

LIPPER AT REFINITIV

EUROPEAN FUND INDUSTRY REVIEW

YTD as of Q3 2018

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EXECUTIVE SUMMARY

Rough market conditions take their toll on mutual fund flows in Europe

- The assets under management in the European fund industry increased from €10.4 tr to €10.7 tr over the course of 2018 so far.
- Mixed-asset funds (+€33.8 bn net) were the best selling asset type overall.
- Within the segment of long-term mutual funds all asset types with the exception of bond funds (-€31.9 bn net) did well over the course of 2018 so far.
- The European fund industry enjoyed net inflows (+€5.9 bn) over the first nine months of 2018.
- **BlackRock** (€772.6 bn) was by far the largest fund promoter in Europe, followed by **Amundi** (€357.3 bn) and **JP Morgan** (€311.8 bn).
- **Aviva**, with net sales of €14.8 bn, was the best selling fund promoter for the first nine months of 2018 overall, ahead of **BlackRock** (+€14.6 bn) and **UBS** (+€11.7 bn).
- The European fund market increased by 132 funds over the course of 2018 so far.
- Equity funds showed the highest number of mergers (240), liquidations (212), and fund launches (514).

EUROPEAN FUND INDUSTRY REVIEW, YEAR TO DATE AS OF Q3 2018

Looking at the headline figures, the first nine months of 2018 seem to have been rough for the European fund industry. Even though the assets under management (AUM) (€10.7 tr) increased over the course of the year so far, the industry failed to attract significant new money. The net fund flows stood at €5.9 bn at the end of September. A closer view of the underlying trends shows that European investors have started to pull out money from bond funds and surprisingly also from money market products. The general fund-flow trends are a reaction of European investors to the recent geopolitical uncertainty and the increasing interest rates.

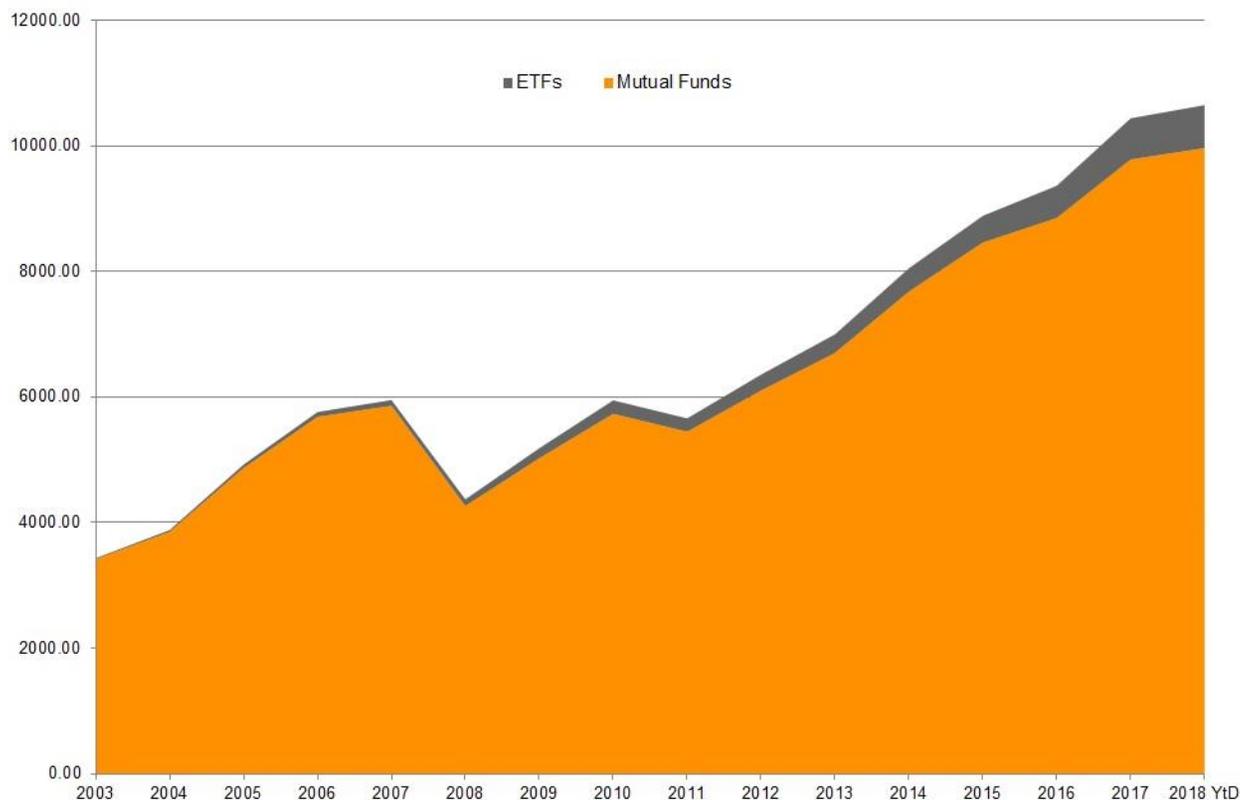
AUM in the European Fund Industry

The AUM in the European fund industry increased from €10.4 tr to €10.7 tr over the first nine months of 2018. This increase was mainly driven by the performance of the underlying markets (+€204.4 bn), while net sales contributed only €5.9 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. That said, we include the numbers for ETFs in the overall numbers for the European fund industry.

