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# Spain 'fastest-growing fund market' in Europe

By Ed Moisson 19 May 2017

Spain offers growth opportunities for cross-border firms, experts say, as new data show that the country has been the fastest-growing retail market in Europe over the past five years.

Retail fund assets have grown by 12 per cent in Spain since 2012, outpacing Italy and Germany, where the growth rate is 10 per cent, and the UK and France, where it is just 2 per cent, according to market research firm Indefi.

Richard Bruyère, managing partner at Indefi, says: “Spain has been the fastest-growing fund distribution market in Europe.

“There are still a few good years ahead of us, barring something unexpected.”

The recent growth has benefited third-party firms, which now manage €99bn of assets in the Spanish retail market, or 39 per cent of total assets.

Banking-affiliated asset managers manage €152bn in Spain, or 61 per cent of the local funds market, which they have traditionally dominated.

According to experts, there are further opportunities for international managers to make inroads in Spain.

They cite the increasing number of Spanish tied agents as a key growth driver for cross-border firms.

Barbara Wall, managing director at research firm Cerulli Associates, says the ranks of tied agents have recently swelled as a result of consolidation in the Spanish banking industry.

Many former bankers that lost their jobs when smaller Spanish banks closed or were acquired decided to join bigger groups as tied agents rather than becoming fully independent.

Similar to Italy, a handful of Spanish banks now give access to large networks of tied agents, which use buy lists that include third-party funds.

Money has recently begun to flow into international firms again having “stalled” last year, when banks were selling in-house guaranteed funds, Ms Wall adds.

Ms Wall says: “Distributors in Spain need foreign managers’ skill set. They don’t necessarily have it locally.”

Mr Bruyère adds that it is “relatively straightforward” to enter the market as there are only a “handful” of banks.

Banks’ preference for using funds is carried through onto the institutional side of their business, where “a lot” of pension funds are managed by banking subsidiaries. In other markets institutional investors often do not buy funds, instead using segregated mandates.

“The ability to sell one-size-fits-all funds is critical to [Spanish banks’] profitability,” Mr Bruyère says.

However, the market is increasingly competitive as distributors rationalise their relationships with third-party asset managers, he adds.

Meanwhile the advisory distribution channel is also “increasingly attractive”, says Ms Wall.

Spain’s 159 financial advisers – *empresas de asesoramiento financiero* – now manage some €6.7bn in retail assets, which rises to €18.5bn when including professional and institutional clients, according to Cerulli.

Mr Bruyère says EAFIs have a market share of some 6 per cent, while private banks and wealth managers have 10 per cent of the market, or €24.8bn.

Banking groups dominate the market with a 77 per cent share, or €191bn, according to Indefi.