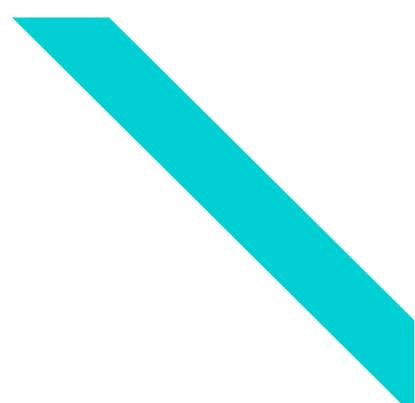


EUROPEAN FUND MARKET REPORT: LET'S TALK ABOUT ESG - Q1 2022

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Executive Summary

- The assets under management in the European fund industry declined over the course of Q1 2022 from €15.3 tr at the end of December 2021 to €14.5 tr.
- 37.07% of the overall assets under management were held by ESG-related funds
- The majority of ESG-related assets were held by mutual funds and ETFs which are aligned to article 8 (€3.8 tr).
- Money market funds (-€113.6 bn) faced outflows, while long-term products enjoyed overall inflows of €25.0 bn over Q1 2022.
- Mixed assets (+€32.1 bn) were the best-selling asset type for Q1 2022.
- ESG-related mixed assets products (+€20.1 bn) were the best-selling product category.
- ESG-related mutual funds and ETFs which are not classified by SFDR enjoyed the highest inflows (+€24.7 bn) for Q1 2022.
- Mutual funds and ETFs classified as article 8 products were the best-selling products for mixed assets (+€12.9 bn) and alternative UCITS products (+€1.7 bn).

European Fund Market Report: Q1 2022

It was not surprising that Q1 2022 was in general a negative quarter for the European fund industry given the geopolitical situation in Europe, the still ongoing COVID-19 pandemic, and the sluggish market environment. Within this market environment and given the economic uncertainties, one would expect that European investors sold long-term funds and bought money market products. Therefore, it is somewhat surprising that European investors sold money market products, which are normally considered safe-haven investments, while long-term products enjoyed overall inflows.

Note: As this report covers also markets outside the EU, like the UK and Switzerland, a high number of funds with an ESG-related investment objective are not covered by the Sustainable Finance Disclosure Regulation (SFDR) and have therefore no assignment to the respective articles. These funds are categorized as unclassified within this report.