The European ETF industry enjoyed further increasing popularity with all kinds of investors over the first nine months of 2018. This popularity was seen in the net inflows attracted by ETFs, even in months when we witnessed overall net outflows from mutual funds. Compared to the end of December 2017 the AUM increased from €656.8 bn to €684.0 bn at the end of September 2018. Opposite to their actively managed peers, the growth in the European ETF segment was mainly driven by net sales (+€35.5 bn), while the performance of the underlying markets contributed a negative €8.3 bn.

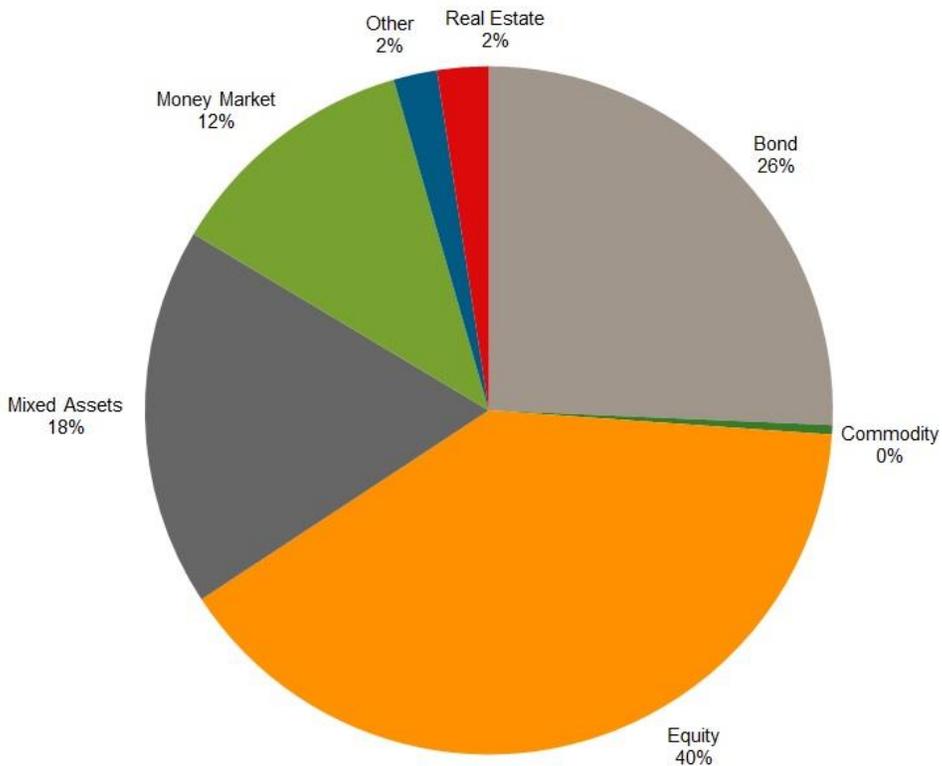
Graph 1: AUM in the European Fund Industry by Product Type (Euro Billions), September 30, 2018



Source: Lipper at Refinitiv

With regard to the overall number of funds registered for sale in Europe, it was not surprising that equity funds (€4.0 tr) were the asset type with the highest AUM, followed by bond funds (€2.6 tr), mixed-asset products (€1.8 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: AUM Market Share by Asset Type, September 30, 2018



