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EUROPEAN FUND INDUSTRY REVIEW— Year to Date (Q3-2017)

All data as of September 30, 2017

Please attribute the content to Detlef Glow, Head of EMEA Research at Thomson Reuters Lipper and the author of this report.



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EXECUTIVE SUMMARY

Is the Route Set for New Records in the European Fund Industry?

- The assets under management in the European fund industry increased from €9.4 tr to €10.2 tr over the course of 2017 so far.
- Bond funds (+€232.9 bn) were the best selling asset type for 2017 to date.
- Within the segment of long-term mutual funds Equity Global (+€51.3 bn) was the best selling sector for the year 2017 so far, followed by Bond Global (+€38.0 bn) and Bond Global USD Hedged (+€33.9 bn).
- **BlackRock** (€730.8 bn) was by far the largest fund promoter in Europe, followed by **Amundi** (€394.8 bn) and **JP Morgan** (€319.1 bn).
- **BlackRock**, with net sales of €84.9 bn, was the best selling fund promoter for the first nine months of 2017 overall, well ahead of **PIMCO** (+€41.8 bn) and **Amundi** (+€39.4 bn).
- The European fund market decreased by four funds over the course of 2017 to date.
- Mixed-asset funds showed the highest number of fund launches (573), while bond funds showed the highest number of fund mergers (184) and equity funds showed the highest number of liquidations (277) for 2017 to date.



REVIEW OF THE EUROPEAN FUND INDUSTRY, YEAR TO DATE (Q3-2017)

Looking at the headline figures, the first nine months of 2017 set the stage for a new record year in the European fund industry. The assets under management in Europe stood at €10.2 tr at the end of September, close to the record level set earlier in the year. In addition, the European fund industry enjoyed record net inflows of €614.2 bn over the course of the first nine months of 2017.

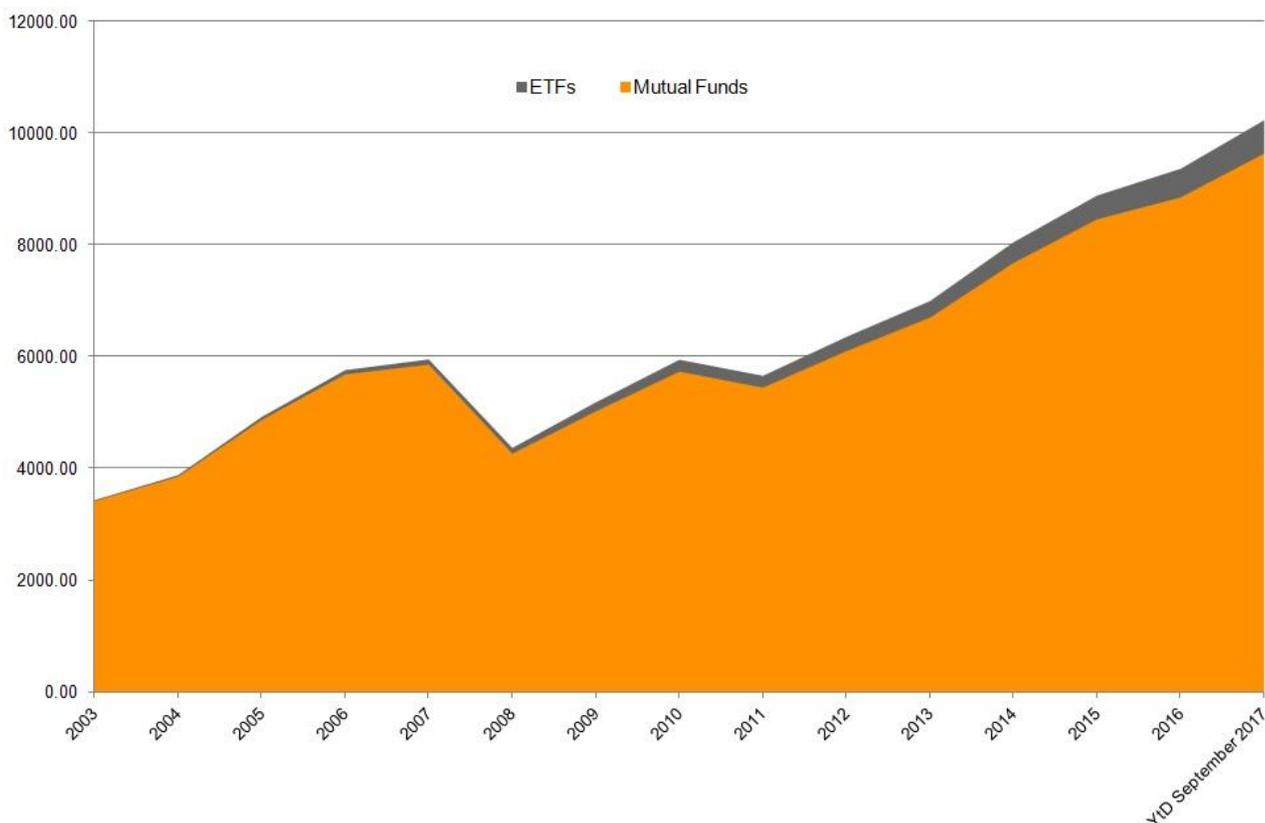
Assets Under Management in the European Fund Industry

The assets under management in the European fund industry increased from €9.4 tr to €10.2 tr over the course of the first nine months of 2017. This increase was driven mainly by net inflows (+€614.2 bn), while market performance contributed €255.0 bn.

Since 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 in the market. However, the numbers for ETFs are included in the overall numbers for the European fund industry.

The European ETF industry enjoyed further increasing popularity with all kinds of investors over the course of the first nine months of 2017. This popularity was seen in the development of the assets under management; assets held by the European ETF industry increased to €598.7 bn at the end of September 2017, up from €514.4 bn at the end of 2016. In line with the actively managed peers the growth within the European ETF segment was mainly driven by net sales (+€67.8 bn), while the performance of the underlying markets contributed €16.4 bn.

