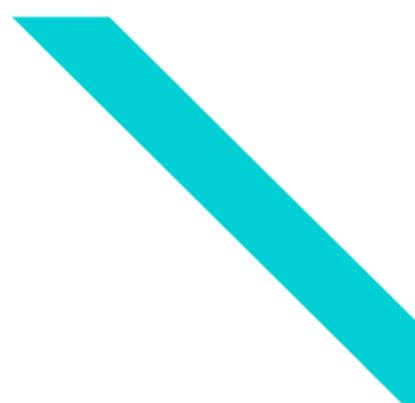


EUROPEAN FUND INDUSTRY REVIEW: Q1 2021

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Executive Summary

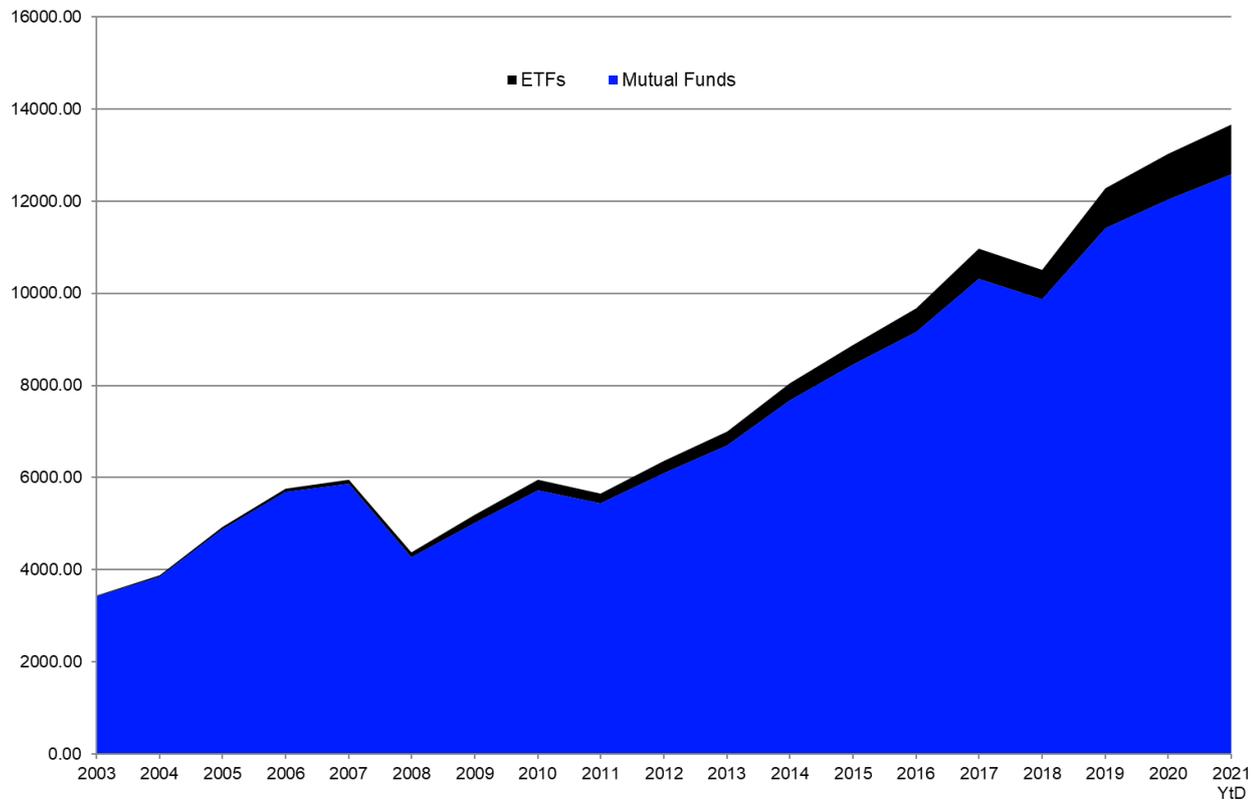
- The European fund industry enjoyed estimated overall net inflows of €118.3 bn for the first quarter 2021.
- Equity funds (+€120.8 bn) was the asset type with the highest estimated net inflows overall for Q1 2021.
- Long-term active products enjoyed higher inflows than their passive peers.
- Equity Global (+€52.8 bn) was the best-selling sector for Q1 2021 overall.
- BlackRock (+€26.4 bn) was the best-selling fund promoter over the course of Q1 2021.
- Equity funds witnessed the highest activity of fund promoters with regard to fund closures and launches.