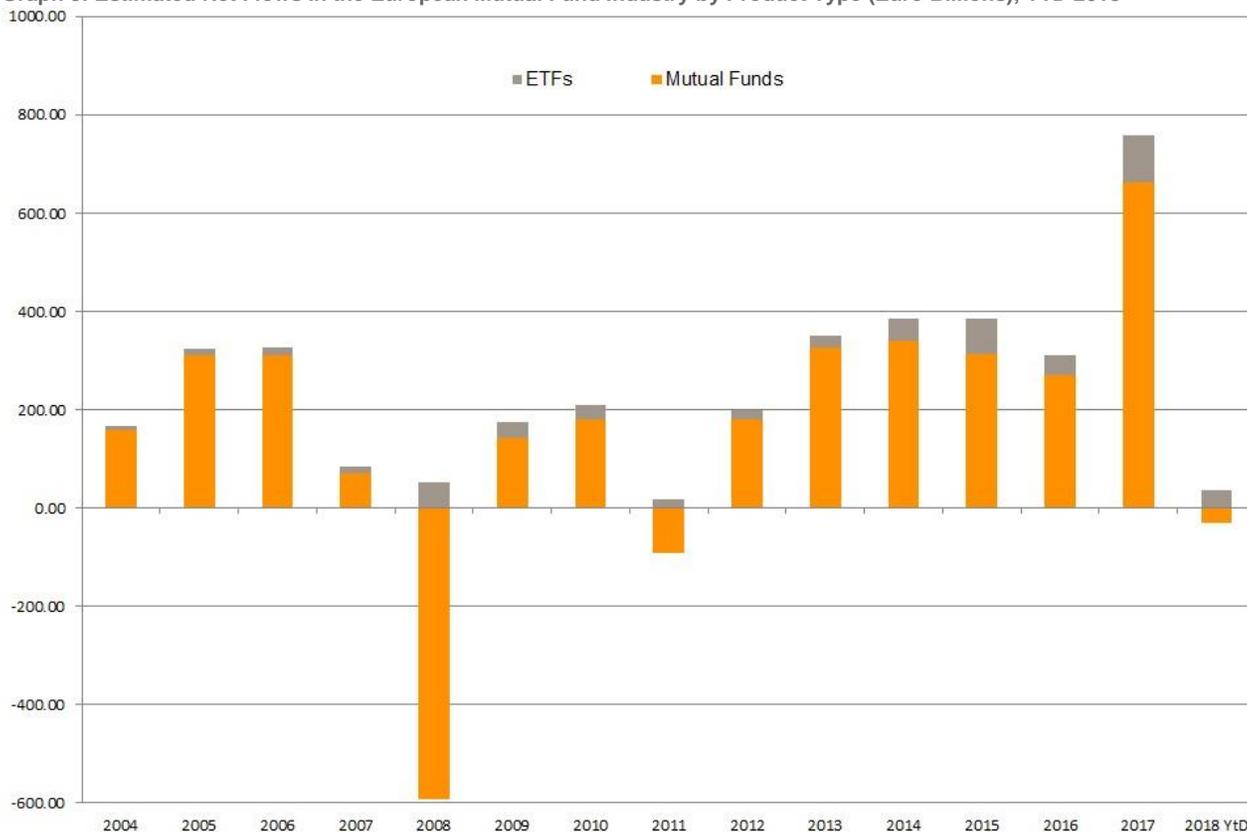
Source: Lipper at Refinitiv

European Fund-Flow Trends, Year to Date 2018

Generally speaking, the first nine months of 2018 were split into two different environments. While the flows over the first four months seemed to set the stage for another good year for the European fund industry, the following five months were marked by net outflows. That said, the European fund industry still enjoyed net inflows of €5.9 bn for the first nine months of 2018.

Pulling out money market funds from this number shows that long-term mutual funds (+€46.8 bn) witnessed inflows at a below-average level for the nine-month period. With regard to these numbers the first half of 2018 could be considered a good period for the promoters of ETFs, even though the flows were not as strong as in the record year 2017. The overall sales in long-term ETFs equalled 75.21% of the overall net inflows into long-term funds in the European fund industry.

Graph 3: Estimated Net Flows in the European Mutual Fund Industry by Product Type (Euro Billions), YTD 2018