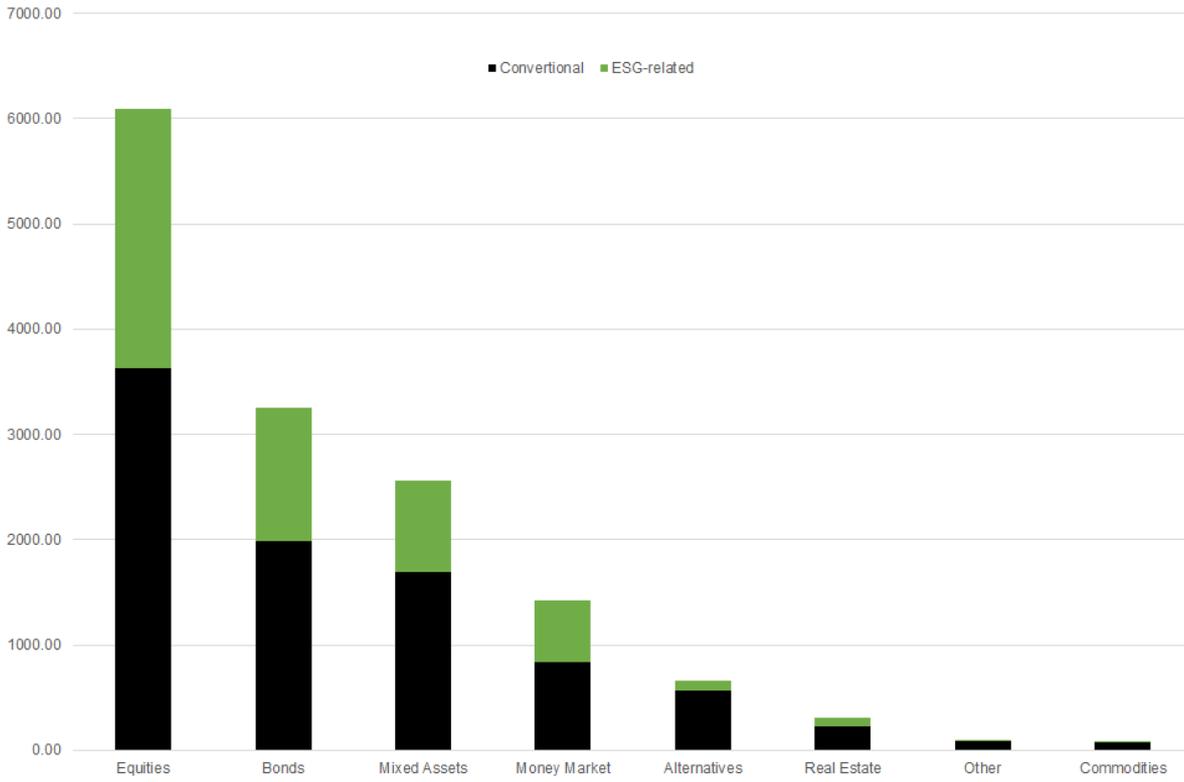
Assets Under Management

Given the current market environment it is no surprise that assets under management in the European fund industry declined over the course of Q1 2022 from €15.3 tr at the end of December 2021 to €14.5 tr at the end of March 2022. The negative performance of the underlying markets contributed negative €696.4 bn to the decline, while estimated net flows summed up to negative €88.6 bn as of March 31, 2022.

Equity funds (€6.1 tr) held the majority of assets, followed by bond funds (€3.3 tr), mixed-assets funds (€2.6 tr), money market products (€1.4 tr), alternative UCITS funds (€0.7 tr), real estate funds (€0.3 tr), "other" funds (€0.1 tr), and commodities funds (€0.08 tr).

In more detail, €2.5 tr of the assets in equity funds were held by ESG-related funds, while €1.3 tr of the assets in bond funds were held by ESG-related funds. These two classifications were followed by mixed-assets funds, for which €0.9 tr were held by ESG-related funds. Within money market products, €0.6 tr were held by ESG-related funds. In the segment of alternative UCITS funds, €0.1 tr were held by ESG-related funds and €0.1 tr were invested in ESG-related real estate funds. Unsurprisingly "other" funds (€0.003 tr) and commodities funds (€0.001 tr) held only a very limited amount of their assets in ESG-related products.

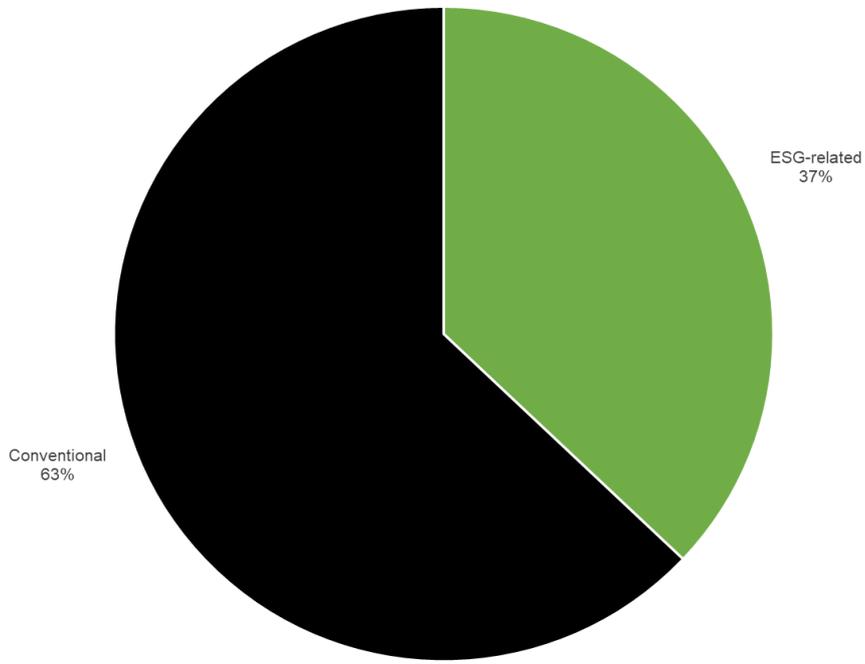
Graph 1: Assets Under Management in the European Fund Industry by Asset Type – March 31, 2022



Source: Refinitiv Lipper

This means €5.4 tr, or 37.07%, of the overall assets under management were held by ESG-related funds, while €9.1 tr, or 62.93%, of the overall assets under management were held by conventional funds.