European Fund Industry Trends, Q1 2021

Despite the deteriorating situation with regard to the COVID-19 pandemic in some parts of Europe, Q1 2021 was a positive quarter for the European fund industry. As the overall flow pattern in Europe has further normalized, investors in Europe continued to be in risk-on mode.

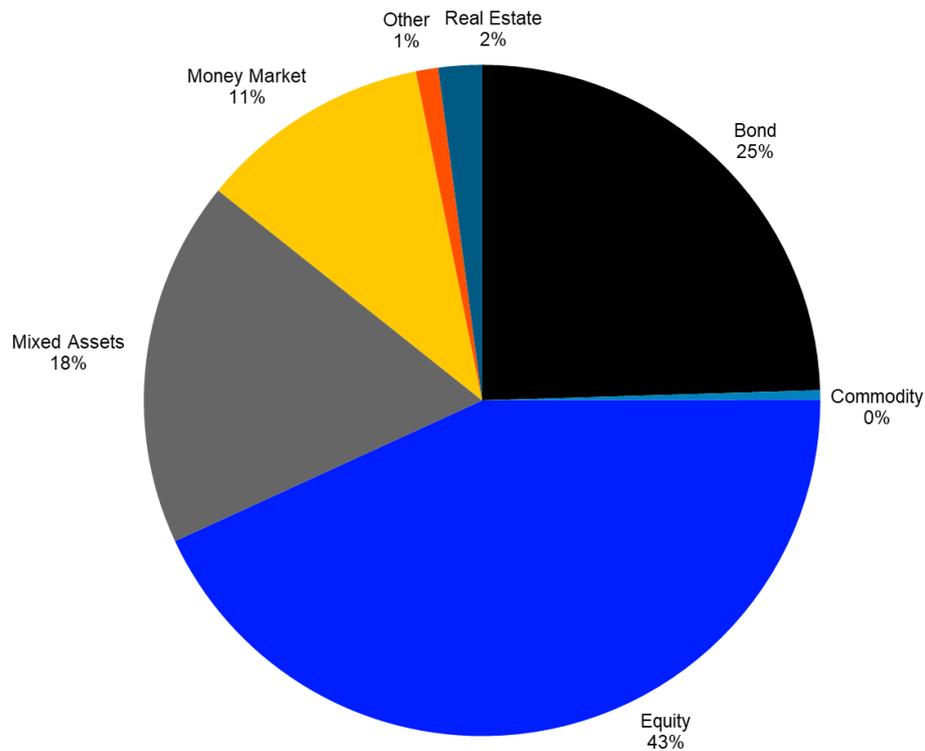
Within this environment the assets under management in the European fund industry rose from €12.3 tr (as of December 31, 2020) to €13.7 tr at the end of Q1 2021. While ETFs held €1.1 tr, or 8.01% of the assets under management in Europe, the vast majority of €12.6 tr, or 91.99%, was held by mutual funds.

Graph 1: Assets Under Management by Product Type as of March 31, 2021 (Euro Millions)



