



EVERYTHING FLOWS

UK FUND FLOWS NOVEMBER 2021

Author:

Dewi John

Refinitiv Lipper Head of Research, UK & Ireland



Little Sign of Inflation-Proofing, as Fund Buyers Dash for Cash

As UK inflation hits 5.1%, its fund buyers are net sellers of inflation-linked bonds

Asset Class View

- Money market funds took £11.1bn, with the next biggest asset gatherers being bond (£2.2bn) and mixed assets (£1.6bn).
- Equities saw the only outflows, at £2.2bn.

Active v Passive

- All but £300m of equity outflows were from passive vehicles, with almost all of this being from mutual funds rather than ETFs.
- Likewise, positive passive bond flows were dominated by mutual funds (£1bn) versus £380m for ETFs.

Classifications

- The most popular classification was Money Market GBP (£11.2bn), almost doubling the flows of the rest of the top-10 money takers.
- Equity Global was second, with £2.7bn, but was the only equity classification in the top 10, while Equity US and Equity UK saw the biggest outflows.

ESG Flows

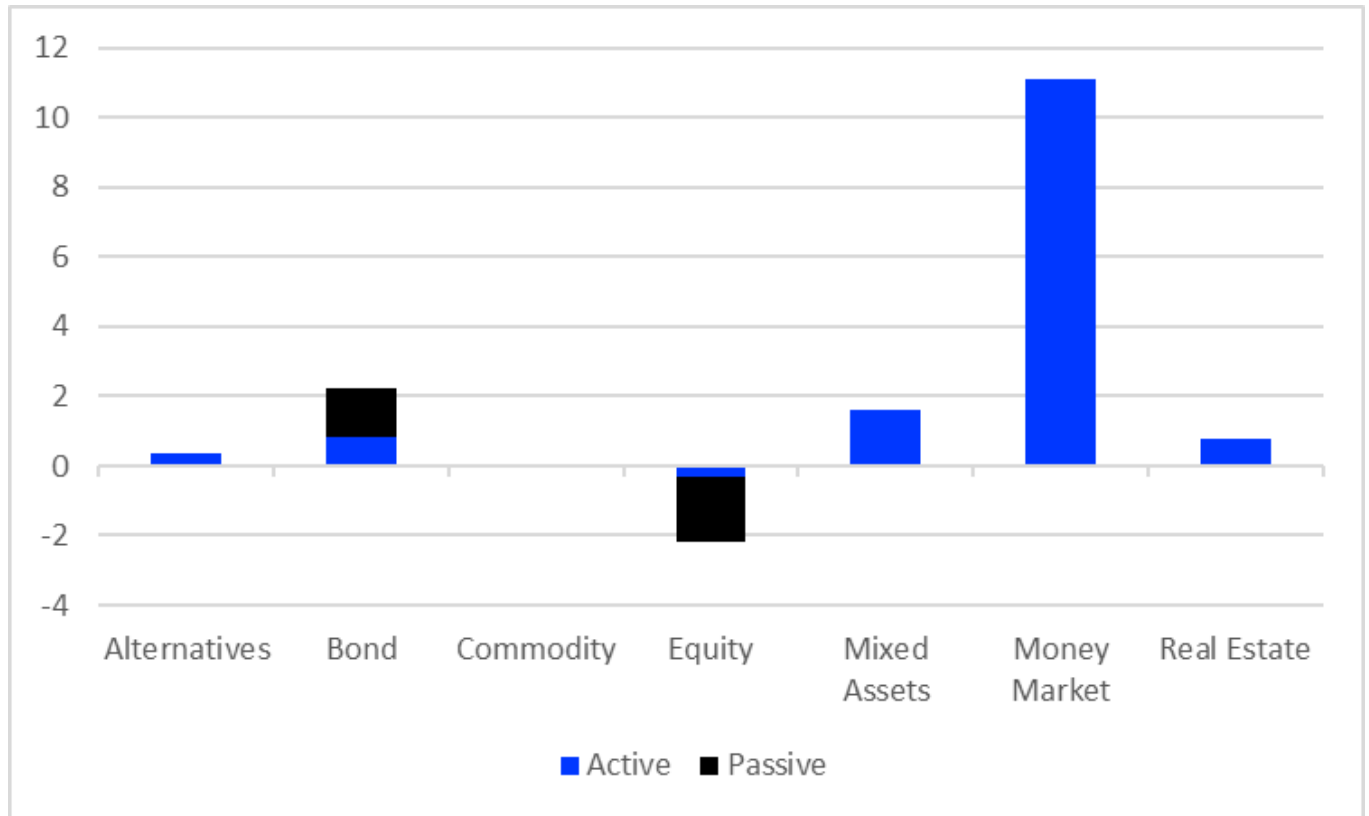
- The rotation from non-ethical to ethical equity funds continues, with the former losing £5bn and the latter gaining £2.8bn, largely to global funds.