Graph 1: Assets Under Management in the European Fund Industry by Product Type (Euro Billions), September 30, 2017



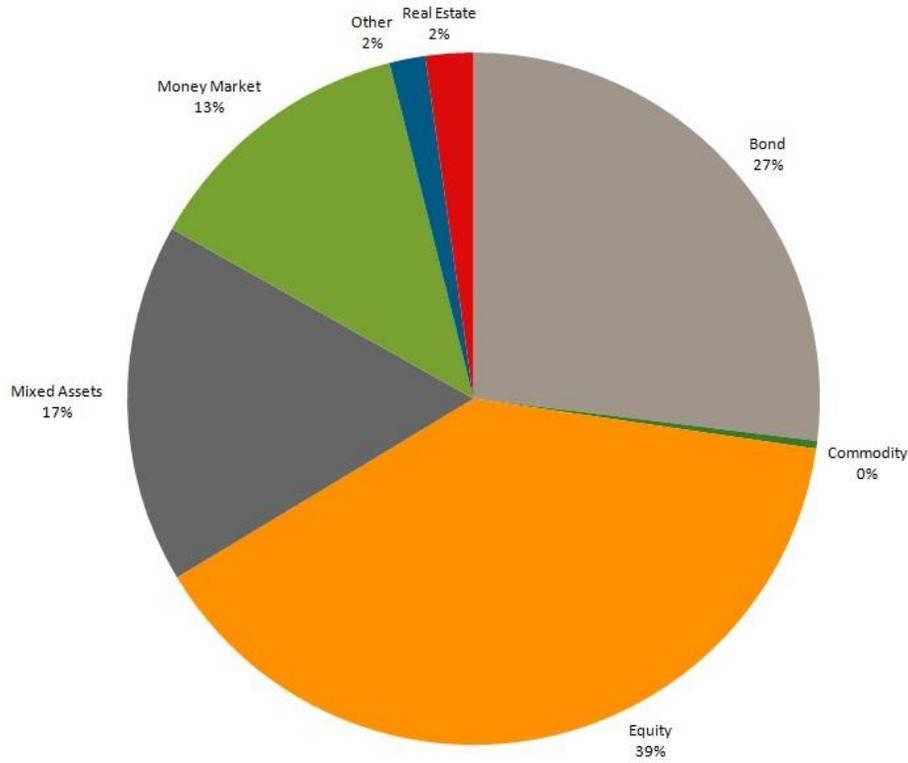
Source: Thomson Reuters Lipper



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With regard to the overall number of funds it was not surprising that equity funds (€3.7 tr) were the asset type with the highest assets under management, followed by bond funds (€2.6 tr), mixed-asset products (€1.6 tr), money market funds (€1.2 tr), alternative UCITS funds (€0.6 tr), real estate funds (€0.2 tr), and “other” products (€0.2 tr) as well as commodity funds (€0.04 tr).

Graph 2: Market Share of Assets Under Management by Asset Type, September 30, 2017

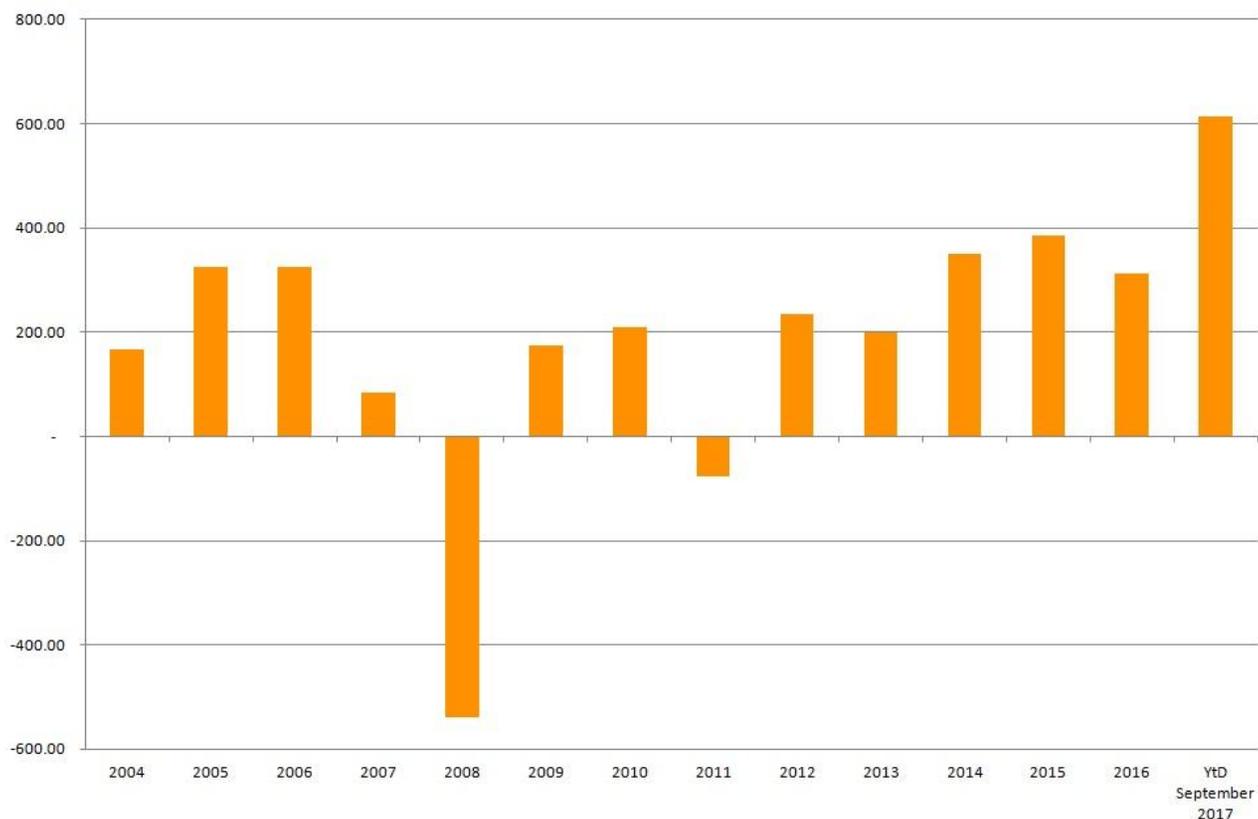


Source: Thomson Reuters Lipper

European Fund Flow Trends, Year to Date

Generally speaking, the year 2017 seemed to be becoming a very successful year for the European fund industry; the net inflows as of September 30 stood at a record of €614.2 bn into mutual funds, far above the old full-year record flows of €386.0 bn marked for 2015. The number for the first nine months of 2017 was therefore also far above the long-term 12-month average of €165.6 bn. With regard to these numbers, it was not surprising that the first nine months of 2017 were also a good period for promoters of ETFs.