Source: Refinitiv Lipper

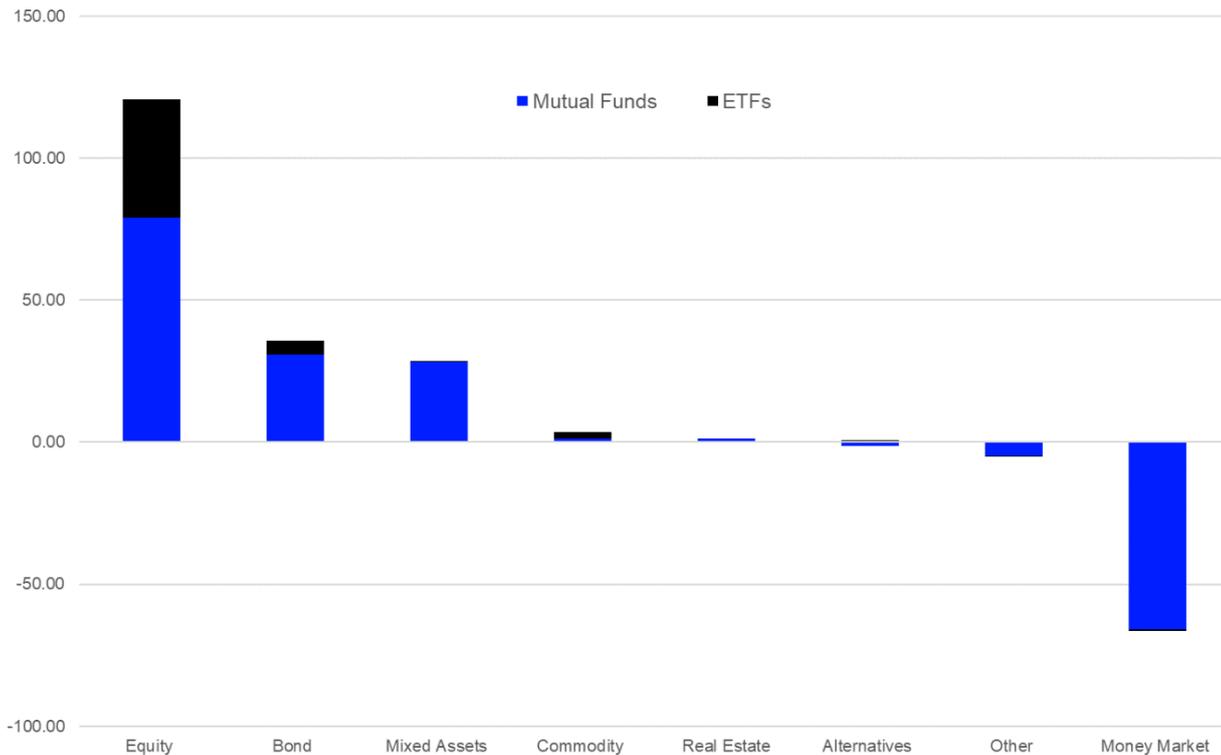
The majority of assets were held by equity funds (€5.6 tr) followed by bond funds (€3.2 tr), mixed-assets funds (€2.3 tr), money market funds (€1.4 tr), alternative UCITS funds (€0.7 tr), real estate funds (€0.3 tr), "other" funds (€0.1 tr), and commodities funds (€0.1 tr).

Graph 2: Market Share Assets Under Management by Asset Type (March 31, 2021)

Source: Refinitiv Lipper

As the flow pattern in the European fund industry normalized further over the course of Q1 2021, the promoters of mutual funds and ETFs enjoyed estimated overall net inflows of €118.3 bn year to date. The majority of these flows (+€68.8 bn) were invested into mutual funds, while ETFs enjoyed inflows of €49.4 bn over the course of the first quarter of 2021. Generally speaking, European investors seem to be back in risk-on mode since money market funds (-€66.5 bn) faced overall outflows. Meanwhile, long-term investment products enjoyed estimated inflows of €184.7 bn. The overall outflows from money market products for the year so far needs to be seen in the context of the massive inflows into these products over the course of 2020.

Taking a closer look, equity funds (+€120.8 bn) was the asset type with the highest estimated net inflows overall for 2021 so far. It is followed by bond funds (+€35.7 bn), mixed-assets funds (+€28.6 bn), commodities funds (+€3.7 bn), and real estate funds (+€1.3 bn). Meanwhile, alternative UCITS funds (-€0.7 bn), "other" funds (-€4.7 bn), and money market funds (-€66.5 bn) faced outflows for the year so far.

