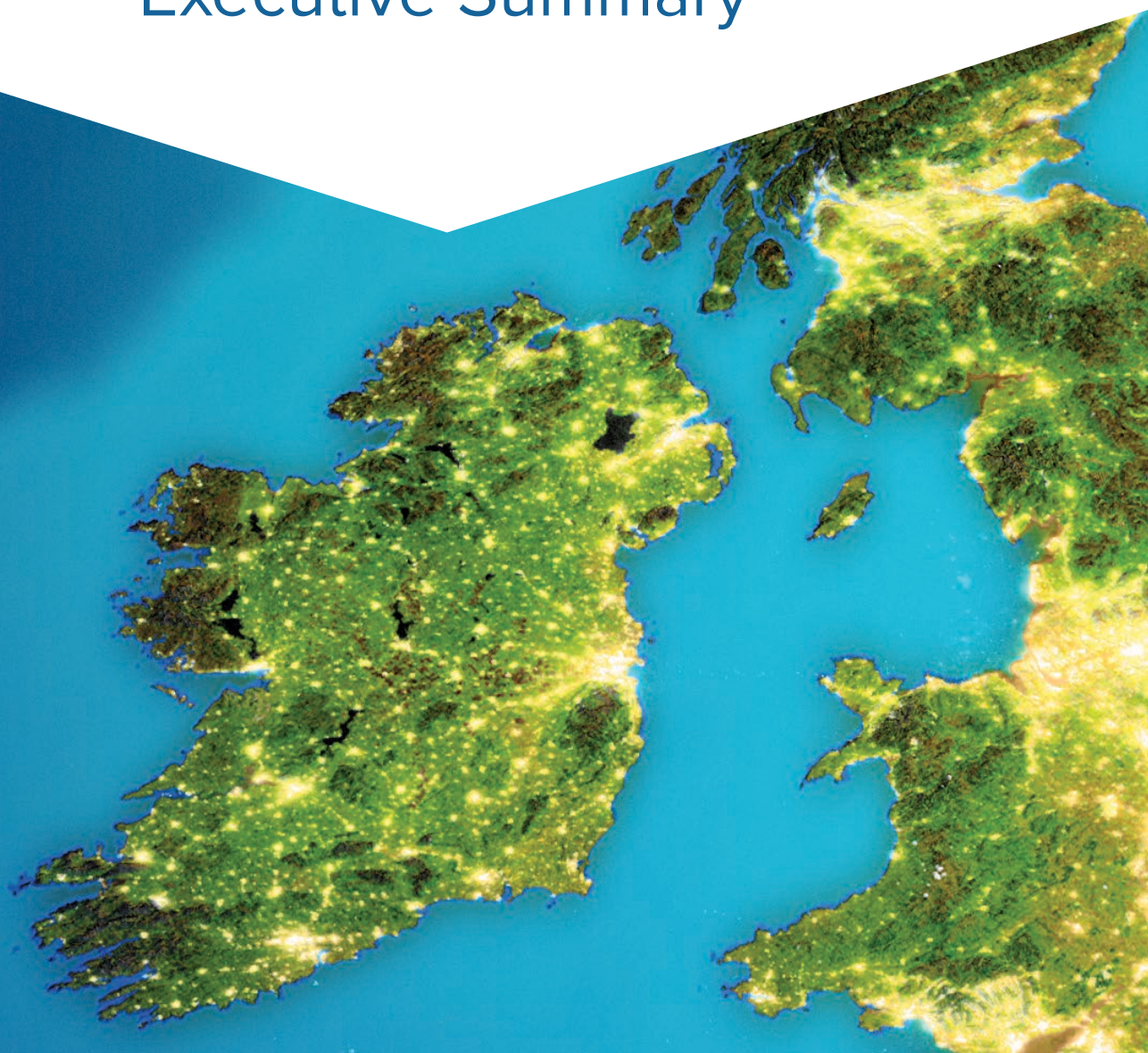


Indecon Assessment of Economic Impact of the Funds & Asset Management Industry on the Irish Economy: Executive Summary