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



Source: Thomson Reuters Lipper

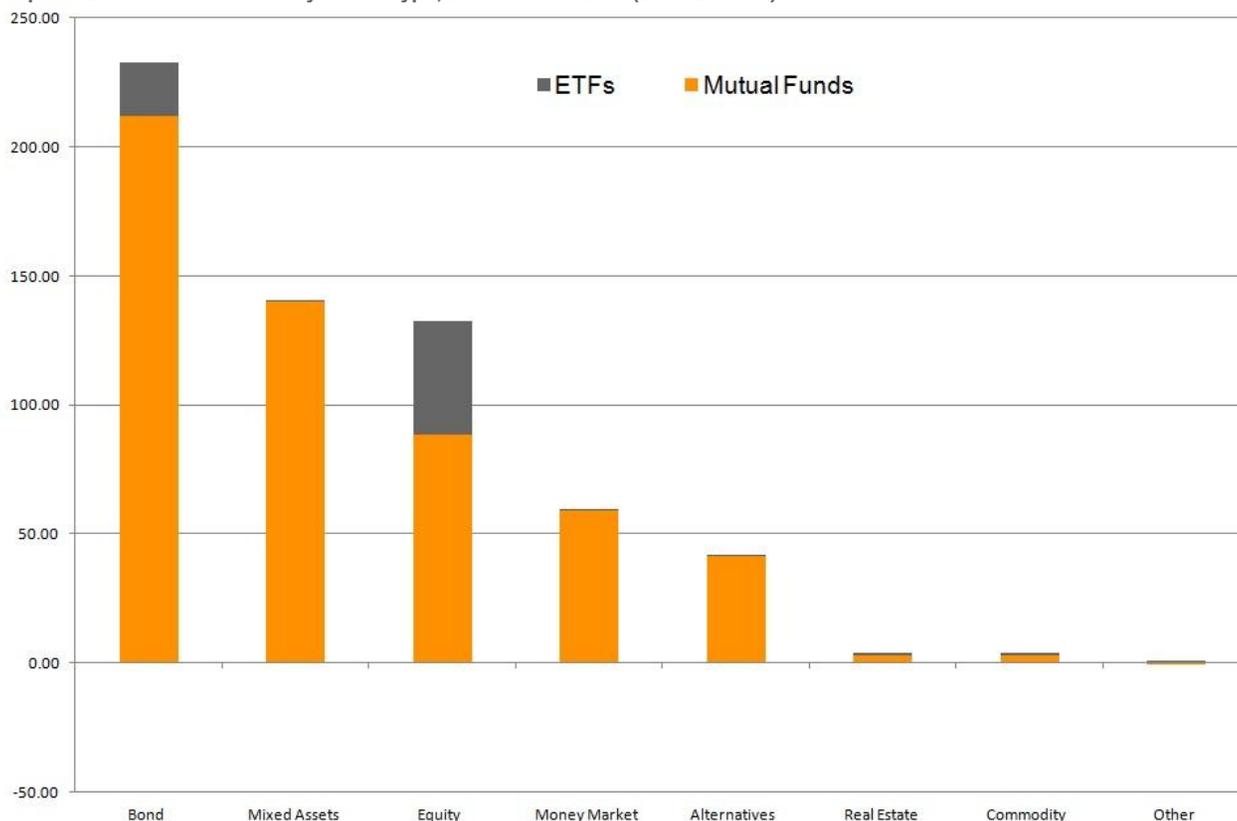


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Fund Flows Into Long-Term Mutual Funds

A more detailed view by asset type unveils that all asset types did well over the course of 2017 so far. With regard to the low-interest-rate environment, it was surprising that bond funds (+€232.9 bn) were once again the best selling asset type, followed by mixed-asset funds (+€140.0 bn), equity funds (+€132.3 bn), alternative UCITS products (+€41.4 bn), and real estate funds (+€3.9 bn) as well as commodity funds (+€3.8 bn) and “other” funds (+€0.01 bn). These fund flows added up to overall net inflows of €554.4 bn into long-term investment funds for the first nine months of 2017.

Graph 4: Estimated Net Sales by Asset Type, 2017 Year to Date (Euro Billions)



Source: Thomson Reuters Lipper

Fund Flows into Money Market Products

Money market products (+€59.8 bn) were the fourth best selling asset type overall for the first nine months of 2017. Mutual funds investing in money market instruments enjoyed net inflows of €59.0 bn, while their passive peers (ETFs) enjoyed net inflows of €0.8 bn.

This flow pattern led the overall fund flows to mutual funds in Europe to net inflows of €614.2 bn for the first nine months of 2017.

Money Market Products by Sector

Money Market GBP (+€25.7 bn), followed by Money Market USD (+€21.6 bn) and Money Market EUR (+€10.9 bn) were the three best selling money market sectors for the year 2017 to date. At the other end of the spectrum Money Market AUD (-€0.1 bn) suffered the highest net outflows in the money market segment, bettered somewhat by Money Market SGD (-€0.1 bn) and Money Market Other (-€0.03 bn).

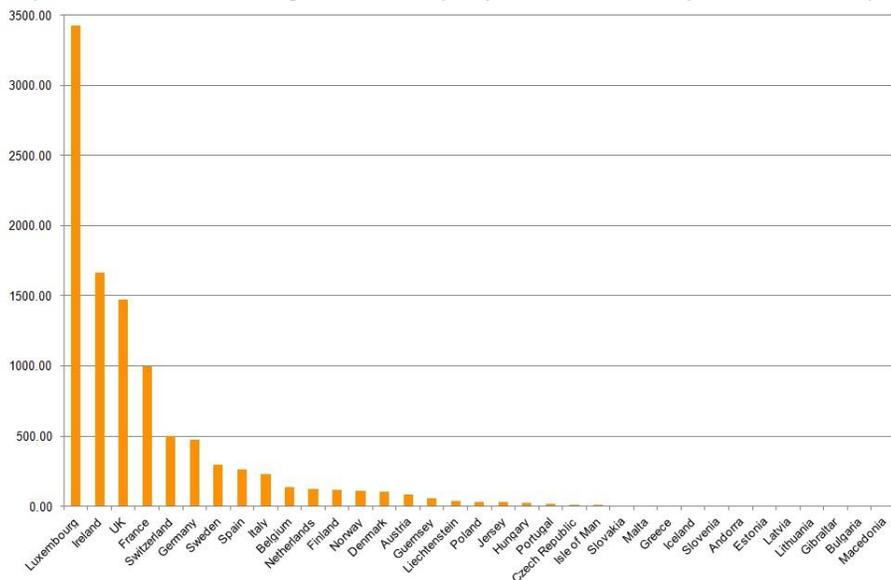


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Assets Under Management by Fund Domiciles

With regard to the assets under management by fund domicile, it was not surprising that Luxembourg (€3.4 tr) and Ireland (€1.7 tr) were at the top of the table, since these two domiciles are the international fund hubs for Europe; the funds domiciled in these countries are normally used for distribution in several other countries inside and outside the EU under the widely recognized UCITS regime. The next highest ranking fund domiciles were the United Kingdom (€1.5 tr), France (€1.0 tr), and Switzerland (+€0.5 tr).