Asset Manager View

- Legal & General was the main beneficiary of the trend to money market funds, with £5.3bn of its £5.5bn of sales for the month going into these.

Flows by Asset Class

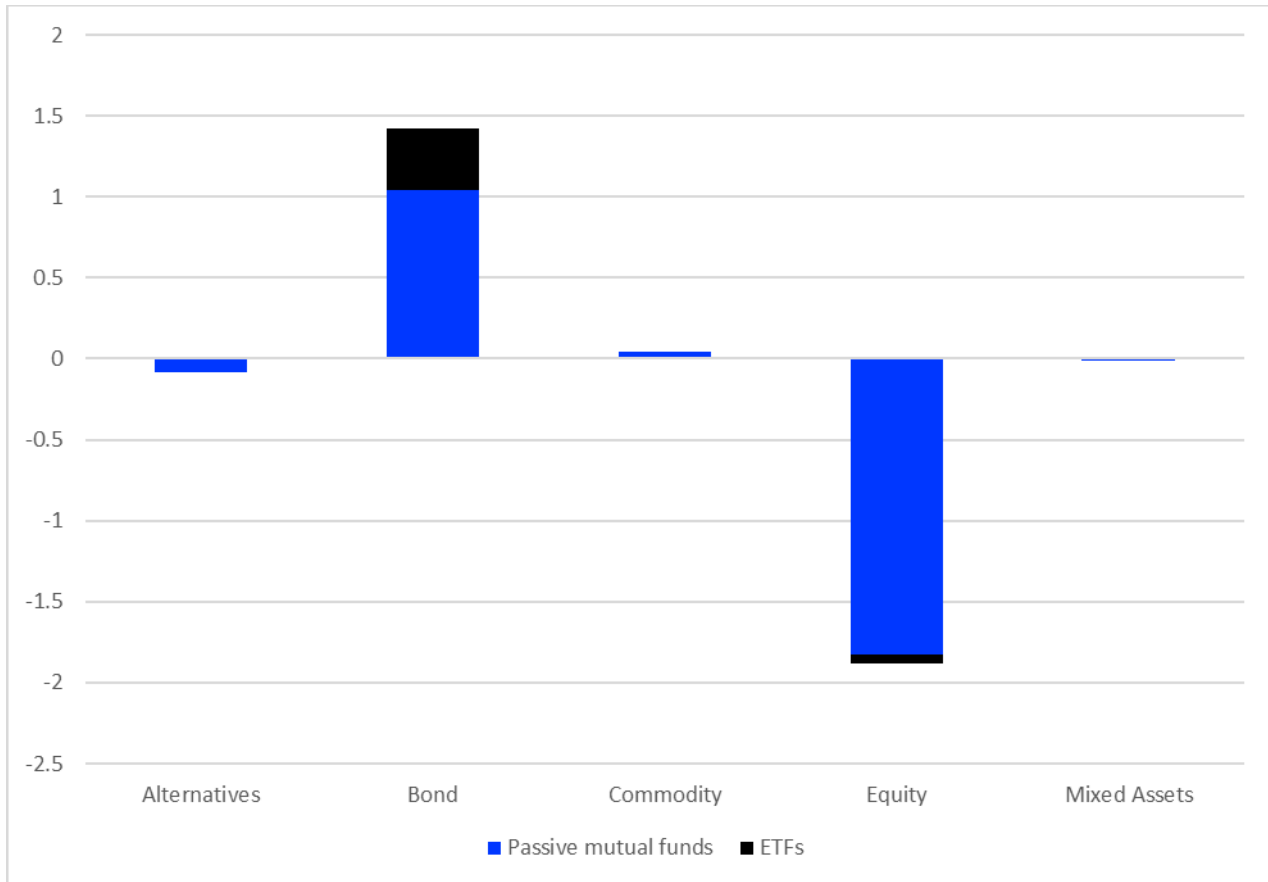
Chart 1: Asset Class Flows, Active and Passive, November 2021 (£bn)



