Asset Management in Europe

An overview of the asset management industry

13th edition

Facts and figures

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EFAMA

European Fund and Asset Management Association

Contents

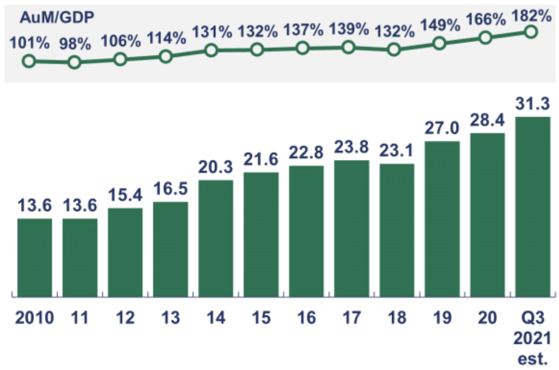
Key findings and figures

Asset under management in Europe

Total assets under management (AuM) in Europe grew to EUR 28.4 trillion at the end of 2020. Despite the sharp decline of financial markets in March 2020, at the onset of the Covid-19 pandemic, AuM increased over the full year 2020 by 5.2%, due to strong market rebound towards the end of the year.

We expect AuM to continue to grow strongly during 2021. According to our calculations, AuM rose above the EUR 30 trillion threshold for the first time at the end of Q3 2021.

European Assets under Management in Europe
EUR trillions, percent

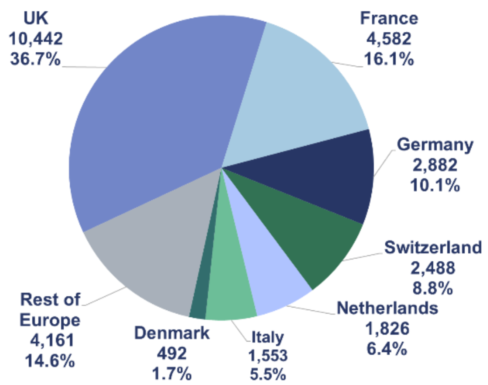


AuM in European countries

Asset management in Europe is mainly concentrated in six countries, which are responsible for almost 85% of the asset management activity that takes place in Europe. This can be explained by the presence of large financial centres in those countries.

The United Kingdom is the largest European asset management market, followed by France, Germany, Switzerland, the Netherlands and Italy. The Netherlands owes its fifth position in the ranking to the size of the Dutch occupational pension fund sector.

AuM in European Countries at the End of 2020
EUR billions, percent of total

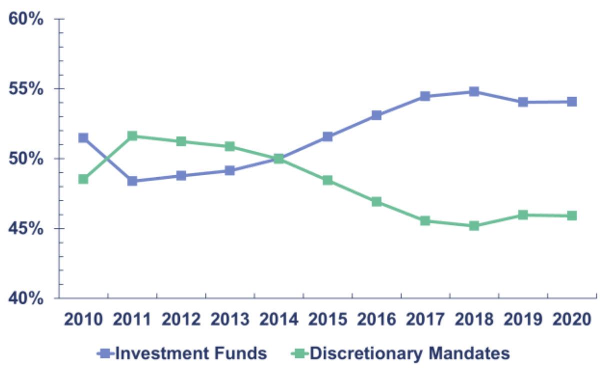


Investment funds and discretionary mandates

Assets managed by professional asset managers can be divided into two broad categories: investment funds (IF) and discretionary mandates (DM).

The share of investment funds in total AuM has risen steadily each year between 2011 to 2018. The higher share of equity in the portfolio allocation of investment funds compared to discretionary mandates – combined with the strong rise in stock markets during the period 2012-2017 – is the main reason behind this evolution.

Discretionary Mandates and Investment Funds
share in total AuM



Role of asset managers

Asset managers channel savings into capital market instruments in order to achieve a specific investment goal. They support the economy by financing new projects and providing liquidity to the markets. They engage with, and improve the governance of, investee companies, thus enhancing the long-term value of companies for investors. They are also at the forefront of the transition to a more sustainable economy, by increasingly allocating capital to sustainable companies and activities.

A Stylised View of the Asset Management's Key Role in Financing Companies

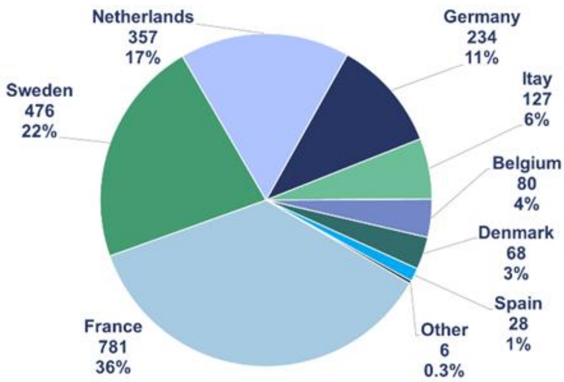
Management of ESG funds in Europe

The introduction of the Sustainable Finance Disclosure Regulation (SFDR) in March 2021 had a major impact on the European asset management industry. Although it was not the regulators' intention, SFDR led to the emergence of two distinct categories of funds: Article 8 funds, with sustainability characteristics and Article 9 funds, with sustainability objectives.

The management of Article 8 and 9 funds is unevenly spread across the EU. At the end of Q1 2021, 75% of Article 8 funds were managed in only three European countries: France (36%), Sweden (22%), and the Netherlands (17%). This situation is expected to evolve given the growth and dynamism of the European ESG fund market.

Article 8 Funds Managed in the EU

EUR billions, percent of total, at the end of Q1 2021

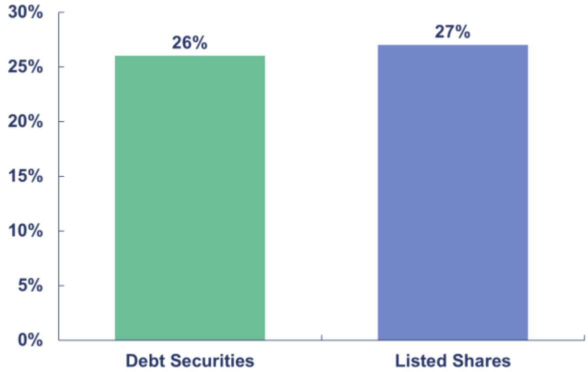


Financing the European economy

According to our calculations, the outstanding amount of debt and listed equity issued by European residents and held by European asset managers at the end of 2020 stood at EUR 6,965 billion and EUR 3,414 billion, respectively.

These represented 26% of the debt securities and 27% of the listed shares issued by European residents.

Shares of European Asset Managers in the Universe of Debt Securities and Shares Issued in Europe at the End of 2020

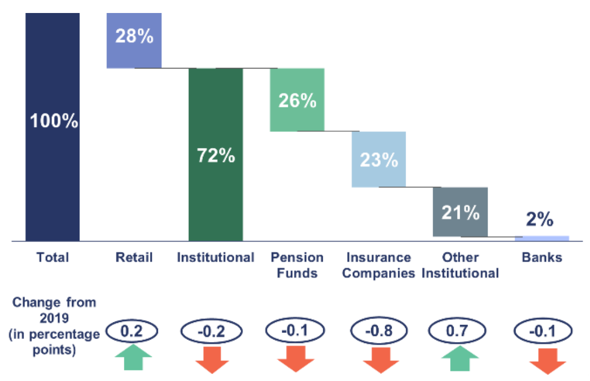


Clients of the industry

The asset management industry has two principal types of clients: retail and institutional – primarily pension funds, insurers and other institutional clients.

The share of retail clients in total AuM increased slightly in 2020 as European households regained an appetite for capital market instruments. Another recent trend is the steadily increasing share of other institutional clients, such as foundations, charities, holding companies or large corporations. This is being observed in most large European asset management centres.

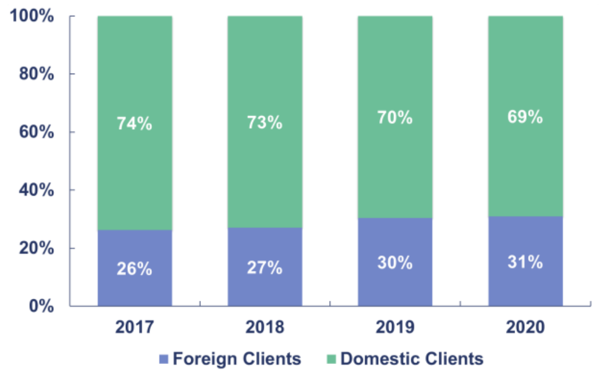
Breakdown of Clients by AuM at the End of 2020
Percent of total and change in pp. from 2019



Domestic and foreign clients

Domestic clients make up the largest part of the client base of the European asset management industry. Yet the share of clients based in a different country to that of the asset manager has been steadily rising in recent years, from 26% in 2017 to 31% at end-2020. This development is in line with one of the key goals of the EU's Capital Markets Union (CMU), namely the further integration of national capital markets into a genuine single market.

Domestic and Foreign Clients
share in total AuM

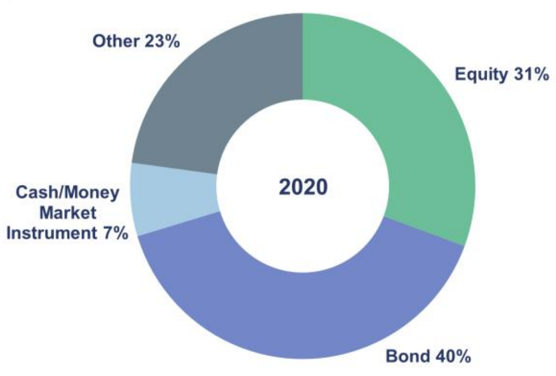


Asset allocation in Europe

In recent years, lifted by overall rises in global stock markets, the share of listed equity in the asset allocation of asset managers increased to 31%. The share of other assets, such as infrastructure, hedge funds, structured products or private equity also rose steadily, as investors searching for yield moved into these more illiquid assets.

Despite these trends, fixed income instruments remain the predominant type of asset. This reflects the importance of institutional clients, who consider bonds as safe instruments for preserving capital and generating income.

Asset Allocation at the End of 2020
share in total AuM



Introduction

This EFAMA Asset Management in Europe report provides a precise overview of the European asset management industry, focusing on the countries where assets are managed. This provides a different perspective from most other EFAMA reports such as the Fact Book, the monthly Fact Sheets or the quarterly statistical releases, which analyse trends in the European investment fund market from the perspective of the countries in which funds are domiciled or owned.

The Asset Management Report is divided into seven main sections:

- Section 1 highlights the trends in total assets under management (AuM) in Europe, with breakdowns by country and by investment funds and discretionary mandates.
- Section 2 provides an overview of the role of asset management in the economy and the services it provides to investors. It also includes, for the first time, concrete examples of how asset managers are investing in, and engaging with, companies in order to have a positive impact on the environment, improve corporate finance and to incentivise them to meet high standards in the areas of human rights, decent work and ethical conduct.
- Section 3 focuses on the role taken by asset managers in the transition towards a more sustainable economy.
- Section 4 estimates the extent to which investment funds and discretionary mandates are contributing to financing the European economy.
- Section 5 provides an overview of the industry's clients.
- Section 6 focuses on the asset allocation of European asset managers.
- Section 7 looks at the industrial organisation of the asset management industry, its profitability, and its contribution to the European economy in terms of employment.

The report is primarily based on data provided by eighteen national associations: Austria, Belgium, Bulgaria, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, the Netherlands, Poland, Portugal, Slovenia, Switzerland, Spain, Turkey and the United Kingdom (UK). Additional internal and external data have been used to estimate assets managed in the other European countries at the end of 2020.

An estimate of the assets under management in Europe at the end of September 2021 is also provided in the report. Finally, the report presents data from McKinsey on the growth of active/passive investment strategies and the profitability of the industry, as well as an analysis of the impact of digitalisation on asset management.

1. Assets under management in Europe

1.1. Evolution of European AuM

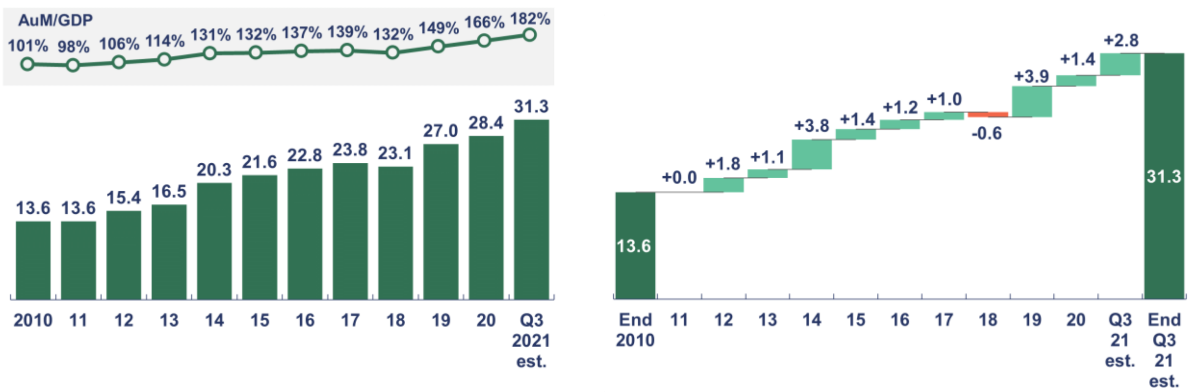
European asset managers managed total assets of EUR 28.4 trillion by the end of 2020. Our calculations project that AuM rose above the EUR 30 trillion threshold for the first time (EUR 31.3 trillion) at the end of Q3 2021.[i]

Between 2010-2020, AuM increased by 109%. Assets rose continuously between 2012-2017, thanks to the strong performance of the financial markets and significant levels of net new money flowing into the asset management sector. In 2018, a sharp drop in stock markets in the fourth quarter saw the first decline in AuM (-2.6%) since the great financial crisis of 2008. The excellent performance of stock and bond markets in 2019 delivered a strong rebound, with AuM growing by 16.8%, the second-strongest asset growth performance of the decade.

Despite the strong decline of financial markets in March 2020, following the onset of the Covid-19 pandemic, AuM increased again over the full-year 2020 (5.2%), thanks to the strong market rebound mainly in Q2 and Q4. We expect AuM to further expand strongly again in 2021. Based on the growth of investment fund assets up to end September 2021, we estimate that AuM increased by 10% during the first nine months of 2021, reaching EUR 31.3 trillion.

In relation to European GDP, European AuM rose from about 100% of GDP at the end of 2010 to 166% at the end of 2020. For 2021, we project the AuM/GDP will have increased to 182% of GDP by the end of September.

EXHIBIT 1.1
European Assets under Management
EUR trillions, percent

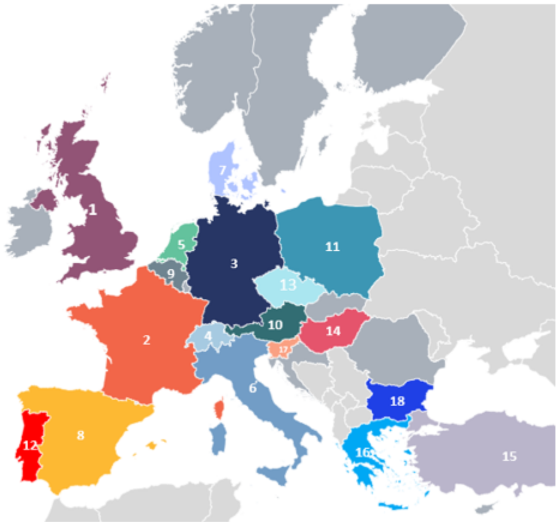


Asset management in Europe is mainly concentrated in six countries, where almost 85% of the activity takes place. In each of these six countries, AuM was higher than EUR 1.5 trillion.

The UK is the largest European asset management market, followed by France, Germany, Switzerland, the Netherlands, and Italy. The presence of large financial centres and domestic markets can explain the market concentration in most of these countries. The Netherlands owes its ranking to the size of the Dutch occupational pension fund sector.[ii]

Asset managers in Denmark, Spain, Belgium, and Austria also manage sizeable amounts of assets. The share of the rest of Europe (10.7%) is attributable to other European countries for which no survey data is available, such as Sweden, Luxembourg, and Ireland, where asset managers are also active.

