



Snapshot Sustainability

THE GERMAN SUSTAINABLE FUND MARKET IN Q4 2022

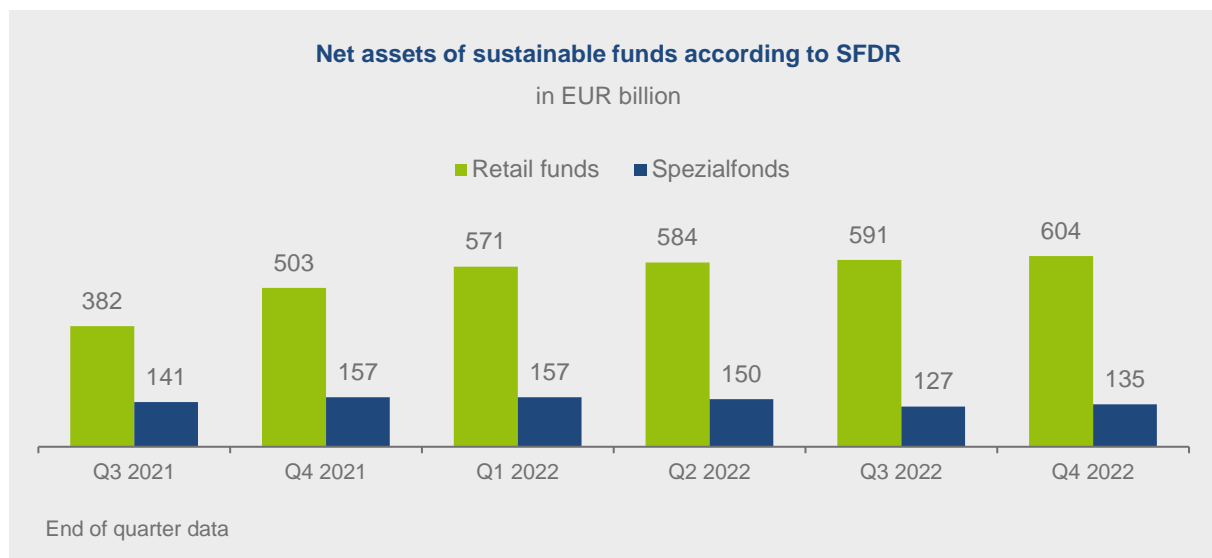
Market setbacks and new regulation on retail distribution hardly slow down the sustainable fund market

Despite the difficult economic environment with significant price losses for shares and bonds, the assets under management of funds with sustainability features according to the EU Sustainable Finance Disclosure Regulation (SFDR) grew considerably in 2022. They amounted to EUR 739 billion at the end of the year. This corresponds to an increase of 12 percent compared to December 2021. The first and last quarters in particular saw solid growth.

Among funds with sustainability features, EUR 135 billion are accounted for by Spezialfonds for institutional investors, in which the investment strategy is

usually determined on an individual basis between the fund company and the investor. The lion's share is accounted for by retail funds, which now represent a volume of more than EUR 600 billion. Article 8/9 products thus account for 47 percent of total retail fund assets. When the SFDR was introduced in March 2021, the figure was only 25 percent.

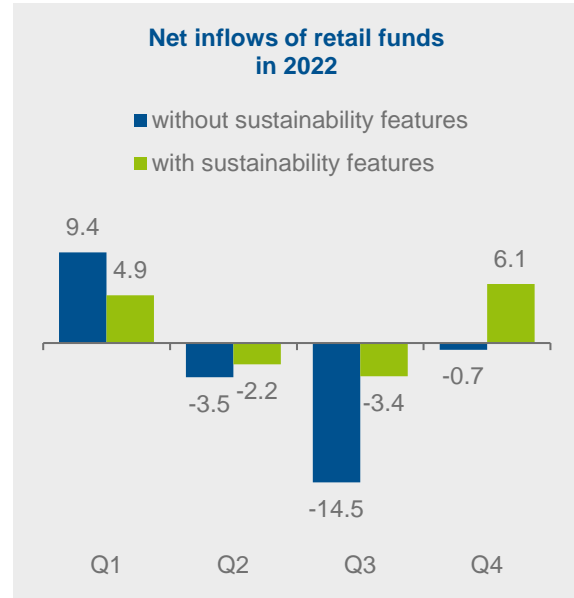
Reclassifications due to continued uncertainty about the interpretation of EU regulation have had little impact on the sustainable fund market in Germany. It is true that in the second half of 2022, fund companies downgraded more than 20 percent of the products



previously classified as Article 9 funds (which contribute to at least one sustainability objective). At the same time, however, sustainability features were added to every tenth fund previously classified as non-sustainable. As a result, around 6,000 retail funds or share classes with sustainability features are now available in Germany.

In August 2022, the regulatory framework for sales to retail investors changed once again. Since then, only products that either take into account the principal adverse impacts (PAI) on certain sustainability objectives in the investment strategy or provide for a minimum share of sustainable investments or investments in the sense of the EU taxonomy may be sold to retail clients with sustainability preferences. Due to the lack of binding calculation methods, it is difficult to determine sustainable investments at fund level, among other things. Moreover, in many cases the data situation is not yet sufficient for the commitment of taxonomy quotas. However, this has hardly affected net sales of retail funds. In 2022, new business was over EUR 5 billion, with investors buying funds particularly during the last quarter. In contrast, funds without sustainability features saw outflows of around EUR 9 billion over the course of the year.

The combination of the Ukraine war, high inflation and interest rate hikes, as well as economic uncertainty, put strong pressure on equity and bond prices. Retail funds lost around 11 percent of their value across all asset classes. Products with sustainability features fared with a loss of 10 percent slightly better than conventional funds (minus 13 percent). This was mainly due to the different weighting



of the various asset classes. Equity funds, which were particularly affected by price losses, account for only about one-third of the holdings in sustainable funds, compared to about fifty percent in conventional funds. In contrast, most real asset funds (such as open-ended property funds) exhibit sustainability characteristics. Their net asset values increased slightly in 2022. The performance of products with and without sustainability features hardly differs within the respective investment class.

Contact

markus.michel@bvi.de
+49 69 15 40 90 242