Source: Refinitiv Lipper

I'm not sure whether fund buyers are putting cash back for Christmas this November, but the flows into money market funds have dwarfed previous positive months for the asset class, and shaded other asset classes this month. Money market funds took £11.1bn this month, with the next biggest money takers being bond (£2.2bn, £1.4bn being passive) and mixed assets (£1.6bn, with a £11m outflow from passive).

On the negative side of the equation, equities experienced outflows of £2.2bn, with all but £300m of that being from passive funds.

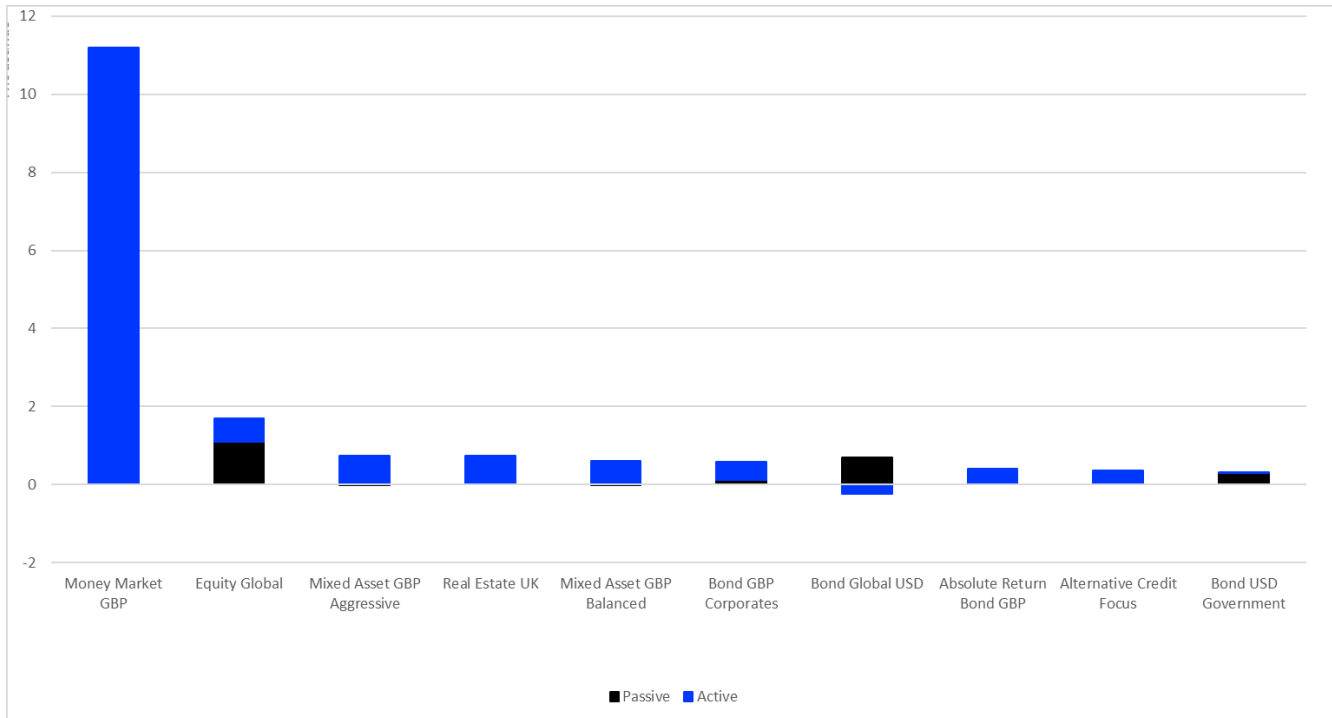
Chart 2: Passive Asset Class Flows, Mutual Funds v ETFs, November 2021 (£bn)