EXHIBIT 1.2
European Assets under Management at the End of 2020



	Country	AuM (€bn)	Market Share
1	UK	10,442	36.7%
2	France	4,582	16.1%
3	Germany	2,882	10.1%
4	Switzerland	2,488	8.8%
5	Netherlands	1,826	6.4%
6	Italy	1,553	5.5%
7	Denmark	492	1.7%
8	Spain	405	1.4%
9	Belgium	346	1.2%
10	Austria	151	0.5%
11	Poland	61	0.2%
12	Portugal	48	0.2%
13	Czech Republic	39	0.1%
14	Hungary	28	0.1%
15	Turkey	19	0.1%
16	Greece	13	<0.1%
17	Slovenia	4	<0.1%
18	Bulgaria	1	<0.1%
	Rest of Europe	3,045	10.7%
	Total	**28,423**	

1.2. AuM in investment funds and discretionary mandates

Assets managed by professional asset managers can be divided in two broad categories: investment funds (IF) and discretionary mandates (DM).

- Investment funds are regulated funds that pool the savings of investors with similar investment goals. Each fund has its own particular investment objective, with corresponding risk levels and asset allocation. Investors can buy or redeem shares in these funds. They offer investors significant advantages in terms of risk diversification, risk-adjusted return and investor protection. Investment funds can be targeted at either retail clients, institutional clients or both.

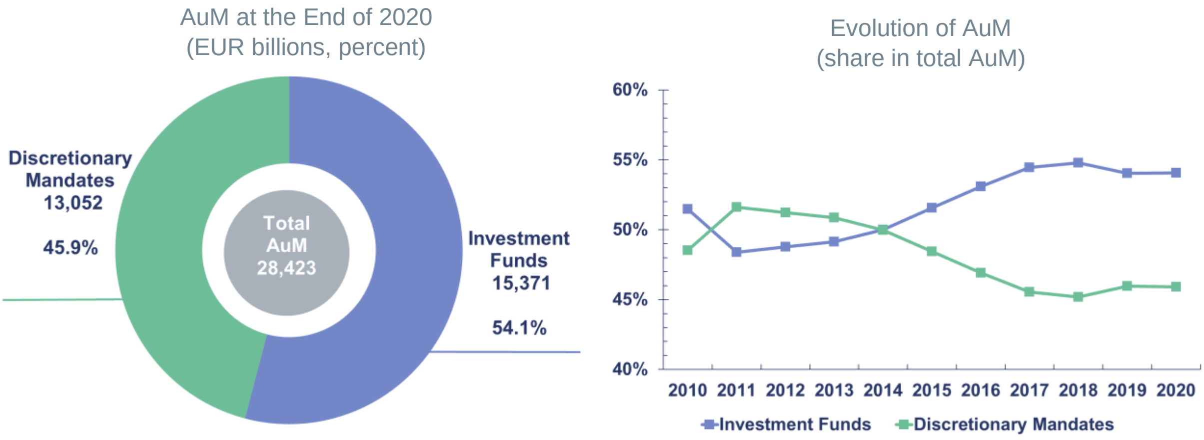
- Discretionary mandates are explicit investment ‘mandates’, delegated to an asset manager by a specific investor. The asset manager receives the sole authority to buy and sell assets and execute transactions on behalf of that investor. The investment strategy, in terms of risk profile and asset allocation, is agreed in advance with the client. Discretionary mandates are tailor-made to the precise investment goals of each individual investor. They are usually geared towards institutional clients.

Investment fund assets represented EUR 15,371 billion or 54.1% of total AuM at end-2020. The share of discretionary mandate assets in total AuM stood at 45.9%, amounting to EUR 13,052 billion.

The share of investment funds among total AuM has steadily risen each year between 2011-2018. The higher share of equity in the portfolio allocation of investment funds compared to discretionary mandates, combined with the strong rise of the stock markets over the 2012-2017 period, are the main factors behind this evolution. The share of investment funds declined slightly in 2019, but this was due mainly to a reclassification of data, which had no significant impact on the general trend. In 2020, the share of investment funds increased further, confirming the direction of travel.

EXHIBIT 1.3

Discretionary Mandates vs Investment Funds

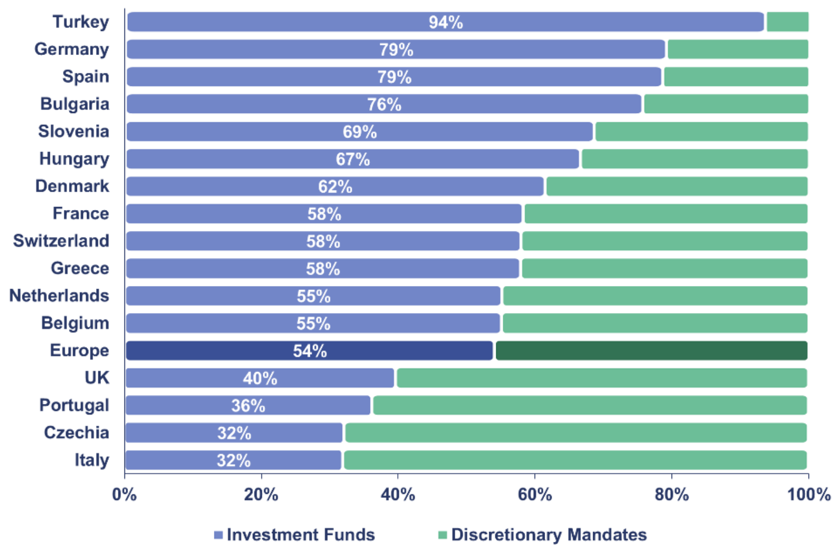


The split between investment funds and discretionary mandates varies significantly between European countries. Discretionary mandates accounted for 21% of all AuM in Spain at end-2020, while in Italy they accounted for 68%. These differences are mainly influenced by the dominant asset management product solution offered to institutional investors in different European countries. For example, institutional investors in Germany and the Netherlands mainly use Alternative Investment Funds (AIFs) to manage their institutional assets, whereas institutional investors in Italy, France or the UK are more likely to be offered a discretionary mandate.

EXHIBIT 1.4

Discretionary Mandates and Investment Fund Assets at the End of 2020

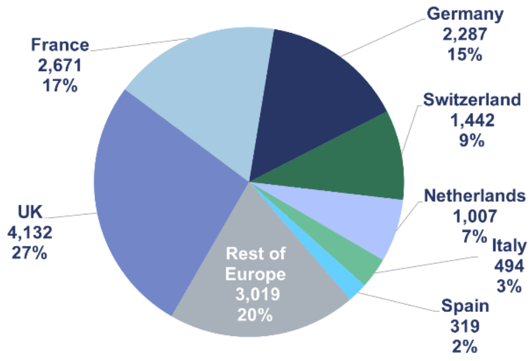
share in total AuM



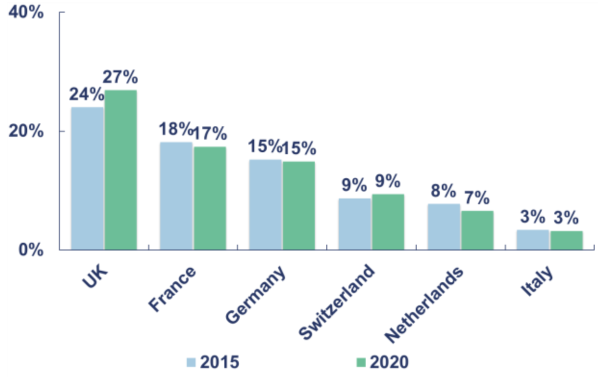
At the end of 2020, more than 75% of European investment fund assets were managed in six countries: the UK (27%), France (17%), Germany (15%), Switzerland (9%), the Netherlands (7%) and Italy (3%).[iiiiv]

EXHIBIT 1.5
IF AuM by Geographical Breakdown

Investment Funds at the End of 2020
(EUR billions and share in total AuM)



Evolution in Recent Years
(share in total investment funds AuM)

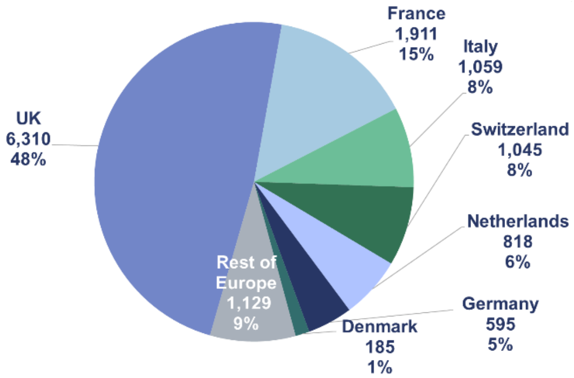


The AuM of discretionary mandates are even more concentrated, with more than 60% of assets being managed in the UK and France at the end of 2020. The 48% market share of the UK is related directly to the high levels of pension fund assets being managed by asset managers located in the UK. The 15% market share held by asset managers in France reflects the size of the French insurance industry as well as the high level of delegation by French and foreign institutional investors to asset managers.[v]

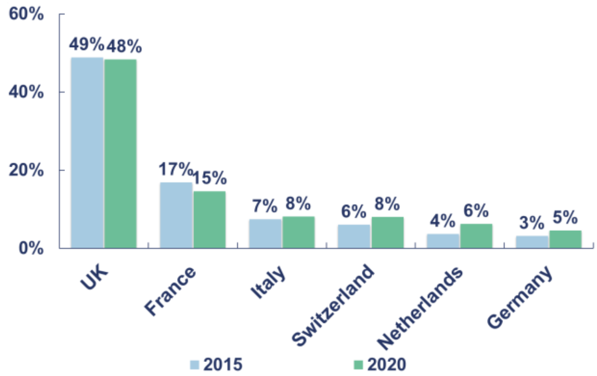
Most discretionary mandate markets shares have remained roughly level over the last five years. The market share of the Netherlands has increased in recent years, as pension funds moved from mandates in fund wrappers to more segregated accounts. This shift is mainly a result of the new prudential rules of IFR/IFD.

EXHIBIT 1.6
DM AuM by Geographical Breakdown

Discretionary Mandates at the End of 2020
(EUR billions and share in total)



Evolution in Recent Years
(share in total discretionary mandates AuM)



How digitisation adds value in asset management
A short perspective by McKinsey & Company

Digitisation represents an opportunity for the asset management industry to achieve substantial added value — but only if it is pursued with a clear and integrated approach.

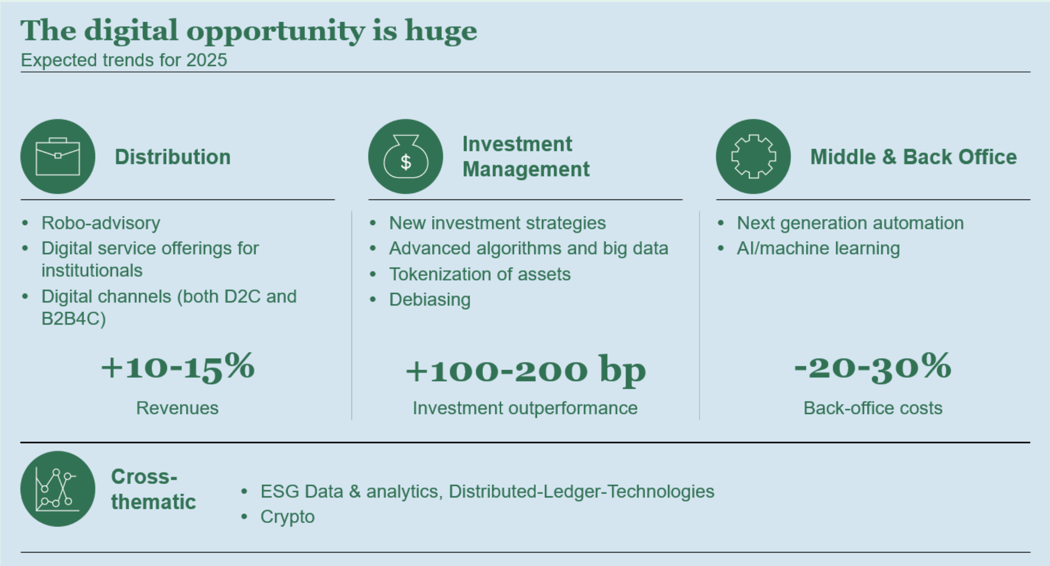
Investment managers are pursuing digital and analytics-aided improvements in many different areas of the business, from customer and asset acquisition to operations and overhead costs. Those taking the lead in a strategic way are finding that digitization, if well planned and implemented, can deliver significant value. The following pages describe digitization's potential and then take a closer look at two areas of opportunity: using analytics to reduce bias in decision making and to improve ESG outcomes.

The digital opportunity

Digitization has revolutionized many industries, but so far, the asset management sector is lagging. However, some leading players are increasing their digital investments, and aggregated industry spending on alternative technology data sources (for example, web-scraped data, Internet of Things) almost doubled in the last few years.

The opportunity is huge. Digital technologies will enable asset managers to capture value across the value chain by applying key value levers in distribution, investment management, and the middle and back office, as well as those that apply across the chain (Figure 1).

FIGURE 1



In retail distribution, robo-advisory propositions are gaining traction, and some asset managers operate successfully with direct-to-consumer models, while others use digitally fuelled B2B-for-consumer advisor support tools to enhance client experience and advisor success. In the institutional space, digital service offerings can deliver real-time insights for account management (for example, return/risk information, run-rate revenues, client news) and for reporting, including both regulatory reporting and tailored client reporting (for example, on environmental, social, and governance [ESG] performance). Based on our experience, applying digital to these distribution activities can yield a revenue boost of 10 to 15 percent on the retail side alone.

In investment management, advanced algorithms used with big data and analytics support investment research, portfolio design, and asset allocation. They also offer a basis for new investment strategies. Additionally, the uptick of digital assets and distributed-ledger technologies (DLT) opens up a new investment space for tokenized assets. Finally, analytics-powered debiasing of investment processes and investment decisions can help boost investment alpha by a considerable 100 to 200 basis points.

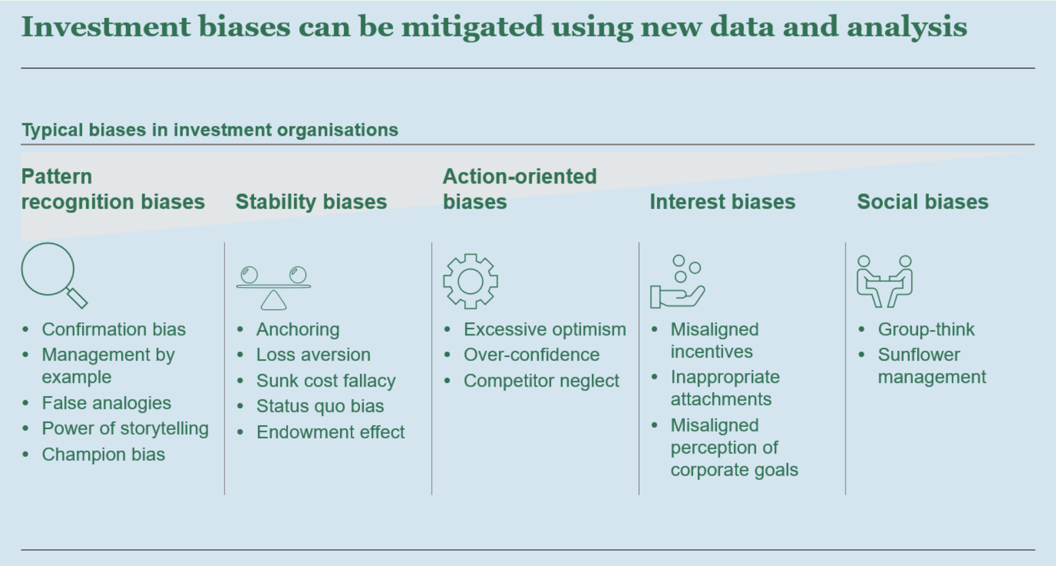
In the middle and back office, next-generation automation, robotics, and machine learning can enhance process efficiencies, reduce manual frictions, and enable more straight-through processing. Ultimately, we see an efficiency opportunity here to reduce back-office cost by 20 to 30 percent.

Besides these digital opportunities tied to links in the value chain, other solutions unfold impact across the whole value chain, including DLT/crypto-based and ESG solutions (we look into ESG more below).