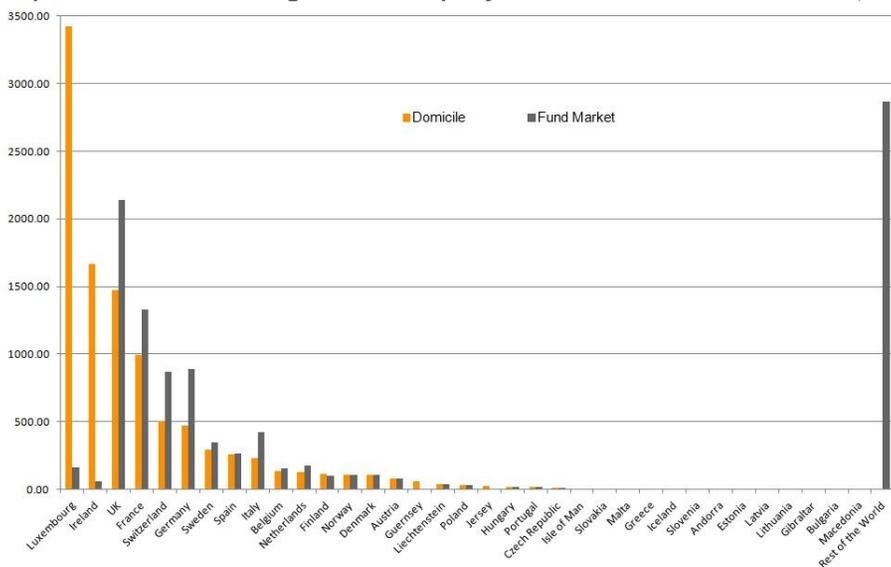
Graph 5: Assets Under Management in Europe by Fund Domicile, September 30, 2017 (Euro Billions)



Source: Thomson Reuters Lipper

That said, a closer view of the assets under management by fund market unveils that Luxembourg and Ireland were not as important as they appeared from the chart of assets under management by fund domicile. In other words, even though there were a number of funds domiciled in the international fund hubs, they were managed and distributed in other countries. In this regard the view of the assets under management by fund market gives a better overview of the importance of the single markets in Europe.

Graph 6: Assets Under Management in Europe by Fund Domicile Versus Fund Market, September 30, 2017 (Euro Billions)



Source: Thomson Reuters Lipper

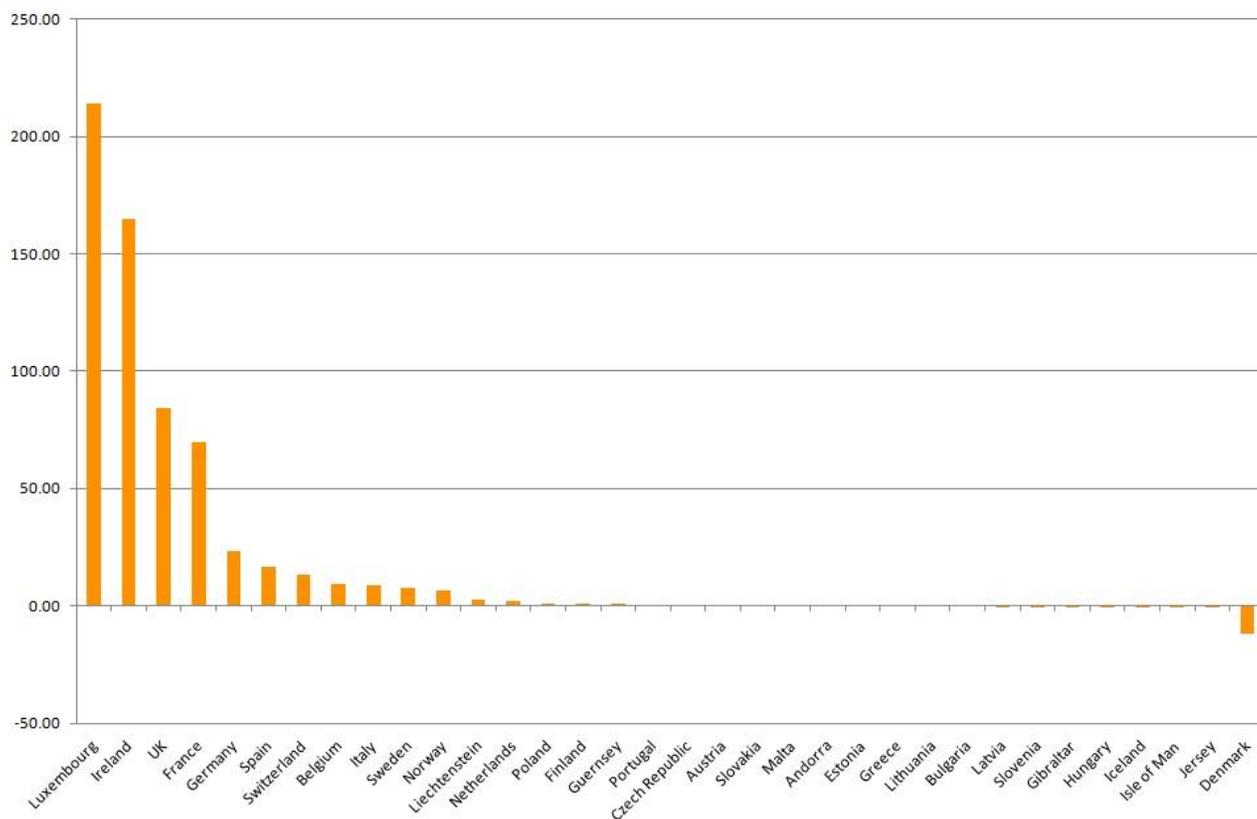


The United Kingdom (€2.1 tr) was the largest single fund market by assets under management (including money market products), followed by France (€1.3 tr), Germany (€0.9 tr), Switzerland (€0.9 tr), and Italy (€0.4 tr). Even though this perspective is not perfect, it seems to reflect the real market structure in Europe much better than the view by fund domicile.

Fund Flows by Fund Domiciles

Single fund domicile flows (including those to money market products) showed in general a positive picture for September, with 28 of the 34 markets covered in this report showing net inflows and 6 showing net outflows. Luxembourg (+€214.3 bn) was the fund domicile with the highest net inflows, followed by Ireland (+€165.0 bn), the United Kingdom (+€84.3 bn), France (+€69.7 bn), and Germany (+€23.4 bn). On the other side of the table Denmark was the single fund domicile with the highest net outflows (-€12.0 bn), bettered by Jersey (-€0.9 bn) and the Isle of Man (-€0.7 bn).