Source: Refinitiv Lipper

Chart 2 shows that most of the passive movement has been executed via mutual funds rather than ETFs: negative £1.8bn versus -£53m for equities and £1bn versus £380m for ETFs. I'd speculated early in the year that we may be seeing a trend where ETFs were taking more of the passive pie, but that does seem to have subsided. What is clear, however, is that the active management mantra in fixed income—that buying passive just means investors are buying the most indebted companies—is having little traction. Fund buyers seem little more troubled with holding passive bond funds than they are holding their equity peers.

Flows by Classification

Chart 3: Largest Positive Flows by Refinitiv Lipper Global Classification, November 2021 (£bn)



Source: Refinitiv Lipper

Money Market GBP sweeps all before it, almost doubling the flows of the rest of the top-10 money takers for November. **LGIM Sterling Liquidity 1** has taken just shy of half of this (£5bn), with JPM and BlackRock hoovering up much of the rest.

Except for Equity Global, it's clear no-one's interested in the asset class, as it's the only equity classification in the top 10. Indeed, you've got to go to the thirteenth on the list, Equity Emerging Mkts Global (£207m), before encountering another equity listing.

Money Market GBP, November 2021	Flow (£m)
LGIM Sterling Liquidity 1	4,997
JPM GBP Liquidity LVNAV Institutional Dis	2,202
BlackRock ICS Sterling Liq Admin IV Acc	2,174
Deutsche Managed Sterling Advisory	990
Insight ILF GBP Liquidity 6	766