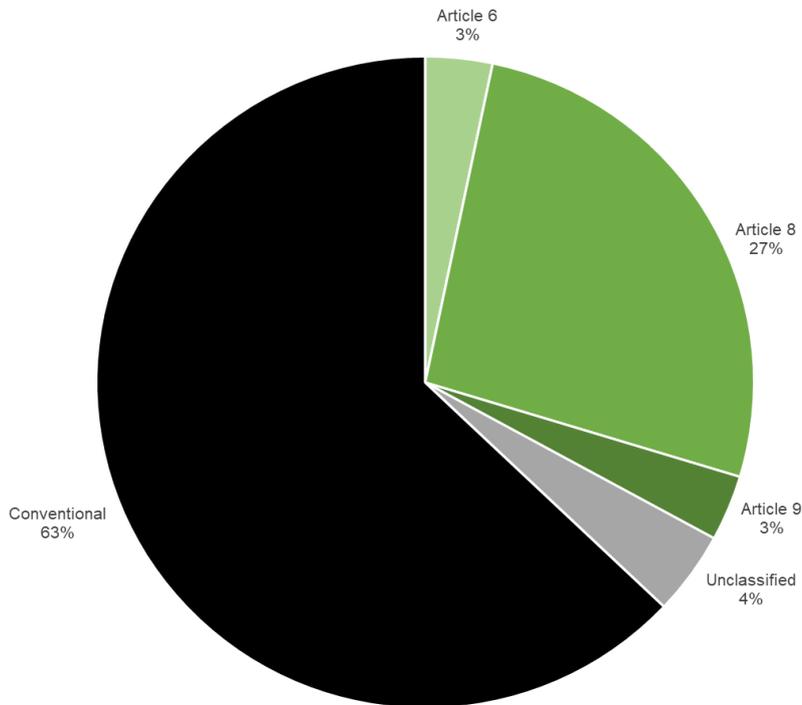
Graph 2: Market Share by Assets Under Management – March 31, 2022



Source: Refinitiv Lipper

Mutual funds and ETFs which are aligned to article 6 of the Sustainable Finance Disclosure Regulation (SFDR) held €0.5 tr, while products which are aligned to article 8 held €3.8 tr, and mutual funds and ETFs which aligned to article 9 held €0.5 tr. Unclassified ESG-related products held €0.6 tr, while conventional mutual funds and ETFs held the vast majority of the assets in the European fund industry (€9.1 tr).

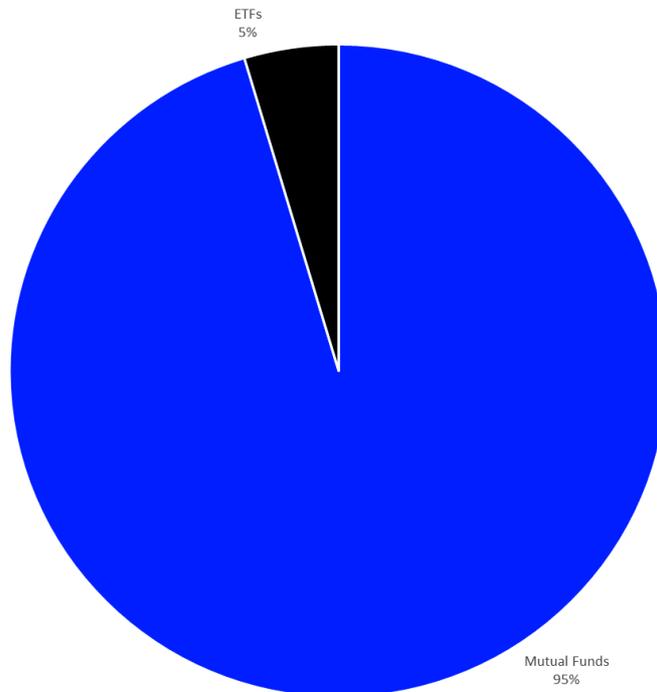
Graph 3: Market Share of Assets Under Management by SFDR Classification – March 31, 2022



Source: Refinitiv Lipper

As for the active versus passive discussion, it is not surprising that actively managed funds held the majority of assets under management in ESG-related products in the European fund industry. This is because sustainable investment strategies are seen as a natural habitat for active managers. In more detail, the assets under management of actively managed ESG-related funds account for €5.1 tr, while ESG-related ETFs held €0.3 tr in assets under management.