Graph 7: Estimated Net Sales by Fund Domiciles, 2017 Year to Date (Euro Billions)



Source: Thomson Reuters Lipper

Within the bond sector, funds domiciled in Luxembourg (+€87.7 bn) led the table for 2017 so far, followed by those domiciled in Ireland (+€77.1 bn), France (+€20.1 bn), the United Kingdom (+€14.3 bn), and Switzerland (+€7.7 bn). Bond funds domiciled in Denmark (-€9.3 bn), Spain (-€3.2 bn), and Austria (-€0.9 bn) stood at the other end of the table.

For equity funds, products domiciled in the United Kingdom (+€37.4 bn) led the table for the year 2017 so far, followed by funds domiciled in Ireland (+€28.9 bn), Luxembourg (+€26.9 bn), and France (+€11.9 bn) as well as Germany (+€5.3 bn). Meanwhile, Denmark (-€6.5 bn), Switzerland (-€2.8 bn), and Finland (-€0.5 bn) were the domiciles with the highest net outflows from equity funds.



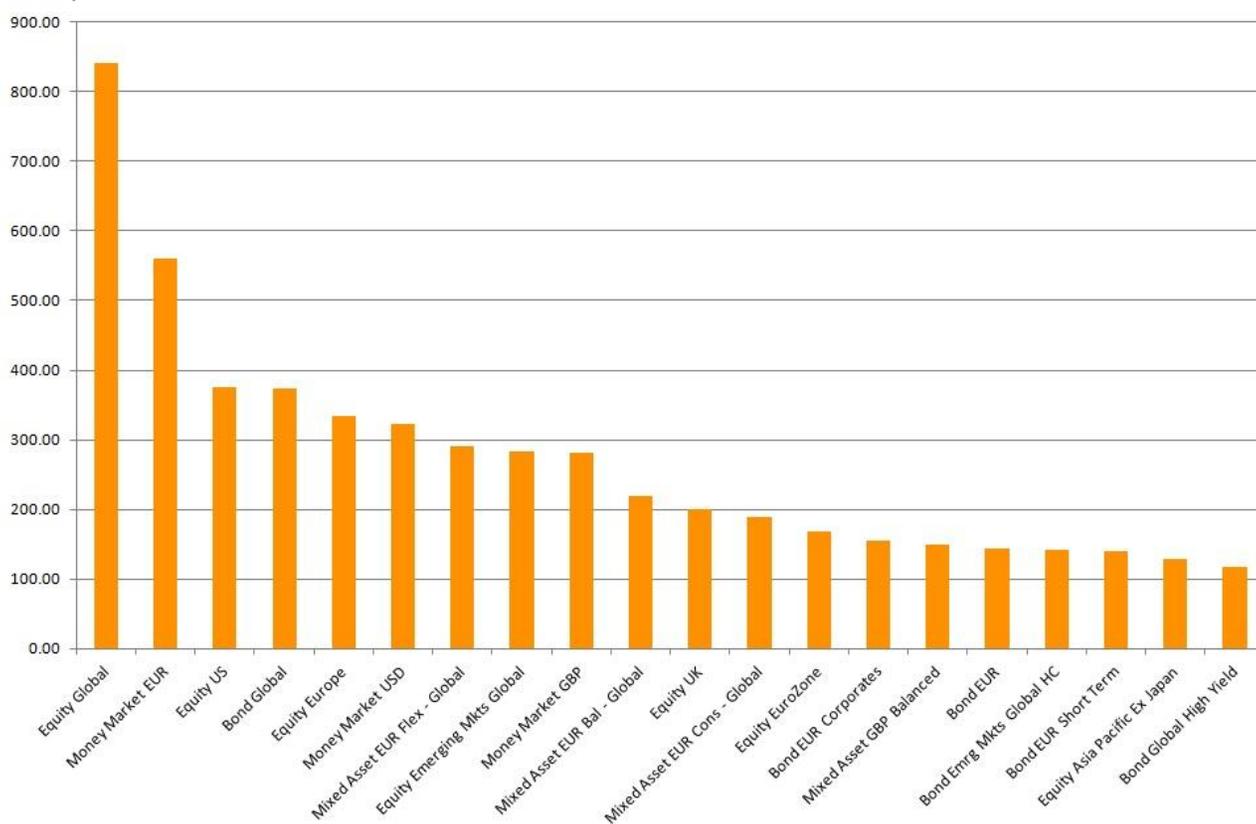
With regard to mixed-asset products Luxembourg (+€43.3 bn) was the domicile with the highest net inflows over the course of 2017 so far, followed by funds domiciled in Italy (+€14.3 bn), the United Kingdom (+€11.3 bn), Germany (+€7.1 bn), and Belgium (+€5.9 bn). On the other side of the table funds domiciled in the Netherlands showed the highest net outflows (-€1.0 bn), bettered by funds domiciled in Jersey (-€1.0 bn) and Poland (-€0.1 bn).

Luxembourg (+€19.6 bn) was the domicile with the highest net inflows into alternatives for the first nine months of 2017, followed by Ireland (+€14.8 bn), the United Kingdom (+€6.3 bn), and France (+€4.2 bn) as well as Germany (+€1.1 bn). Italy (-€8.8 bn), bettered by the Netherlands (-€0.6 bn) and the Isle of Man (-€0.03 bn) stood at the other end of the table.

Assets Under Management by Lipper Global Classification

Equity Global (€841.6 bn) was the largest sector by assets under management within the Lipper Global Classifications at the end of September 2017, followed by Money Market EUR (€559.5 bn), Equity US (€376.4 bn), and Bond Global (€373.3 bn) as well as Equity Europe (€334.8 bn). With regard to the positions within the five top Lipper Global Classifications, it needs to be mentioned that Equity US and Bond Global switched their positions over the course of Q3-2017.

Graph 8: The 20 Largest Lipper Global Classifications in Europe by Assets Under Management, September 30, 2017 (Euro Billions)