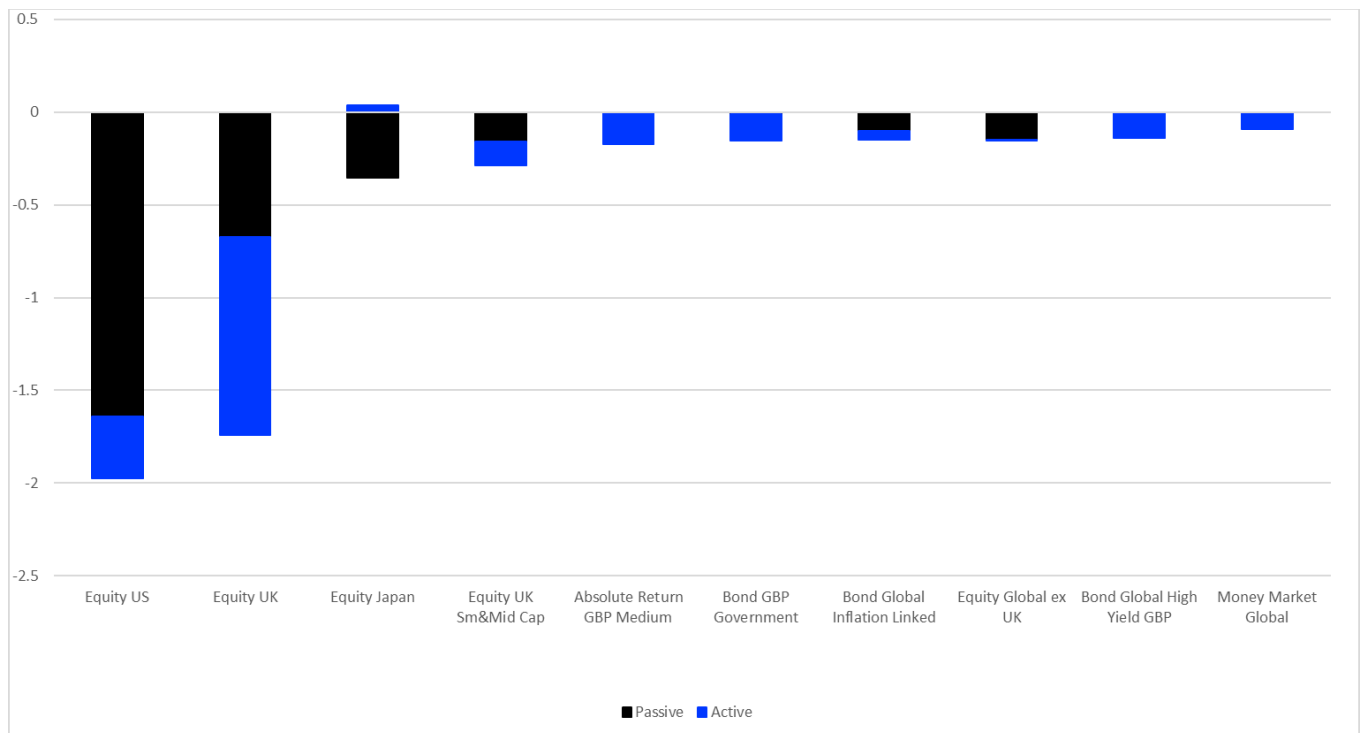
Source: Refinitiv Lipper

Legal & General has done well on second-placed Equity Global as well, netting £347m with its **Legal & General Future World ESG Developed Index**. Flows have been £1.1bn/£603m passive to active, but the real story is that all the top five—and eight out of the top 10—selling funds are ESG vehicles.

Equity Global, November 2021	Flow (£m)
Legal & General Fut Wld ESG Developed Index R Acc	347
ACS World Low Carbon EQ Tracker X2 Acc	257
ACS Wld ESG Insights Eqty X1 Acc GBP	226
ACS World ESG Eqty Tracker X1 Acc GBP	209
Aviva Investors Climate Trans Glbl Eq Fund SC 3	168

Source: Refinitiv Lipper

Further down the list, Real Estate UK makes a rare return to favour, with £785m going to the **SLI UK Real Estate Retail** and its feeder.

Chart 4: Largest Negative Flows by Refinitiv Lipper Global Classification, November 2021 (£bn)

Source: Refinitiv Lipper

Apart from the seeming undying popularity of global equities—intertwined with the popularity of ESG—equities are about as fashionable as your Christmas jumper. Some £3.7bn has exited Equity US and Equity UK alone, with Japan and UK Small & Mid Cap following (at -£319 and -£287m, respectively).

