



# Snapshot Sustainability

## THE GERMAN SUSTAINABLE FUND MARKET IN Q3 2020

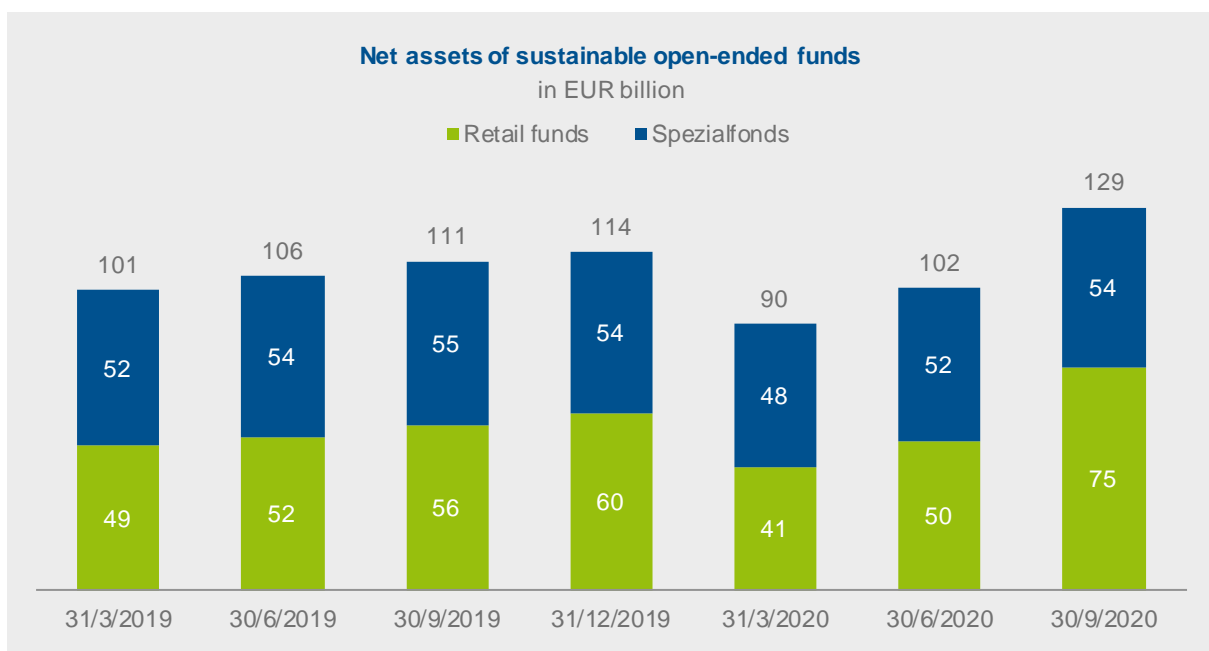
### Assets under management of sustainable funds rise to EUR 129 bn

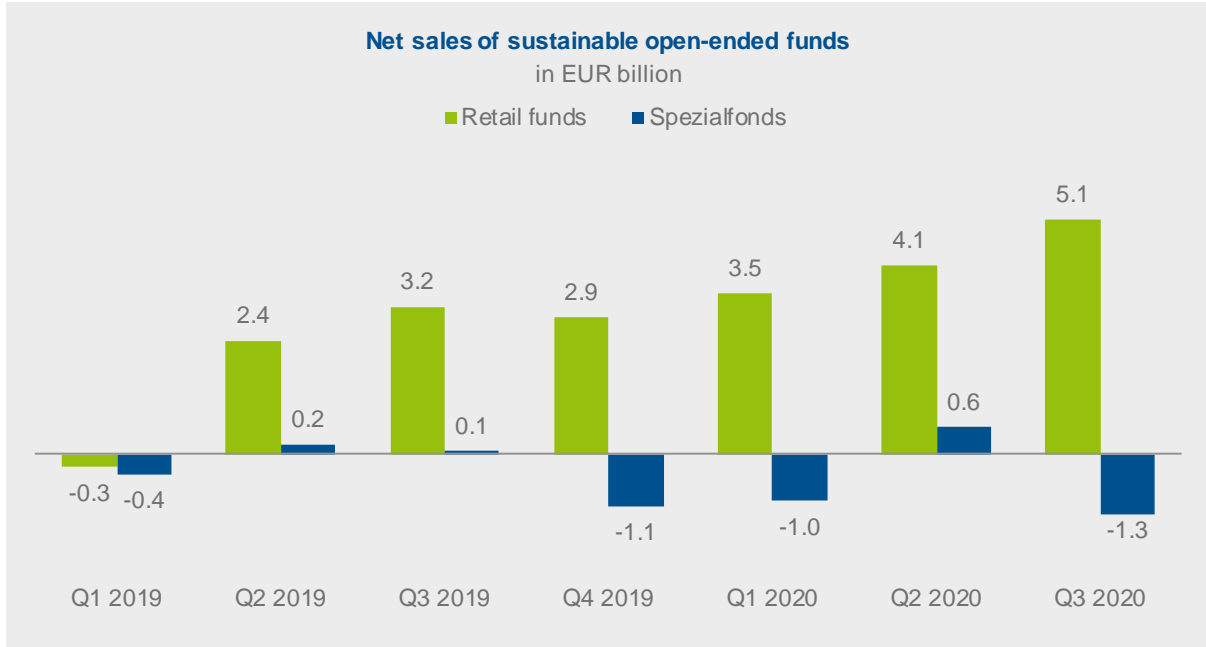
The impressive growth of sustainable funds gained further momentum in the third quarter of 2020. At the end of September, assets under management of open-ended sustainable products stood at EUR 129 billion. Since the end of June, this corresponds to an increase of 27 per cent (conventional funds: two per cent), and to as much as 44 per cent compared to the end of March.

