

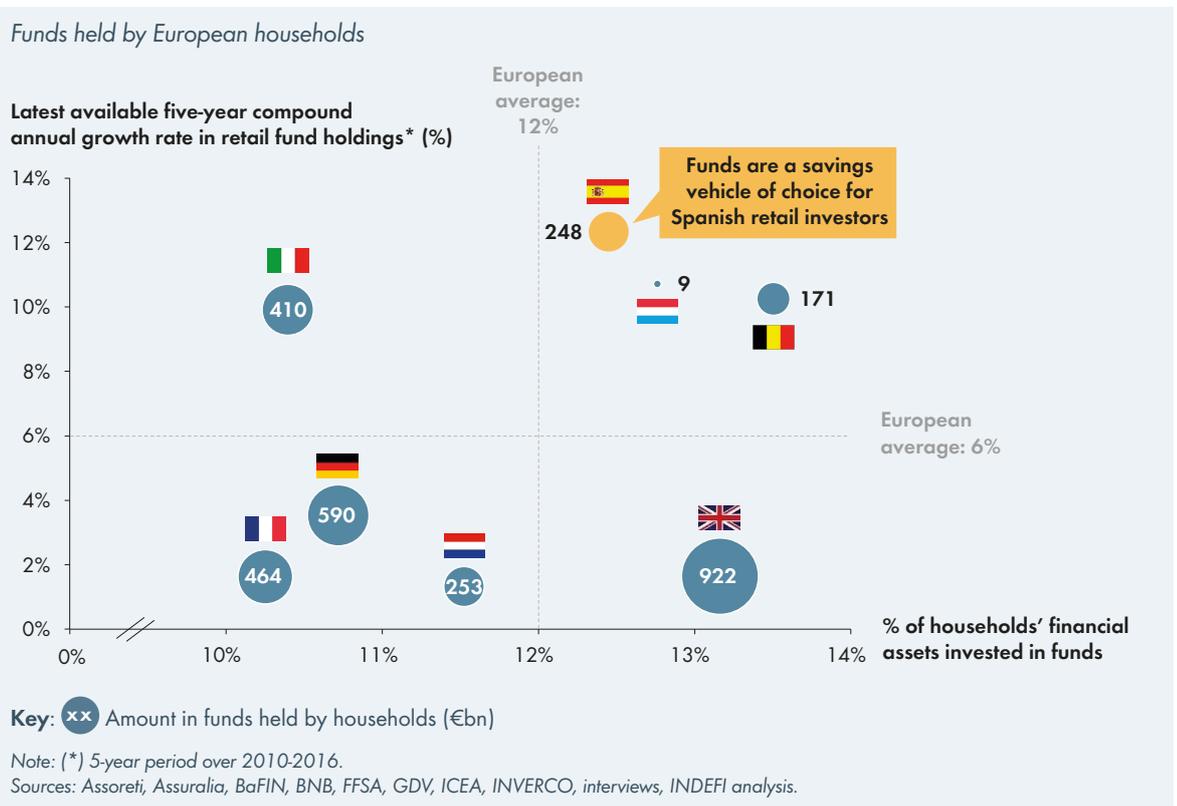
THE RESURGENCE OF SPAIN

INDEFI is pursuing its series of European asset management market monographs with a view to helping our clients plan for their business development strategy, assess their competitive position and monitor progress.

Our latest report analyses the dramatic forces currently at work in Spain, an often underestimated (let alone forgotten) market which today presents exceptional opportunity for international third-party asset managers.