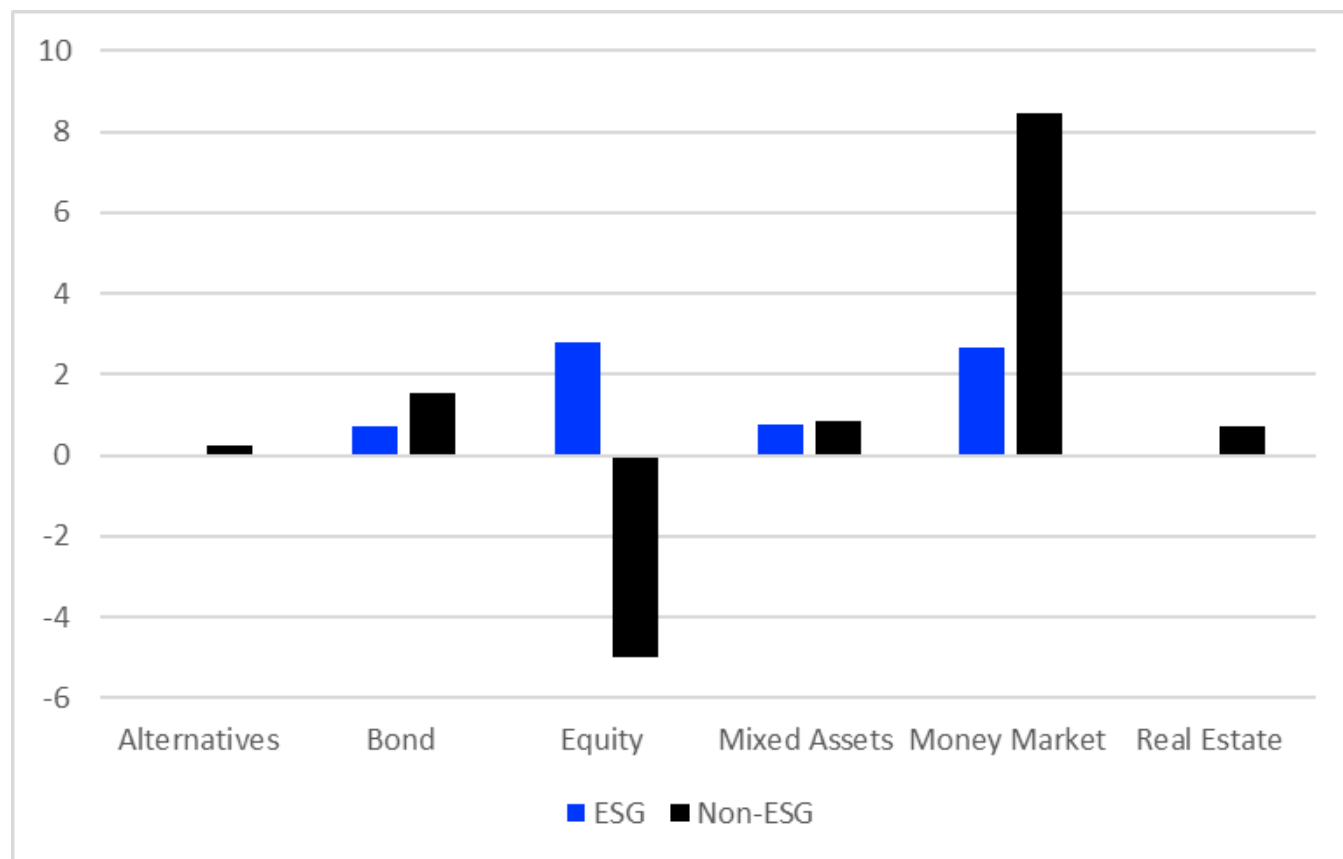
One thing of note here is, despite surging inflation—51% for November, racing ahead of expectations—there hasn't been a rush for inflation protection. Bond Global Inflation Linked saw outflows of £149m, and net flows for all inflation-linked bonds were -£184m. The only positive flows to such assets were to Bond USD Inflation Linked (£22m).

Commodities blended—a potential inflationary hedge—took in a modest £47m. The only indication of investors moving to inflation-proofing assets was the £730m that went into Real Estate UK. Calling that an inflation trade without any further supporting evidence is, however, something of a leap of faith.

This is in contrast to what's happening in the US, where my colleague [Tom Roseen reports](#): “Net flows into Inflation Protected Bond Funds (+\$68.4bn) are a record amount stretching back to 2002 when Lipper created the classification”.

ESG Flows

Chart 5: ESG Asset Class Flows, November 2021 (£bn)



Source: Refinitiv Lipper

As the top selling ESG equity funds are the same as the top selling Equity Global funds (p6), I won't bore you by repeating them—other than to mention while there's generally a close alignment between these two, I've never seen them match identically.

The rotation from non-ethical to ethical equity funds continues in November, with the former losing £5bn and the latter gaining £2.8bn. That said, this isn't a like-for-like trade, as Equity Global is sucking in the money as other equity sectors shed it. It's most probable that investors are still prioritising the region before opting for ESG, but the greater range of ESG offerings in global may be adding to the pull factor.