Submitted to
Irish Funds

Prepared by
INDECON
International Research Economists

Glossary of Terms and Abbreviations

AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive
AuM	Assets under Management
CBI	Central Bank of Ireland
CCF	Common Contractual Fund
CSO	Central Statistics Office
Direct Impacts	The direct economic output generated by firms within the Investment Funds industry in Ireland, through its purchases of goods and services (including labour) from the Irish economy in which it operates, and its contribution to GVA and Exchequer (tax payments).
EFAMA	European Fund and Asset Management Association
Irish-Domiciled Fund	An investment fund which is authorised and regulated by the Central Bank of Ireland.
Non-Domiciled Fund	An investment fund which is authorised and regulated in a jurisdiction outside of the Republic of Ireland.
ETF	Exchange Traded Fund
FTE	Full-Time Equivalent – The unit which indicates the time worked by one employee on a full-time basis. It is used to convert the hours worked by part-time employees into the hours worked by full-time employees.
GDP	Gross Domestic Product
GVA	Gross Value Added. GVA effectively represents the overall contribution of the industry to Irish economy GDP.
ICAV	Irish Collective Asset-management Vehicle
Irish Funds / IF	Irish Funds Industry Association
ILP	Investment Limited Partnership
Indirect Impacts	Indirect impacts include the knock-on business activity that is supported through direct economic activity, e.g., the positive economic impacts of upstream suppliers.
Induced impacts	Induced impacts are concerned with the knock-on impact of household consumption due to direct economic activity.
MMF	Money Market Fund
NAV	Net Asset Valuation
QIAIF	Qualifying Investor Alternative Investment Fund
RIAIF	Retail Investor Alternative Investment Fund
SMIC	Self-Managed Investment Companies
UCITS	Undertakings for Collective Investment in Transferable Securities