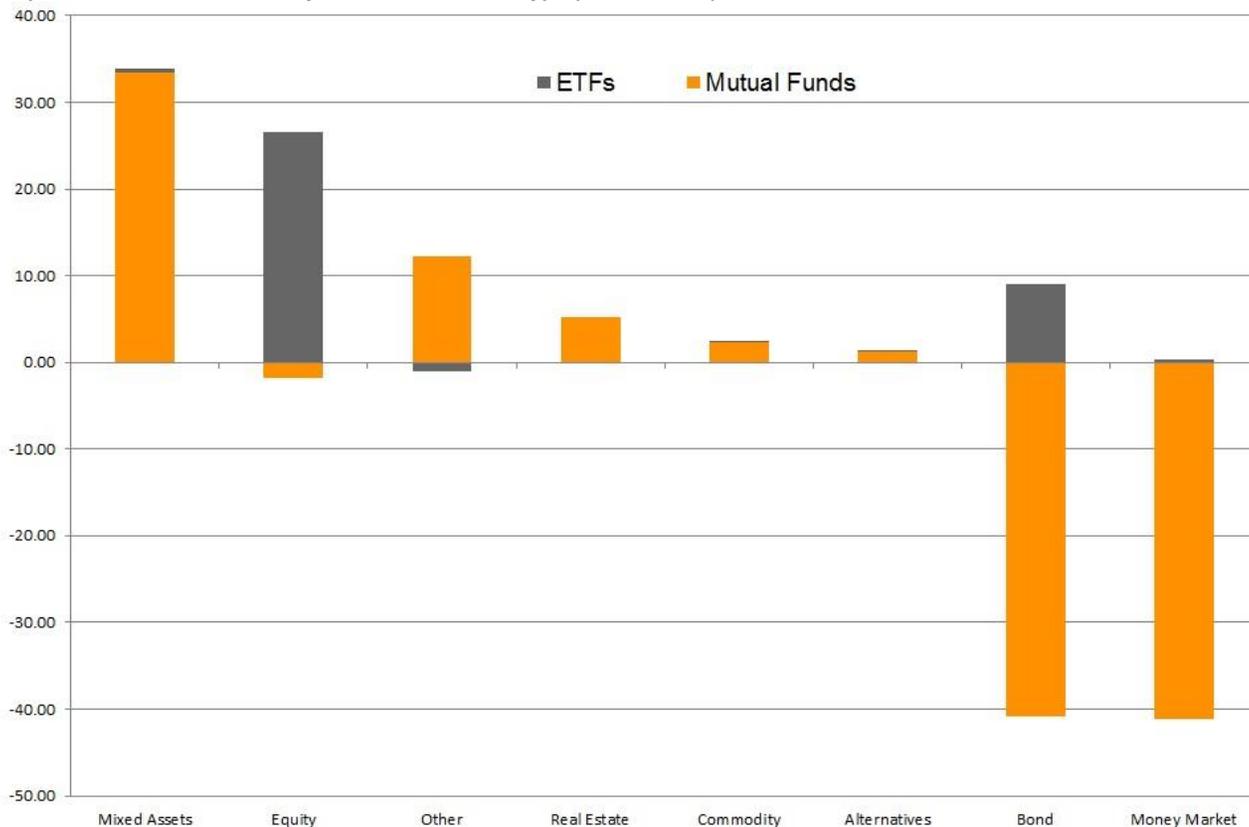
Source: Lipper at Refinitiv

Fund Flows Into Long-Term Mutual Funds

A more detailed view by asset type reveals that all asset types, with the exception of bond funds (-€31.9 bn), enjoyed inflows over the course of the first nine months of 2018. Given that investors were concerned about a possible trade war and the general geopolitical situation, it was surprising that equity funds (+€24.7 bn) still enjoyed net inflows. It was also remarkable that these flow numbers were driven by the net inflows for Q1 2018. Given the overall market sentiment it was no surprise that mixed-asset funds (+€33.8 bn) were the best selling asset type overall in Europe, while “other” products (+€11.2 bn) and real estate funds (+€5.2 bn) as well as commodity funds (+€2.5 bn) and alternative UCITS funds (+€1.3 bn) also enjoyed net inflows. These fund flows added up to overall net inflows of €46.8 bn into long-term investment funds for the first nine months of 2018.

With regard to ETFs, equity ETFs were the best selling asset type in this market segment (+€26.5 bn), followed by bond ETFs (+€9.0 bn) and mixed-asset products (+€0.4 bn) as well as commodity ETFs (+€0.3 bn) and alternative UCITS ETFs (+€0.05 bn), while “other” ETFs (-€1.0 bn) faced net outflows.

Graph 4: Estimated Net Sales by Asset and Product Type (Euro Billions), YTD 2018



Source: Lipper at Refinitiv

Fund Flows Into Money Market Products

Money market products (-€40.9 bn) were the asset type with the highest overall net outflows over the first nine months of 2018. Mutual funds investing in money market instruments faced net outflows of €40.6 bn, while their passive peers (ETFs) had net outflows of €0.3 bn.

This flow pattern led the overall fund flows to mutual funds in Europe to net inflows of €5.9 bn for the first nine months of 2018.