ESG Mixed Asset Money Takers, November 2021	Flow (£m)
Legal & General Future World Multi-Index 4 R Acc	122
Trojan Ethical O Acc	56
Liontrust Sustain Future Defensive Managed 2 Inc	53
Liontrust Sustainable Future Managed 6 Acc	52
Liontrust Sustainable Future Cautious Managed 2Inc	49

Source: Refinitiv Lipper

Elsewhere, it's been an excellent month for Legal & General, topping the sales in all three of the ESG asset classes with the largest flows, adding **Legal & General Future World Multi-Index 4 R Acc** in mixed asset and

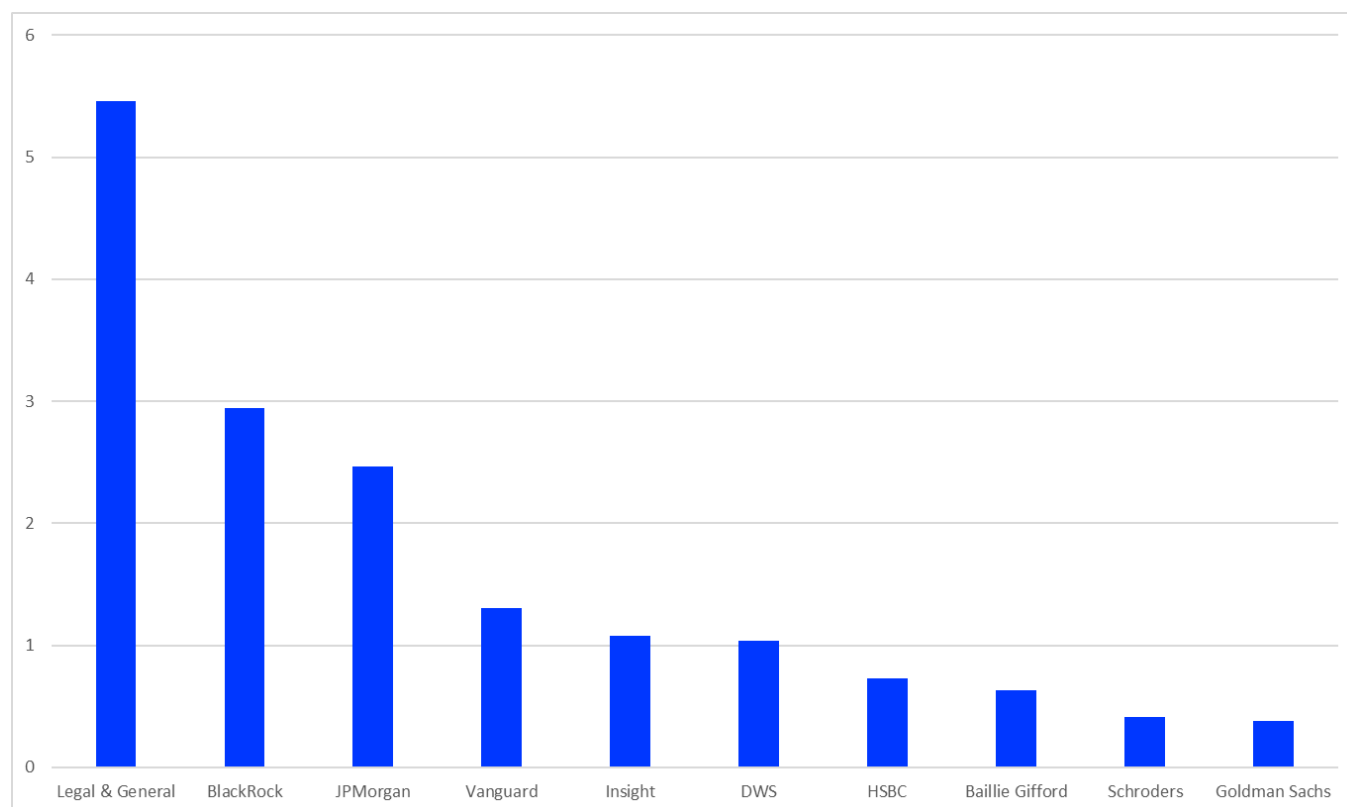
L&G Absolute Return Bond Fund Z GBP Acc in fixed income to its equity top seller. Nevertheless, non-ESG has still outsold ESG in both mixed asset and bond for the month.

