German Investment Funds Association

FACTS ABOUT INVESTMENT FUNDS

WHY INVESTMENT FUNDS ARE IMPORTANT FOR THE ECONOMY AND SOCIETY

GOOD TO KNOW – THE FACTS AT A GLANCE

The concept of the investment fund is simple.

Savers' money is pooled and distributed across a variety of securities and asset classes. An investment fund is not allowed to invest more than 10 percent of its assets in a company. This diversification reduces risk.

The concept of the investment fund goes back a long way.

As early as 1774, the Dutch merchant Adriaan van Ketwich organised the first investment trust according to the principle of the modern investment fund.

Investment funds are made for every pocket.

Most investment funds enable savers to participate in financial markets, property markets and in global economic growth with an investment of as little as EUR 25 per month.

Investment funds are protected against insolvency.

Investors' money is held separately from the capital of the investment company, and is therefore not affected by any difficulties the investment company may find itself in.

The investment company always acts in the interests of the investor.

As a trustee, it is legally obliged to do so. For this reason, investment funds have obligations to investors and are subject to stringent regulations.

Investment funds have an important economic function:

Investment funds are an important part of the economy.

Investment companies are neither banks nor insurance companies, but a separate pillar of the financial economy. In Germany, they manage around EUR 3 trillion as trustees for more than 18 million retail and institutional investors who invest directly in investment funds. They are therefore a major element in the German financial market, the rules and standards of which they actively help to shape and develop.

Investment funds pool capital and direct it.

They bring together the supply of capital from investors and the demand for capital by businesses and countries around the world. In this way they provide equity capital and debt capital to businesses for growth and innovation and assist the states to perform their functions.

Many institutional investors use investment funds.

Insurance companies, institutions for retirement provision, banks, health insurance funds, churches, charitable foundations and central banks have their assets managed in a way that maximises their returns.

Investment funds also manage the majority of pension plans in Germany.

Although Germans mostly save for their retirement through retirement insurance policies or their company pension scheme, they are indirectly investing in investment funds, as the majority of pension plans invest in retail funds and specialised institutional investment funds. In Germany, the amount invested in funds via pension plans is around EUR 1,100 billion (as of June 2018).

INVESTMENT FUNDS FINANCE BUSINESSES AND COUNTRIES

Investment funds are intermediaries; they bring together the money provided by millions of savers and professional investors, and the demand for capital by businesses and countries. They therefore enable growth and innovation.

Asset managers invest in businesses

Amounts in EUR billion

EUR 1,600 billion

10 % of the equities of German companies are held by German investment funds.

Market capitalization of shares from Germany-based issuers; Situation as at 28 February 2019; sources: BVI, Bundesbank

How much funds invest in the flagships of German industry

Daimler

14 %

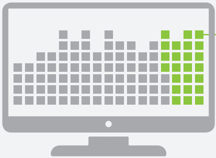
share held by the European investment fund sector

Siemens

19 %

share held by the European investment fund sector

SAP



24 %

share held by the European investment fund sector

Situation as at February 2019; sources: Morningstar; own calculations, amounts rounded

Share of European investment funds

Situation as at 30 September 2018; source: ECB

INVESTMENT FUNDS ENABLE INVESTORS TO SHARE IN ECONOMIC GROWTH

Investment funds pool money from many savers and invest it in businesses, countries and properties. Anyone can take advantage of this, even if they only have small amounts of money to invest. There are many investment fund-based savings plans that start from EUR 25 per month.

Investment funds are suitable for everyone.

For as little as EUR 25 per month, anyone can have a share in the growth of businesses worldwide. Investment funds enable retail investors to participate in the capital and property market at the terms offered to professionals. They offer widely diversified investment of their savings across different asset classes, regions and new industries. Assets of EUR 2.2 billion are currently managed by funds that invest in companies in the particularly dynamic sectors of telecommunications, media and technology.

Anyone can invest in investment funds from as little as EUR 25 per month.