Executive Summary

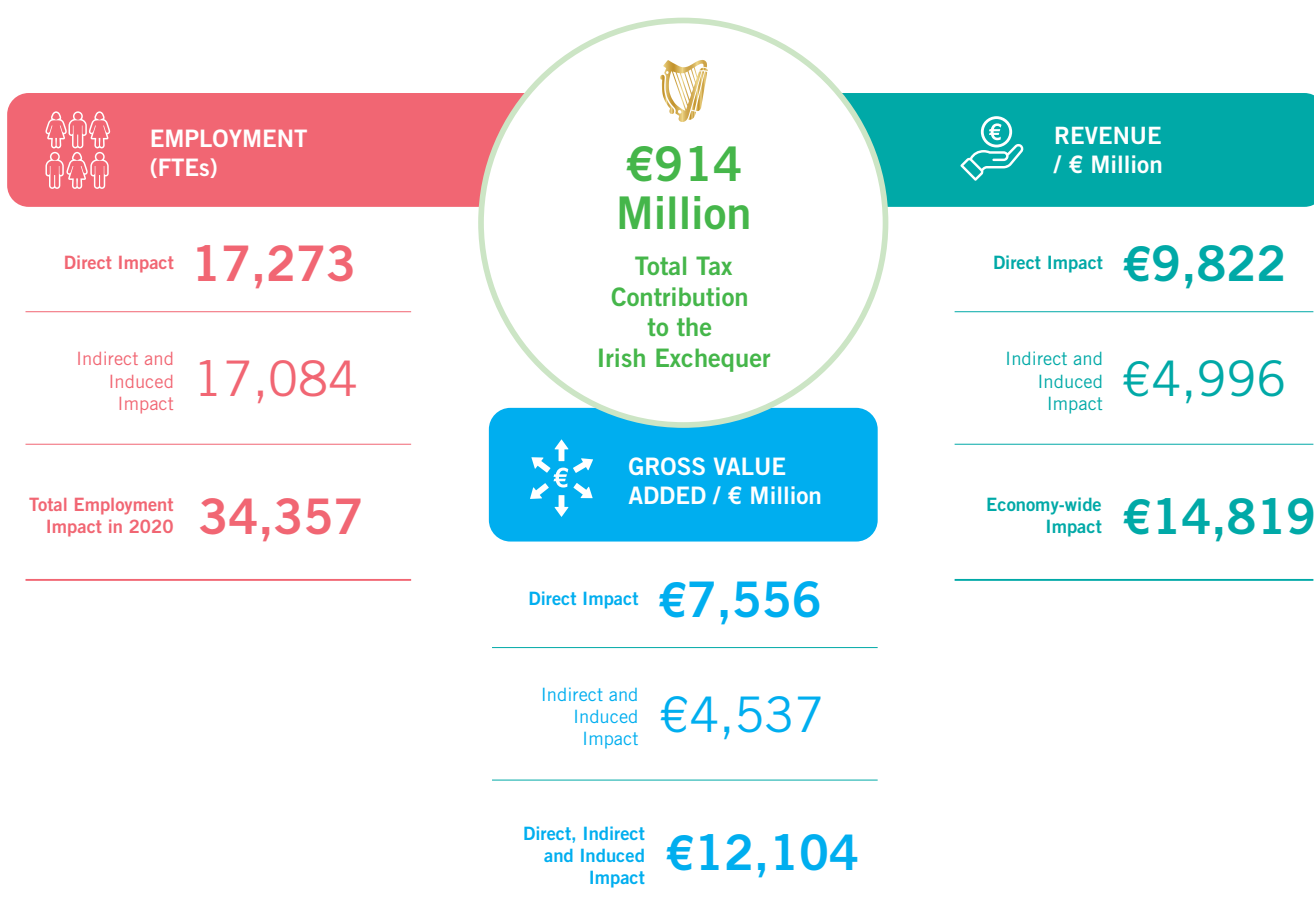
Introduction

Indecon International Research Economists ('Indecon') completed this independent assessment of the economic impact of the investment funds and asset management industry on the Irish economy on behalf of the Irish Funds Industry Association ('Irish Funds'). The study includes an evidence-based assessment of the profile and economic footprint of the industry, as well as its contribution to the Irish economy.

Summary of Key Findings on Economic Impact

The figure below summarises the key findings of Indecon's assessment in relation to the direct and wider economic impacts of the investment funds and asset management industry in Ireland. At national level, the sector generated significant revenue and GVA, and supported over 17,000 employees directly in 2020, with this figure almost doubling when indirect and induced impacts are taken into account. Additionally, the investment funds and asset management sector made substantial contributions to the Exchequer, with direct tax returns of over €914 million estimated in 2020.

Irish Investment Funds and Asset Management Industry – Component of Economic Impact



Source: Indecon

Funds Industry Profile and Record of Sustained Growth

Several policy and market developments in Europe and internationally have influenced the growth of the industry in Ireland. Key factors which have driven and supported the development of the industry in Ireland have included:

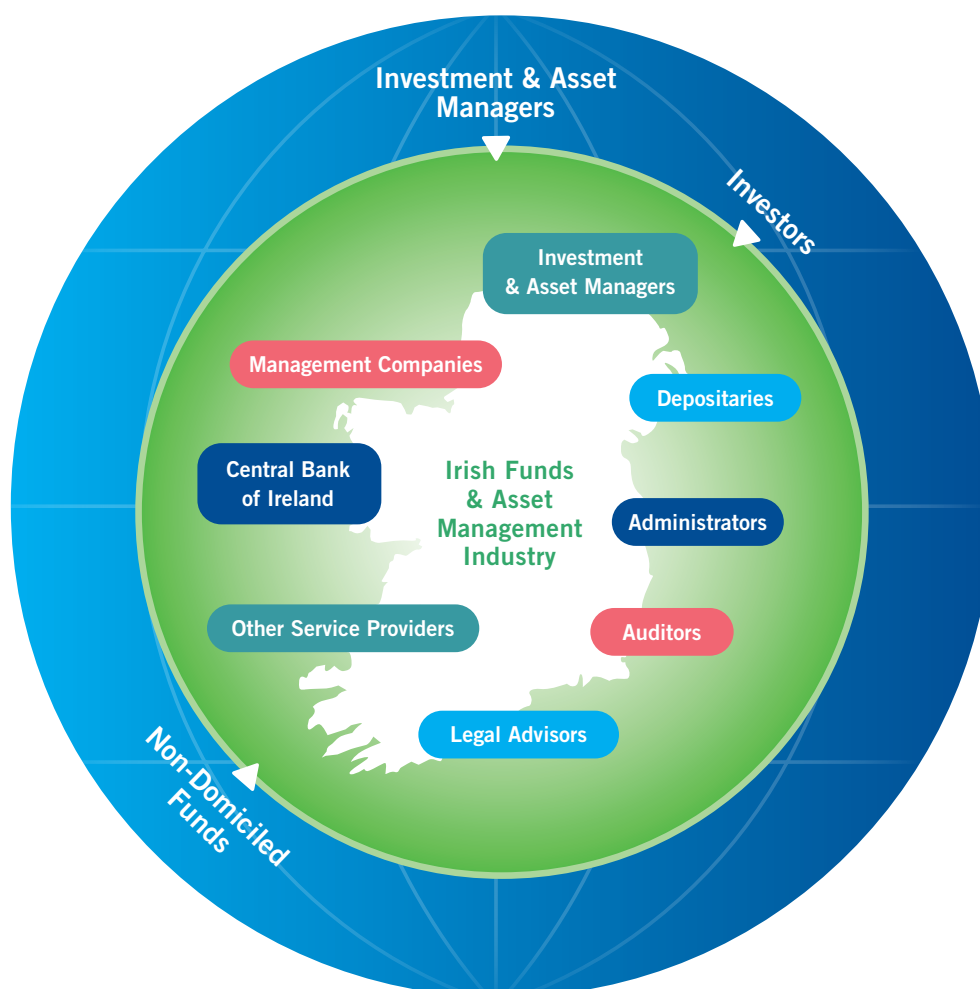
- the introduction of EU Directives, notably the UCITS Directive and the Alternative Investment Fund Managers Directive;
- the internationalisation of the investment management industry;
- the significant expansion of asset management strategies and asset classes which could be accessed via collective investment vehicles, including UCITS and AIFs; and,

- the reforms in pension and wider savings in EU and non-EU markets.

The potential from these developments has been realised by building skilled capabilities in investment funds servicing and management in the Irish economy.

There is a diverse ecosystem of enterprises within the investment funds and asset management industry in Ireland. Indecon estimates that almost 180 different firms operate in the State, across the various types of service provider, including fund management companies, investment/asset managers, fund administration/depositary services, auditing/tax and legal services and other support services such as securities, technology/software, etc., with a number of firms providing multiple services to the industry.

Descriptive Overview of Funds Industry Ecosystem in Ireland



Source: Indecon and Irish Funds

The scale of successful development of the investment funds and asset management industry in Ireland is evidenced by the data on the trends in the number and value of funds under administration. Data from the Central Bank of Ireland demonstrates the consistent growth in the investment funds and asset management industry. As at the end of December 2020, there were 14,498 funds under administration in Ireland (up 4.2% since 2018), while the value of these funds reached €5.4 trillion – an increase of 27.8% since 2018. The record of sustained growth of the industry can be seen in the fact that the number of funds under administration has grown by 28.2% since 2008.