Debiasing investment management

Business leaders are increasingly recognizing the risk of bias in business decision making. Insights from the fields of behavioural economics and cognitive psychology continually emerge to reveal that individuals and institutions do not base financial and other decisions on purely rational considerations (Figure 2). Researchers have been mapping the contours of irrational biases and determining how to predict the ways bias operates in our thought processes. Most important, the methods and means to counteract biases are becoming more sophisticated and effective.

FIGURE 2



Leaders in the asset management sector have been analysing investment decisions in light of debiasing efforts in other industries. A few leading funds have employed analytics in this effort to improve their effectiveness in diagnosing bias and its drivers. By using robust advanced analytics, some investment managers have been able to measure the role of bias in suboptimal trading decisions, connecting particular biases to specific decisions. These managers are seeking a competitive edge and, perhaps more important, ways to improve the value proposition of active management. Research from within and outside the industry strongly suggests that even the leading asset managers in top-performing funds could improve their investment performance by applying debiasing techniques.

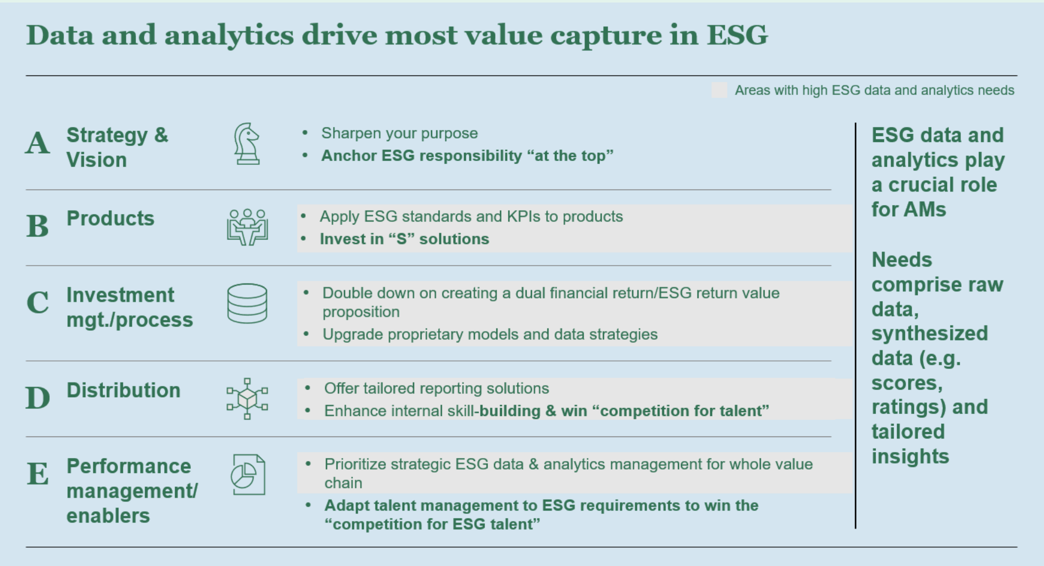
As the foregoing discussion indicates, suboptimal decisions can have a significant impact on performance. The initial evidence suggests that, even under conservative assumptions, debiasing will allow funds to undo this negative impact and reap the performance rewards. In looking at actual funds, this might lead to potential improvements up to 200 basis points.

In addition to debiasing exercises, asset managers are also applying change programs to reinforce informed and well-reasoned decision making. These programs include role modelling, awareness building around bias, and capability building to support improved decision making, as well as more formal procedures. The experience with such cultural-change programs demonstrates that they may not ensure a successful transformation, but success is much less likely without them.

Applying ESG data and analytics

In all major regions of the world, ESG assets under management and flows have been reaching record levels, thanks to tighter regulation, organizational commitments, and increasing investor demand from retail and institutional clients. Becoming an ESG front-runner in asset management and capturing value from ESG requires an integrated approach (Figure 3). Data and analytics play a crucial role along the core dimensions necessary to be successful. They inform product strategies and product labelling, serve as the basis for embedding ESG considerations in the investment process, support distribution staff, and inform clients. Some asset managers have even started to offer "ESG data and analytics as a service," including tools that, for example, help clients meet compliance challenges or deliver insights to clients on the ESG impact of their portfolios.

FIGURE 3



The impact of incorporating ESG data and analytics into asset management is difficult to quantify in a direct way. Rather, the value for the industry can be seen indirectly in the revenue growth rates of the leading providers of ESG data and analytics, which are well above 20 percent for ESG services.

Asset management is positioned to join the digital revolution. Digitization has the potential to enable significant improvements in revenues, investment performance, and back-office costs. Investment managers that adopt an integrated approach stand a good chance of taking the lead with improved decision making and services that meet nascent client needs.

Source: McKinsey & Company

2. Role of third-party asset managers

2.1. Introduction

Third-party asset managers (hereafter ‘asset managers’) manage assets on behalf of retail and institutional investors to achieve a specific investment goal as set out by their clients. This takes into account their investment style preference, risk tolerance and financial situation.

Asset management companies are the most important type of buy-side institutions, which are made up of investing institutions that buy securities for money-management purposes. Other examples of buy-side institutions are pension funds, hedge funds, private equity funds and life insurance companies. On the other side are sell-side institutions such as investment banks i.e., firms specialising in helping companies issue securities and acquire other companies through mergers and acquisitions, and brokerage firms, which conduct transactions on financial markets for their clients or on their own account.

In the institutional market, the lack of return opportunities from plain vanilla bonds has led a growing number of asset owners to turn to asset managers to seek to benefit from innovative fixed income strategies and investment in alternative assets. In the retail market, the near-zero interest rate environment, and the sustained equity bull market, have led to increasing numbers of individuals to shift part of their savings into equity and multi-asset UCITS.

2.2. The role of asset management in the economy

Asset managers perform a number of important tasks, including serving the needs of asset owners, financing the real economy and supporting the transition to a more sustainable economy.

2.2.1 Serving the needs of asset owners

A crucial role of asset managers is to channel savings toward investment. They do so by providing their clients with access to a wide range of investment products. This helps clients diversify their portfolios among various financial instruments, asset classes, industries and geographical locations in order to achieve their investment goals, taking into account their needs and risk appetites. This yields substantial benefits for the asset managers’ clients.

Generating returns

By channelling savings into investment, asset managers help asset owners achieve positive real returns on their savings.

To fully appreciate the return opportunities of investing, we have compared the value - over ten years - of EUR 10,000 invested at the beginning of 2010 in five different products: equity UCITS, bond UCITS, mixed UCITS, a hypothetical retail fund portfolio composed of equity (40%), bond (30%) and mixed UCITS (30%) as well as a bank deposit.

We have also calculated the value of the investment in terms of its purchasing power today, taking into account all costs as well as the impact of inflation. Exhibit 2.1 below shows that a ten-year investment in the hypothetical fund portfolio generated a total net performance, in real terms, of 61%. Meanwhile, the value of EUR 10,000 left in a bank account in 2010-2019 fell by 10% in real terms. These findings illustrate the opportunity cost and financial loss that European households have incurred by saving primarily in bank deposits during the previous decade.

For UCITS focusing on equity, Exhibit 2.2 shows that the investment would have achieved a value of EUR 20,784 in real terms after ten years; the value of the hypothetical retail portfolio and the bank deposit would have been EUR 16,104 and EUR 9,037, respectively.

EXHIBIT 2.1

Net Real Performance of a Ten-Year Investment of EUR 10,000

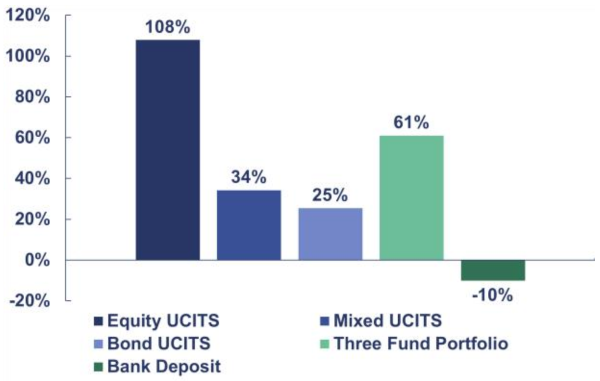
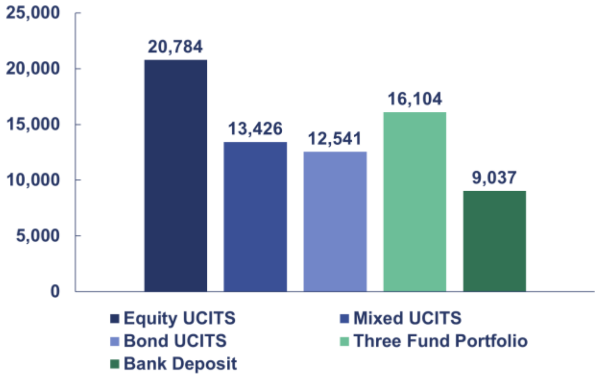


EXHIBIT 2.2

Net Real Performance of a Ten-Year Investment of EUR 10,000

EUR



Source: EFAMA's calculations based on Morningstar Direct data

Lower investment risk

Asset managers can help achieve the right level of diversification for their clients by providing access to a broad range of asset classes. They have ample access to quality research as well as professional databases and software packages, which help them reduce risk by monitoring developments in the industries, countries and regions in which they invest. The purpose is to screen out poor investment opportunities and detect those that are potentially advantageous.

Liquidity provision

Asset managers closely monitor the liquidity situation in the markets and the profile of their clients in order to be able to anticipate the evolution of inflows and outflows and the risk of rapid and large net outflows. They also have risk management policies and portfolio management procedures in place to ensure that they are able to meet their liquidity provision obligation when difficulties in financial markets occur.

Lower costs

The ability of asset managers to trade in large blocks of securities allows them to minimise transaction costs. Given that monitoring activities have a cost, asset managers can benefit from economies of scale that households and many other investors would find difficult to achieve.

2.2.2 Financing the real economy

By providing equity capital in both primary (IPOs and private placements) and secondary markets, as well as debt financing to corporations and governments, asset managers help these entities meet both their short-term funding needs and long-term capital requirements. This way, they are important intermediaries in the financial system by funding new investment projects and generating returns to millions of savers and investors.

In section 4, we present a macroeconomic perspective of the importance to the real economy of the financing provided by asset managers. In this section, we illustrate this role by focusing on two concrete illustrations.

Building infrastructure

The institutional debt market is an established source of funding for long-term projects such as public infrastructure or services and industrial projects, which are based on the projected cash flows of the projects rather than the balance sheets of their sponsors.

In 2012, the European Commission launched the "Project Bond Initiative" in order to revive project bond markets. The motivation was to help the promoters of individual infrastructure projects in the sectors of transport, energy and information and communication technologies attract long-term private sector debt financing by reducing the risks of the projects.[vi].

Asset managers have become a major investor group in project bonds, which are used as an attractive alternative to bank loans.[vii]

Supporting the healthcare sector

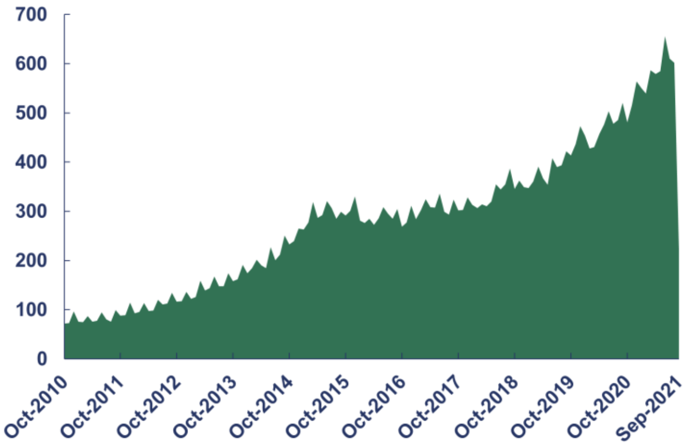
The changing demographics and the ageing of the population has not only put a strain on global pension systems but also on the health sector.

Asset managers have become an important source of financing for the health sector, with a growing trend of investing in health-related financial tools, such as shares of funds devoted to cancer research or acquiring equity in health and biotech companies. In the last decade, European equity investment funds have increased their net assets allocated to healthcare fivefold, from EUR 96 billion at the end of 2010 to EUR 564 billion at the end of 2020. An average of 12% of their total assets are now invested in supporting health.

EXHIBIT 2.3

Eurozone Net Assets of European IFs Investments in Healthcare

EUR billions



Source: EFAMA's calculations based on Morningstar Direct data

2.2.3 Helping the transition to a more sustainable economy – Concrete examples

Asset managers offer a broad range of sustainable investment solutions and are integrating environmental, social and governance (ESG) criteria more broadly into their investment decision-making and risk management processes. They also engage with investee companies to encourage better governance and improve their financial, environmental and social performance. Given the growing importance of ESG factors in their business model, asset managers are in the vanguard of the transition to a more sustainable economy.

To illustrate their role, this section provides concrete examples of how European asset managers are committed to sustainability.

Environmentally Friendly Investing
Abrdn’s Core Infrastructure team has invested in over 380 MW of ground-mounted solar photovoltaic (PV) farms in Poland. One PV farm can power 8,200 average-sized homes for one year and 100,000 electric cars for 3,000 miles each. Through production of renewable energy, this investment contributes directly towards Europe’s emission reduction targets and Poland’s efforts to reduce its reliance on fossil fuels. In 2020, the Central European Renewable Investments (CERI) portfolio generated 233,261 MWh of CO2-free electricity, saving a total of 75,891 tonnes of CO2 emissions.
Since 2016, **Amundi** has applied a sector-specific policy to thermal coal, which excludes certain companies and issuers. Each year, Amundi reinforces its exclusion policies in terms of scope and/or thresholds, based on the exposure of income to coal mining or coal-fired electricity generation. At the end of 2020, Amundi extended its coal exclusion policy, which now covers any company that develops, or plans to develop, new thermal coal operating capacity.
In 2020, **CANDRIAM** launched new thematic equity strategies, including one devoted to developing a more circular economy. This strategy invests in global companies contributing to recycling, replacement of raw material, repurposing end-of-life products and rationalisation of resource use. This strategy is included in CANDRIAM’s aim to create a ‘double impact’, whereby the company donated up to 10% of the strategy’s net management fees to charities and organisations that provide solutions for promoting the transition to a circular economy.”
DWS has expanded its ESG thematic product range through the creation of a globally investing equity fund designed to support the ‘Blue Economy’ and to make a positive impact on the sustainable behaviours of companies. The focus of the fund is on companies that help to curb ocean acidification, reduce marine pollution and those that deal with the sustainable use of marine resources, ecosystems and sustainable fisheries. Here, DWS relies on a partnership with the World Wildlife Fund (WWF), and the fund is applying ocean-related criteria to companies to push the transition of marine-related industries.
Through its Socially Responsible Investment (SRI) funds, **KBC** has a clear zero tolerance for fossil fuels. By excluding all companies in the energy sector, mining companies that mine thermal coal and utility companies that utilise fossil fuels from their SRI funds, KBC is sending a strong signal to these companies to make the switch to more sustainable operations. From November 2021 on, KBC will also apply this SRI policy for its pension funds.

In 2021, alongside other investors, **Natixis IM** invested with Iceberg Data Lab, a Global ESG Data Solutions provider in developing pioneering tools for measuring investment impact on biodiversity. This independent European FinTech offers an innovative solution for measuring the environmental impact across the entire value chain of its portfolio management activity (data sourcing, advanced monitoring, analysis and reporting according to the European and local regulations).

Ostrum AM rolled out a coal exit policy in 2020, centred equally on exclusion and engagement. In the short term, this calls for both the application of strict threshold-based investment criteria – in line with the recommendations of the Global Coal Exit List (GCEL) – and for active engagement with those companies in which Ostrum AM continues to invest in order to validate the credibility of their exit plan. Ostrum AM has defined precise engagement metrics with these companies, such as the deployment of their strategy through short/medium/long-term milestones, frequency of communication, measurability of their actions and investments rolled out to shift their business model outside the coal sector. This engagement is currently conducted by inhouse experts, and when an exit plan is deemed unsatisfactory, Ostrum AM will divest its positions from 1 January 2022.