Graph 4: Market Share of Mutual Funds and ETFs by Assets Under Management – March 31, 2022



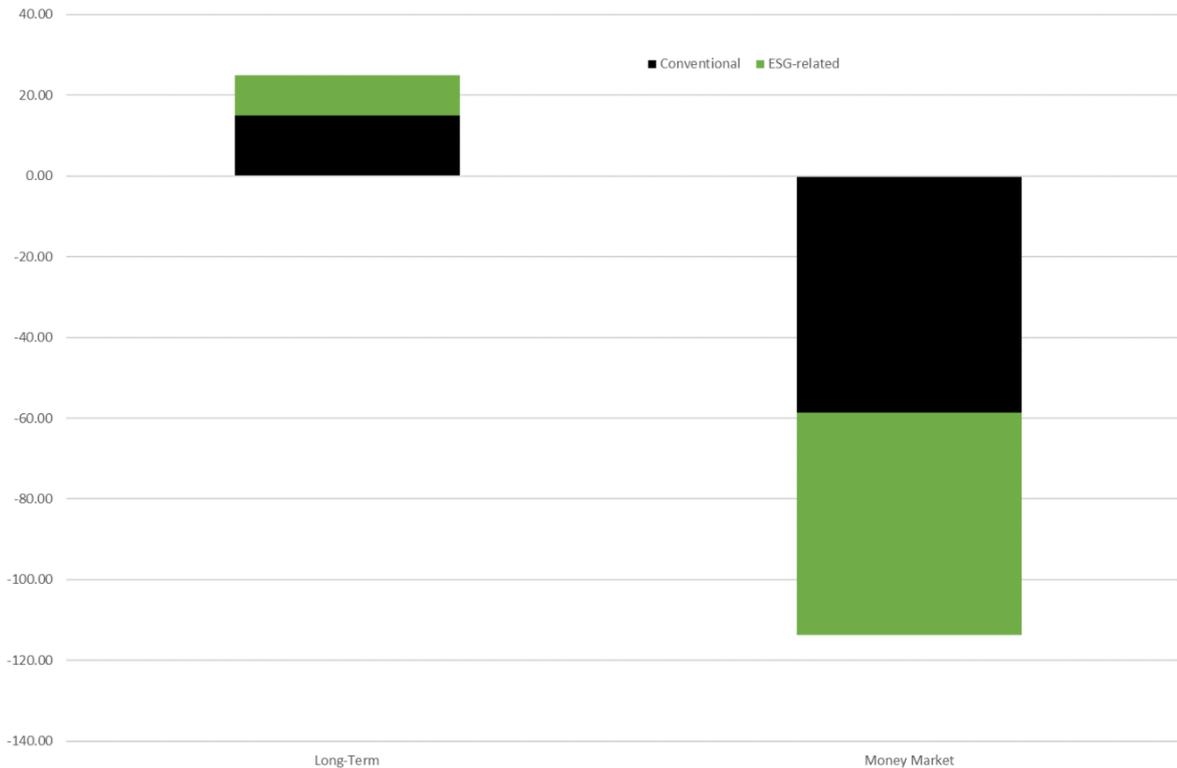
Source: Refinitiv Lipper

Fund Flows in the European Fund Industry

Given the current market environment, it is not surprising that the European fund industry witnessed overall outflows over the course of the first quarter of 2022 (-€88.6 bn). Nevertheless, it was surprising that the outflows were driven by money market funds (-€113.6 bn), while long-term products enjoyed overall inflows of €25.0 bn.

Generally speaking, the overall flow pattern looked similar for ESG-related products and their conventional peers, since conventional long-term funds (+€14.9 bn) and long-term ESG-related products (+€10.1 bn) enjoyed inflows, while conventional (-€58.6 bn) and ESG-related money market funds (-€55.1 bn) faced outflows.

