EUROPEAN FUND INDUSTRY REVIEW
(All data as of September 30, 2019)

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EXECUTIVE SUMMARY

Bonds are European Investors’ Darlings

- The European fund industry enjoyed estimated net inflows over the course of the first nine months of 2019. These inflows follow the first year with estimated net outflows since 2011.

- The overall fund flows for mutual funds in Europe amounted to net inflows of €199.9 bn at the end of Q3 2019.

- Bond funds (+€207.7 bn) was the best-selling individual asset type overall for 2019 so far.

- Equity Global (+€53.7 bn) was the best-selling sector overall.

- **BlackRock**, with net sales of €57.7 bn, was the best-selling fund promoter for the first three quarters of 2019 overall, well ahead of **PIMCO** (+€33.4 bn) and **AXA** (+€26.5 bn).

- The European fund market increased by 40 funds over the course of 2019 year to date.
The European fund industry enjoyed estimated net inflows of €199.9 bn over the course of the first three quarters of 2019. These inflows follow the first year with estimated net outflows since 2011. These inflows occurred in a volatile but positive market environment driven by discussions of a possible trade war between the U.S. and China, an unclear situation around Brexit, and a general economic slowdown with decreasing earnings at the company level. Nevertheless, since the equity markets showed double digit returns over the course of 2019 so far, one would expect to see net inflows into mutual funds. That said, it was also not surprising to witness that the European fund industry experienced further mergers and acquisitions on the asset manager side, as well as in the service provider segment, as the pressure on fees and margins continues.

**Assets Under Management in the European Fund Industry**

The assets under management in the European fund industry increased from €9.9 tr to €11.8 tr in 2019 year to date. This increase was driven by the performance of the underlying markets (+€1.7 tr), while net sales contributed inflows of €199.9 bn.

Since exchange-traded funds (ETFs) have become an important part of the European fund industry, it is essential to review that market segment separately to get a better picture of the underlying trends even though the numbers for ETFs are included in the overall numbers for the European fund industry.

The European ETF industry enjoyed in 2019 a further increase in popularity with all types of investors. This popularity was seen in the form of net sales (+€62.3 bn), and increasing assets under management to €795.5 bn at the end of September 2019, up from €633.1 bn, at the end of December 2018.

**Graph 1: Assets Under Management in the European Fund Industry by Product Type (Euro Billions)**

Source: Lipper from Refinitiv
With regard to the overall number of funds, it was not surprising that equity funds (€4.3 tr) were the asset type with the highest assets under management, followed by bond funds (€3.1 tr), mixed-assets products (€2.0 tr), money market funds (€1.3 tr), alternative UCITS funds (€0.6 tr), real estate funds (€0.3 tr), “other” products (€0.2 tr), and commodity funds (€0.06 tr).

Graph 2: Market Share by Asset Type (September 30, 2019)

Source: Lipper from Refinitiv
European Fund Flow Trends Q3 2019

Generally speaking, 2019 has so far been a tough year, with split results for some asset managers in the European fund management industry. Nevertheless, the year can be considered as a good year, as mutual funds (+€199.9 bn) enjoyed net inflows. It is also not surprising that 2019 has been a good year for the promoters of ETFs, as ETFs enjoyed inflows of €62.3 bn year to date.

**Graph 3: Estimated Net Flows in the European Mutual Fund Industry (Euro Billions)**

**Fund Flows Into Long-Term Mutual Funds**

A more detailed view by asset type reveals that not all of them enjoyed inflows over the course of the first nine months of 2019. Bond funds (+€207.7 bn) was the best-selling asset type, followed by mixed-assets funds (+€26.3 bn), real estate funds (+€4.3 bn), and commodity funds (+€2.3 bn). Conversely, alternative UCITS funds (-€47.0 bn) was the asset type with the highest outflows overall, bettered by equity funds (-€45.3 bn) and "other" funds (-€10.8 bn). These fund flows added up to estimated overall net inflows of €137.5 bn into long-term investment funds year to date. These flows may indicate that European investors decreased the risk in their portfolios even as they bought corporate and emerging markets bonds, which are not considered safe-haven products.
The European ETF segment showed somewhat different overall dynamics, as these products enjoyed estimated net inflows (+€62.6 bn) over the course of the first nine months of 2019. With regard to net inflows, bond ETFs was the asset type with the highest net inflows (+€46.4 bn), followed by equity ETFs (+€14.1 bn), mixed-assets ETFs (+€0.8 bn), commodity ETFs (+€0.6 bn), alternative UCITS ETFs (+€0.4 bn), and “other” ETFs (+€0.3 bn). These flows may indicate that European investors have a preference for the product features of ETFs (transparency and liquidity) when investing in equities during rather uncertain market conditions.

Graph 4: Estimated Net Sales by Asset Type, Q3 2019 (Euro Billions)

Fund Flows into Money Market Products*
Regarding the overall market environment, one would expect to see net outflows from money market products because they are considered so-called safe-haven products. Instead, money market products showed net inflows of €62.4 bn (including outflows from money market ETFs [-€0.3 bn]).

This flow pattern led the estimated overall fund flows into mutual funds in Europe to a net of €199.9 bn for 2019 year to date.

Money Market Products by Sector*
Money Market EUR (+€35.2 bn), followed by Money Market GBP (+€24.3 bn) and Money Market USD (+€6.5 bn) were the three best-selling money market sectors for 2019 so far. At the other end of the spectrum, Money Market EUR Leveraged (-€4.0 bn) suffered the highest net outflows from money market products, bettered by Money Market PLN (-€1.3 bn) and Money Market CHF (-€0.6 bn).
**Fund Flows by Sectors**

Equity Global (+€53.7 bn) was the best-selling sector within the segment of long-term mutual funds, followed by Bond Global USD (+€45.1 bn), Bond Global EUR (+€25.1 bn), Bond Emerging Markets Global in Hard Currencies (+€23.8 bn), and Bond EUR (+€19.0 bn).