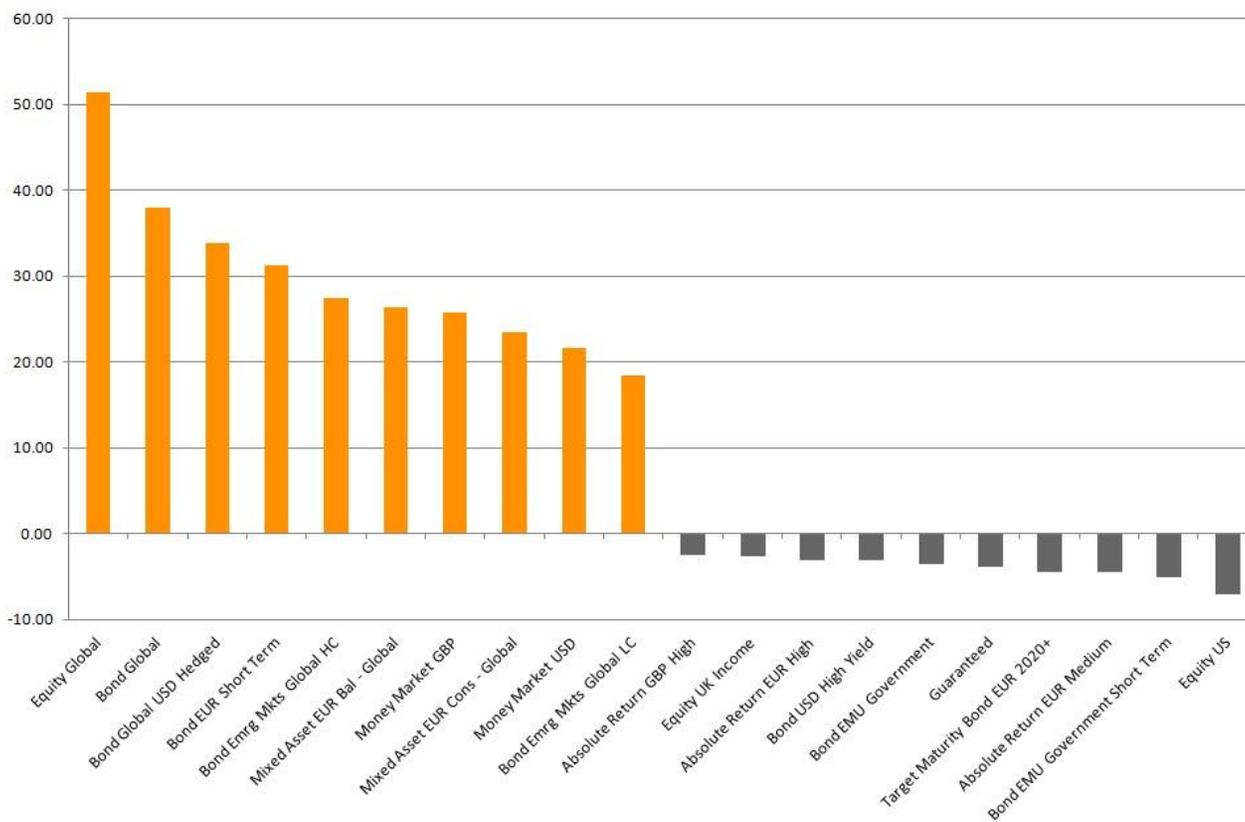


Source: Thomson Reuters Lipper

Fund Flows by Lipper Global Classification

Within the segment of long-term mutual funds Equity Global (+€51.3 bn) was the best selling sector for the year 2017 so far, followed by Bond Global (+€38.0 bn), Bond Global USD Hedged (+€33.9 bn), and Bond EUR Short Term (+€31.2 bn) as well as Bond Emerging Markets Global in Hard Currencies (+€27.5 bn).

Graph 9: The Ten Best and Worst Selling Sectors, 2017 Year to Date (Euro Billions)



Source: Thomson Reuters Lipper

At the other end of the spectrum Equity US (-€6.9 bn) suffered the highest net outflows from long-term mutual funds, bettered by Bond EMU Government Short Term (-€5.0 bn) and Absolute Return EUR Medium (-€4.3 bn) as well as Target Maturity Bond EUR 2020+ (-€4.3 bn) and Guaranteed products (-€3.6 bn).

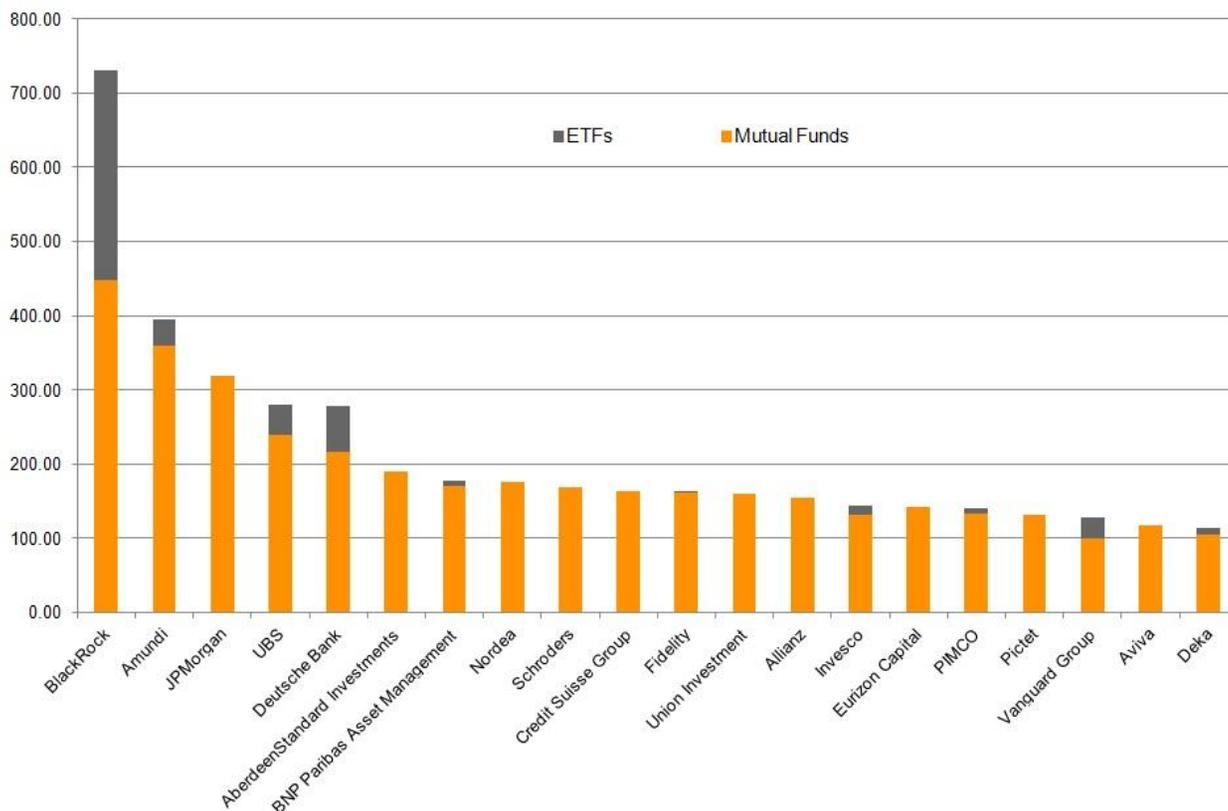


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Assets Under Management by Promoters

A closer look at the assets under management in the European mutual fund industry shows that **BlackRock** (€730.8 bn) was by far the largest fund promoter in Europe, followed by **Amundi** (€394.8 bn) and **JP Morgan** (€319.1 bn) as well as **UBS** (€279.3 bn) and **Deutsche Bank** (€278.2 bn). It is noteworthy that **UBS** and **Deutsche Bank** switched their positions in this ranking. But since it was only on a quite-thin margin, the position might be subject again to change next quarter. Looking at these numbers, one needs to take into account that JP Morgan is the only fund promoter of the leading five fund promoters in Europe that does not offer ETFs.