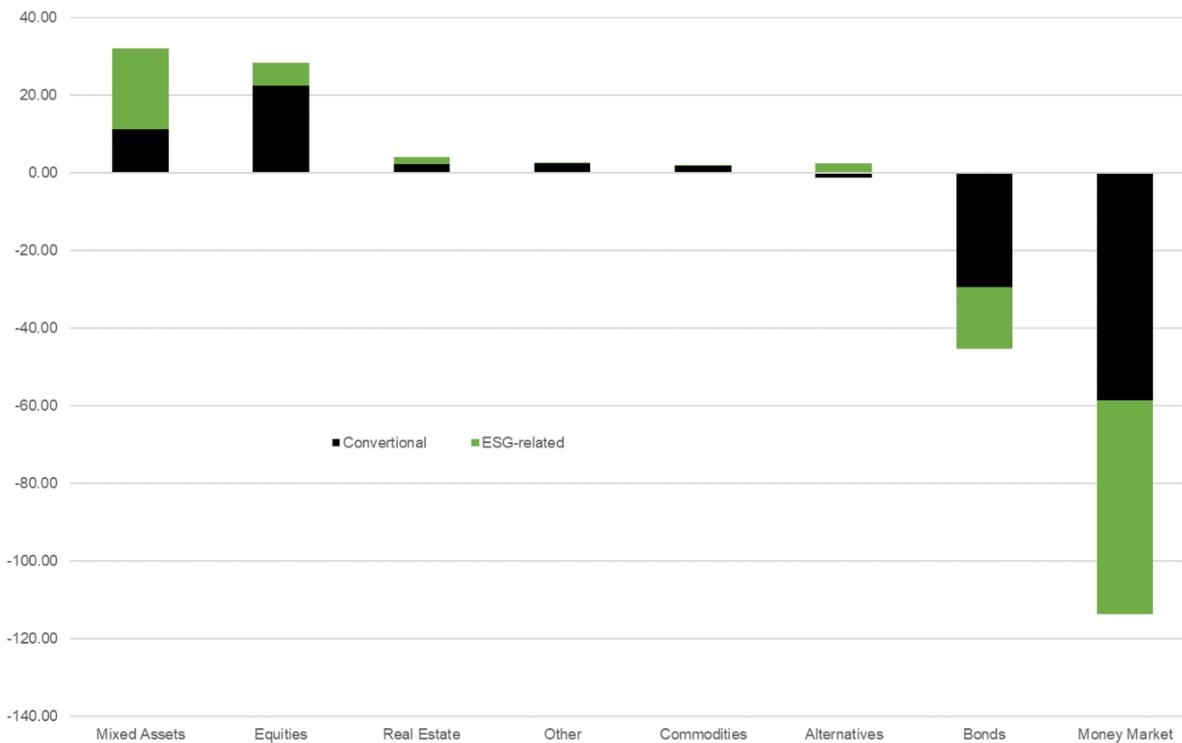
Graph 5: Estimated Net Sales by Product Type and Approach, January 1 – March 31, 2022 (Euro Billions)



Source: Refinitiv Lipper

Taking a closer look, mixed-assets funds (+€32.1 bn – conventional funds [+€11.3 bn], ESG-related funds [+€20.1 bn]) were the asset type with the highest estimated net inflows overall for Q1 2022. It is followed by equity funds (+€28.3 bn – conventional funds [+€22.5 bn], ESG-related funds [+€5.8 bn]), real estate funds (+€4.1 bn – conventional funds [+€2.3 bn], ESG-related funds [+€1.7 bn]), “other” funds (+€2.6 bn – conventional funds [+€2.5 bn], ESG-related funds [+€0.1 bn]), commodities funds (+€2.0 bn – conventional funds [+€1.9 bn], ESG-related funds [+€0.1 bn]), alternative UCITS funds (+€1.2 bn – conventional funds [-€1.2 bn], ESG-related funds [+€2.4 bn]). Meanwhile, bond funds (-€45.3 bn – conventional funds [-€29.3 bn], ESG-related funds [-€16.0 bn]), and money market funds (-€113.6 bn – conventional funds [-€58.6 bn], ESG-related funds [-€55.1 bn]) faced outflows for the first quarter of 2022.