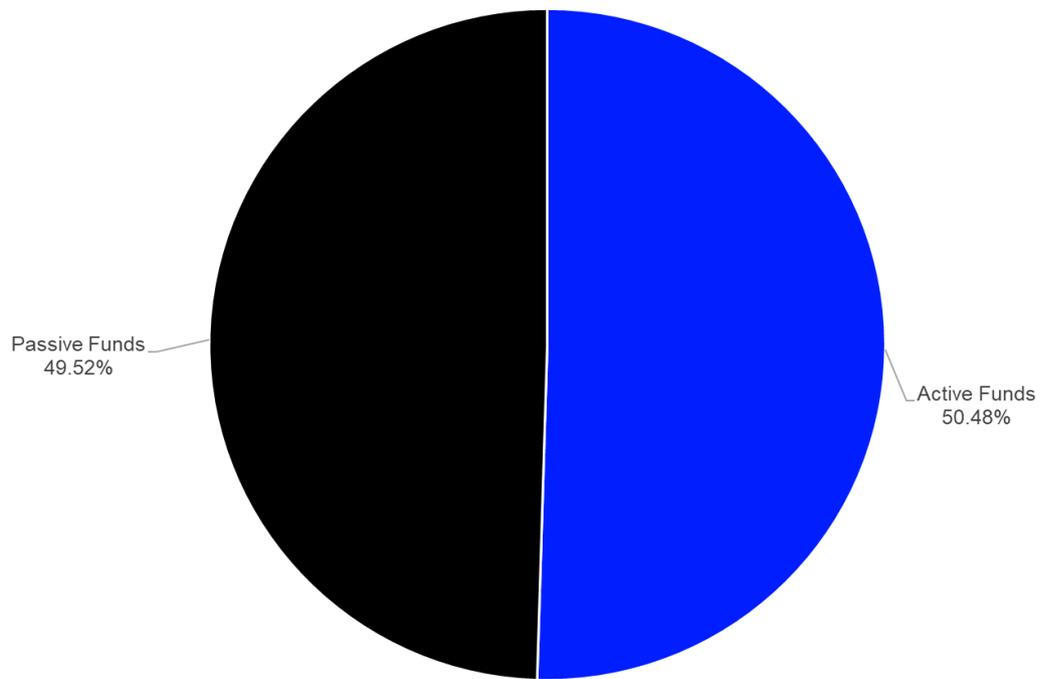
Graph 3: Estimated Net Sales by Asset and Product Type, January 1 – March 31, 2021 (Euro Millions)

Source: Refinitiv Lipper

The trend toward passive investment vehicles has been widely discussed by market observers and asset managers, so it is worthwhile to highlight this topic—especially as not all passive products are ETFs. In contrast to the year 2020, the flows into ETFs (+€49.4 bn) are outpacing the flows into passive mutual funds (€9.2 bn) by a large margin for the year 2021 to date.

More generally, there is no evidence that passive funds will continue their pattern from 2020 and overtake actively managed long-term funds, as the majority (€125.3 bn, or 67.82%) of the overall fund flows in long-term products for 2021 to date were invested in actively managed products. Meanwhile, €59.5 bn, or 32.18%, were invested in passive products. This pattern changes when one takes money market products into consideration, as the outflows from money market products brought the inflows into actively managed funds down to €59.7 bn and, respectively, the market share of active managed products to 50.48% of the overall flows. Meanwhile, passive products had inflows of €58.6 bn, or 49.52%, of the overall inflows.

