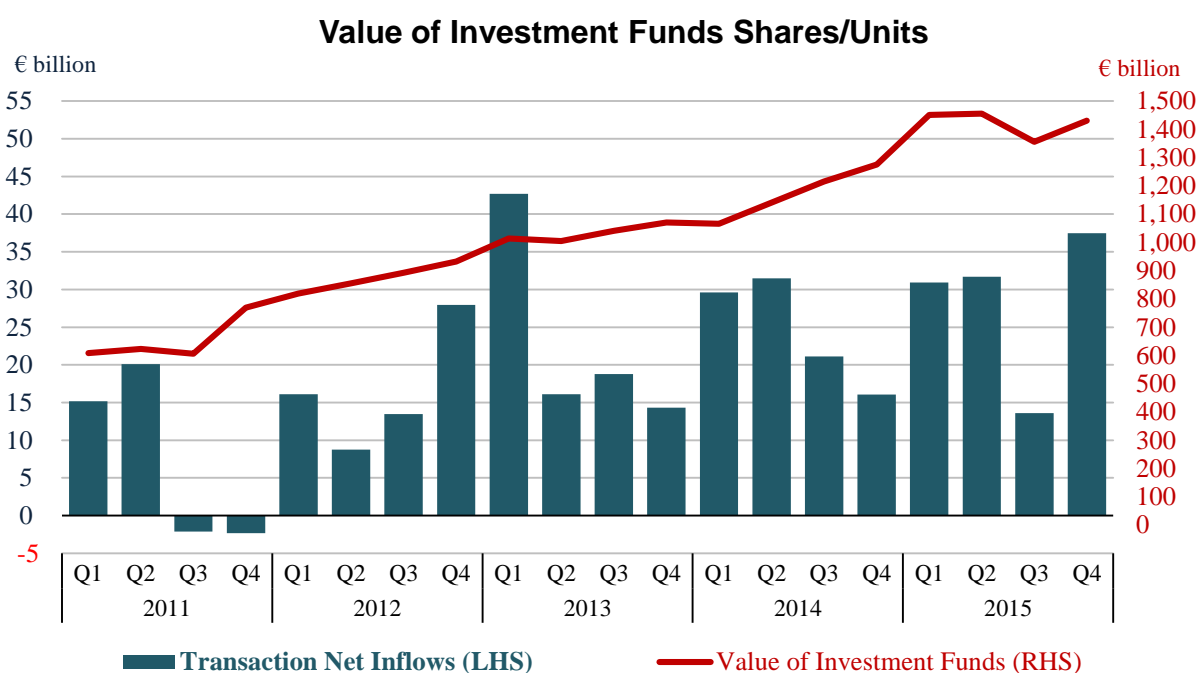


Investment Funds – Q4 2015

Key Points

- The net asset value of investment funds resident in Ireland (IFs) increased by 6 per cent over the fourth quarter of 2015, to €1,431 billion from €1,355 billion in Q3 2015, reflecting strong net inflows of €37 billion.
- Over the quarter, IFs experienced a positive overall revaluation of 3 percent with equity funds recording the highest revaluations of 7 percent, as equity markets recovered from declines in Q3 2015.
- The value of debt holdings remained flat over the quarter with transactions inflows of €16 billion, offset by negative revaluations.
- Holdings of government debt stood at €298 billion in Q4 2015, following €13 billion in transaction inflows. There were strong inflows (€10 billion) into higher yielding UK government debt, relative to similarly rated other European sovereign debt.

The net asset value of investment funds resident in Ireland (IFs) increased by 6 percent (€76 billion) over the final quarter of 2015, to €1,431 billion from €1,355 billion in Q3 2015. This was due to a mix of strong net inflows and also a recovery in equity markets from their end Q3 lows. Investor Inflows over Q4 2015 stood at €37 billion with the highest inflows into equity funds of for €13 billion. The assets held by IFs increased in value by €49 billion, largely due to the recovery in equity prices.



Source: Investment Funds Statistics, Central Bank of Ireland.

Please note that the movement from Q3 2011 to Q4 2011 includes €114 billion of money market funds that were reclassified as investment funds.

Over the fourth quarter, IFs experienced a positive revaluation of 3 percent overall with equity funds recording a 7 percent revaluation, reflecting a recovery in the equity markets from the prior declines during and at the end of Q3 2015. In contrast, hedge and other fund types remained relatively flat with their assets holdings not as exposed to capture the recovery as there asset holdings are more diversified. Bond funds in contrast returned a negative revaluation largely dragged down by negative revaluations on interest rate derivative positions but this was partially offset by positive investor inflows.

In contrast to the turbulence experienced in equity markets in Q3, equity markets rebounded in Q4 with an average increase of 5 per cent in major global stock markets. Equity funds experienced positive revaluation of €35 billion. The largest impact was on the equity funds' holdings of shares issued by US non-financial corporates which saw a €13 billion positive revaluation over the quarter, thus recovering some of the declines experienced in Q3.

Overall, debt holdings remained flat over the quarter, though investor flows remained positive at €16 billion, led by equity funds who purchased €5.6 billion of debt during the

quarter (4 percent of equity funds total assets). The strongest inflows into debt were in residual maturities of over 30 years which recorded inflows of €14 billion since the previous quarter. This reflects negative yields on euro area securities at the shorter end of maturity, although there was some uptick in US debt yields in December 2015 due to the move by the US Federal Reserve to increase the policy interest rate.

Holdings of government debt stood at €298 billion in Q4 2015, with €13 billion in transaction inflows. Inflows into the higher yielding UK government debt of €10 billion was the predominant feature of the quarter. Overall IF's held €144 billion in UK government debt (48 percent of total government debt holdings). All fund types except bond funds increased their holdings by an average of €2.5 billion, whereas bond funds choose not to replace the debt that matured during the quarter. There was an outflow (€864 million) from prime euro area debt issued by Germany, France and the Netherlands, amid indications from the ECB that low to negative yields may persist for a longer time frame. In terms of United States government debt, transactions and revaluations remained relatively flat despite the uptick in US yields after the Federal Reserve's decision in December.

Exposure to the BRICs (Brazil, Russia, India and China) amounted to €42 billion in terms of total assets in Q4, of which €29 billion was in equity holdings. The recovery during Q4 in the Chinese stock market was reflected in positive revaluations of €1 billion in Irish IFs holdings of Chinese stock over the quarter. At end Q4 2015, Irish IFs held €12 billion of Chinese equities.

The publication tables are published [here](#).

Further information

Investment funds statistics are collected on the basis of quarterly security by security reporting. The reporting population is comprised of those investment funds resident and authorised in Ireland. The reporting form and notes on compilation are also available on the website [here](#).

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