Graph 10: The 20 Largest Promoters by Assets Under Management in Europe, September 30, 2017 (Euro Billions)



Source: Thomson Reuters Lipper

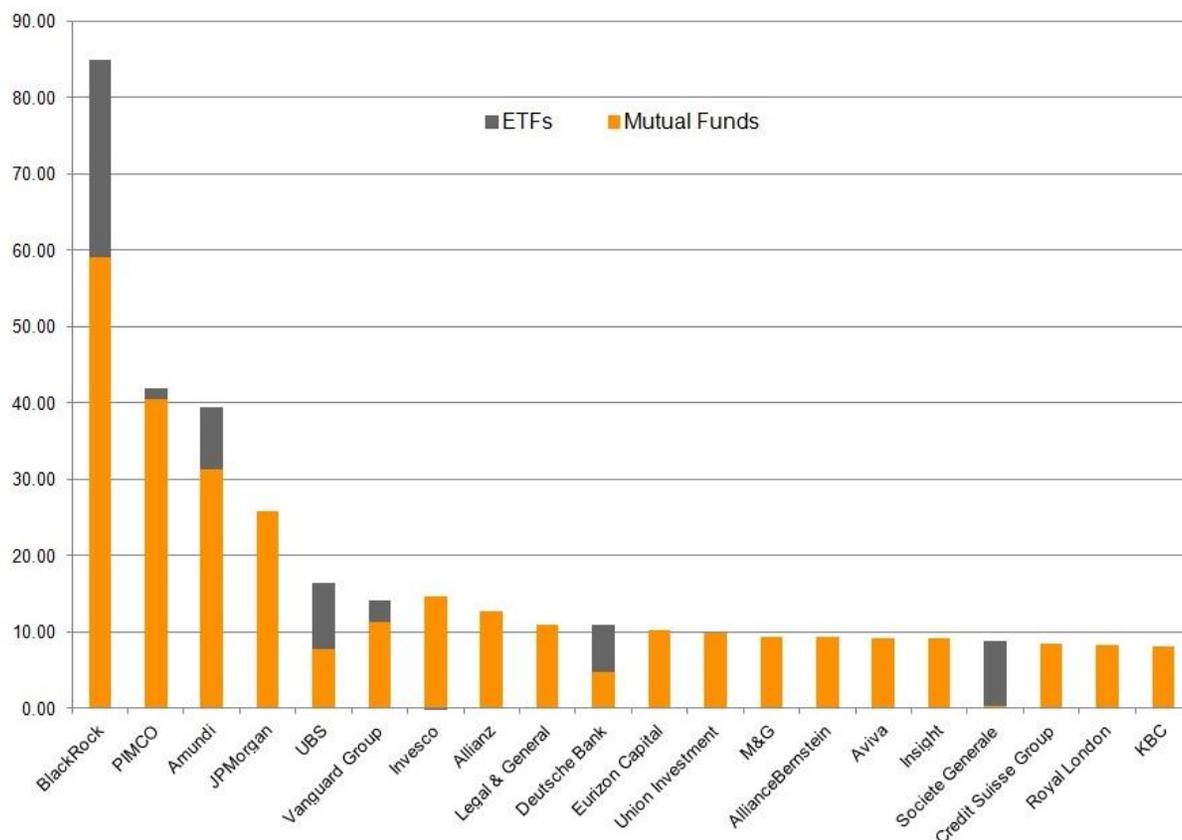


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Fund Flows by Promoters

BlackRock, with net sales of €84.9 bn, was the best selling fund promoter for the first nine months of 2017 overall, well ahead of **PIMCO** (+€41.8 bn) and **Amundi** (+€39.4 bn). Taking into account that the flows from **BlackRock** contain €25.9 bn from their ETF branch **iShares** means that the traditional mutual funds branch of the business saw net inflows of €59.0 bn. Since the flows into the PIMCO products also contain flows into ETFs (+€1.4 bn), **BlackRock** also maintained its position as the best selling promoter for mutual funds from this point of view.

Graph 11: Twenty Best Selling Promoters, 2017 Year to Date (Euro Billions)



Source: Thomson Reuters Lipper

Considering the single-asset bases, **PIMCO** (+€35.5 bn) was the best selling promoter of bond funds for the first nine months of 2017, followed by **BlackRock** (+€24.1 bn), **UBS** (+€8.8 bn), and **Amundi** (+€7.5 bn) as well as **AB** (+€6.8 bn).

Within the equity space **BlackRock** (+€43.3 bn) stood at the head of the table, followed by **Vanguard Group** (+€6.3 bn), **Amundi** (+€6.1 bn), and **Baillie Gifford** (+€4.5 bn) as well as **Deutsche Bank** (+€4.1 bn).

Eurizon Capital (+€9.2 bn) was the leading promoter of mixed-asset funds in Europe over the course of 2017 so far, followed by **Allianz** (+€7.2 bn), **Amundi** (+€6.4 bn), and **JP Morgan** (+€5.6 bn) as well as **M&G** (+€5.4 bn).

GAM (+€4.9 bn) was the leading promoter of alternatives funds for the year so far, followed by **Invesco** (+€4.5 bn), **Aviva** (+€4.4 bn), and **Deutsche Bank** (+€3.7 bn) as well as **BMO** (+€3.4 bn).