Socially Responsible Investing

BlackRock's Investment Stewardship (BIS) team engaged with a German apparel company facing employee complaints over handling of racial equity issues, which culminated in the departure of the company's global head of human resources (HR). BIS engaged with corporate leadership to understand the internal and external impact of these issues, and learned which measures were being put in place by management to avoid similar occurrences in the future, as well as which actions were being taken to advance diversity, equity and inclusion (DEI) efforts. While BIS welcomes the company's decision to reorient its leadership around inclusion and equality and to establish new and more demanding KPIs to advance its goals, it will continue to closely monitor the company's progress against these. It will maintain its ongoing engagement with the company's Supervisory Board to better understand its role in overseeing the strategic implementation of these goals.

Through its Social Infrastructure Fund, **Franklin Templeton** committed to working with Plena Inclusión Madrid, a non-profit organisation that operates for the interests of people with intellectual and/or developmental disabilities. The Fund asked Plena Inclusión how to make the courthouse more accessible to the local population. Following the completion of an audit by Plena Inclusión Madrid, the Fund developed a plan with several accessibility improvements. These included adding magnetic loops for the hearing impaired, strategically placing visuals that offer information on building access, developing a visual building directory and creating a standardised format for informative posters located on each floor. These initiatives will help foster a more inclusive environment for all.

Diversity is important for **Schroders,** as it allows for a more constructive debate of competing views and better representation of a wider range of stakeholders, ultimately contributing to a company's long-term success. Since 2019, Schroders has engaged with more than 60 companies in the technology sector - throughout Europe, the US and Asia - that exhibit a poor ratio of women across their employee base and management layers. Schroders has benchmarked companies against 'best in class' characteristics, such as talent acquisition strategies and initiatives targeting equal opportunities. This has highlighted geographical nuances; for example, Asian companies appear strong on partnerships with universities, but seem weak on senior management focus. Meanwhile, US companies are strong on partnerships with universities, but weak on diversity survey analysis. Schroders plan to follow up with poor performers to encourage alignment with best practice. This has already gained traction with Recruit Holdings, a Japan-based technology company that has introduced diversity targets as a result of this engagement.

Union Investment conducted a thorough internal analysis of potential human rights risks and effects in 2020. It investigated how well due diligence obligations are already being implemented in its own policies and procedures, and where improvement is required. As key result of this was that Union Investment published a Declaration of Principles on Respect for Human Rights in 2021. By way of illustration, Union Investment's ESG team delve into the possible exploitation of Uighur forced labourers in the Chinese region of Xinjiang. At the request of Union Investment, companies affected demonstrated how they ensure compliance with human rights along their value chain. Some companies stated that they have already terminated potentially critical supplier relationships in Xinjiang region.

Engaging on Governance Issues

APG expects the companies it invests in to clearly demonstrate, in the annual report, how directors' remuneration is managed, what the targets are and what performance must be achieved before any remuneration or bonus is paid. Along with other investors, in 2020 APG successfully voted against the remuneration policy of a Dutch company on four occasions.

Pictet Asset Management began engaging with a French utility company in 2019, focusing on better oversight from the Board of Directors, such as the split between CEO and Chairman responsibilities and a change of the Head of Nominating and Governance committee. Pictet voted against items in the 2019 Annual General Meeting (AGM) and, in 2020, met with the Lead Independent Director to further reiterate their desire to see changes to the Board and to compensation. One month later, the company unveiled a set of strong environmental and social targets for 2023 that were integrated into both STI and LTIP compensation at material weightings. Despite these positive developments, Pictet still see opportunities to improve the governance of the company, and have continued to engage on these topics. It met with the Lead Independent Director again in 2021, and further voted against some items at the 2021 AGM.

The **Vanguard funds** voted against the re-election of two directors and against the company's 2020 remuneration report at the 2021 annual meetings for Boohoo plc, a UK online fashion retailer. Where supply-chain risks are material to a company, Vanguard expects boards to oversee and govern those risks effectively and disclose them to shareholders. In its research, Vanguard reviewed investigative reports from July 2020 that uncovered that workers at one of Boohoo's UK-based suppliers were being paid less than the minimum wage and enduring poor working conditions, which were exacerbated by the pandemic. These findings highlighted the board's failure to monitor and govern material risks in the company's supply chain.

3. ESG in asset management

Asset managers have become key contributors to the transition to a sustainable economy by incorporating ESG factors in their investment processes and by engaging in more effective and assertive stewardship activities.

3.1. ESG[viii] investing

Sustainable investing incorporates environmental, social and governance (ESG) factors in the investment processes. Among other aspects, sustainable investing addresses climate change challenges and promotes water and energy efficiency, human rights, equal opportunities, business ethics, board diversity and other goals that will contribute to the transition to a more sustainable world. Sustainable investing by asset managers has been gaining momentum in Europe, growing strongly in recent years. Asset managers applied an ESG investment approach to an estimated total of EUR 11 trillion of assets by the end of Q1 2021.[ix] Around 55% of these assets (EUR 6 trillion) are managed in investment funds, with the remaining EUR 5 trillion managed in discretionary mandates.

SFDR Article 8 and 9 funds

At the regulatory level, the introduction of the Sustainable Finance Disclosure Regulation (SFDR) in March 2021 had a significant impact on the asset management industry. Among other obligations, the SFDR requires asset managers to make specific sustainability-related disclosures across their product range.

- SFDR Article 6 requires all fund managers to make disclosures on the integration of sustainability risks and their likely impacts on the returns of the financial products they make available.
- SFDR Article 8 requires funds that promote sustainability characteristics to specify, in pre-contractual disclosures, how they will promote environmental or social characteristics - or a combination of both - and how the companies in which they invest follow good governance practices.
- SFDR Article 9 requires funds with a sustainability objective to specify, in pre-contractual disclosures, how they will attain such objective and whether an index has been designated as a reference benchmark.

Although it was not the regulators' intention to create product labels, SFDR Articles have *de facto* split the EU fund universe into three categories: Article 6 funds that integrate sustainability risks, Article 8 funds that promote sustainability characteristics and Article 9 funds that have a sustainability objective.

Exhibits 3.1 and 3.2 give an overview of where SFDR Article 8 and 9 funds are managed in the EU.[x] The data is based on a survey of EFAMA's member associations, which was carried out in spring 2021 in order to estimate the size of the European ESG market at the point when the SFDR was introduced.

The asset management of Article 8 and 9 funds is unevenly concentrated within the EU. At end Q1 2021, 75% of SFDR Article 8 funds were managed in France, Sweden[xi] and the Netherlands. The management of SFDR Article 9 funds is even more concentrated, with more than 80% being managed in France (58%) and the Netherlands (24%). These differences can be explained by a number of factors, such as different interpretations by national regulators of the SFDR Level 1 text, the delayed implementation of the Level 2 measures and varying maturity levels of ESG fund markets between Member States.

The survey results provide a first picture of a market that remains in full flux and should therefore be treated with a degree of caution. The ESG market has already undergone significant changes since the SFDR introduction, and will undoubtedly undergo further in the coming months and years.

EXHIBIT 3.1

Article 8 Funds Managed in the EU

EUR billions, percent of total, at end Q1 2021

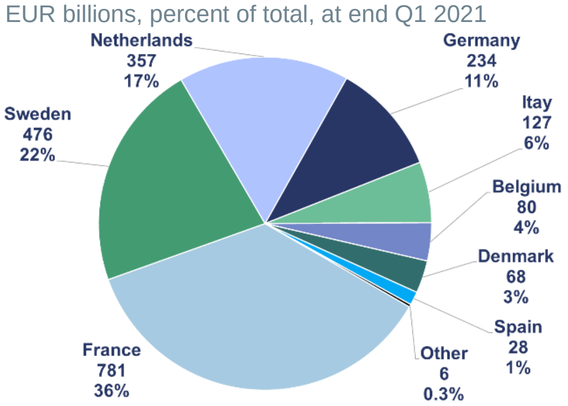
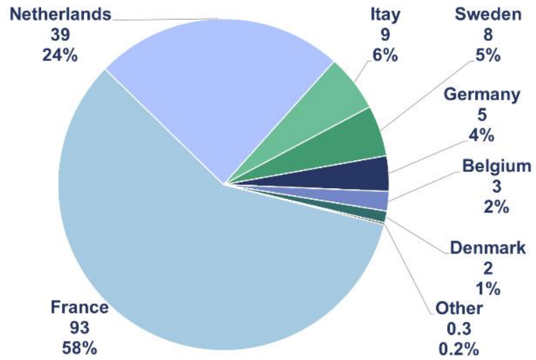


EXHIBIT 3.2

Article 9 Funds Managed in the EU

EUR billions, percent of total, at end Q1 2021



Source: EFAMA

A more detailed overview of the two most important asset classes – sustainable bonds and equity – is provided below. Given that we do not have access to granular data on the holdings of sustainable bonds and sustainable equity in mandates, our analysis focuses on UCITS funds.

Sustainable (ESG) bond UCITS

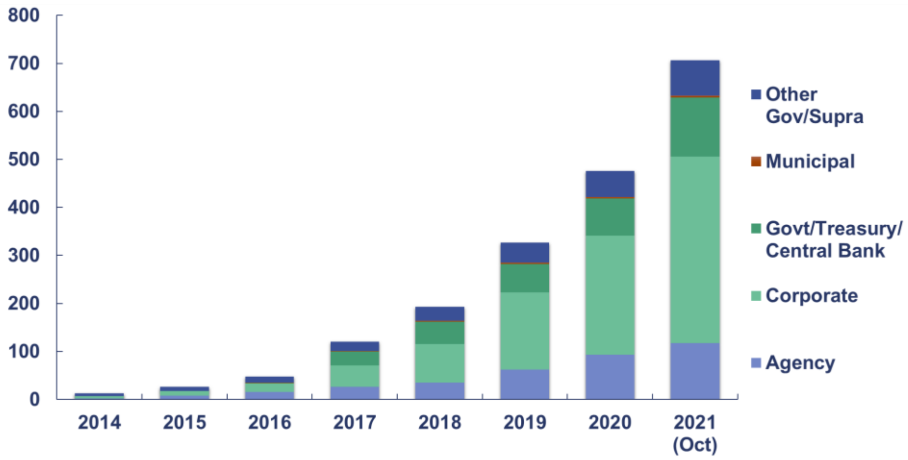
Sustainable (ESG) bonds are those where the proceeds are designated exclusively for financing or re-financing of both green and social projects. The sustainable bond market has seen exponential growth during the last decade.

The very first sustainable bond was issued in 2007 by the European Investment Bank (EIB) and the World Bank. Since then, the market has grown to a total global issuance volume of EUR 1.12 trillion in the first half of 2021.[xii] According to The Climate Bonds Initiative, sustainable instruments have originated from a record 67 nations and multiple supranational institutions. The fiscal policy response to the Covid-19 pandemic led to a significant rise in the issuance of green bonds, which further increased the liquidity and depth of the market, making it more attractive for investors.[xiii]

EXHIBIT 3.3

Total Sustainable Bond Issuance in Europe per Issuer Type

EUR billions



Source: AFME and Refinitiv Eikon

The total issuance volume of sustainable bonds in Europe has increased 18-fold during the last five years, from EUR 26 billion at the end of 2015 to EUR 476 billion at the end of 2020. The Covid-19 crisis accelerated this trend during 2021, leading to an increase in the assets of sustainable bonds to EUR 707 billion during the first 10 months of 2021.

Corporate issuers are the largest sustainable bond issuers in Europe (50%), followed by governmental/supranational institutions (30%). The European Investment Bank (EIB) is one of the most important sole issuers in Europe, with a total EUR 48 billion of sustainable bonds issued since 2007.[xiv]

On the demand side, investing in ESG bonds has become increasingly popular. At the end of 2020, net assets of sustainable bond UCITS were 250% higher than in 2010, amounting to EUR 546 billion. Their ratio in total bond UCITS net assets increased from 16.7% in 2010 to 20.3% in October 2021.

EXHIBIT 3.4
Accumulated Net Asset Growth of Sustainable Bond UCITS in Europe
base year = 2010

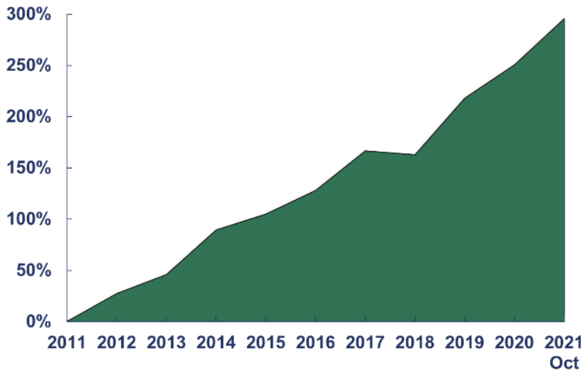
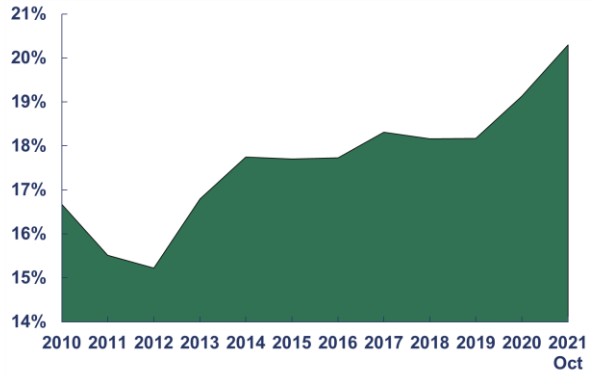


EXHIBIT 3.5
Net Assets Share of Sustainable Bond UCITS in Total Bond UCITS



Source: Morningstar Direct and EFAMA's calculations

Sustainable bonds represent bonds of lower systematic risk[xv] with only 1% of bonds carrying a rating of below B. They tend to be bonds of mid-term maturity, with the majority (80%) maturing within between one and ten years, with a slight advantage towards three to five years maturity (26%). Sustainable bonds are often structured under the issuer's medium-term notes programmes, as the shorter duration represents part of the strategy of reducing exposure to interest rate risk.

EXHIBIT 3.6
Asset-Weighted Bond Rating in European Sustainable Bond UCITS

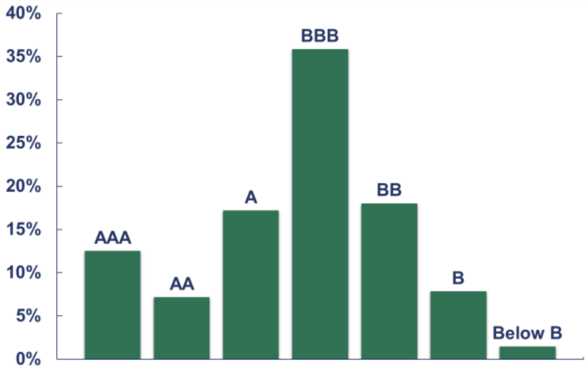
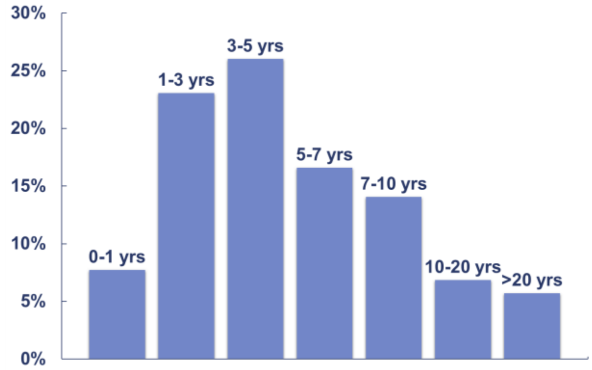


EXHIBIT 3.7
Asset-Weighted Bond Maturity in European Sustainable Bond UCITS



Source: Morningstar Direct and EFAMA's calculations

Sustainable (ESG) equity UCITS

ESG equity UCITS are funds that invest in companies with high ESG standards and sound financial performance. This category of ESG investing still lacks a widely accepted definition, but it is generally agreed that asset managers of ESG equity UCITS use strategies that include - but are not limited to - screening, ESG integration, corporate engagement, sustainable-themes and impact investing. However, it is foreseen that sustainable equity will be backed by taxonomy alignment in the near future.

Between the end of 2010 and the end of 2020, net assets of sustainable equity UCITS increased by 360%, reaching EUR 1.2 trillion by the end of 2020. The share of sustainable equity in total net assets of equity UCITS has also grown, from 22% at the end of 2010 to 29% at the end of 2020.