High-Skilled Employment Supported by Funds and Asset Management Industry

The investment funds and asset management industry employs a wide range of highly skilled individuals in Ireland who provide specialist services to enable the establishment, sale, administration and oversight of funds (both Irish and non-Irish domiciled). At the end of 2020, 17,273 full-time equivalent (FTE) persons were directly employed in investment funds and asset management-related enterprises. The main areas of employment were in fund administration/depositary services and auditor/tax or legal services companies.

Breakdown of Employment Directly Supported by the Investment Funds and Asset Management Sector in Ireland (2020)

Type of organisation	Number of FTEs	Percentage of Total (%)
Investment/Asset Manager	1,864	10.8%
Fund Management Company	401	2.3%
Investment Fund/Asset Manager and Fund Management Company	1,339	7.8%
Sub-total: Investment/Asset Management and/or Fund Management Companies	3,604	20.9%
Fund Administrator/Depositary	9,431	54.6%
Auditor/Tax or Legal Services	1,929	11.2%
Multiple business types	611	3.5%
Other, incl. securities services, technology/software etc.	1,698	9.8%
Total	17,273	100%

Source: Indecon research among Irish funds industry participants

Direct Economic Contribution and Increased Regionalisation of Economic Activity

Indecon has estimated that €9.82 billion in revenue was generated by the investment funds and asset management sector in Ireland in 2020, an increase of 6% compared to the 2018 total revenue contribution of the industry. Investment/asset managers and fund management companies made up the largest portion of this revenue, followed by administrators/depositaries.

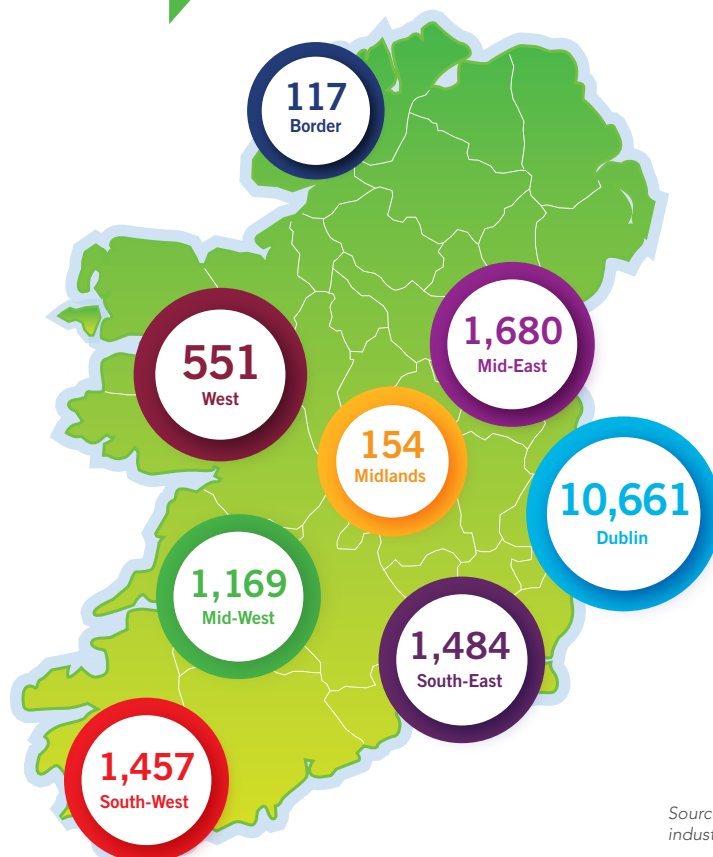
A notable feature has been a continued regionalisation of the Irish investment funds and asset management industry over the last 2-3 years. Almost half of the counties in the Republic of Ireland now have at least one office location within the industry, and there has been an expansion of almost 40% in the number of office locations outside of Dublin, with some firms now having multiple office locations outside the capital. Since 2018, the growth seen outside Dublin has been twice that seen in Dublin.