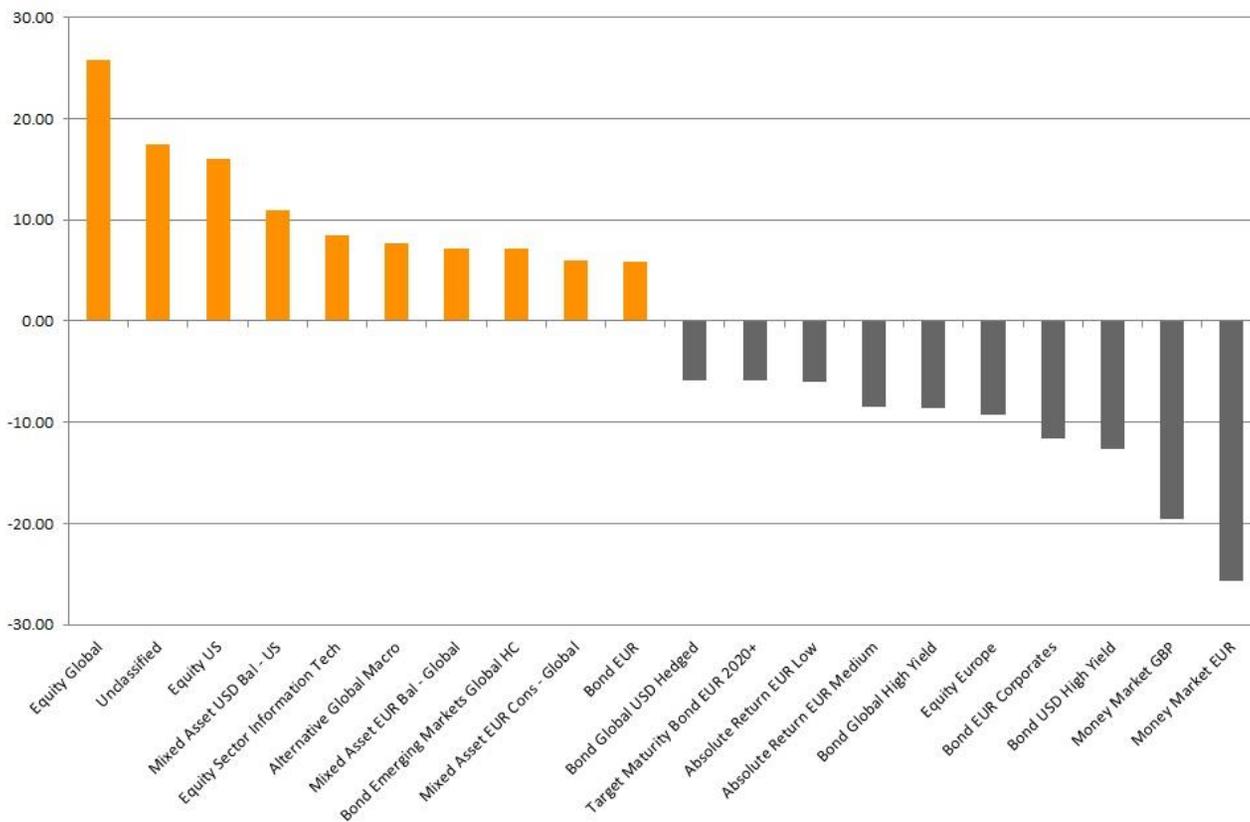
Money Market Products by Sector

Money Market PLN (+€2.2 bn) was the best selling money market sector for the first nine months of 2018, followed by Money Market USD (+€1.6 bn) and Money Market SEK (+€1.0 bn). At the other end of the spectrum Money Market EUR (-€25.7 bn) suffered the highest net outflows overall, bettered by Money Market GBP (-€19.5 bn) and Money Market EUR Leveraged (-€1.3 bn).

Fund Flows Into Long-Term Mutual Funds by Sectors

Within the segment of long-term mutual funds Equity Global (+€25.8 bn) was the best selling sector, followed by Unclassified funds (+€17.5 bn), Equity US (+€16.0 bn), and Mixed Asset USD Balanced-US (+€11.0 bn) as well as Equity Sector Information Technology (+€8.4 bn).

Graph 5: The Ten Best and Worst Selling Sectors Overall (Euro Billions), YTD 2018