Technology represents the largest sector in the overall sustainable equity held by UCITS. This is because ESG equity investments often support renewable energy technologies and cleantech companies. At the same time, the allocation share of utilities and traditional energy sectors is understandably low.

EXHIBIT 3.8
Accumulated Net Asset Growth of Sustainable Equity UCITS in Europe
base year = 2010

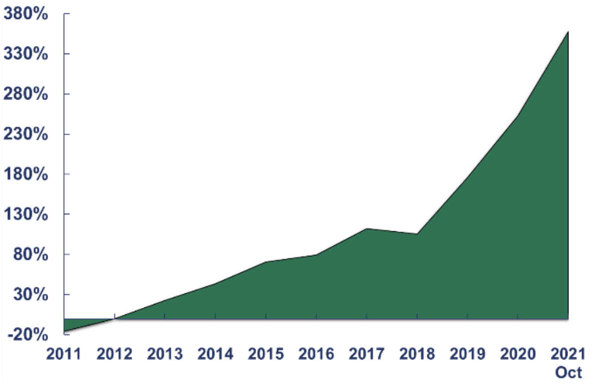


EXHIBIT 3.9
Net Assets Share of Sustainable Equity UCITS in Total Equity UCITS

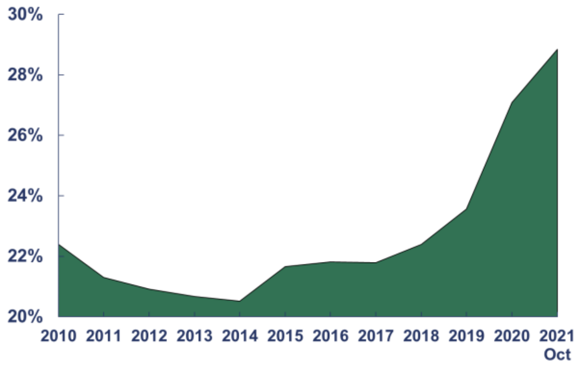


EXHIBIT 3.10
Sustainable Equity UCITS Sector Allocation

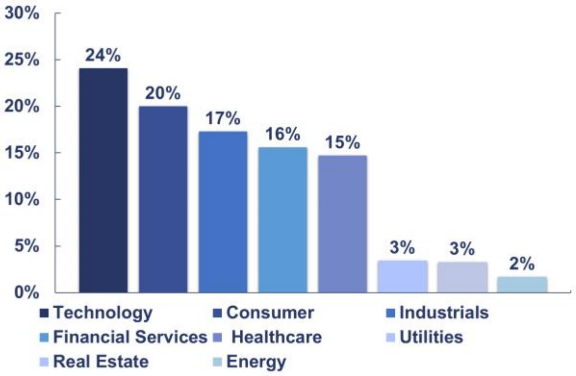
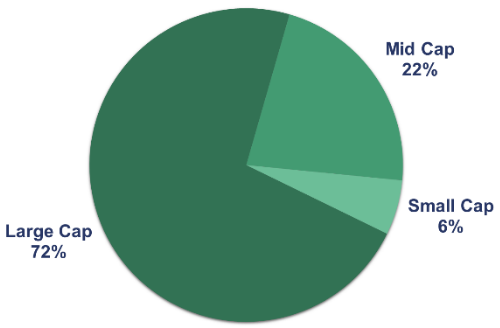


EXHIBIT 3.11
Sustainable Equity UCITS Style Allocation



Source: Morningstar Direct and EFAMA's calculations

Sustainable equity UCITS are mostly invested in large capitalisation companies (72%), and to a lesser extent in mid-capitalisation (22%) and small-capitalised companies (6%).

3.2. Stewardship

Asset managers also contribute to the overall sustainability objectives through their investment stewardship activities. These involve regular engagement with publicly listed investee companies in order to deliver long-term value creation for shareholders in the company.

Investment stewardship seeks to achieve two main goals:

- Applying governance standards that are considered good practices in the market in which companies are listed.
- Encouraging companies to manage environmental and social issues in a sustainable and responsible manner.

Asset managers have two main tools at their disposal to achieve their stewardship goals: engagement and proxy voting.

- **Engagement**: asset managers engage with company management or board members to raise any concerns, encourage good practices, and to understand the extent to which management is delivering sustainable returns for shareholders.
- **Proxy voting:** asset managers participate in general meetings and take part in the votes on behalf of their clients.

Concrete examples of engagement and proxy voting are provided in Section 2.2.3.

4. Financing the European economy

Asset managers provide equity capital for both primary (IPOs and private placements) and secondary markets, as well as debt financing for corporations and governments. They also provide liquidity for the smooth functioning of capital markets and thus for the real economy.

This section provides some estimates of the level of financing that asset managers provide for different sectors of the economy[xvi] via their investments in debt securities and listed shares.

We used data from the ECB, the BIS, national banks, Morningstar Direct and the OECD to calculate the level of financing provided by investment funds domiciled in Europe. In a second step, we estimated the overall contribution of the asset management industry as a whole, taking into account the impact of discretionary mandates.

4.1. Funding contribution of investment funds

Exhibit 4.1 compares the level of debt securities issued in Europe with the level of debt securities owned by European investment funds at the end of 2020.

It can be seen that European investment funds owned EUR 3.6 trillion, or 13%, of the total amount of debt securities issued by European residents at the end of 2020.

EXHIBIT 4.1
Debt Securities Issued in Europe and Shares Owned by European Investment Funds at the End of 2020
EUR billions, percent

Issuer	Securities held by European IFs	Total securities issued	Share of European IFs
General Government	1,284	12,958	10%
MFIs	881	7,233	12%
Non-Financial Corporations	656	2,222	30%
Other	731	4,621	16%
Total	**3,552**	**27,034**	**13%**

Source: EFAMA's calculation based on ECB, BIS, OECD, national banks and Morningstar Direct data

Sovereign debt securities represented the highest amount of debt securities owned by European investment funds (EUR 1,284 billion). However, the highest level of debt securities owned by investment funds relates to the financing of non-financial corporations, i.e., private and public corporate enterprises producing goods or providing non-financial services. Almost one-third (30%) of the overall debt issued by these corporations was financed by European investment funds by the end of 2020.

Examining the evolution over time, it can be seen that the share of investment funds in the existing stock of debt securities issued by European residents increased from 10.9% in 2010 to 13.1% in 2020. This represented an increase of EUR 1,256 billion.

EXHIBIT 4.2

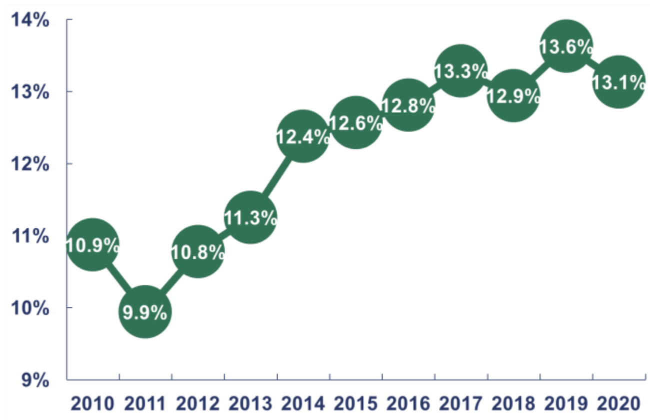
Debt Securities Issued in Europe

EUR billions

End of Year	Securities held by European IFs	Total securities issued
2010	2,296	21,119
2011	2,207	22,199
2012	2,460	22,827
2013	2,507	22,273
2014	2,855	23,062
2015	2,943	23,411
2016	3,005	23,462
2017	3,109	23,396
2018	3,105	23,990
2019	3,443	25,263
2020	3,552	27,034

EXHIBIT 4.3

Share of IF Ownership in European Debt Securities



Source: EFAMA's calculation based on ECB, BIS, OECD, national banks and Morningstar Direct data

We can further examine the contribution of fund managers as shareholders of companies.

The data reported in Exhibit 4.4 shows that the total value of listed shares issued by European residents at the end of 2020 amounted to EUR 12.7 trillion, with European investment funds owning EUR 2.4 trillion, or 19% of the shares issued in Europe. A large stake of the listed shares owned by European investment funds (19%) is also attributed to non-financial corporations, confirming the significant contribution of the fund management industry to the real economy.

EXHIBIT 4.4

Listed Shares Issued in Europe at the End of 2020

EUR billions, percent

Issuers	Listed shares held by European IFs	Total listed shares issued	Share of European IFs
General Government	---	---	---
MFIs	105	880	12%
Non-financial Corporations	1,781	9,500	19%
Other	473	2,302	21%
Total	**2,360**	**12,682**	**19%**

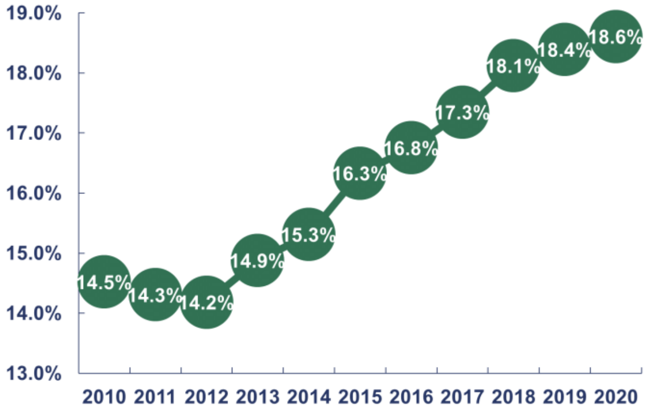
Source: EFAMA's calculation based on ECB, BIS, OECD, national banks and Morningstar Direct data

It can also be seen in Exhibits 4.5 and 4.6 that the industry's holdings of shares issued by European residents have significantly increased since 2010.

EXHIBIT 4.5
Listed Shares Issued in Europe and Those Owned by European Investment Funds during the Period 2010 - 2020
EUR billions

End of Year	Listed shares held by euro area IF	Total listed shares issued
2010	1,093	7,525
2011	932	6,519
2012	1,082	7,627
2013	1,310	8,807
2014	1,413	9,230
2015	1,673	10,245
2016	1,762	10,521
2017	2,032	11,712
2018	1,851	10,216
2019	2,297	12,492
2020	2,360	12,682

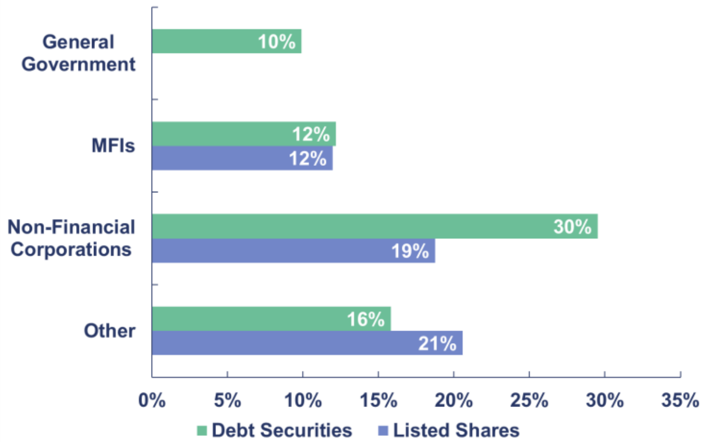
EXHIBIT 4.6
Share of IF Ownership in European Listed Shares



Source: EFAMA's calculation based on ECB, BIS, OECD, national banks and Morningstar Direct data

In order to obtain a better overview of the contribution per sector, Exhibit 4.7 below compares the share of debt securities and listed shares held by European investment funds with the total amount of securities and shares issued in Europe. The role of investment funds in financing non-financial institutions can be considered highly relevant.

EXHIBIT 4.7
Share of Debt Securities and Listed Shares Owned by European Investment Funds in the Total Amount Issued in Europe at the End of 2020
in % of total issuance in Europe



Source: EFAMA's calculation based on ECB, BIS, OECD, national banks and Morningstar Direct data

4.2. Overall funding contribution of asset managers

To estimate the overall impact of European asset managers on the financing of the European economy, we extended our analysis to take account of the contribution of discretionary mandates.

In the absence of reliable data on the breakdown of the assets held in mandates, we have assumed that the share of debt securities and listed shares issued in the portfolio of debt securities and listed shares managed by European investment funds at the end of 2020 is the same as the share of these assets in the portfolio of European discretionary mandates, i.e., 51.0% and 40.3% for the share of debt securities and listed shares issued by European residents, respectively.

We base this assumption on the fact that the universe of European investment funds represents a large population of funds, which is highly diversified in terms of investment strategies and investors, and can therefore act as a proxy for estimating the asset allocation of the pool of financial assets managed in Europe.

On this basis, we calculate that the outstanding amount of debt and equity issued by European residents and held by European asset managers stood at EUR 6,965 billion and EUR 3,414 billion, respectively, at the end of 2020. Exhibit 4.8 highlights that European asset managers held 25.8% of the debt securities and 26.9% of the listed shares issued by European residents. It should also be noted that the industry holding of listed shares represented 34.5% of the free-float market capitalisation in Europe.

EXHIBIT 4.8
Debt Securities and Listed Shares Issued in Europe and the Amounts Held by European Asset Managers in Their Portfolios
EUR billions

	Securities other than shares	Listed shares
European assets held by European asset managers	6,965	3,414
Securities/Shares issued by European residents	27,035	12,682
Total share of European asset managers	25.8%	26.9%
(in % of free-float market capitalization) *		34.5%

* Shares that can be publicly traded and are not restricted (i.e., held by insiders), free-float source: STOXX Europe Total Market Index and EFAMA’s calculation.

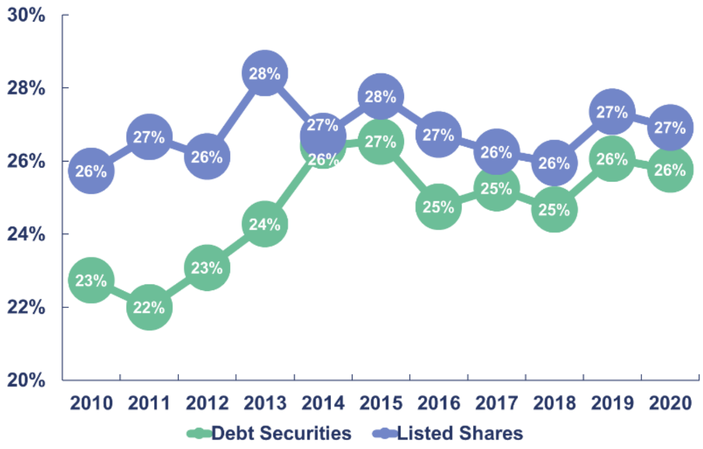
Source: EFAMA’s calculation based on ECB, BIS, OECD, national banks and Morningstar Direct data

Exhibit 4.9 shows that the proportion of listed shares held by European asset managers has remained stable during the last decade, whereas their holdings of debt securities has increased, from 23% at the end of 2010 to 26% at the end of 2020.

EXHIBIT 4.9

Shares of European Asset Managers in the Universe of Debt Securities and Shares Issued in Europe

percent



Source: EFAMA's calculation based on ECB, BIS, OECD, national banks and Morningstar Direct data

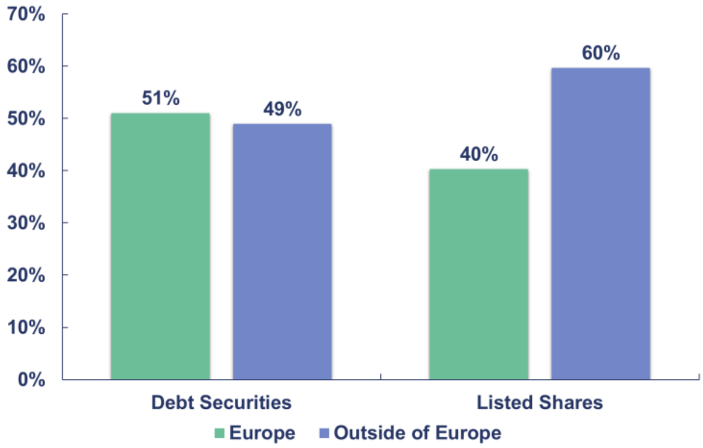
4.3. Financing the economy outside of Europe

European asset managers not only fund the European economy but also economic activity in the rest of the world. They do so by creating investment opportunities outside of Europe, allowing European investors to allocate their resources across the globe and diversify their portfolios. Exhibit 4.10 shows the share of debt securities and listed shares held by European investment funds and issued both inside and outside the European area.

