



Snapshot Sustainability

THE GERMAN SUSTAINABLE FUND MARKET IN Q2 2022

Net assets of sustainable funds reach record levels, but new business under pressure

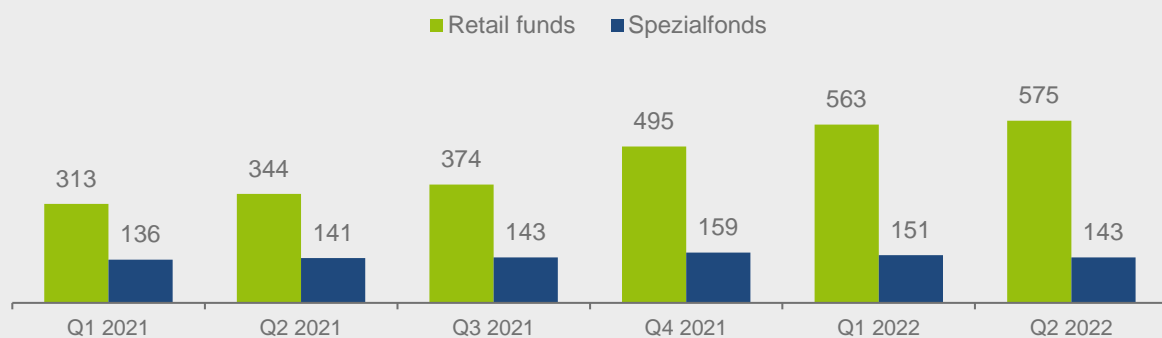
Despite the difficult market environment with significantly lower stock market prices, German investors held more funds with sustainability features at mid-year 2022 than ever before. Assets under management amounted to EUR 718 billion, which corresponds to an increase of 48 percent compared to the previous year. Retail funds accounted for EUR 575 billion. Article 8 funds (with environmental and/or social features) and Article 9 funds (contributing to at least one sustainability objective) represent around 44 percent of the total retail fund market. Sustainable Spezialfonds for institutional investors managed

EUR 143 billion. Their assets have remained stable in the last 12 months. Compared to the previous quarter, there was a slight decline.

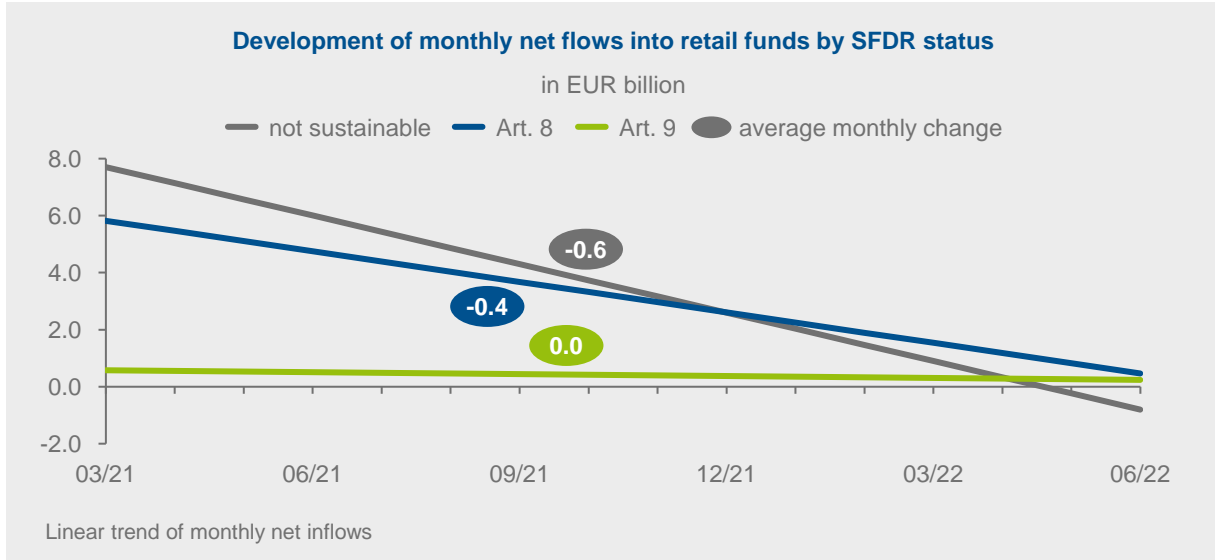
Net new business of retail funds with sustainability features has slowed down recently. In the first six months of 2022, they attracted net inflows of EUR 3.1 billion. In the preceding six-month period, the respective figure was EUR 37 billion. A look at the sales trend since March 2021 shows that Article 9 funds have been resilient to the decline in monthly net inflows so far. This is probably because their

Net assets of sustainable funds according to SFDR

in EUR billion



End of quarter data



investors put a higher emphasis on non-financial aspects when investing in funds. In Article 8 funds, on the other hand, new business fell on average by EUR 0.4 billion per month – most recently they even recorded net outflows. The decline was nevertheless less pronounced than for conventional funds, which saw an average reduction of EUR 0.6 billion. This shows the continued high attractiveness of funds with sustainability features for German investors.

Since the beginning of August 2022, distributors must check the sustainability preferences of their customers when providing investment advice. To suggest a product, the corresponding information from the manufacturer is required. As expected, however, there are still gaps in the provision of this data. As of 15 August, according to Morningstar Direct, European ESG Template (EET) reports were available for open-ended retail funds with assets under management of EUR 919 billion. This translates into 70 percent of the total market. To provide some background: The EET is intended to facilitate the necessary transmission of ESG-relevant information to all stakeholders (distributors, insurance companies, fund-of-funds investors).

Three characteristics qualify a product for German investors who would like to invest sustainably: the consideration of the principal adverse impacts on sustainability (PAI), the share of sustainable investments according to the EU Sustainable Finance Disclosure Regulation (SFDR), as well as the share according to the Taxonomy Regulation. So far, the market relevance of these product characteristics

varies even among funds for which EET reporting is available. For PAIs, the coverage is currently 94 percent, but for the shares according to the SFDR and the Taxonomy, it is only 41 percent and 29 percent, respectively. In the case of the Taxonomy, for example, reliable company data to assess the fulfilment of the technical criteria is still not available. However, according to the legislator, funds are only allowed to rely on estimates within narrow limits. Similar problems exist for the commitments to sustainable investments.

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