Graph 4: Market Share of the Estimated Net Flows by Management Approach (January 1 – March 31, 2021)



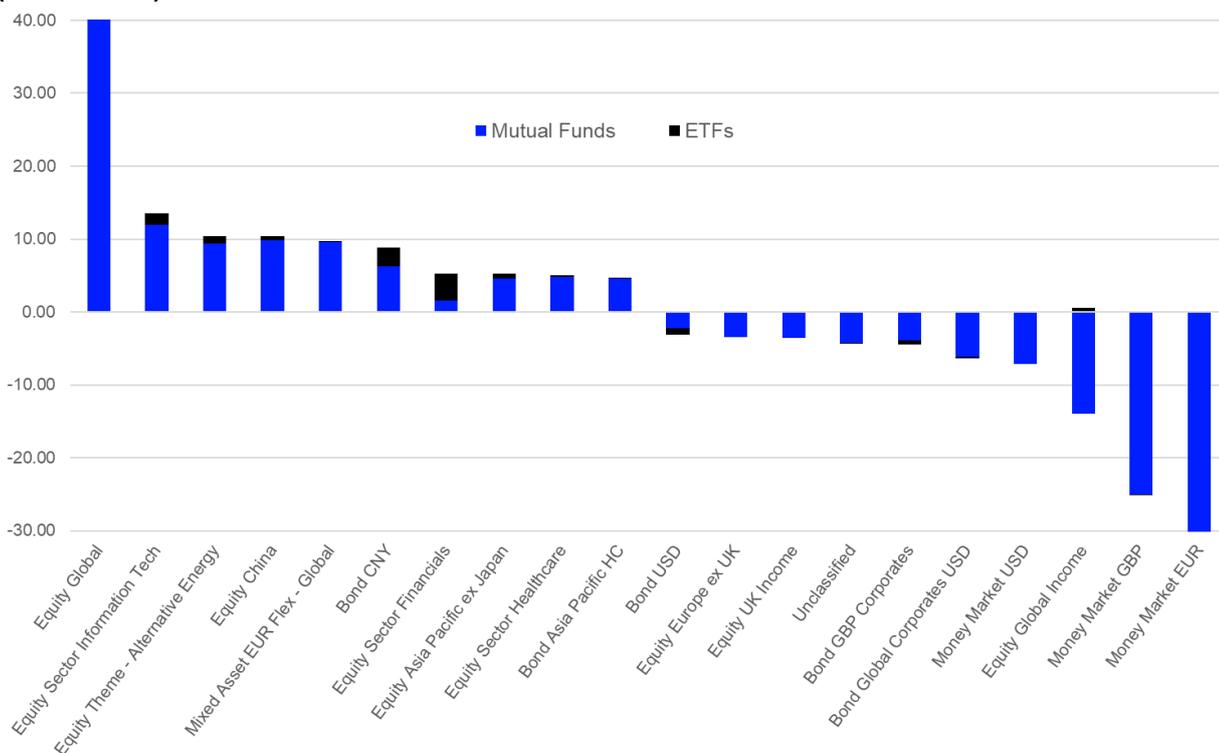
Source: Refinitiv Lipper

Fund Flows by Lipper Global Classifications

A closer look at the best and worst selling Lipper Global Classifications for the first quarter of 2021 shows that European investors sold their safe-haven investments while investing in sectors that may offer diversification for their portfolio.

As graph 3 shows, money market products faced—as opposed to in 2020—the highest outflows over the course of the first quarter of 2021, while equity products enjoyed the highest inflows. It is, therefore, not surprising that equity peer groups also dominate the table of the best-selling Lipper Global Classifications. Equity Global (+€52.8bn) was the best-selling peer group for the year so far. It was followed by Equity Sector Information Technology (+€13.5 bn), Equity Theme - Alternative Energy (+€10.4 bn), Equity China (+€10.4 bn), and Mixed Asset EUR Flex - Global (+€9.6 bn).

Graph 5: Ten Best- and Worst-Selling Lipper Global Classifications by Estimated Net Sales, January 1 – March 31, 2021 (Euro Millions)