This trend – accompanied intensively by BVI since the publication of the ‘Guidelines for Responsible

Investing’ in 2012 – has allowed sustainable funds to grow by over EUR 100 billion within a few years. By comparison, the entire German fund market needed about 40 years from its origins in 1950 to reach a comparable size.

Growth is particularly strong for retail funds: at the end of September, they managed EUR 75 billion according to sustainable criteria for their investors. This is an increase of 50 percent compared to the end of June. The assets under management of sustainable



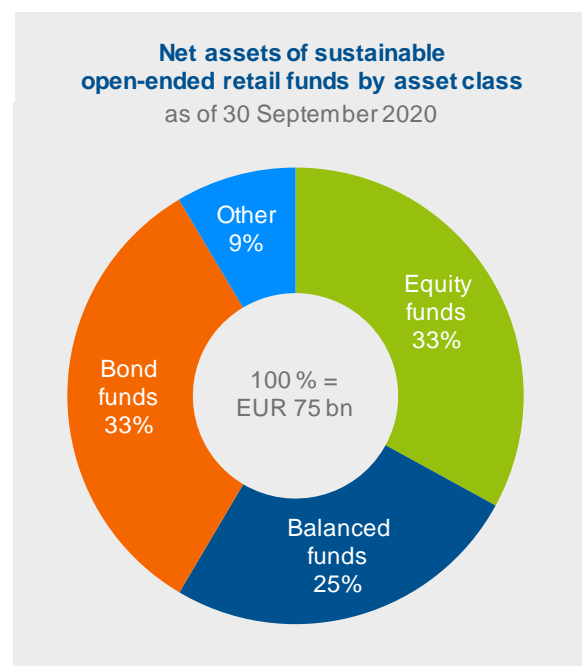


Spezialfonds grew by EUR 2 billion to EUR 54 billion. This means that retail funds account for almost 60 per cent of the sustainable funds market in Germany today.

Although part of their asset growth in the third quarter stems from additional registrations, which are not reflected in net sales, new business also developed dynamically: within three months, investors bought shares of sustainable retail funds worth EUR 5.1 billion. This perpetuates a remarkable development: Since the beginning of 2019, net inflows have grown steadily. Even in the first quarter of 2020 – at the height of the Corona crisis – they amounted to EUR 3.5 billion. This compares with net outflows of EUR 14.6 billion from conventional retail funds in the same period. Sustainable Spezialfonds have not recorded net inflows since the beginning of 2019.

The figures on new business underscore a fundamental change: a few years ago, most new investments in sustainable funds came from institutional clients, especially churches, insurance companies and pension funds. Some of these have been investing their money according to sustainable criteria for decades. In contrast, many private investors have only begun to do so in recent years.

Among the preferred asset classes for retail funds, equity and bond funds each account for 33 percent of total fund assets, followed by balanced funds with 25 percent. Other asset classes play a smaller role, which is probably due to the still limited range of products (e.g. open-ended real estate funds) – and indicates potential for further growth.



## ANNEX: SUSTAINABLE FUNDS IN THE BVI STATISTICS

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### 1. What are the criteria for being a 'sustainable fund' according to the BVI statistics?

The definition of 'sustainable funds' in the BVI statistics corresponds to the requirements of the BVI Rules of Conduct<sup>1</sup>: according to them, funds may only describe themselves as 'ecological', 'social', 'ethical' or similar if their investment policy follows sustainable strategies that are set out in the fund documents (for example in the sales prospectus). The approach (e.g. exclusions, best-in-class) according to which ESG criteria or special ESG topics are implemented in the fund portfolio is irrelevant for the definition. It is decisive that the strategy is set out clearly and that the fund documents provide more detailed explanations. For Spezialfonds, this applies to comparable documents, in particular the investment guidelines or the information document. We will align our definition of 'sustainable funds' with the requirements of EU regulation, as soon as these are finalised.

### 2. Which categories of 'sustainable funds' are distinguished in the BVI statistics?

We distinguish between two forms of 'sustainable funds': if a fund follows ESG criteria in a broad, general approach, it is labelled 'Sustainability, ESG funds'. If the fund primarily pursues a specific topic within an ESG approach, it is regarded as a thematic fund and labelled 'Sustainability, thematic fund'. Thematic funds can be derived from one of the 17 goals of the United Nations' Sustainable Development Agenda (UN SDG), such as 'Education and Knowledge', 'Water' or 'Renewable Energies'. Funds that support charitable purposes or whose investment policy follows certain ethical or religious principles are classified as thematic funds as well.

### 3. Which funds and asset managers are included in the BVI statistics?

The coverage corresponds to that of the overall BVI statistics universe. We cover German and foreign retail funds and Spezialfonds (UCITS and AIF) that are sold in Germany. BVI members send data on net sales and net assets as part of their regular reporting.

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<sup>1</sup> BVI Rules of Conduct (link to PDF)