Further evidence of the increased regional spread of economic activity in the industry can be seen in the distribution of employment by location of employees. The graphic below highlights the regional distribution of employment in the industry in 2020. The industry now employs individuals living in every county in the Republic of Ireland, while there has also been growth in employment since 2018 in each county apart from Dublin. Importantly, the recent growth patterns highlight the contribution of the Irish funds and asset management industry to the Government's policy on balanced regional development, with employment outside of Dublin accounting for 38.3% of the total employment in 2020 compared to 27.9% in 2018. Furthermore, with companies in the sector indicating that significant percentages of their employees are likely to continue to work remotely following the COVID-19 pandemic, it is likely that this shift is not a temporary change due to the pandemic. The greater regional spread of employment evident in the industry also supports a wider regional dispersion of incomes, with potential for knock-on impacts being felt more widely across the country.

Regional Breakdown of Employment by Location of Staff Supported in Investment Funds and Asset Management Industry in Ireland – 2020

Directly supported by the Investment Fund and Asset Management Sector in Ireland

17,273
FTEs in Ireland



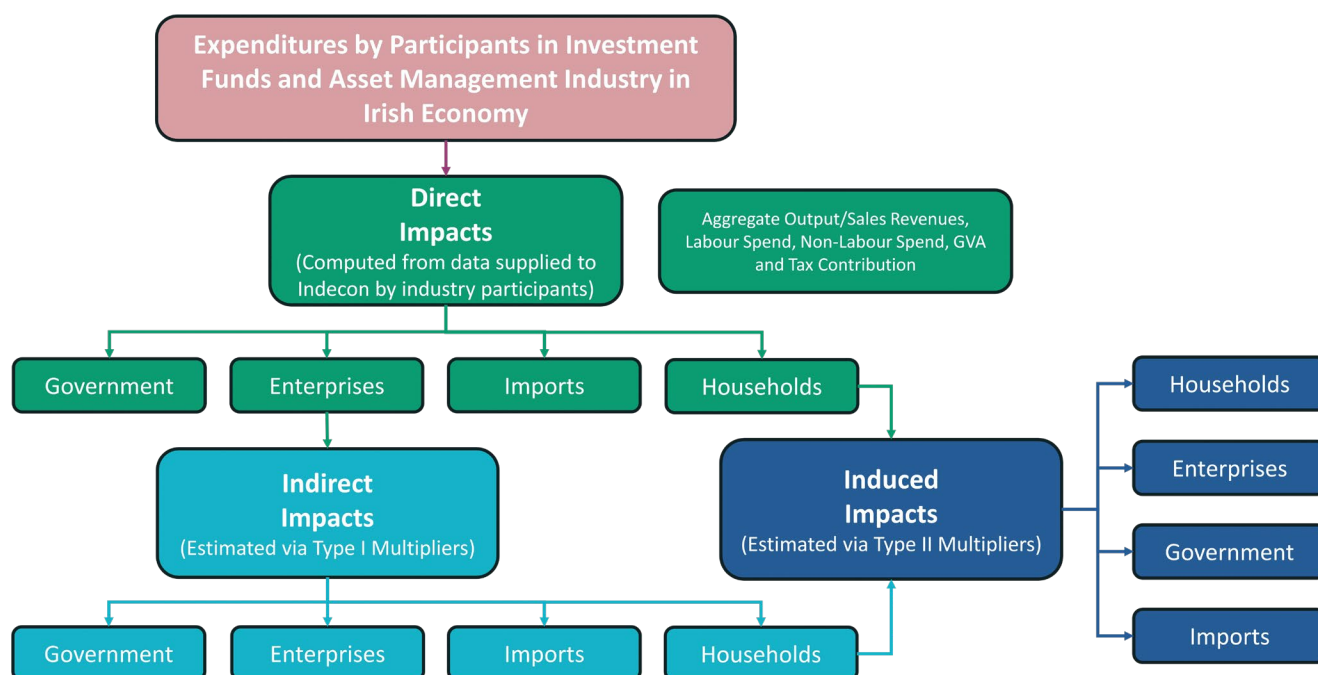
Source: Indecon research among Irish funds industry participants

Wider Economic Impacts

The direct impacts of the economic activity of the investment funds and asset management industry in Ireland have knock-on impacts to the wider economy as a result of industry expenditure and employment. Indecon's sectoral

input-output model of the Irish economy has enabled the quantification of these wider multiplier impacts (including direct, indirect and induced impacts) on the Irish economy, with the linkages between these impacts outlined in the following figure.