ESG Bond Money Takers, November 2021	Flow (£m)
L&G Absolute Return Bond Fund Z GBP Acc	143
BNY Mellon Sust Glb Dynamic Bd Newton X Acc	112
iShares Green Bond Index D GBP Hgd Acc	100
Vontobel Fund TwentyFour Abs Ret Credit Fund G	93
Federated Hermes AbsRtn Crdt M GBP Acc Hgd	70

Source: Refinitiv Lipper

Flows by Promoter

Chart 6: Largest Positive Flows by Promoter, November 2021 (£bn)



Source: Refinitiv Lipper

Considerable sales in money market funds along with strong if smaller showings elsewhere have made Legal & General the UK's top-selling fund management company in November, with the firm pulling in £5.5bn. However, in the round, £5.3bn of its net sales were down to money market offerings.

L&G Top-Selling Share Classes, November 2021	Asset Class	£m
LGIM Sterling Liquidity 1	Money Market	4,997
LGIM Sterling Liquidity Plus 1 Acc	Money Market	365
Legal & General Fut Wld ESG Developed Index R Acc	Equity	347
L&G Absolute Return Bond Fund Z GBP Acc	Bond	143
Legal & General Future World Multi-Index 4 R Acc	Mixed Assets	122

Source: Refinitiv Lipper

Unsurprisingly, given the nature of sales over the month, it's also money market funds that have put BlackRock at number two. Some £2.3bn of its £2.9bn sales went to the asset class.

BlackRock Top-Selling Share Classes, November 2021	Asset Class	£m
BlackRock ICS Sterling Liq Admin IV Acc	Money Market	2,174
Blk ICS GBP Liq Environ Aware Agency GBP Dist	Money Market	327
ACS World Low Carbon EQ Tracker X2 Acc	Equity	257
iShares Emerging Markets Equity Index (UK) D Acc	Equity	226
ACS Wld ESG Insights Eqty X1 Acc GBP	Equity	226

Source: Refinitiv Lipper

For more information, please contact our Refinitiv Lipper Research Team:

Detlef Glow

Head of Lipper EMEA Research
Phone: +49(69) 75651318
detlef.glow@refinitiv.com

Robert Jenkins

Global Head of Research, Lipper
Phone: +1 (617) 856-1209
robert.jenkins@refinitiv.com

Xav Feng

Head of Lipper Asia Pacific Research
Phone: +886 935577847
xav.feng@refinitiv.com

Tom Roseen

Head of Research Services
Phone: +1 (303) 357-0556
tom.roseen@refinitiv.com

Otto Christian Kober

Global Head of Methodology, Lipper
Phone: +41 (0)58 306 7594
otto.kober@refinitiv.com

Dewi John

Head of Lipper UKI Research
Phone: +44 207 5423393
dewi.john@refinitiv.com

Media enquiries:

Nsikan Edung

nsikan.edung@refinitiv.com

Lipper U.S. Client Services

+1 877 955 4773
customers.reuters.com/crmcontactus/support.asp

Lipper Europe Client Services

(UK) 0845 600 6777
(Europe) +44207 542 8033
customers.reuters.com/crmcontactus/support.asp

Lipper Asia Client Services

+886 2 2500 4806
customers.reuters.com/crmcontactus/support.asp

lipperalpha.com

© 2021 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks and trademarks of Refinitiv and its affiliated companies.

Refinitiv is one of the world's largest providers of financial markets data and infrastructure, serving over 40,000 institutions in approximately 190 countries. It provides leading data and insights, trading platforms, and open data and technology platforms that connect a thriving global financial markets community – driving performance in trading, investment, wealth management, regulatory compliance, market data management, enterprise risk and fighting financial crime.