EXHIBIT 4.10

Share of Debt Securities and Listed Shares Owned by European IFs Invested Inside and Outside of Europe at the End of 2020

percent



Source: EFAMA's calculation based on ECB, BIS, OECD, national banks and Morningstar Direct data

European investment funds hold a higher level of listed shares issued outside of Europe than inside. At the same time, the share of debt securities issued inside and outside Europe and held by investment funds is almost identical.

5. Clients of the European asset management industry

5.1. Clients at the European level

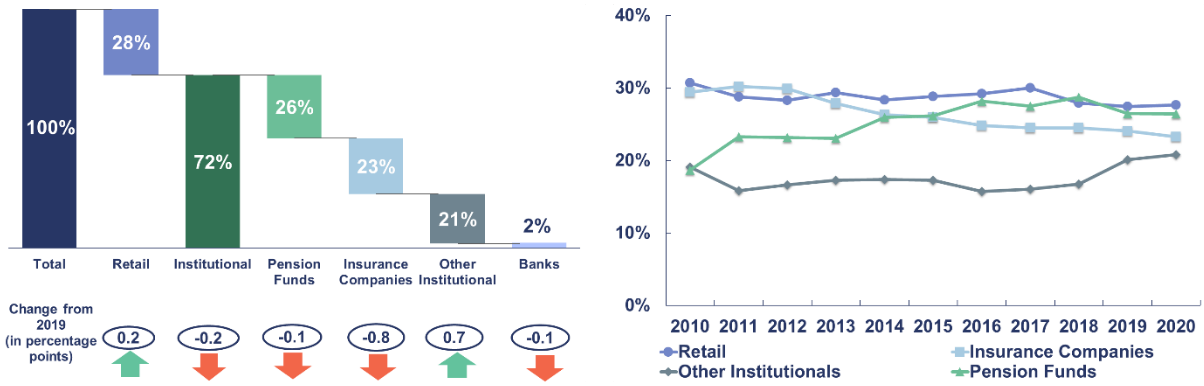
The asset management industry serves two main categories of clients: retail and institutional. Retail clients are predominantly household investors, but also high-net-worth individuals (HNWI). The main types of institutional clients are pension funds, insurance companies and other institutional bodies such as charities, foundations, holding companies and large corporations. Institutional clients are the largest clients of the industry, as they control large amounts of financial assets and often outsource the management of all - or a large proportion of - their assets to external asset managers.

EXHIBIT 5.1

Breakdown of Clients by AuM

Breakdown of Clients by AuM at the End of 2020 (percent)

Evolution of Breakdown between Clients (share in total AuM)



The share of retail clients increased slightly between 2012-2017 as a result of two factors: the strong performance of the stock and bond markets, which strengthened investor confidence in capital markets, and the ultra-low interest rates offered on bank deposits. In 2018, the share declined once again as the rising market volatility eroded investor confidence.

The share of retail clients finally edged up again in 2020, as European households increased their investment in capital market instruments, mainly listed shares and investment funds. A 'perfect storm' of circumstances explains this shift in investor sentiment:

- The steep fall in stock markets in March 2020 was seen by many retail investors as the ideal time to step into the market and acquire stocks and investment funds at advantageous prices. Purchases of French equities by retail investors increased fourfold in March 2020.[xvii] The rapid rebound of financial markets in April 2020 further reinforced retail investor confidence.

- The robust response of central banks to the pandemic sent the message to retail investors that the interest rates on their bank deposits would remain exceptionally low - negative in real terms - for the foreseeable future. This convinced many households to shift some of their savings into capital market instruments to avoid losing even more purchasing power. EFAMA[xviii] calculated that had European households diverted half of their inflows into deposits between 2008 and 2019 into investment funds, their combined financial wealth would have been EUR 1.2 trillion greater.

- As a result of the lockdown measures, many people had more time to devote to active management of their savings and for experimenting in investing in capital markets.

- The rise of online brokers and the emergence of user-friendly investment platforms has made it easier for retail investors to invest in the markets in a simple and cost-efficient manner. This attracted many newer and younger retail investors into the capital markets in 2020. First-timers represented almost 14% of retail investors in France. [xix] These investors were, on average, 10-15 years younger than regular investors.

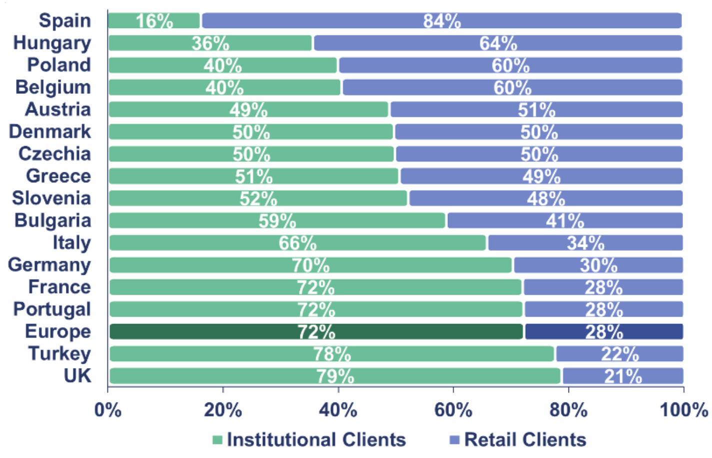
The share of pension funds and insurance companies moved in opposite directions in the 2012-2018 period, with pension funds rising and insurance companies steadily declining. Traditional life insurance contracts became less attractive in the prolonged low interest rate environment. A second reason was that pension funds have a greater exposure to equity than insurance companies, which are subject to Solvency II rules. As a result, pension funds have benefited more from the strong performance of stock markets than insurance companies. The increasing share of pension funds was also driven by the strong growth of the sector in the UK, resulting from an automatic pension enrolment scheme that began in 2012.

In recent years, the share of other institutional clients has increased, a trend that has been seen across the board in most major European asset management centres. It illustrates that, apart from pension funds and insurers - the ‘traditional’ clients of the asset management sector - other institutions are increasingly discovering the benefits of outsourcing their asset management to professional asset managers.[xx] In Germany, for example, private and public non-profit organisations have significantly increased in importance as clients of the asset management industry. One example is KENFO, the German nuclear waste management fund, which has become an important ‘other’ institutional client of the asset management industry.

5.2. Clients at country level

Zooming in on the asset managers’ client base across Europe, we again can see wide variations between countries. These reflect differences in the role of insurance products in retirement savings, the structure of national pension systems, the role of banks in the distribution of retail investment products and the cross-border activities of asset managers as well as their capacity to attract capital from foreign investors.[xxi]

EXHIBIT 5.2
AuM by Type of Client at the End of 2020
share in total AuM

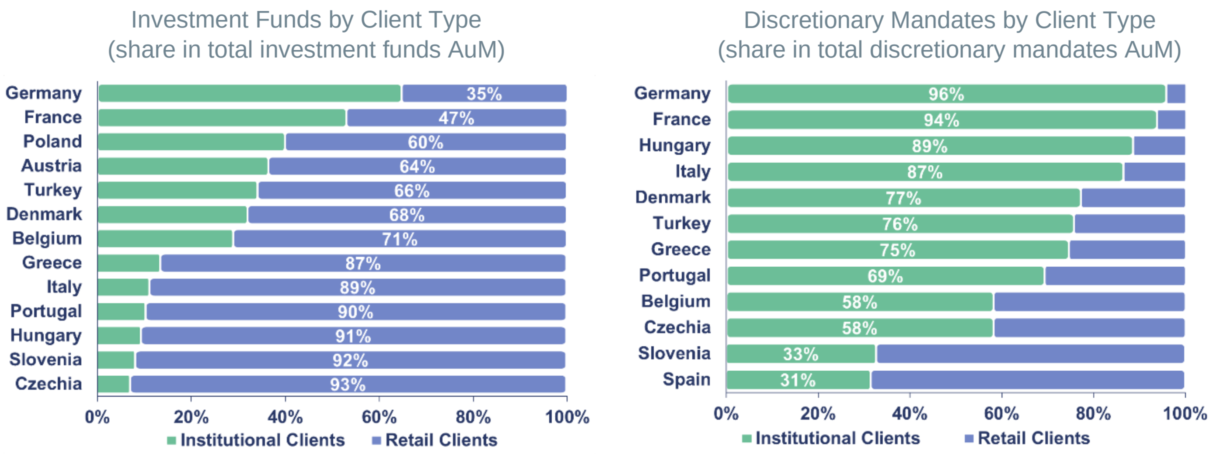


Investment funds and discretionary mandates are typically geared towards different types of clients. In the investment fund market, retail tends to be the main client. However, some institutional clients, specifically pension funds and insurers, also invest a significant and growing share of their portfolios into investment funds. This is particularly the case in Germany and Austria, where 'Spezialfonds' are popular investment vehicles dedicated exclusively to insurance companies, pension funds and other institutional investors.

Investment funds are also used extensively in French workplace pension schemes, while money market funds play an important role in cash management for many French corporations.

EXHIBIT 5.3

Investment Funds and Discretionary Mandates by Client Type at the End of 2020



In the discretionary mandate market, institutional clients tend to dominate, as mandates are usually associated with a substantial minimum investment amount, thus rendering them inaccessible to mainstream retail investors. Another reason is that mandates can offer very specific investment solutions for to the investors' sophisticated needs, such as asset-liability management, liability-driven investments and separation of alpha- and beta-investment strategies.

It is mainly large investors, in terms of investable assets, that have such specific investment requirements. However, the rise of robo-advice and online platforms/banks in recent years, has created more possibilities for retail clients to also invest in the markets via discretionary mandates.

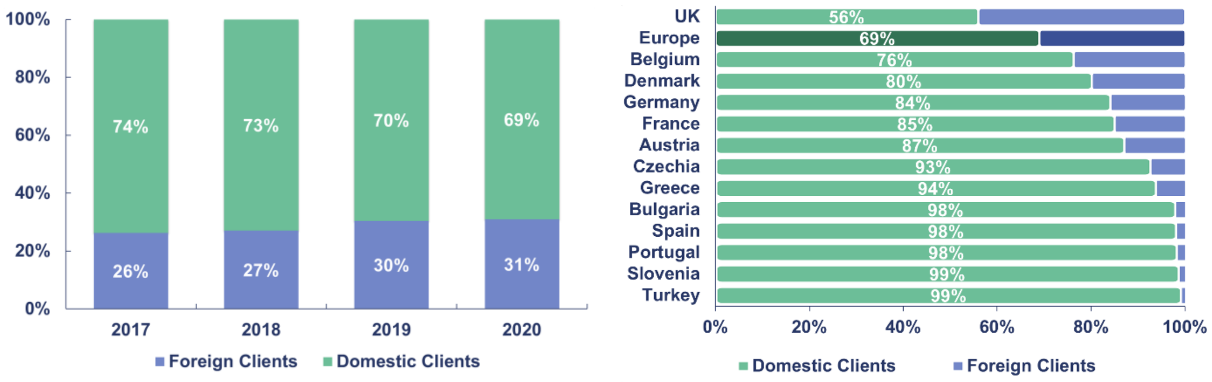
5.3. Domestic and foreign clients

Domestic clients are by far the biggest among the European asset management industry, accounting for 69% of AuM at end-2020. However, the importance of foreign clients has been steadily growing in recent years, from a 26% share in 2017 to 31% at end 2020. This development is in line with one of the key goals of the EU's Capital Markets Union (CMU), which is to further integrate national capital markets into a genuine single market.

In several European countries, the share of foreign clients has gradually increased in recent years. For example, in Belgium, the share of foreign clients rose from 18% in 2017 to 24% in 2020. A similar trend is also apparent in countries such as Germany and France.

The share of AuM being managed on behalf of foreign clients is the highest in the UK and is rising; it was equal to 44% at the end of 2020, compared to 40% in 2017. This high percentage confirms the lasting role of London as an international hub from where global asset management companies undertake the actual management of their assets.

EXHIBIT 5.4
Domestic and Foreign Clients
share in total AuM



6. Asset allocation in Europe

6.1. Investment portfolios

The asset allocation within investment portfolios reflects the investment guidelines given by the asset owners and the diverse investment objectives of the various types of clients. At the end of 2020, bond assets accounted for 40% of investment portfolios managed by asset managers in Europe, compared with 31% for equity assets and 7% for money market and cash equivalents. The remainder of the portfolios (23%) were made up of other assets.

The predominance of fixed-income instruments reflects the importance of institutional clients, who generally consider bonds as safe instruments for preserving capital, generating income and meeting regular payment obligations vis-a-vis their investors. This was further reinforced by the implementation of Solvency II regulatory constraints.

The share of bonds and cash/money market instruments in the overall asset allocation has been gradually declining until 2018, to the benefit of other assets such as real estate and infrastructure assets, hedge funds, structured products, private equity and liability-driven investments. This shift was triggered by the search for yield in an environment of extremely low or negative interest rates on a range of sovereign bonds and bank deposits. The growth in the share of other assets has, however, levelled off in 2019 and 2020.

EXHIBIT 6.1
Asset Allocation at the End of 2020
share in total AuM

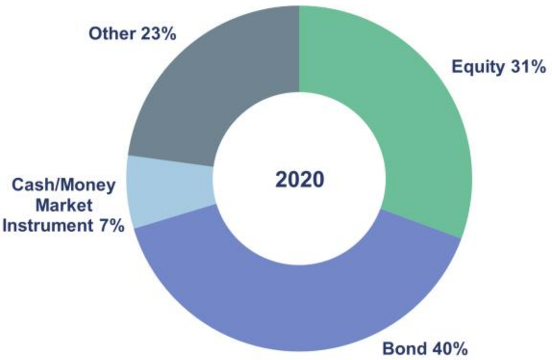


EXHIBIT 6.2
Other Assets: Breakdown

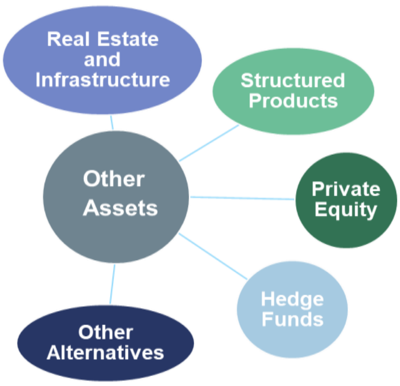
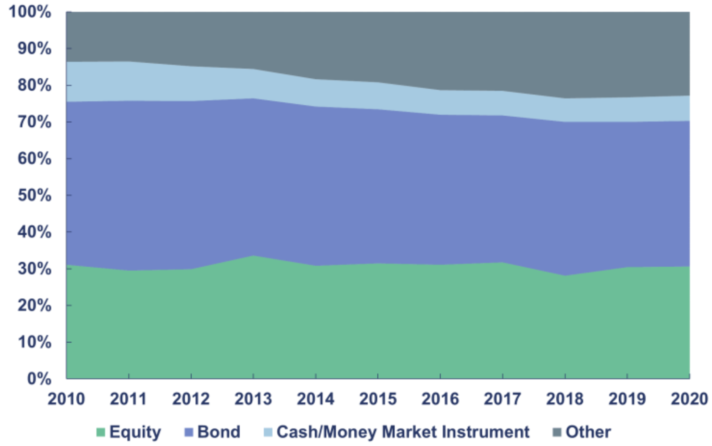


EXHIBIT 6.3
Evolution of Asset Allocation
share in total AuM

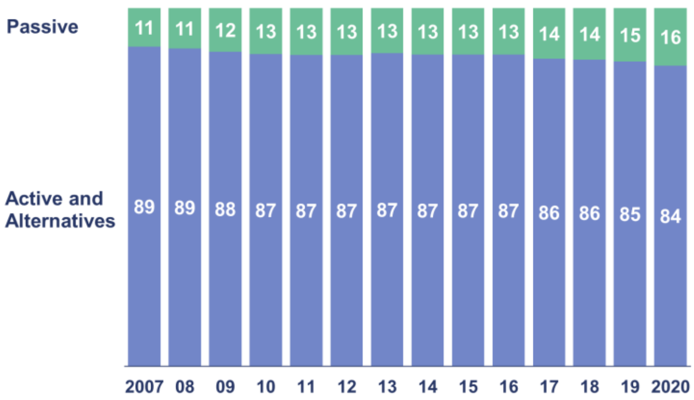


Another important trend is the growing share of passive asset management. Exhibit 6.4 shows that passive asset management has increased its share of long-term AuM by over 5 percentage points since 2007.