Graph 5: The 10 Best and Worst Selling Sectors for 2019 Year to Date (Euro Billions)

At the other end of the spectrum, Equity Europe (-€21.8 bn) suffered the highest net outflows from long-term mutual funds, bettered by Equity Eurozone (-€17.9 bn), Bond Global GBP (-€16.0 bn), Unclassified Products (-€11.2 bn), and Mixed Asset EUR Flexible Global (-€10.7 bn).

*Please note that Lipper launched an updated Lipper Global Classification Scheme in May 2019 which caused some shifts with regard to the assets under management and the estimated net flows within the single asset types and/or sectors. Please visit our [website](https://www.lipper.com) to learn more about the new Lipper Global Classifications.*
Assets Under Management by Promoters

A closer look at the assets under management in the European mutual fund industry shows that **BlackRock** (€917.9 bn) was by far the largest fund promoter in Europe, followed by **Amundi** (€407.6 bn), **UBS** (€340.8 bn), **JP Morgan** (€335.8 bn), and **DWS Group** (€311.7 bn).

Graph 6: The 20 Largest Promoters by Assets Under Management in Europe, September 30, 2019 (Euro Billions)

Source: Lipper from Refinitiv
**Fund Flows by Promoters**

BlackRock, with net sales of €57.7 bn, was the best-selling fund promoter for the first three quarters of 2019 overall, well ahead of PIMCO (+€33.4 bn), AXA (+€26.5 bn), Vanguard Group (€17.1 bn), and Alliance Bernstein (€15.4 bn).

Graph 7: Twenty Best Selling Promoters, 2019 Year to Date (Euro Billions)

Considering the single-asset types, BlackRock (+€34.6 bn) was the best-selling promoter of bond funds for the first three quarters of 2019, followed by PIMCO (+€33.4 bn), AB (+€14.6 bn), Vanguard Group (+€8.3 bn), and Nordea (+€7.0 bn).

Within the equity space, Mercer (+€7.0 bn) stood at the head of the table, followed by KBC (+€4.7 bn), Capital Group (+€4.4 bn), Vanguard Group (+€4.3 bn), and Northern Trust (+€4.2 bn).

AXA (+€18.5 bn) was the leading promoter of mixed-assets funds in Europe for the first three quarters 2019, followed by Mercer (+€5.4 bn), Vanguard Group (+€4.4 bn), Union Investment (+€3.0 bn), and JP Morgan (+€2.7 bn).

Credit Suisse Group (+€4.9 bn) was the leading promoter of alternatives funds over the course of the first nine months of 2019, followed by DWS Group (+€2.7 bn), Legal & General (+€1.5 bn), Flossbach von Storch (+€1.5 bn), and Insight (+€1.4 bn).
Promoter Activity—Fund Launches, Liquidations, and Mergers

So far, 2019 has been a positive but also rather difficult year for the European asset management industry. Nevertheless, the promoters of mutual funds enjoyed overall inflows and increasing assets under management over the course of 2019 to date. Within this environment, the promoter activity regarding fund launches, liquidations, and mergers indicated the industry is in a growth mode as we witnessed an increasing number of funds in Europe over the course of the first nine months of 2019. More generally, the increasing number of funds was continuing a positive trend in Europe since the rate of decline slowed down for six consecutive years and turned positive in 2018. The main reasons for the mergers and liquidations at the fund level were mergers of fund managers and restructurings of the general product offerings—for example, some fund promoters merged funds with similar investment objectives to strengthen their product ranges. Especially the activities of Amundi, BNP Paribas, and Lyxor regarding the closure of funds domiciled in France and transfer of those assets under management to newly launched funds with the same strategy in Luxembourg was one of the key drivers behind those numbers. Another factor that causes fund liquidations or mergers is low profitability because of the lack of assets under management in a fund. Especially since the implementation of new regulations—currently MiFID II—increases the costs for maintaining a fund, we expect that the trend of mergers and liquidations of small funds will continue in 2019.

Graph 8: Fund Launches, Liquidations and Mergers

European fund promoters liquidated 896 funds over the course of first nine months of 2019, while 818 funds were merged into other funds. In contrast, European fund promoters launched 1,754 funds. This meant the European fund market increased by 40 funds over the course of 2019 year to date.
A more detailed view shows that equity funds experienced the highest number of mergers (291) and liquidations (305), while we witnessed the most fund launches (568) in the mixed-assets segment. Regarding the broader trends in the financial markets, it was surprising that equity funds showed the highest number of fund mergers and liquidations since the current environment is shaky, but overall the equity markets are rising.

It was, however, not surprising that mixed-asset products (+149) showed the highest net growth in the number of products available to investors in Europe—as the fund industry reacts to investor behavior—and mixed-asset products have experienced years of high net flows. Another driver for fund launches in the mixed-assets segment might be the fact that investors are looking for alternatives to bond products, as there are some uncertainties for different types of bonds ahead. Since the performance of many “old” mixed-asset products was heavily dependent on developments in the bond markets, it was not surprising that fund promoters liquidated (184) or merged (235) these products into their new product offerings (568), the so-called multi-asset funds. This helped to streamline the product ranges and generate assets under management for their successor funds.

Graph 9: Fund Launches, Liquidations and Mergers in Q2-2019 by Asset Type

Source: Lipper from Refinitiv
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