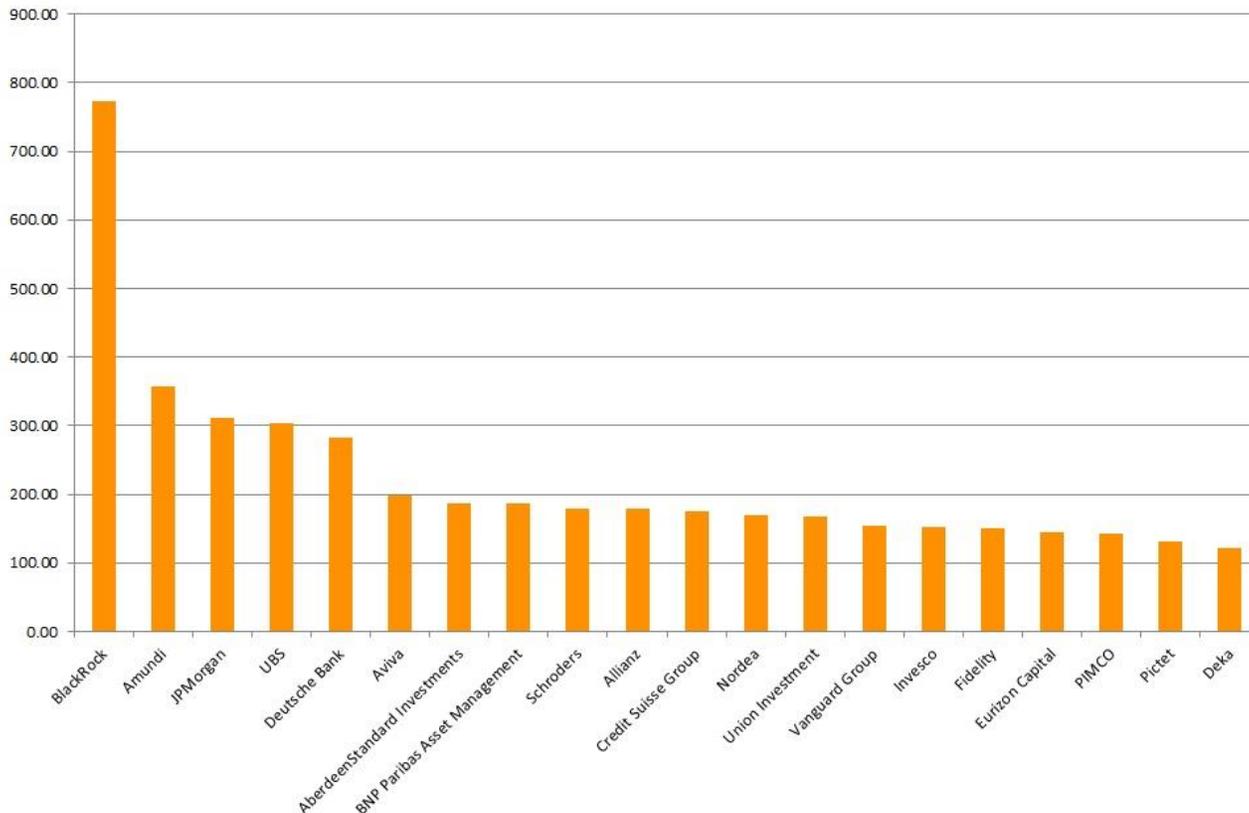
Source: Lipper at Refinitiv

At the other end of the spectrum Bond USD High Yield (-€12.6 bn) suffered the highest net outflows from long-term mutual funds, bettered by Bond EUR Corporates (-€11.6 bn) and Equity Europe (-€9.3 bn) as well as Bond Global High Yield (-€8.6 bn) and Absolute Return EUR Medium (-€8.5 bn).

AUM by Promoters

A closer look at the AUM in the European mutual fund industry shows that **BlackRock** (€772.6 bn) was by far the largest fund promoter in Europe, followed by **Amundi** (€357.3 bn) and **JP Morgan** (€311.8 bn) as well as **UBS** (€303.7 bn) and **Deutsche Bank** (€282.9 bn). Looking at these numbers, one needs to take into account that Amundi increased its AUM with the acquisition of Pioneer Investments in 2017.

Graph 6: The 20 Largest Promoters by AUM in Europe (Euro Billions), September 30, 2018

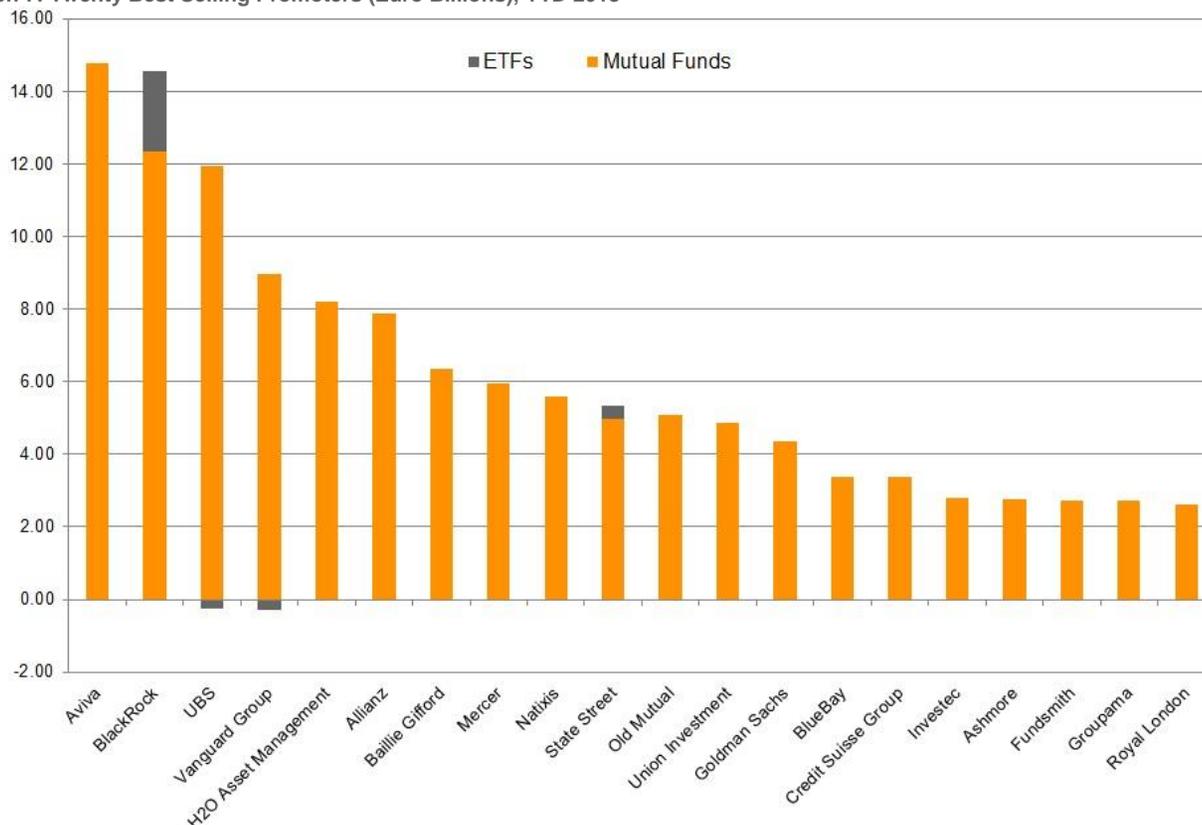


Source: Lipper at Refinitiv

Fund Flows by Promoters

Aviva, with net sales of €14.8 bn, was the best selling fund promoter for the first nine months of 2018 overall, ahead of **BlackRock** (+€14.6 bn) and **UBS** (+€11.7 bn). It is noteworthy that the overall inflows for BlackRock contained €3.6 bn of net inflows into money market funds, while Aviva faced net outflows of €1.2 bn from its money market products. It is also remarkable that BlackRock enjoyed net inflows of €7.5 bn into its ETFs, while UBS ETFs contributed €4.8 bn to the overall flows of the company.