EXHIBIT 6.4

Western European AuM by Investment Style

% of total AuM, excluding money market instruments



Source: McKinsey & Company Global Growth Cube

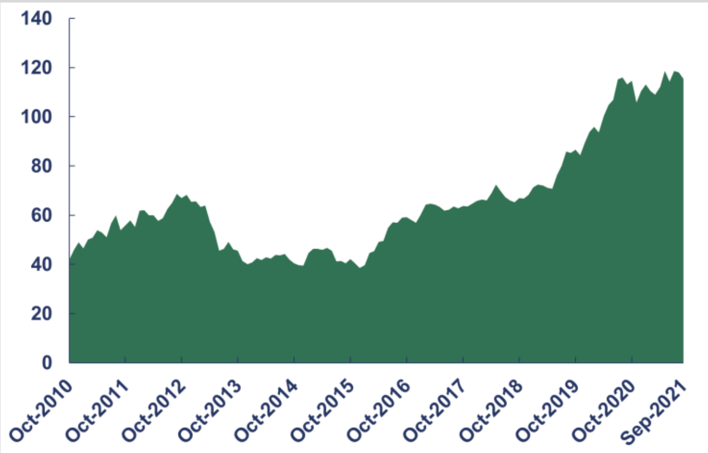
Growing importance of commodities as a separate asset class

Commodities, such as metals, agricultural commodities, energy and livestock, form the basis of our economy. This is because they are important inputs for the production of food, energy and clothing; they are also needed to ensure the proper functioning of the economy.

Asset managers play an important role in this market by treating commodities as an asset class. Commodities have indeed demonstrated a low - even negative - historic correlation of returns compared to stocks and bonds, as well as a positive correlation with the consumer price increase (inflation rate). Thus, by including commodities in a traditional stock and bond portfolio, asset managers can improve the risk-adjusted performance characteristics of the total portfolio. Asset managers can make direct investments in physical commodities, commodity-related companies, commodity futures or commodity futures indices.

According to Morningstar Direct, the net assets of European commodity investment funds grew from EUR 42 billion at the end of 2010 to EUR 110 billion at the end of August 2021. These figures provide a strong indication of the growing role of asset managers in the commodities markets.

EXHIBIT 6.5
Net Assets of European Commodity IFs
EUR billions



Source: EFAMA's calculations based on Morningstar Direct data

6.2. Asset allocation of investment funds and discretionary mandates

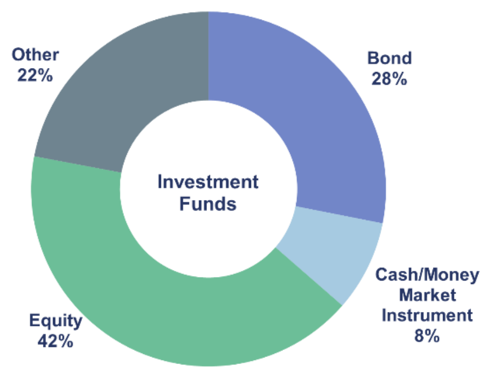
There are significant differences in the asset allocation of investment funds and discretionary mandates.[xxii] At the end of 2020, equities represented 42% of investment fund assets and only 20% of mandate assets. Conversely, bonds accounted for 51% of mandate assets, compared to 28% in the portfolio holdings of investment funds. This difference is explained by the fact that mandates have an asset allocation that is much more biased towards bonds, as pension funds and insurance companies need to meet their anticipated liabilities.

The share of equities in the portfolio held by investment funds has increased steadily over the last decade, as a result of the strong growth of the stock markets and the search for yield in an environment of falling interest rates. The share fell in 2018, but only as a result of the steep stock market decline at the end of that year, recovering briskly in 2019 and 2020.

In contrast, the share of equity in the asset mix of mandates, has not changed significantly over recent years. This can be explained by two factors: the growing maturity of pension liabilities tends to reduce the exposure of pension funds to equities and the solvency requirements imposed on insurers. At the same time, the share of bonds in mandates has continued to fall in recent years, while that of other, more illiquid and higher yielding assets, has increased.

EXHIBIT 6.6
Asset Allocation in Investment Funds

Asset Allocation at the End of 2020
(share in total investment funds AuM)



Evolution in Recent Years
(share in total investment funds AuM)

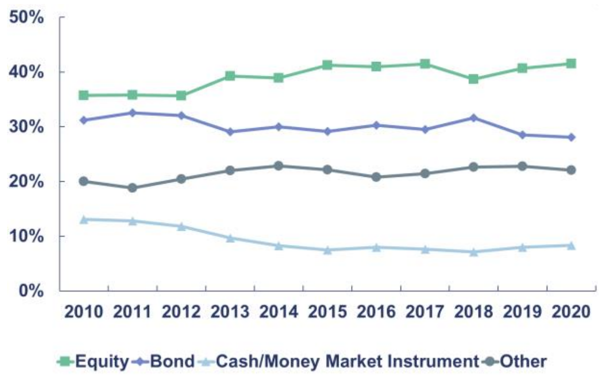
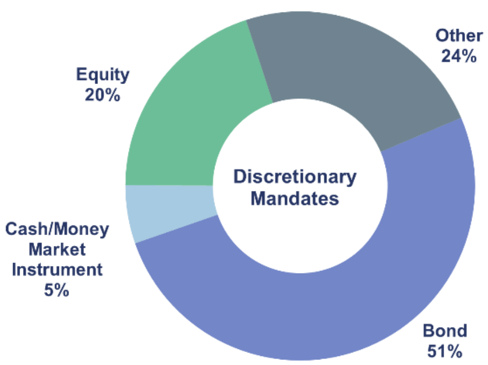
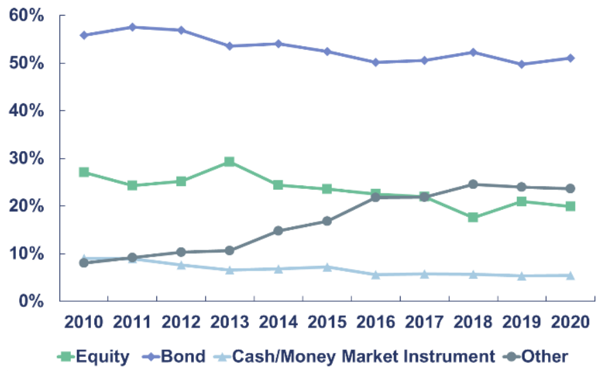


EXHIBIT 6.7
Asset Allocation in Discretionary Mandates

Asset Allocation at the End of 2020
(share in total discretionary mandates AuM)



Evolution in Recent Years
(share in total discretionary mandates AuM)



7. Industry organisation

7.1. Asset management companies

More than 4,580 asset management companies were active in Europe in 2020. Exhibit 7.1 below shows the number in each country.

The UK, France and Germany have the highest number of asset management companies. This reflects the relative importance of London, Paris and Frankfurt as asset management centres and the role played in those markets by independent and specialised asset managers, such as management companies of private equity funds.

The relatively high number of asset management companies operating in Ireland and Luxembourg mirrors the role played by these two countries in the cross-border distribution of UCITS and AIFs. It also reflects the fact that fund houses are required to have a management company in each country where they have funds domiciled. However, most global asset management groups with a fund range in Luxembourg or Ireland operate under a 'delegation model', whereby the investment management functions are not carried out in those countries, but rather in the groups' asset management centres.

EXHIBIT 7.1
Number of Asset Management Companies[1]

Country	2020	Country	2020
Austria	15	Luxembourg	268
Belgium	59	Malta	112
Bulgaria	31	Netherlands	223
Croatia	24	Norway	29
Cyprus	192	Poland	37
Czech Republic	28	Portugal	67
Denmark	37	Romania	24
Finland	25	Slovakia	8
France	680	Slovenia	5
Germany	386	Spain	122
Greece	43	Sweden	94
Hungary	25	Switzerland	217
Ireland	417	Turkey	49
Italy	247	United Kingdom	1,100
Liechtenstein	17	**Europe**	4,581

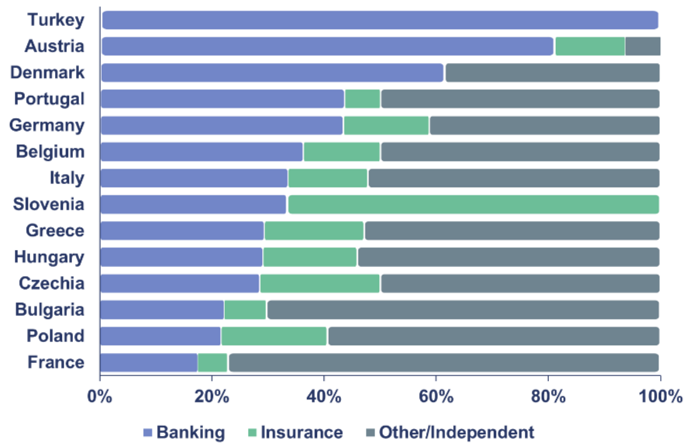
[1] The table shows the number of management companies registered in the countries concerned, except for Austria, Czech Republic, Hungary and Romania where the figures refer to the members of the national trade association. For Ireland, the number refers to the number of UCITS Management Companies and AIF Managers. For Slovenia, the number includes subsidiaries of foreign asset management companies. For the Netherlands and Switzerland, 2019 data is used. For the United Kingdom, the number is an estimation based on 2019 data.

Another dimension of the organisation of the European asset management industry is the extent to which asset management firms operate as stand-alone companies or form part of financial services groups. This varies significantly from country to country.

Exhibit 7.2 shows the relative importance of asset management companies belonging to a banking group or an insurance group. Companies that are independent, or are controlled by other types of financial firms, are grouped in the 'Other/Independent' category. It is important to note that these figures relate to the number of firms and not to their AuMs.

EXHIBIT 7.2

Number of Asset Management Companies by Parent Group Categories at the End of 2020



7.2. Profitability

Industry operating profit margins (calculated as pre-tax operating profits divided by revenues) have remained relatively consistent over the last decade, although they have not recovered to the highs of the pre-global financial crisis era (i.e., 2007 and before). This has been driven by persistent compression in revenue yields, largely as the result of long-term shifts in asset mix towards lower-yielding asset classes, particularly money market funds and passive funds. The decline in operating costs as a percentage of total AuM has helped as an offset, driven by a combination of the tailwinds of market performance as well as generally slower cost growth in support function spend amongst managers.

EXHIBIT 7.3

Western European Asset Net Revenue and Cost

Bps of average AuM

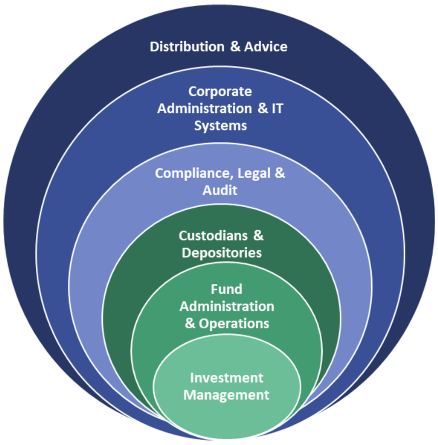
Source: McKinsey & Company Global Asset Management Survey

7.3. Employment

The level of direct employment in asset management companies is another important measure of the contribution of the industry to the overall economy. On the basis of data collected from our members, we estimate that around 115,000 individuals are directly employed by the asset management industry across Europe.

EXHIBIT 7.4
Direct Employment in European Asset Management Companies in 2020

EXHIBIT 7.5
Asset Management and Related Services



When looking at the overall employment generated by the asset management industry, it is important to take into account the indirect employment linked to fund distribution, which in Europe often happens via banks or financial advisors. Related services and the support functions for asset management - such as accounting, auditing, custodianship, IT, legal, marketing, research and FinTech - should also be factored in.

Taking into account all these related services along the asset management value chain, the French asset management association (AFG) has estimated that, in France, every direct job in asset management creates 4.6 full-time equivalent jobs in related services.[xxiii] Based on this ratio, it is possible to argue that European asset managers, and all the firms providing services to the asset management industry, generate some 644,000 full-time equivalent jobs.

EXHIBIT 7.6
Total Employment in the European Asset Management Industry in 2020

1 Full-time equivalent jobs.

Data annex

A.1: European AuM by Geographical Breakdown at the End of 2019 and 2020

(EUR billions and percent)

Country	2019				2020			
	AuM	% Δ in 2019 [1]	Market Share	AuM / GDP	AuM	% Δ in 2020 [2]	Market Share	AuM / GDP
UK	9,962	16%	36.8%	394%	10,442	5%	36.7%	440%
France	4,433	9%	16.4%	183%	4,582	3%	16.1%	201%
Germany	2,719	24%	10.1%	79%	2,882	6%	10.1%	86%
Switzerland	2,321	21%	8.6%	355%	2,488	7%	8.8%	379%
Netherlands	1,415	17%	5.2%	175%	1,826	29%	6.4%	229%
Italy	1,493	14%	5.5%	83%	1,553	4%	5.5%	94%
Denmark	456	18%	1.7%	146%	492	8%	1.7%	158%
Spain [3]	401	8%	1.5%	32%	405	1%	1.4%	36%
Belgium	314	10%	1.2%	66%	346	10%	1.2%	77%
Austria [4]	145	11%	0.5%	36%	151	4%	0.5%	40%
Poland [5]	63	5%	0.2%	12%	61	-3%	0.2%	12%
Portugal	61	-22%	0.2%	28%	48	-20%	0.2%	24%
Czech Republic	37	n.a.	0.1%	16%	39	5%	0.1%	18%
Hungary	29	3%	0.1%	20%	28	-3%	0.1%	21%
Turkey	21	-7%	0.1%	3%	19	-7%	0.1%	3%
Greece	12	24%	<0.1%	7%	13	3%	<0.1%	8%
Slovenia	4	38%	<0.1%	7%	4	14%	<0.1%	9%
Bulgaria	1	15%	<0.1%	2%	1	2%	<0.1%	2%
Other	3,147	n.a	11.6%	n.a.	3,045	n.a	10.7%	n.a.
Europe	**27,033**	**17%**	**100%**	**149%**	**28,423**	**5%**	**100%**	**166%**

[1] End 2019 AuM compared to end 2018 AuM.
[2] End 2020 AuM compared to end 2019 AuM.
[3] Spanish data for discretionary mandates is estimated by INVERCO.
[4] Austrian data include investment fund assets only.
[5] Polish data include investment fund assets only.

A.2: Investment Fund Assets by Geographical Breakdown of AuM at the End of 2019 and 2020

(EUR billions and percent)

Country	2019				2020			
	AuM	% Δ in 2019 [1]	Market Share	AuM / GDP	AuM	% Δ in 2020 [2]	Market Share	AuM / GDP
UK	3,666	8%	25.1%	145%	4,132	13%	26.9%	174%
France	2,531	9%	17.3%	104%	2,671	6%	17.4%	117%
Germany	2,205	15%	15.1%	64%	2,287	4%	14.9%	69%
Switzerland	1,355	23%	9.3%	207%	1,442	6%	9.4%	220%
Netherlands	947	14%	6.5%	117%	1,007	6%	6.6%	126%
Italy	479	8%	3.3%	27%	494	3%	3.2%	30%
Spain	321	7%	2.2%	26%	319	-0.4%	2.1%	28%
Denmark	284	22%	1.9%	91%	307	8%	2.0%	98%
Belgium	160	13%	1.1%	34%	191	19%	1.2%	42%
Austria	145	11%	1.0%	36%	151	4%	1.0%	40%
Poland	63	5%	0.4%	12%	61	-3%	0.4%	12%
Hungary	20	2%	0.1%	13%	19	-3%	0.1%	14%
Turkey	19	-5%	0.1%	3%	18	-8%	0.1%	3%
Portugal	16	-27%	0.1%	7%	17	9%	0.1%	9%
Czech Republic	13	n.a	0.1%	6%	13	4%	0.1%	6%
Greece	7	29%	<0.1%	4%	7	3%	<0.1%	4%
Slovenia	3	38%	<0.1%	5%	3	8%	<0.1%	6%
Bulgaria	1	9%	<0.1%	1%	1	2%	<0.1%	1%
Other	2,371	n.a	16.2%	n.a.	2,232	n.a	14.5%	n.a.
Europe	**14,606**	**15%**	**100%**	**81%**	**15,371**	**5%**	**100%**	**90%**

[1] End 2019 AuM compared to end 2018 AuM.
[1] End 2020 AuM compared to end 2019 AuM.