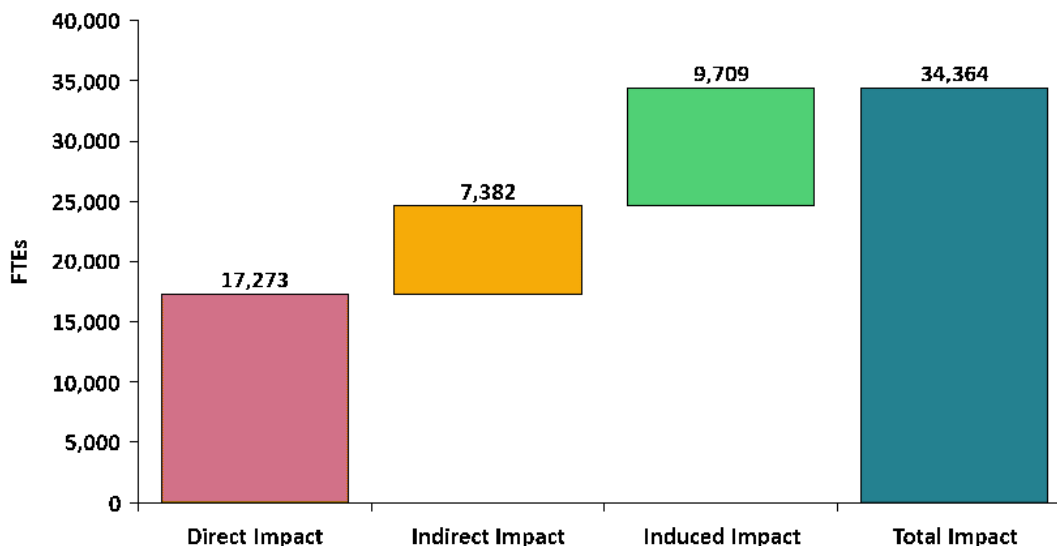
Overview Description of Channels of Impact of Wider Economic Impacts



Indecon estimates that the economy-wide revenue/output impact of the investment funds and asset management industry was over €14.8 billion in 2020. The following figure shows the direct, indirect and induced employment

supported by the investment funds and asset management industry in Ireland, with 34,364 FTEs estimated to be supported across the Irish economy.