Source: Federal Statistical Office of Germany, figures for 2017

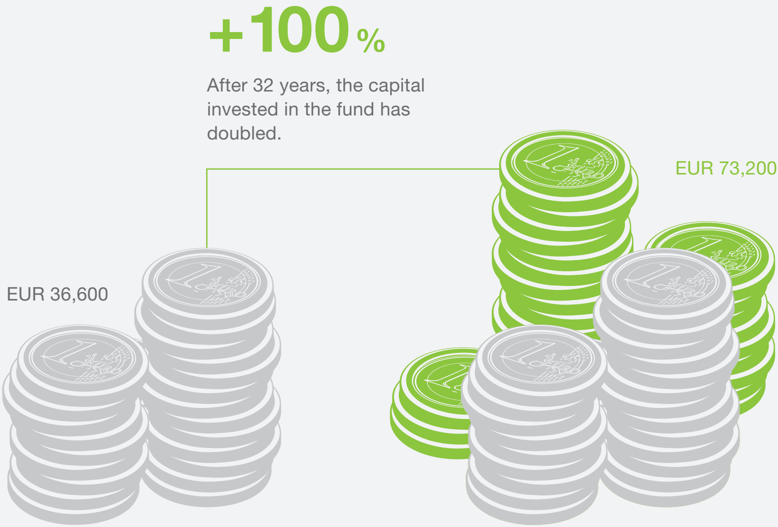
This is approximately

1.1 %

of the average net monthly income per capita (around EUR 2,300).

Get back twice as much.

After 32 years, investors who invest EUR 100 per month in an investment fund that gains 4 percent in value every year, have more than twice as much capital as they paid in. Of the total of around EUR 73,200, only EUR 36,600 comes from the investor's own pocket. The rest is generated by the investment fund.*



The BVI savings plan calculator at **www.bvi.de/sparplan-rechner** enables prospective investors to calculate what their individual fund-based savings will amount to.

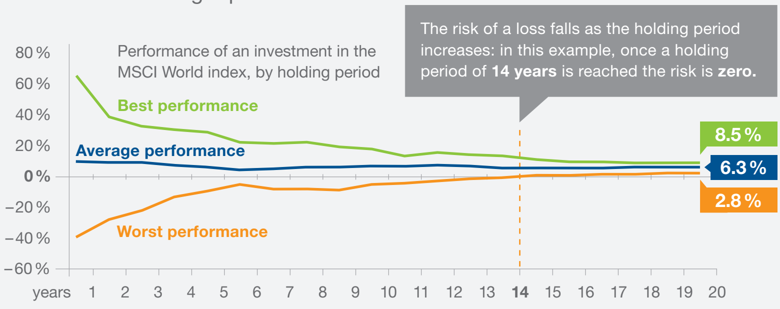
*This figure takes into account the investment fund costs, in addition to a front-end load of 5 percent.

LONG-TERM APPROACH PAYS OFF

Investors for whom security is important should take a long-term view when investing in equity funds. Over long investment periods, the risk of a loss approaches zero.

The longer the holding period, the lower the risk

A sample calculation shows that the investment of a single sum in the MSCI World equity index at any time between 1986 and 2018 was able to earn more than six percent return on average. Stock market fluctuations are barely noticeable over longer periods.



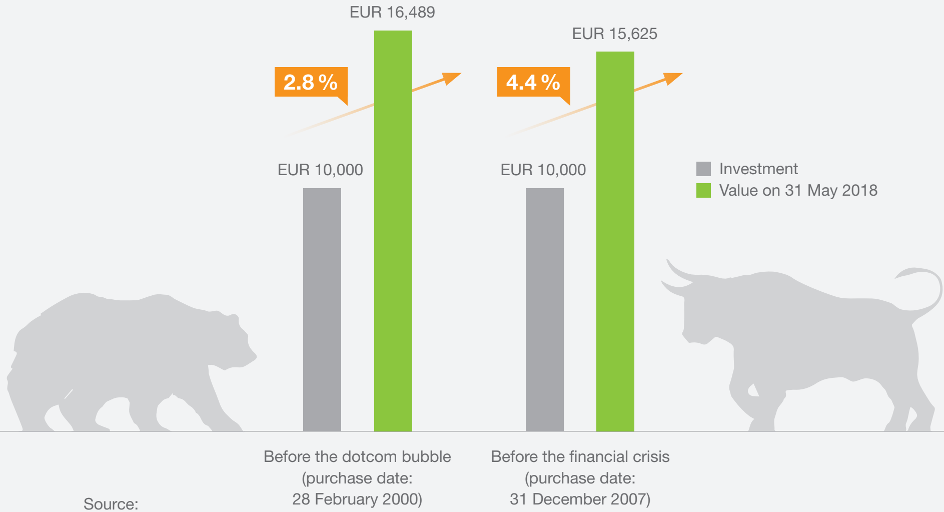
Distribution of the rolling, annualised performance at month's end for the period from 31 March 1986 to 31 May 2018; single-sum investment; source: Morningstar