A.3: Discretionary Mandates by Geographical Breakdown of AuM at the End of 2019 and 2020

(EUR billions and percent)

Country	2019				2020			
	AuM	% Δ in 2019 [1]	Market Share	AuM / GDP	AuM	% Δ in 2020 [2]	Market Share	AuM / GDP
UK	6,296	21%	50.7%	249%	6,310	0.2%	48.3%	266%
France	1,901	8%	15.3%	78%	1,911	0.5%	14.6%	84%
Italy	1,014	16%	8.2%	57%	1,059	4%	8.1%	64%
Switzerland	966	19%	7.8%	148%	1,045	8%	8.0%	159%
Netherlands	467	23%	3.8%	58%	818	75%	6.3%	102%
Germany	514	84%	4.1%	15%	595	16%	4.6%	18%
Denmark	172	11%	1.4%	55%	185	8%	1.4%	59%
Belgium [3]	154	6%	1.2%	32%	156	1%	1.2%	35%
Spain [4]	80	16%	0.6%	6%	86	8%	0.7%	8%
Portugal	45	-20%	0.4%	21%	31	-31%	0.2%	15%
Czech Republic	24	n.a.	0.2%	11%	25	5%	0.2%	12%
Hungary	10	4%	0.1%	7%	9	-3%	0.1%	7%
Greece	5	18%	<0.1%	3%	5	2%	<0.1%	3%
Turkey	1	-28%	<0.1%	0.2%	1	7%	<0.1%	0.2%
Slovenia	1	39%	<0.1%	2%	1	29%	<0.1%	3%
Bulgaria	0.2	44%	<0.1%	0.4%	0.3	3%	<0.1%	0.4%
Other	776	9%	6.2%	n.a.	813	5%	6.2%	n.a.
Europe	**12,427**	**19%**	**100%**	**69%**	**13,052**	**5%**	**100%**	**76%**

[1] End 2019 AuM compared to end 2018 AuM.
[2] End 2020 AuM compared to end 2019 AuM.
[3] Belgian data include unit-linked insurance products and pension funds.
[4] Spanish data for discretionary mandates is estimated by INVERCO.

A.4: Investment Fund Assets at the End of 2020 - Geographical Breakdown by Country of Management vs. Country of Domiciliation

(EUR billions and percent)

	Investment Funds by Country of Management		Investment Funds by Country of Domiciliation	
Country	Net Assets	Market Share	Net Assets	Market Share
UK	4,132	26.9%	1,784	9.5%
France	2,671	17.4%	2,067	11.0%
Germany	2,287	14.9%	2,511	13.4%
Switzerland	1,442	9.4%	762	4.1%
Netherlands	1,007	6.6%	999	5.3%
Italy	494	3.2%	329	1.8%
Spain	319	2.1%	304	1.6%
Denmark	307	2.0%	329	1.8%
Belgium	191	1.2%	171	0.9%
Austria	151	1.0%	201	1.1%
Poland	61	0.4%	62	0.3%
Hungary	19	0.1%	19	0.1%
Turkey	18	0.1%	26	0.1%
Portugal	17	0.1%	26	0.1%
Czech Republic	13	0.1%	15	0.1%
Greece	7	<0.1%	10	0.1%
Slovenia	3	<0.1%	3	<0.1%
Bulgaria	1	<0.1%	1	<0.1%
Other	2,232	14.5%	9,146	48.7%
Europe	**15,371**	**100%**	**18,766**	**100%**

A.5.1: AuM by Type of Client and Country at the End of 2019
(share in total AuM)

	Institutional Clients					Retail Clients
Country	**Pension Funds**	**Insurers**	**Banks**	**Other Inst.**	**Total Institutional**	**Total Retail**
Austria	13%	8%	7%	21%	50%	50%
Belgium	8%	8%	6%	20%	41%	59%
Bulgaria	22%	17%	6%	6%	51%	49%
Czech Republic	25%	10%	0.1%	9%	44%	56%
Denmark	27%	7%	3%	14%	50%	50%
France	10%	50%	3%	11%	73%	27%
Germany	10%	24%	7%	29%	69%	31%
Greece	30%	14%	1%	7%	52%	48%
Hungary	18%	12%	1%	5%	36%	64%
Italy	4%	46%	0%	17%	66%	34%
Poland	0%	7%	0%	32%	39%	61%
Portugal	11%	51%	3%	16%	80%	20%
Slovenia	3%	41%	0%	6%	50%	50%
Spain	4%	5%	1%	6%	16%	84%
Turkey	50%	1%	16%	5%	72%	28%
UK	43%	13%	0%	23%	79%	21%
Europe	**26%**	**24%**	**2%**	**20%**	**73%**	**27%**

A.5.2: AuM by Type of Client and Country at the End of 2020
(share in total AuM)

	Institutional Clients					Retail Clients
Country	**Pension Funds**	**Insurers**	**Banks**	**Other Inst.**	**Total Institutional**	**Total Retail**
Austria	13%	8%	8%	20%	49%	51%
Belgium	8%	7%	6%	20%	40%	60%
Bulgaria	24%	20%	7%	7%	59%	41%
Czech Republic	29%	11%	0.1%	10%	50%	50%
Denmark	26%	7%	3%	14%	50%	50%
France	9%	48%	3%	11%	72%	28%
Germany	10%	24%	6%	31%	70%	30%
Greece	29%	14%	1%	6%	51%	49%
Hungary	18%	12%	2%	4%	36%	64%
Italy	4%	45%	0%	17%	66%	34%
Poland	0%	7%	0%	32%	40%	60%
Portugal	15%	39%	3%	15%	72%	28%
Slovenia	2%	45%	0%	5%	52%	48%
Spain	4%	5%	1%	6%	16%	84%
Turkey	53%	1%	19%	5%	78%	22%
UK	43%	12%	0%	24%	79%	21%
Europe	**26%**	**23%**	**2%**	**21%**	**72%**	**28%**

A.6.1: Asset Allocation by Country at the End of 2019
(in percent)

	Investment Funds				Discretionary Mandates				Funds and Mandates			
Country	Equity	Bond	Cash/ MMI	Other	Equity	Bond	Cash/ MMI	Other	Equity	Bond	Cash/ MMI	Other
Austria	23%	45%	1%	31%	n.a.	n.a.	n.a.	n.a.	23%	45%	1%	31%
Belgium	53%	36%	5%	6%	25%	63%	5%	6%	40%	49%	5%	6%
Bulgaria	40%	38%	12%	10%	30%	66%	3%	1%	38%	44%	10%	8%
Czech Republic	13%	21%	13%	52%	2%	59%	25%	15%	8%	38%	19%	36%
Denmark	44%	46%	3%	8%	26%	48%	2%	23%	38%	47%	3%	13%
France	27%	18%	26%	29%	10%	83%	1%	5%	19%	49%	14%	18%
Germany	25%	32%	5%	38%	11%	70%	3%	16%	22%	39%	4%	34%
Greece	28%	46%	9%	17%	29%	50%	15%	6%	28%	48%	12%	12%
Hungary	20%	30%	27%	23%	24%	58%	13%	5%	21%	39%	22%	17%
Italy	29%	56%	3%	12%	19%	77%	4%	0%	22%	70%	3%	4%
Poland	10%	42%	0%	48%	n.a.	n.a.	n.a.	n.a.	10%	42%	0%	48%
Portugal	16%	34%	11%	40%	6%	67%	7%	20%	9%	58%	8%	25%
Slovenia	70%	19%	6%	6%	15%	74%	3%	8%	55%	34%	5%	6%
Spain	13%	23%	10%	55%	9%	33%	2%	56%	12%	25%	8%	55%
Turkey	12%	52%	27%	9%	1%	45%	24%	30%	11%	52%	27%	11%
UK [1]	61%	25%	3%	10%	25%	35%	7%	33%	38%	32%	5%	25%
Europe	**41%**	**29%**	**8%**	**23%**	**21%**	**50%**	**5%**	**24%**	**30%**	**40%**	**7%**	**23%**

[1] The UK Investment Funds figures includes substantial assets managed in the UK on behalf of overseas-domiciled funds, for which an accurate asset allocation breakdown is not available. Therefore EFAMA has made estimates for the purposes of this table.

A.6.2: Asset Allocation by Country at the End of 2020
(in percent)

	Investment Funds				Discretionary Mandates				Funds and Mandates			
Country	Equity	Bond	Cash/ MMI	Other	Equity	Bond	Cash/ MMI	Other	Equity	Bond	Cash/ MMI	Other
Austria	24%	43%	1%	31%	n.a.	n.a.	n.a.	n.a.	24%	43%	1%	31%
Belgium	50%	39%	5%	6%	25%	64%	3%	7%	39%	51%	4%	6%
Bulgaria	42%	39%	9%	10%	30%	66%	3%	1%	39%	45%	8%	8%
Czech Republic	15%	21%	12%	52%	2%	67%	15%	16%	9%	42%	13%	36%
Denmark	45%	44%	2%	8%	26%	49%	1%	24%	38%	45%	2%	14%
France	26%	16%	27%	30%	10%	83%	2%	5%	18%	48%	15%	19%
Germany	26%	31%	5%	38%	10%	72%	4%	14%	23%	39%	5%	33%
Greece	28%	46%	8%	18%	29%	49%	16%	6%	28%	48%	11%	13%
Hungary	21%	28%	24%	26%	26%	58%	8%	8%	23%	38%	19%	20%
Italy	28%	56%	3%	12%	19%	77%	3%	0%	22%	71%	3%	4%
Poland	10%	40%	0%	50%	n.a.	n.a.	n.a.	n.a.	10%	40%	0%	50%
Portugal	16%	38%	9%	37%	7%	65%	5%	23%	10%	55%	7%	28%
Slovenia	70%	18%	5%	6%	13%	80%	2%	6%	52%	38%	4%	6%
Spain	13%	23%	10%	55%	9%	33%	2%	56%	12%	25%	8%	55%
Turkey	15%	54%	16%	15%	1%	46%	20%	33%	14%	53%	16%	17%
UK [1]	62%	26%	3%	9%	23%	36%	7%	33%	39%	32%	5%	24%
Europe	**42%**	**28%**	**8%**	**22%**	**20%**	**51%**	**5%**	**24%**	**31%**	**40%**	**7%**	**23%**

[1] The UK Investment Funds figures includes substantial assets managed in the UK on behalf of overseas-domiciled funds for which an accurate asset allocation breakdown is not available. Therefore EFAMA has made estimates for the purposes of this table.

Other research publications in 2021

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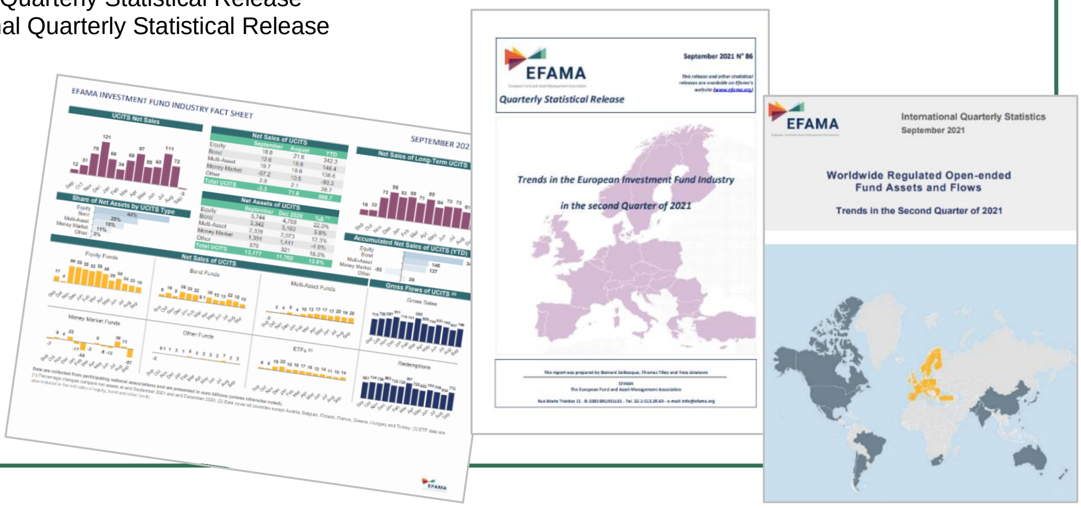
Statistical publications include:
> European Monthly Industry Fact Sheet
> European Quarterly Statistical Release
> International Quarterly Statistical Release



Contacts

Bernard Delbecque
Senior Director for Economics and Research
bernard.delbecque@efama.org

Vera Jotanovic
Senior Economist
vera.jotanovic@efama.org

Thomas Tilley
Senior Economist
thomas.tilley@efama.org

Hailin Yang
Statistician
hailin.yang@efama.org

Endnotes

[i] As explained in the introduction, this report is primarily based on end-2020 data received from EFAMA member associations. The AuM at the end of Q3 2021 have been estimated on the basis of the growth in investment fund assets over the corresponding periods.

[ii] Table A.1 in the data annex contains further information on the AuM per country.

[iii] Table A.2 in the data annex contains further data on the investment fund AuM per country.

[iv] Table A.4 in the data annex compares the investment funds managed in various European countries with the investment fund net assets domiciled in the same countries.

[v] Table A.3 in the data annex contains further information on discretionary mandate assets per country.

[vi] European Commission (2012). Europe 2020 Project Bond Initiative: Frequently asked questions.

[vii] Credit Agricole (2021). Project Bond Fundamentals.

[viii] We use the terms ESG, sustainable and green interchangeably in the continuation of the section.

[ix] See EFAMA Markets Insight Issue #7: The European ESG market at end Q1 2021 – Introducing the SFDR. Based on data collected from EFAMA member associations representing Belgium, Croatia, Denmark, France, Hungary, Greece, Germany, Italy, Liechtenstein, the Netherlands, Norway, Poland, Portugal, Slovakia, Switzerland, Sweden, Spain and the UK. Swiss data to end-2019 was used due to the unavailability of up-to-date figures.

[x] SFDR Article 8 and 9 funds are also being managed from outside the EU, predominantly from the UK. Unfortunately, comprehensive data on the management of these funds outside the EU is not available.

[xi] Data on Article 8 and Article 9 funds domiciled in Sweden is taken as a proxy for Article 8 and 9 funds managed in Sweden.

xii The Climate Bonds Initiative (2021). Green Forecast Updated to Half a Trillion – Latest H1 Figures Signal New Surge in Global Green, Social & Sustainability Investment.

[xiii] Schroders (2020). Green and ESG bonds: what's behind their rise?

[xiv] The sum of the overall issuance of Climate Awareness Bonds (CAB) and Social Awareness Bonds (SAB) by the European Investment Bank.

[xv] MSCI (2021). How Are High-ESG-Rated Bond Portfolios Distinct?

[xvi] The term 'Europe' in the continuation of the report refers to the Eurozone, the non-Euro EU countries (Sweden, Denmark, Poland, Hungary, Romania, Croatia, Bulgaria and the Czech Republic) and the United Kingdom.

[xvii] AMF (2020). Retail investor behaviour during the Covid-19 crisis.

[xviii] EFAMA (2020). Household Participation in Capital Markets.

[xix] See again AMF (2020). Retail investor behaviour during the Covid-19 crisis.

[xx] The large jump in the percentage of other institutional clients between 2018-2019 is also a consequence of a change in data reporting in Germany.

[xxi] Tables A.5.1 and A5.2 in the data annex contain further data on the AuM by type of client and per country at end 2019 and 2020.

[xxii] Tables A.6.1 and A.6.2 in the data annex contain data on the asset allocation of investment funds and discretionary mandates per country end 2019 and 2020.

[xxiii] AFG (2011). CAHIERS DE LA GESTION -2.

European Fund and Asset Management Association

About EFAMA

EFAMA is the voice of the European investment management industry, which manages over EUR 30 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors.

Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities.

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More information is available at www.efama.org

Rue Marie-Thérèse 11 | B-1000 Bruxelles
T +32 2 513 39 69 | info@efama.org | www.efama.org
EU transparency register: 3373670692-24