Graph 7: Twenty Best Selling Promoters (Euro Billions), YTD 2018



Source: Lipper at Refinitiv

Considering the single-asset bases, **BlackRock** (+€5.0 bn) was the best selling promoter of bond funds for the first nine months of 2018, followed by **Vanguard Group** (+€3.9 bn), **UBS** (+€3.7 bn), and **Ashmore** (+€2.9 bn) as well as **Bank of America** (+€2.2 bn).

Within the equity space **UBS** (+€7.2 bn) stood at the head of the table, followed by **Baillie Gifford** (+€6.1 bn), **Morgan Stanley** (+€6.0 bn), and **Vanguard Group** (+€4.7 bn) as well as **BlackRock** (+€4.6 bn).

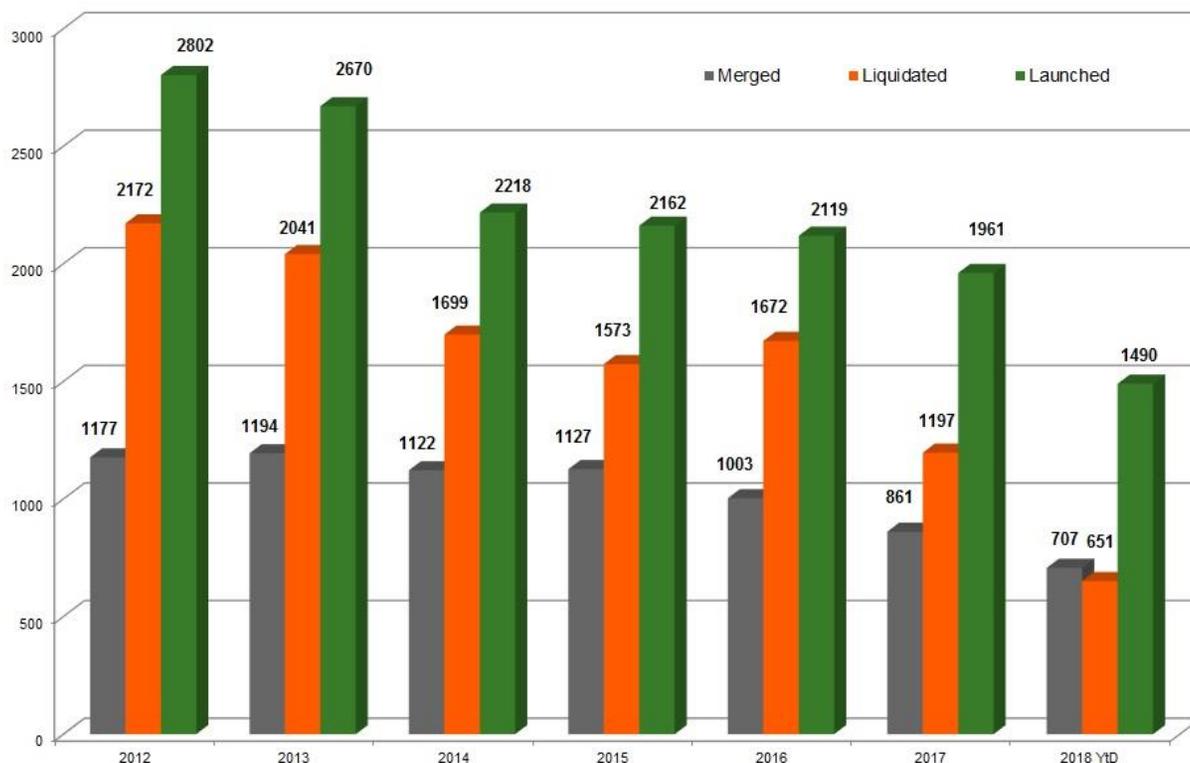
Allianz (+€11.6 bn) was the leading promoter of mixed-asset funds in Europe for the first nine months of 2018, followed by **Eurizon Capital** (+€5.5 bn), **Union Investment** (+€4.9 bn), and **JP Morgan** (+€4.4 bn) as well as **Mercer** (+€3.4 bn).

H2O Asset Management (+€7.6 bn) was the leading promoter of alternatives funds for the first nine months of 2018, followed by **Old Mutual** (+€3.2 bn), **BlackRock** (+€2.1 bn), and **Man Investments** (+€1.6 bn) as well as **Legg Mason** (+€1.4 bn).