Bad year on the stock exchange no cause for anxiety

Given time, investors can more than make up for even significant falls in prices – such as after a stock market crash or financial crisis. Data from Deutsche Bundesbank shows how an investment of EUR 10,000 in the German blue-chip index DAX performed when the saver invested shortly before the biggest equity crash in recent history – that is, at the worst possible time.

Gains despite share price crash

Performance of an investment of EUR 10,000 in the German blue-chip index DAX per year



Source:
Deutsche Bundesbank

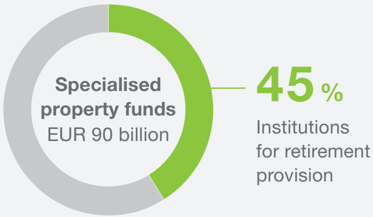
INVESTMENT FUNDS ARE THE BACKBONE OF PENSION PLANNING

Investment funds play a central role in pension planning: although people save for their retirement through insurance companies, pension schemes and employers, the money invested is mainly managed in investment funds.

Investment funds as capital investments by insurance companies

There are 71 million contracts for pension plans in Germany. What many people do not know is that investment funds play an important role in the investment of retirement assets. This is because insurance companies also invest the capital paid into pension schemes in investment funds. Life assurance companies invest around 30 percent of their assets in funds, while institutions for retirement provision place 57 percent of their capital in funds.*

Institutions for retirement provision hold a share of 45 percent of the nearly EUR 90 billion of assets managed by specialised property funds.**



*Situation as at 31 December 2017; sources: Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales, BMAS), German Insurance Association (Gesamtverband der Deutschen Versicherungswirtschaft, GDV), BVI

**Situation as at 31 December 2018

Investments by insurance companies:*

Total: EUR 2,224 billion

30 %

share of investment funds

of which **life assurance:**

EUR 1,194 billion

41 %

Institutions for retirement provision:

EUR 655 billion

57 %

share of investment funds

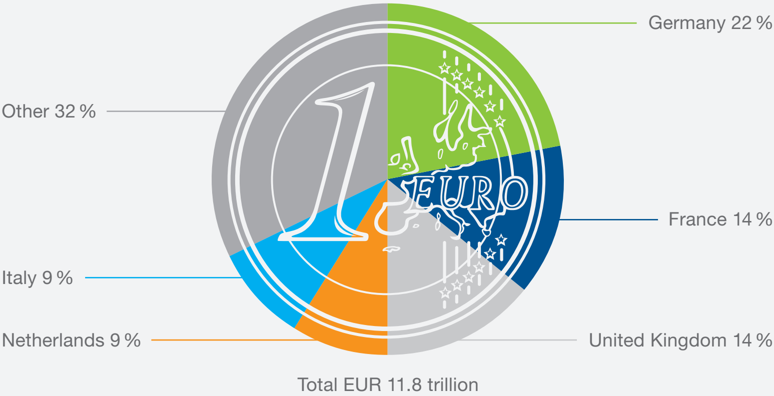
*including property insurance and reinsurance companies, without institutions for retirement provision

Situation as at 30 September 2018; source: Bundesbank

INVESTMENT FUNDS ARE IMPORTANT FOR GERMANY

Retail and institutional investors in the European Union have a total of EUR 11,800 billion invested in funds. Germany is the largest market, with assets of EUR 2,600 billion.