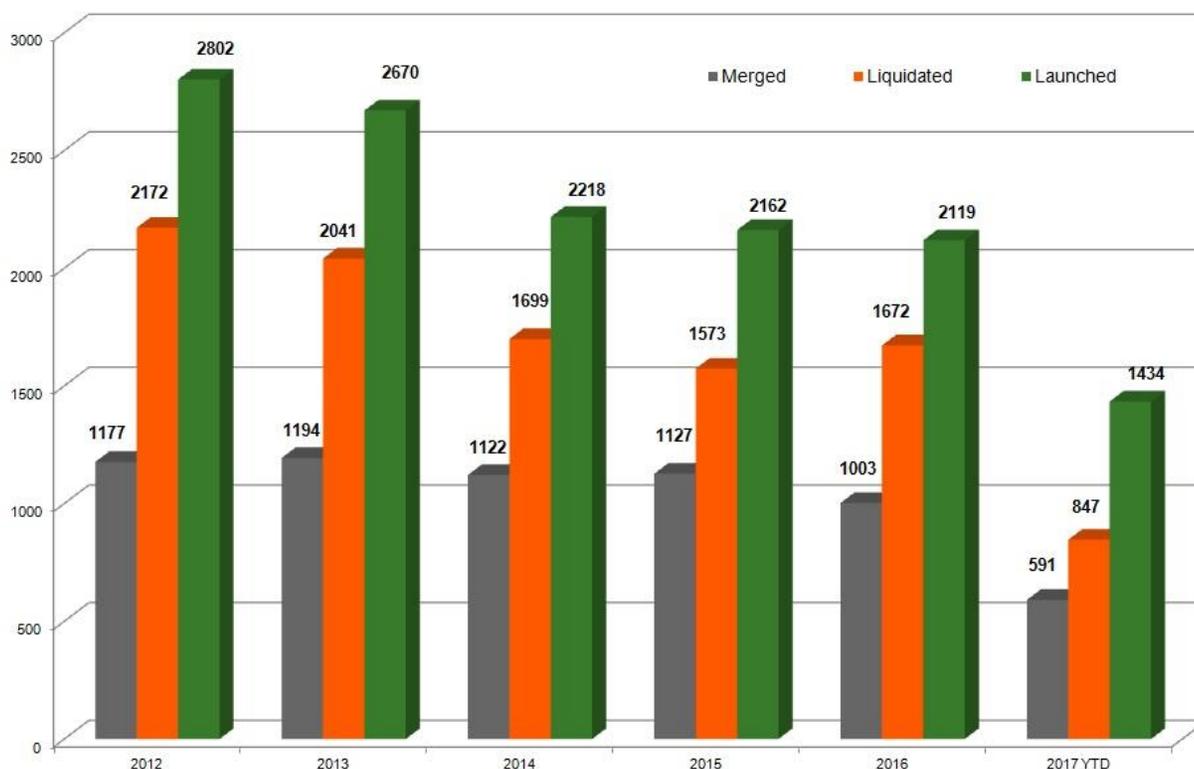


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Promoter Activity—Fund Launches, Liquidations, and Mergers

After we witnessed Q2-2017 as the first quarter with a net-growing number of funds (+58), Q3-2017 showed once again a decreasing number of funds (-58), which brought the year-to-date number for fund promoter activity with regard to fund launches, mergers, and liquidations back to a slightly negative trend (-4). Since the lack of new funds could be caused by the summer holidays, I would assume we are still in a growth environment with regard to newly launched funds. In more detail this could mean the increasing flows into mutual funds might have made the European fund industry more confident in regard to future earnings, thereby leading to increased activity in fund launches. That said, there were still a high number of small and therefore unprofitable funds in the European market that might be subject to a merger or liquidation in the future. The number of these mergers and liquidations could be higher than the number of newly launched funds, which might lead to a decreasing number of funds over some periods in the future but not to a steadily decreasing number of funds like the European fund industry experienced after 2011.

Graph 12: Fund Launches, Liquidations, and Mergers, 2017 Year to Date



Source: Thomson Reuters Lipper

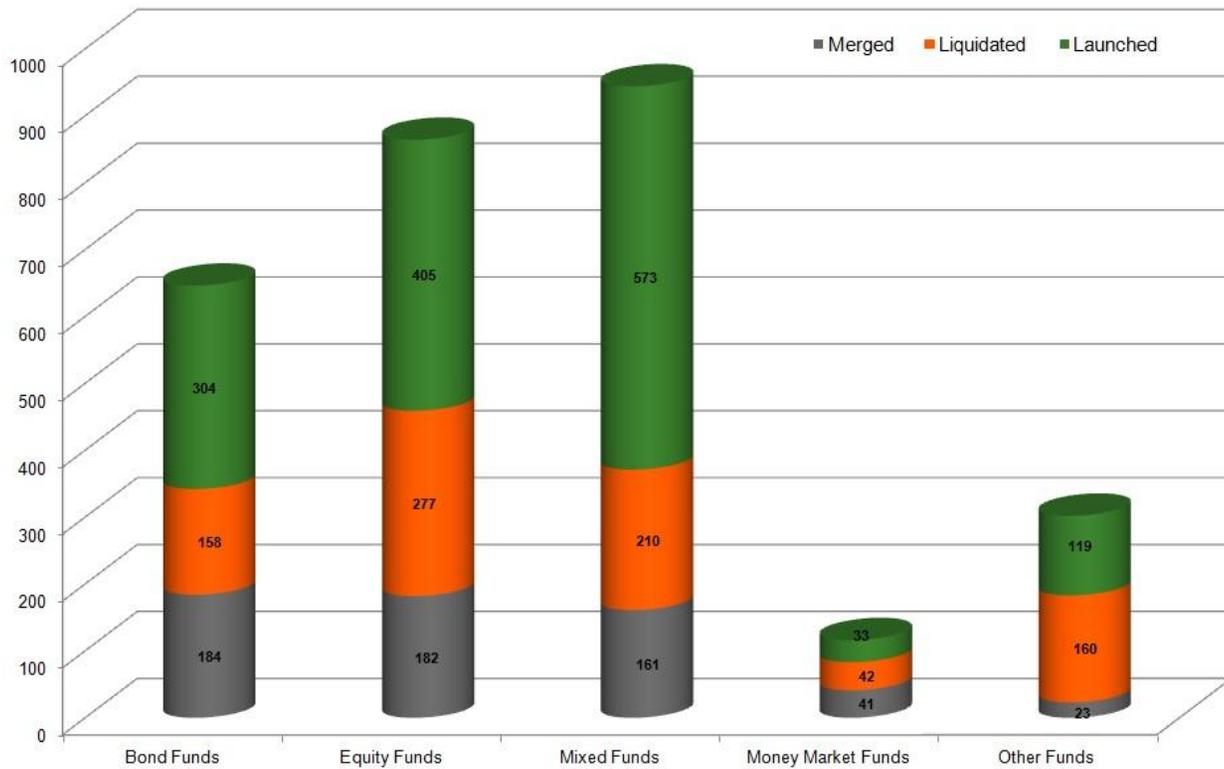
European fund promoters liquidated 847 funds over the course of 2017 so far, while 591 funds were merged into other funds. In contrast, European fund promoters launched 1,434 funds, meaning the European fund market decreased by 4 funds over the course of 2017 so far.



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A more detailed view shows that mixed-asset funds showed the highest number of fund launches (573), while bond funds showed the highest number of fund mergers (184) and equity funds showed the highest number of liquidations (277). With regard to the overall market trend of mixed-asset products, it was not surprising that this category showed the highest number of launches, since fund promoters want to capture flows from the trend toward so-called multi-asset funds.

Graph 13: Fund Launches, Liquidations, and Mergers by Asset Type for 2017 Year to Date



Source: Thomson Reuters Lipper



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