Graph 6: Estimated Net Sales by Asset and Product Type, January 1 – March 31, 2022 (Euro Billions)



Source: Refinitiv Lipper

A closer look at the estimated net flows by SFDR classifications shows that ESG-related mutual funds and ETFs which are not classified by SFDR enjoyed the highest inflows (+€24.7 bn) for Q1 2022. It is followed by mutual funds and ETFs classified as article 9 products (+€8.6 bn). On the other side of the table, mutual funds and ETFs classified as article 8 products (-€48.9 bn) faced the highest outflows. It was bettered by conventional products (-€48.5 bn) and article 6 products (-€24.5 bn).

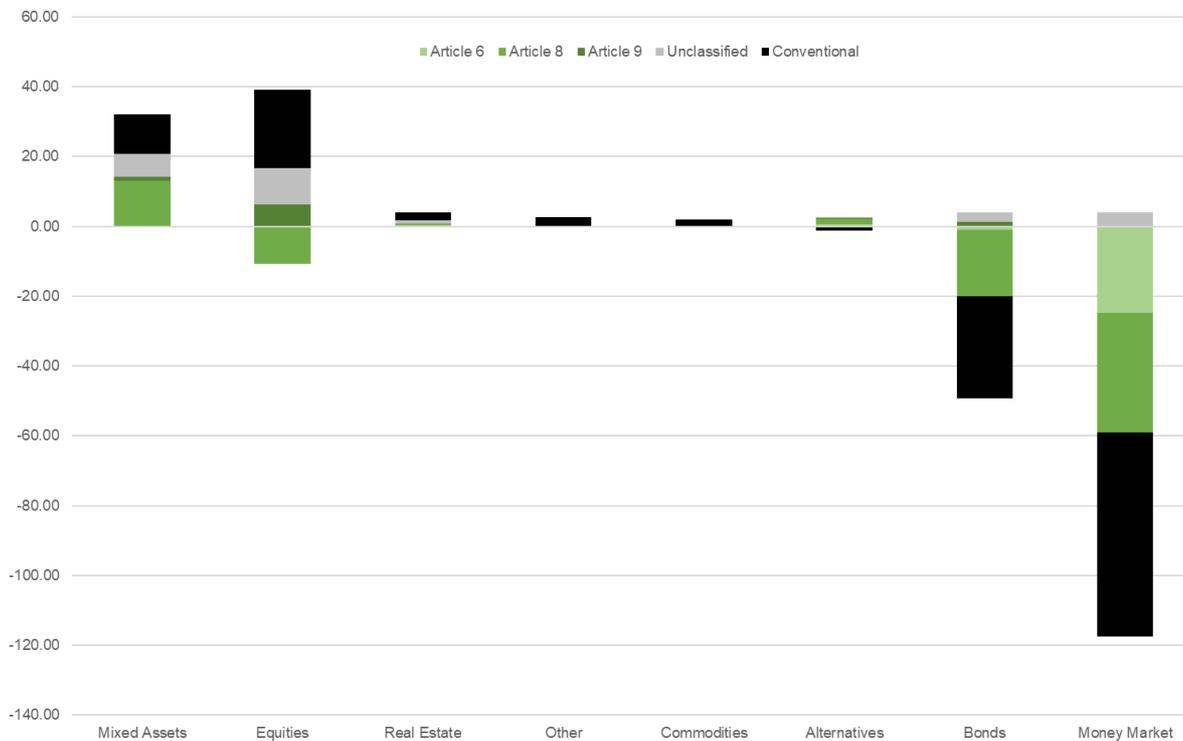
Graph 7: Estimated Net Sales by SFDR Classification, January 1 – March 31, 2022 (Euro Billions)



Source: Refinitiv Lipper

As for the single asset types, mutual funds and ETFs classified as article 8 products were the best-selling products for mixed assets (+€12.9 bn) and alternative UCITS products (+€1.7 bn), while conventional products (+€22.5 bn) were the best-selling products for equity funds, real estate funds (+€2.3 bn), “other” funds (+€2.5 bn), and commodities products (+€1.9 bn). Unclassified mutual funds and ETFs were the best-selling products for bonds (+€2.8 bn) and money market products (+€3.9 bn).

Graph 8: Estimated Net Flows by SFDR Classification and Asset Type (January 1 – March 31, 2022)



Source: Refinitiv Lipper

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