efama.org