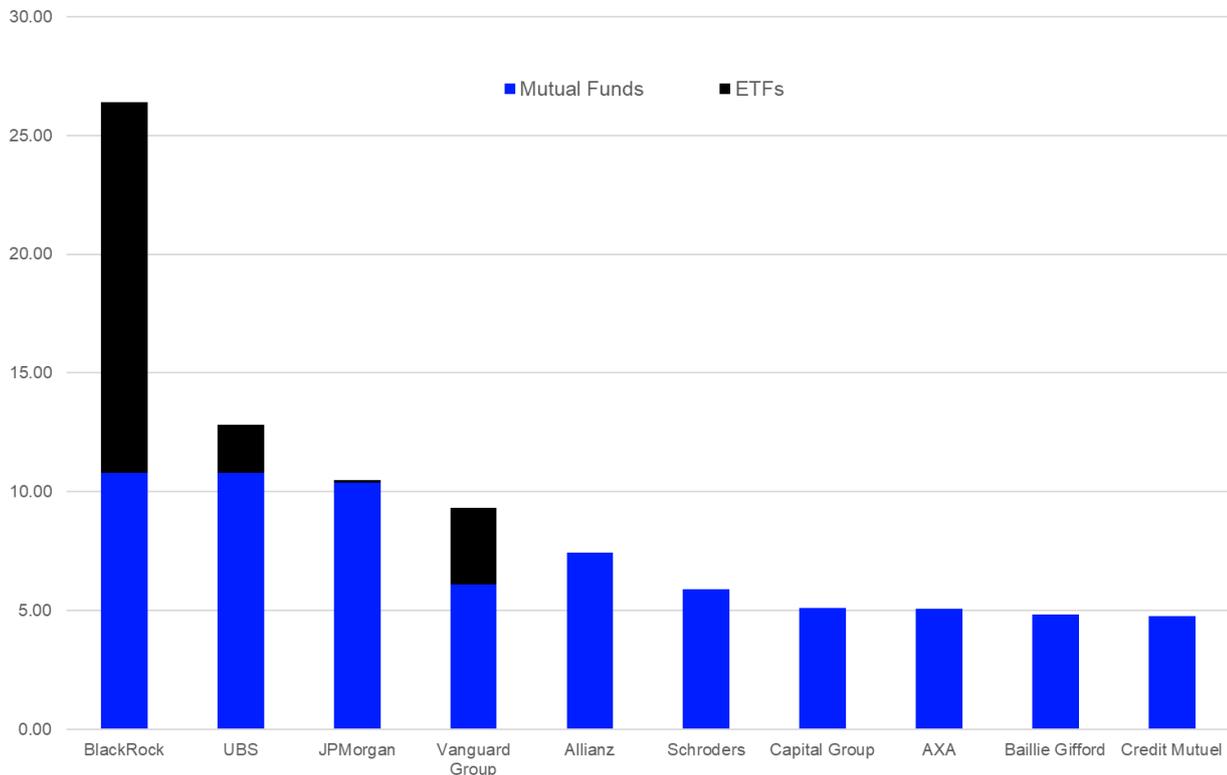
Source: Refinitiv Lipper

Conversely, the safe-haven favorites of 2020 stood on the other side of the table. Money Market EUR (-€32.4bn) faced the highest outflows for the year so far. It was bettered by Money Market GBP (-€25.0 bn), Equity Global Income (-€13.3 bn), Money Market USD (-€7.1 bn), and Bond Global Corporates USD (-€6.4bn).

Fund Flows by Promoters

Unsurprisingly, the largest fund promoter in Europe, **BlackRock** (+€26.4 bn), is also the best-selling fund promoter over the course of the first quarter of 2021, ahead of **UBS** (+€12.8 bn), **JPMorgan** (+€10.5 bn), **Vanguard Group** (+€9.3 bn), and **Allianz** (+€7.5 bn).

Graph 6: Ten Best-Selling Fund Promoters in Europe, January 1 – March 31, 2021 (Euro Millions)