Overall Irish Funds Industry Impact – Employment (FTEs) – 2020

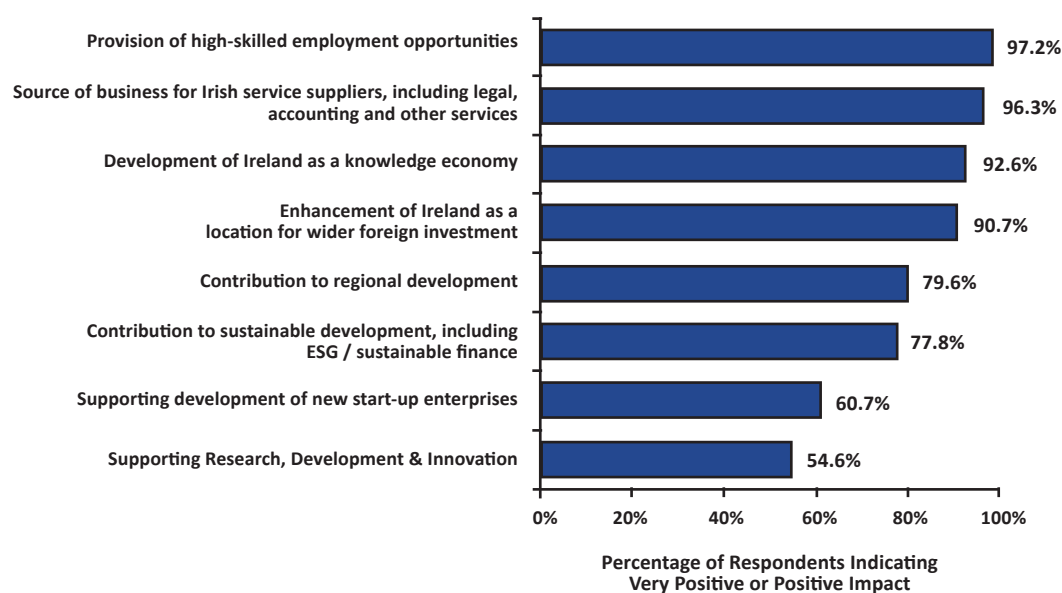


Source: Indecon analysis, based on research among Irish funds industry participants

It is also informative to consider the qualitative evidence in relation to the wider economic impacts of the industry on the Irish economy. The views of organisations on a range of different aspects of the wider economic impacts of the industry are contained in the figure overleaf, highlighting the very positive views of the industry participants with regards to aspects such as:

- provision of high-skilled employment opportunities
- the industry as a source of business for Irish service suppliers including legal, accounting and other services
- development of Ireland as a knowledge economy
- enhancement of Ireland as a location for wider foreign investment
- contribution to the regional development
- sustainable development.

Funds Industry Participant Perspectives on Aspects of Wider Impacts of Industry on the Irish Economy



Source: Indecon analysis of survey of businesses in the investment funds and asset management industry in Ireland (2021)

Prospects for Future Growth

Indecon sought the views of firms in relation to their projections for growth in business volumes over the next five years, as part of our research amongst businesses in the investment funds and asset management industry. Depending on the method of measurement estimated, growth of the next five years was calculated to be between 25% and 29%. Indecon modelled several illustrative scenarios for the growth of employment and direct Exchequer contributions supported by the sector, based on the average growth predicted by respondents to the primary research. Under the central growth scenario, direct employment in the industry would grow from 17,273 FTEs in 2020 to almost 22,000 in 2025, whilst tax expenditure would grow from €915 million in 2020 to €1.16 billion in 2025. Indecon would note that both the FTE and tax expenditure estimates are in line with the central scenario developed in 2019, supporting the use of such modelling techniques.

Caution should be exercised in interpreting these projections, given the level of uncertainty attached to any such projections. However, it is instructive to note that the overall level direct employment supported in 2020 (17,273) is in line with the central scenario outlined in Indecon's 2019 report.

Indecon also asked respondents about the main factors likely to impact on future growth prospects, with 62.7% of respondents indicating that the regulatory environment

was likely to be the largest factor impacting growth over the next five years. Just over 44% of respondents indicated that availability of necessary talent was either the largest or second largest factor likely to impact the growth of the industry.

Overall Conclusion

Indecon's independent assessment builds on research conducted in 2019, showing the significant growth in the industry over the past two years. Indecon's modelling shows that the investment funds and asset management industry continues to be a major contributor to high-skilled employment, output and GVA in the Irish economy, as well as a provider of a significant direct tax return to the Irish Exchequer. There is also evidence of a very significant and increasing regionalisation of economic activity, with employees now located in all counties in the Republic of Ireland, and this is important in demonstrating the industry's contribution to Government policy in relation to balanced regional development. Additionally, the direct economic activities of the sector support significant knock-on impacts leading to wider economic activity in the Irish economy at national and regional levels. Participants in the investment funds and asset management industry are optimistic that the growth experienced in recent years will continue, projecting further growth over the next five years. Should such growth materialise, further economic benefits would be generated for the Irish economy.



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