EUROPEAN FUND MARKET REPORT:
FIRST QUARTER 2016

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EXECUTIVE SUMMARY

- The assets under management in the European mutual fund industry decreased from the record level of €8.88 tr (December 31, 2015) to €8.60 tr at the end of March 2016.

- Alternative funds enjoyed the highest net inflows (+€10.69 bn) during first quarter 2016.

- Absolute Return EUR Medium (+€3.88 bn) was the best selling long-term mutual fund category over first quarter 2016. Bond funds (+€5.70 bn) enjoyed the highest net inflows for March.

- BlackRock (€562.11 bn) at the end of March accounted for more assets under management than the following two fund promoters together.

- Generali led the sales table for first quarter 2016 with net sales of €6.74 bn.
With regard to the rough market conditions during first quarter 2016, it was not surprising that the assets under management in the European mutual fund industry decreased from the record level of €8.88 tr (December 31, 2015) to €8.60 tr at the end of March 2016. This decrease of €288.1 bn was mainly driven by the performance of the underlying markets (-€253.2 bn), while net sales contributed outflows of €34.9 bn to the overall change in assets under management in the European fund industry.

Graph 1: Assets Under Management (Euro Billions) in the European Fund Industry by Asset Type, 2003-March 31, 2016

Source: Thomson Reuters Lipper
With regard to the overall number of products, it was not surprising that equity funds (€3.11 tr) held the majority of the assets, followed by bond funds (€2.17 tr), mixed-asset funds (€1.30 tr), money market products (€1.11 tr), alternative products (€0.53 tr), real estate products (€0.17 tr), “other” funds (€0.17 tr), and commodity funds (€0.03 tr).

Graph 2: Market Share Assets Under Management in the European Fund Industry by Asset Type, March 31, 2016

Source: Thomson Reuters Lipper
**Fund Flows by Asset Type**
Taking the overall market conditions during first quarter 2016 into account, it was not surprising that equity funds (€-18.27 bn) faced the highest net outflows of all long-term mutual funds for the quarter, bettered by bond funds (€-5.9 bn) and mixed-asset funds (€-5.20 bn) as well as “other” funds (€-0.61 bn). At the other end of the spectrum alternatives funds enjoyed the highest net inflows (+€10.69 bn) during first quarter 2016, followed by real estate products (+€2.26 bn) and commodity funds (+€1.01 bn).

**Graph 3: Estimated Net Sales, Q1 2016 (Euro Billions)**

Source: Thomson Reuters Lipper

**Money Market Products**
After net inflows during January and February, money market products faced heavy net outflows (€-30.0 bn) for March, which drove the overall flows in money market products to a negative €18.89 bn—the highest outflows from all asset types for first quarter 2016.

This flow pattern drove the overall fund flows to mutual funds in Europe to a negative €34.9 bn for first quarter 2016.

**Money Market Products by Sector**
Within the money market fund segment Money Market EUR (+€8.11 bn) was the best selling sector for first quarter 2016, followed by Money Market SEK (+€2.27 bn) and Money Market GBP (+€1.75 bn). At the other end of the spectrum Money Market USD (€-32.10 bn) and Money Market HUF (€-0.30 bn) suffered the highest net outflows.

Taking the flows for March into account, the flow pattern for money market products showed that this asset type is used by investors to implement not only cash positions, but investors also seem to implement their views on different currencies compared to their portfolio currency by using money market products.
Assets Under Management by Lipper Global Classifications
With regard to the Lipper global classifications, the European fund market was split into 360 different peer groups at the end of March. The highest assets under management were held by funds classified as Equity Global (€655.16 bn), followed by Money Market EUR (€525.63 bn), Equity US (€311.59 bn), and Bond Global (€303.94 bn) as well as Equity Europe (€300.14 bn). Overall, 18 of the 360 peer groups each accounted for more than €100.00 bn of assets under management. In total, these 18 peer groups accounted for €4.30 tr. These numbers showed that the assets under management in the European fund industry were highly concentrated.

Graph 4: Twenty Top Lipper Global Classifications by Assets Under Management, March 31, 2016 (Euro Billions)

Source: Thomson Reuters Lipper
**Fund Flows by Lipper Global Classifications**

With regard to the overall sales for first quarter 2016, it was not surprising that there were three absolute return categories—Absolute Return EUR Medium (+€3.88 bn), Absolute Return Other (+€3.49 bn), and Absolute Return EUR High (+€3.22 bn)—among the ten best selling Lipper classifications. It was a surprise that Bond Emerging Markets Global in Local Currencies (+€2.23 bn) and Equity Emerging Markets Global (+€1.77 bn) were among the top-selling Lipper global classifications for first quarter 2016.

Graph 5: Ten Best Selling and Ten Worst Selling Lipper Global Classifications by Estimated Net Sales, Q1 2016 (Euro Billions)

On the other side of the table the ten peer groups with the highest net outflows accounted for €58.87 bn of outflows, driven by the flows from Money Market USD (-€32.1 bn), bettered by Equity US (-€4.3 bn), Absolute Return EUR Low (-€4.14 bn), and Equity Japan (-€3.89 bn) as well as Bond USD High Yield (-€3.10 bn).
Assets Under Management by Promoters
A closer look at the assets under management in the European fund industry by promoters also showed that the assets under management in the European fund industry were concentrated, since only 21 fund promoters in Europe held assets at or above €100.00 bn. The largest fund promoter in Europe—BlackRock (€562.11 bn)—accounted for more assets than the number-two promoter—Amundi (€267.66 bn)—and the number-three promoter—Deutsche Bank (€257.19 bn)—together.

Graph 6: Twenty Top Promoters by Assets Under Management, March 31, 2016 (Euro Billions)

Source: Thomson Reuters Lipper
Fund Flows by Promoters

It was a little surprising to see that Generali led the sales table for first quarter 2016 with net sales of €6.74 bn, ahead of Europe’s largest fund promoter BlackRock (+€6.24 bn) and Legal & General (+€5.64 bn).

Graph 7: Twenty Best Selling Promoters, Q1 2016 (Euro Billions)

Overall, there were only 19 promoters of mutual funds in Europe that enjoyed inflows of more than €1 bn over first quarter 2016. The inflows of these 19 promoters summed to €49.20 bn.
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