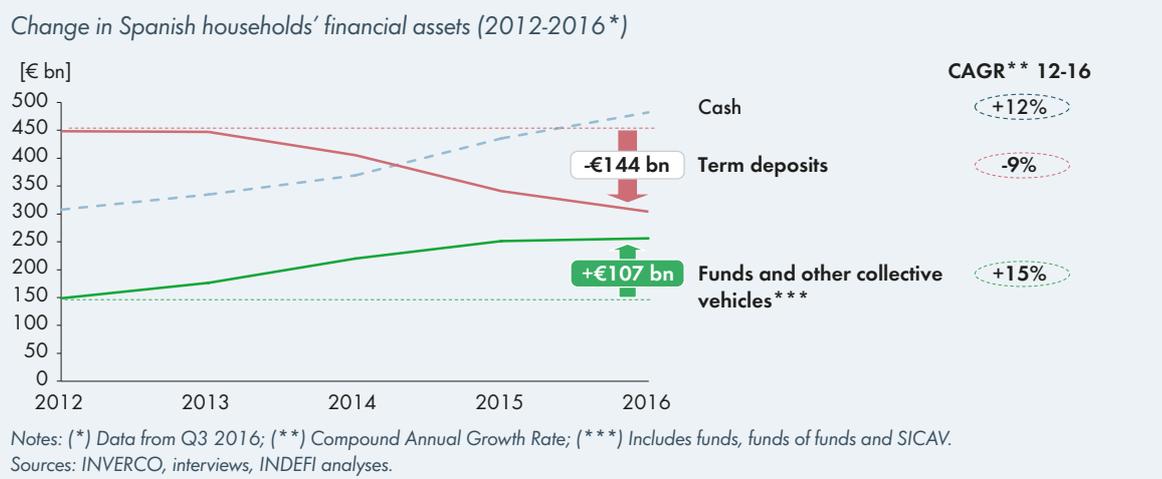
A LAND OF OPPORTUNITY FOR INTERNATIONAL ASSET MANAGERS

Over the past five years Spain has been the fastest growing retail fund distribution market in Europe. Assets have grown by more than 12% per year on average, reaching €250 billion at the end of 2016. Despite its relatively modest size, this phenomenal rally makes the Spanish market an increasingly attractive place for international asset managers. Spain in fact shows the highest penetration of non-domestic asset managers of any European market. These features mark an exceptional turnaround in a market which showed massive retrenchment on an unprecedented scale during the Great Financial Crisis. The nature and speed of this turnaround make this a market to watch.



SPAIN SINKS AND REBOUNDS

Following the Great Financial Crisis and the explosion of the real estate bubble, the Spanish economy and financial sector fell into deep recession. In the run-up to the financial crisis Spain's strong growth had in no small part been driven by credit fueled real estate investment. Its collapse left Spain's economy and banking system one of the most exposed in the eurozone. The spiking interest rates and bank resource needs shifted retail savings towards balance sheet products. The remarkable recovery provides a striking mirror image of the banking sector's immediate reaction to the crisis: since 2012 banks have shifted their strategic priorities, term deposits have fallen by close to €150 billion while flows into funds have soared by €100 billion.



THE IDIOSYNCRACIES OF THE SPANISH SAVINGS MARKET

With funds being the savings vehicle of choice and the institutional investment market remaining underdeveloped by European standards, Spain is a fund distribution market. Banking groups are the cornerstone of this market and represent close to 70% of the open architecture market if we include their sub-advisory business. They also dominate the institutional market through their control of 68% of the pension and 60% of insurance assets.

Multi-asset offerings have taken centre stage with demand for 'pure' product being driven by fund of funds. The market remains by and large focused on actively-managed products with, up-to-now relatively low, yet increasing, penetration by index funds (including ETFs).

Institutional investors are also fund buyers. Demand is increasingly driven by alternatives as they hunt for yield.

CONCLUSION

While Spain is not the largest market for third-party outsourcing it presents a very attractive opportunity for international asset managers. The rapid and effective restructuring of the banking sector, the lack of a strong, home grown asset management industry and the impressive, recently witnessed growth rates in retail funds provide an exceptionally attractive backdrop. Add to this the concentration in the banking sector which facilitates business initiative and the focus on active funds offering third-party asset managers some degree of respite in an overall European market mired in structural transition.

ABOUT INDEFI

INDEFI is a strategy advisor for the investment management business in Europe. Our exclusive focus on top line growth in one industry, the use of our own field research and the skill diversity of our consultants form the bedrock of our consulting philosophy. This gives us an unparalleled vantage point from which we aim to serve our clients - asset managers, private equity and infrastructure investors (and their portfolio companies) - with understanding, insight and actionable advice. We provide strategic business growth advice to our clients which can cover markets, products, client groups and a combination thereof.

We would be pleased to work with you on your business strategy in Europe, for specific product categories or international client groups.



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