



# Snapshot Sustainability

## THE GERMAN SUSTAINABLE FUND MARKET IN Q1 2021

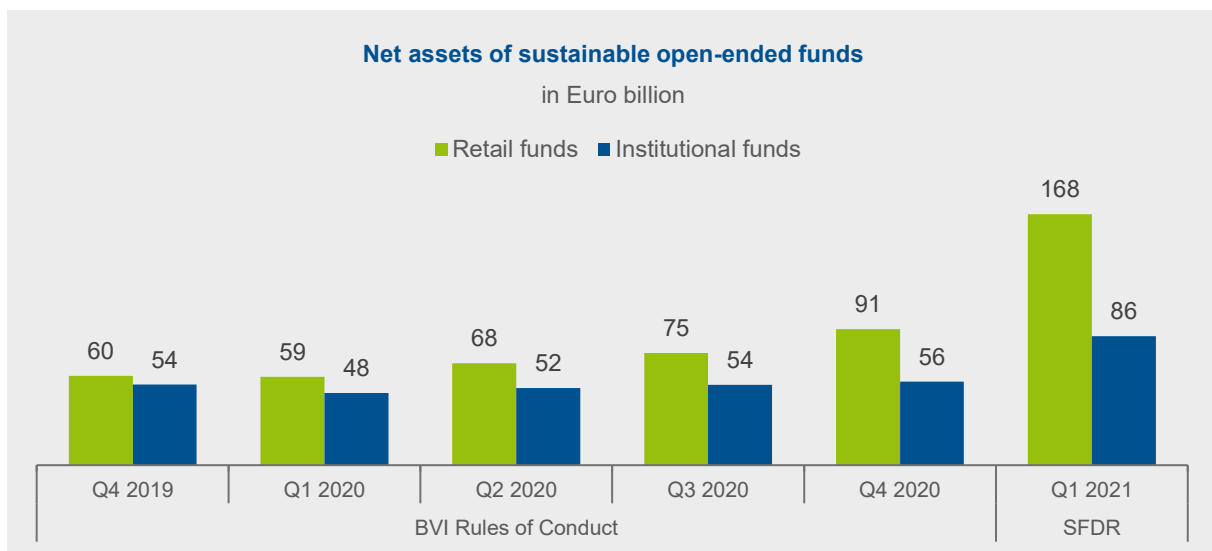
### Sustainable funds manage over 250 billion euros

The assets of sustainable funds managed for German customers increased by 107 billion euros in the first quarter of 2021 to a new high of 254 billion euros. This corresponds to a share of 8 percent of the total fund market. By comparison, the figure was 5 percent at the end of 2020.

These figures take into account for the first time the EU Sustainable Finance Disclosure Regulation (SFDR), which came into force on March 10. It harmonizes regulations for the classification of sustainable funds. Since then, only funds with a sustainability strategy (Article 8 funds) and impact funds (Article 9 funds) can be considered sustainable. Prior to the entry into force of

the SFDR, the BVI defined sustainable funds on the basis of the requirements of its code of conduct. According to these rules, funds could only call themselves "ecological," "social," "ethical," or similar if their investment policy followed defined strategies set out in the fund documents - for example, in the sales prospectus.

The figures suggest that many fund companies appear to have taken the new EU requirements as an

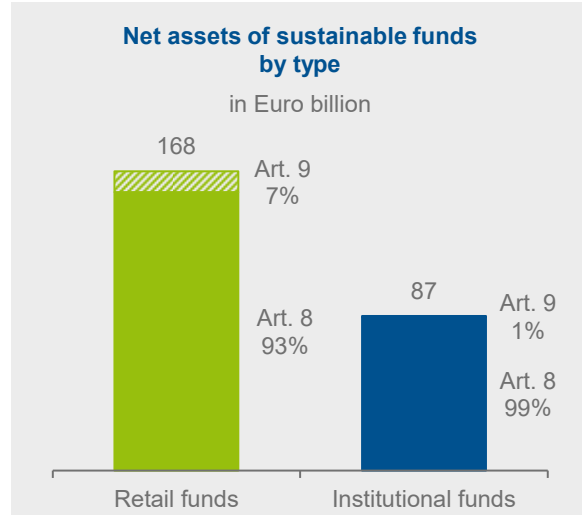


opportunity to adjust previously conventional products to sustainable investment strategies. The number of sustainable share classes has doubled from around 900 at the end of 2020 to more than 1,800. Since not all companies have complied with the new rules as yet, and reported to the BVI accordingly, the actual volume of the German sustainability market is likely to be even larger. In terms of fund assets, about one third of the reports are still outstanding.

Mutual funds continue to account for two-thirds of assets and remain the engine of the sustainability market. In addition to the new definitions and the positive market development, new dynamic business had a positive effect: Net flows raised in the first quarter amounted to 12 billion euros. This is an increase of more than 50 percent compared with the last quarter of 2020. For January and February, sustainable funds are included under the BVI rules of conduct, and for March under the SFDR. In the first three months, sustainable products thus accounted for almost half of new business in open-ended mutual funds. The net flows of sustainable institutional funds amounted to 420 million euros.

Both mutual and institutional funds are currently dominated by funds with a sustainability strategy (in accordance with Article 8 of the SFDR). They account for 93 percent of assets in mutual funds and 99 percent in institutional funds. Impact funds (in accordance with Article 9 of the SFDR) play a minor role with total assets of 12 billion euros. This is probably mainly due to the fact that impact investing is a relatively new phenomenon and there are only a few investment opportunities in this area.

Broken down by asset class, the share of equity funds in sustainable open-ended mutual funds is 32 percent, significantly lower than the average for mutual funds.



24 percent are mixed funds and 19 percent bond funds. The share of sustainable real estate funds has risen from 1 percent at the end of 2020 to 11 percent at the end of March. Among the ETFs included in the BVI statistics, 17 funds invest according to sustainable criteria, 12 according to Article 8, and 5 according to Article 9. The share of both groups in the market for open-ended sustainable mutual funds is around 3 percent.

With a volume of more than 250 billion euros, sustainable funds have reached the mainstream of the market. Nevertheless, the positioning of individual providers differs. Some concentrate particularly on the sustainability segment: one-fifth of the fund companies in the BVI statistics have more than half of the assets under management declared as sustainable products, and for two companies the figure is as high as 100 percent.

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