Promoter Activity—Fund Launches, Liquidations, and Mergers

After several strong years with net inflows for the European fund industry, promoter activity with regard to fund launches, liquidations, and mergers may have started to change in pattern—from consolidation to an increase in the number of products. The number of funds available to investors in Europe increased by 132 for the first nine months of 2018. The underlying numbers may indicate a new trend in Europe: the numbers of mergers and liquidations went further down in a quarter-by-quarter comparison, while the number of newly launched funds hovered around the long-term quarterly average. That said, the main reason for the mergers and liquidations at the fund level did not change. Fund promoters further restructured their general product offerings; i.e., some fund promoters merged funds with a similar investment objective to strengthen their product ranges. Lower profitability because of the lack of AUM could have been another reason fund promoters merged or liquidated some funds.

Graph 8: Fund Launches, Liquidations, and Mergers, YTD 2018

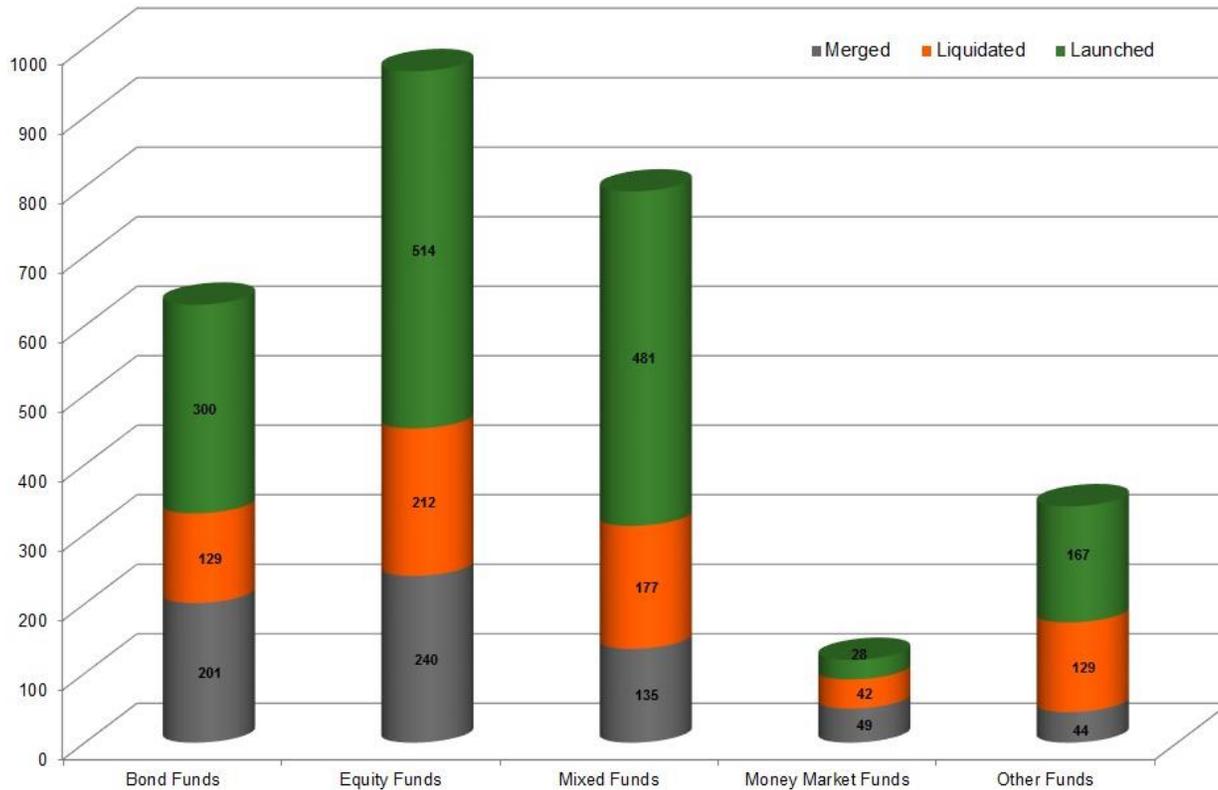


Source: Lipper at Refinitiv

European fund promoters liquidated 689 funds over the course of the first nine months of 2018, while 669 funds were merged into other funds. In contrast, European fund promoters launched 1,490 funds. This meant the European fund market grew by 132 funds over the course of the first nine months of 2018.

A more detailed view shows that equity funds had the highest number of mergers (240), liquidations (212), and fund launches (514). With regard to fund flows in Europe, it was surprising that equity funds took the lead for fund launches from mixed-asset funds, since this asset type showed the highest net inflows for the year so far. Fund promoters in the past had been trying to grab their market share by launching so-called multi-asset funds. The rather low number of fund mergers in the mixed-asset segment compared to equity funds and bond funds may indicate that fund promoters have cleaned up their product ranges with regard to “old-fashioned” mixed-asset funds. They had been merging the old funds with new multi-asset products to increase the AUM of the new products in order to make them more attractive to investors.

Graph 9: Fund Launches, Liquidations, and Mergers by Asset Type, YTD 2018



Source: Lipper at Refinitiv

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