Source: Refinitiv Lipper

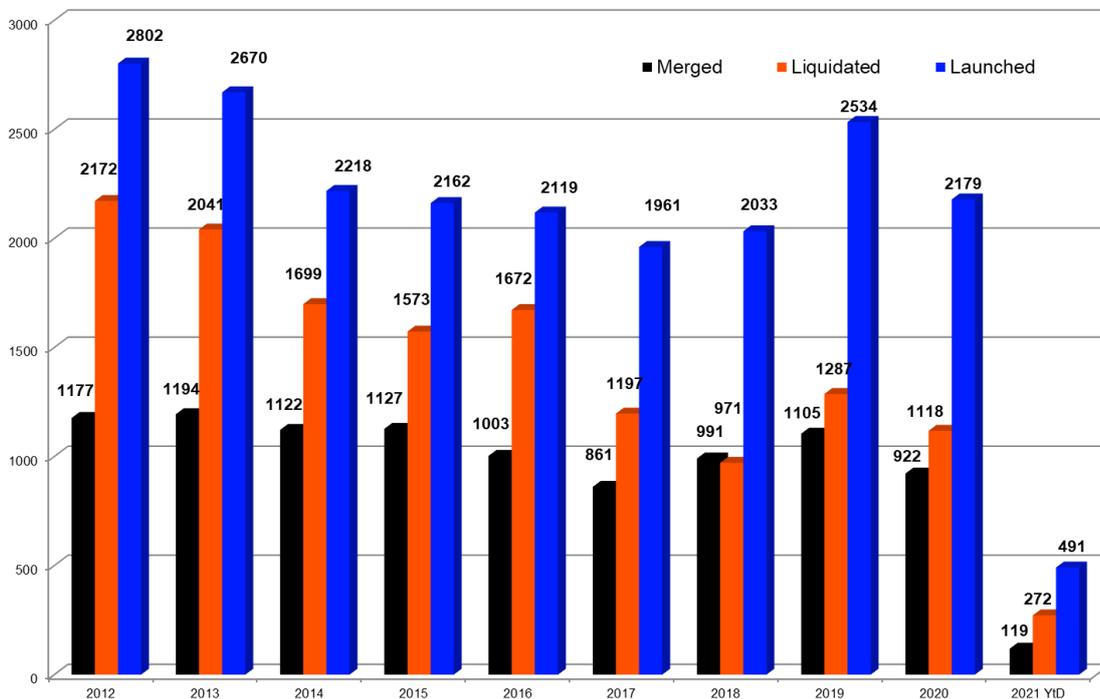
Promoter Activity—Fund Launches, Liquidations, and Mergers

The ongoing risk appetite of European investors led to a further normalization of the fund flow pattern in the European fund industry, despite the deteriorating situation with regard to the COVID-19 pandemic in some European countries. Within this environment, the activity of European fund promoters in terms of fund launches, liquidations, and mergers indicated the industry is further in a business-as-usual mode, as we witnessed a slight increase in the overall number of primary funds in Europe over the first quarter of 2021. This may mark the beginning of the fourth year of growth since Lipper began to study these developments in 2012. More generally, the increasing number of funds was continuing a trend in Europe since the rate of decline slowed down for more than seven consecutive years.

The net growth of the number of funds for Q1 2021 occurred in a volatile but, in general, positive market environment with increasing assets under management. Therefore, it is no surprise that fund promoters showed a generally lower level of activity with regard to the maintenance of their existing product ranges. In more detail, the number of fund liquidations (272), mergers (119), and launches (491) over the course of Q1 2021 were all below the long-term annual averages—liquidations (1526), mergers (1056), and launches (2298). Nevertheless, the drop in the number of fund launches led still to an increasing number of funds (100) for the year since the number of launches was higher than the combined number of mergers and liquidations over the same time period. The main reason for the mergers and liquidations at the fund level were restructurings of the general product offerings. For example, some fund promoters merged funds with a similar investment objective to strengthen their product ranges.

Lower profitability because of a lack of assets under management might have been another reason why fund promoters merged or liquidated some funds. At the top-line level, the activity of fund promoters with regard to fund launches and liquidations seemed to be in line with the activity over the other years covered in this report, as we don't witness any excess activity for fund launches, liquidations, or mergers. Since the implementation of new regulations, such as MIFID II, does increase the cost for maintaining a fund, we expect that the trend of consolidation of small funds will continue in 2021 and beyond.