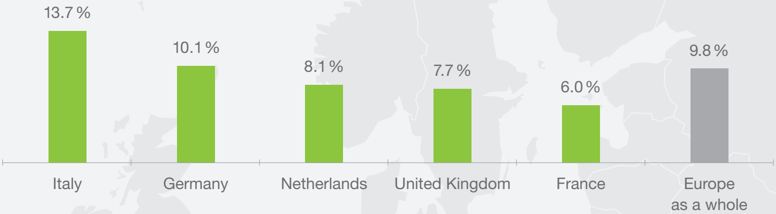
Fund assets of investors in the EU



Total UCITS and AIFs by market; situation as at 30 June 2018; source: ECB

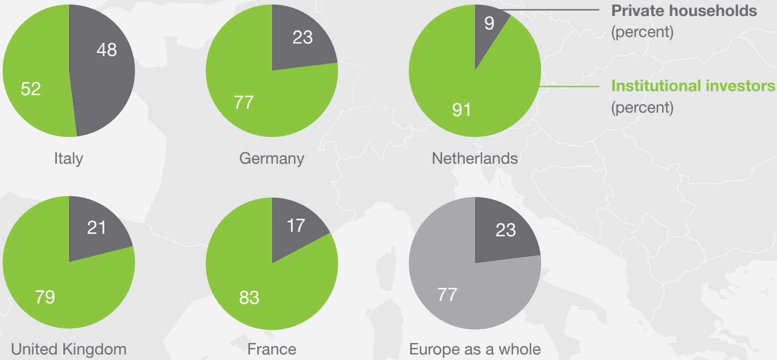
Growth of fund assets

Germany is the second-fastest growing investment fund market in the EU, with annual growth of 10.1 percent, after Italy with 13.7 percent and followed by the Netherlands, the United Kingdom and France.



Average annual growth rate 30 June 2013 to 30 June 2018

Distribution of fund assets



30 June 2018

MYTHS ABOUT INVESTMENT FUNDS

Myth 1:
Investment funds are complicated.

Actually, the concept of the investment fund is quite simple: savers’ money is pooled and invested in different securities or tangible assets according to the investment strategy chosen. Broad diversification reduces risk in a way that would be nearly impossible for investors to achieve by their own direct investment. In any case, the costs would be far higher.

Myth 2:
Investment funds are for gamblers.

Insurance companies, institutions for retirement provision, churches and charitable foundations are not gamblers. They all invest in investment funds – with good reason: investment funds enable them to share in economic growth, as funds put most of their investors’ money into equities, fixed income (bonds) or property – the real economy. This generates long-term returns.

Myth 3:
Investment funds are for wealthy people.

On the contrary: investment funds are for everyone. Because they pool the money of a number of investors and then invest it on the capital market, they enable every individual to share in the growth of companies and countries, even if they only have small amounts to invest. And the majority of investment funds are suitable for all budgets – fund-based savings plans start from EUR 25 per month.

Myth 4:
Investment funds are risky.

No, investment funds are protected in the event of insolvency of the investment company. As a rule, the fund assets are owned by the investors, not the investment company, which only manages them as a trustee. The funds would therefore remain unaffected if the investment company got into difficulties. Investment funds and fund providers also have to comply with very strict legal standards.

Myth 5:
Investment funds are aggressive.

As trustees, investment funds are legally obliged to represent the interests of investors. They therefore work on their behalf to bring about a long-term improvement in the portfolio companies' business performance and thus also in their share price performance. This also includes exercising voting rights at general meetings of shareholders. Investment companies always act in the interests of investors rather than for their own benefit.

Myth 6:
Investment funds are mighty big players.

In terms of the assets they manage, some large investment companies appear to be mighty big players. This is the impression you get at first glance. On closer scrutiny, it becomes clear that behind the overall amount under management there are many single funds following different investment strategies for different types of investors. In any case the assets under management do not belong to the company, but to the investors. There are also rules that prevent a stake in a company from becoming too large and that keep the risks of the investment fund in balance. An investment company is not allowed to hold more than 10 percent of the voting rights in a company.

Myth 7:
Investment funds are like banks.

Even though the term "investment fund" is very similar to that of the "investment bank", the activities of funds and banks are completely different. Investment funds pool investors' money and manage it as trustees, but they do not include this money in their own balance sheet. This means that if they get into difficulties (which has never happened so far), the fund investors' capital remains intact. This is different from banks. If a bank declares bankruptcy customers' money is also affected. That is why they require a deposit insurance fund. Investment funds are not an investment banking product.

BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Fund companies act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match up investors with the capital demands of companies and governments, thus fulfilling an important macroeconomic function. BVI's more than 100 members manage assets of some 3 trillion euros for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 22 % in the EU, Germany represents the largest fund market as well as the second fastest growing market in the EU.

Masthead

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