Graph 7: Fund Launches, Liquidations, and Mergers



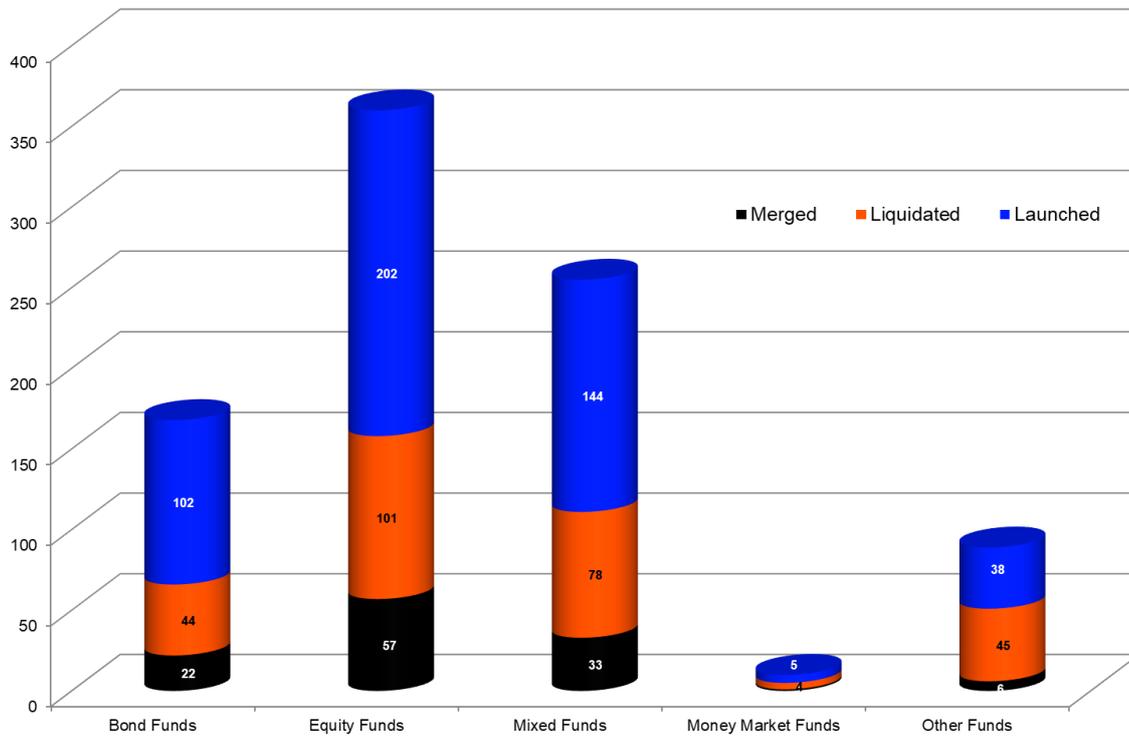
Source: Refinitiv Lipper

European fund promoters liquidated 272 funds over the course of Q1 2021, while 119 funds were merged into other funds. In contrast, European fund promoters launched 491 funds. This means the overall number of primary funds in Europe increased by 100 products over the course of Q1 2021.

A more detailed view shows that equity funds experienced the highest number of liquidations (101), mergers (57), and launches (202) for the first quarter of the year. With regard to the broader trends in financial markets and the trends in the European fund industry, it was not surprising equity funds showed the highest number of fund launches given the fact equities is the asset type with the highest number of funds. The underlying trends for the high activity in this sector might be the current market environment and the trends toward passive and/or ESG-related products. The latter is also true for the other asset classes.

The number of new mixed-assets products (33) might be a sign for a further normalization in the European fund industry after we witnessed some signs of market saturation in the behavior of fund promoters regarding fund closures and launches. In addition, mixed-assets products have experienced lower and more concentrated net flows over the last few years, which is another sign of saturation. That said, the concentration of fund flows toward a small number of funds may fuel fund launches and mergers since promoters may want launch products with similar investment objectives as the successful funds and support the assets under management of those funds by merging them with other products. This will increase the assets under management of the new products and make them more attractive for investors.

Graph 9: Fund Launches, Liquidations, and Mergers Q1 2021 by Asset Type



Source: Refinitiv Lipper

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