

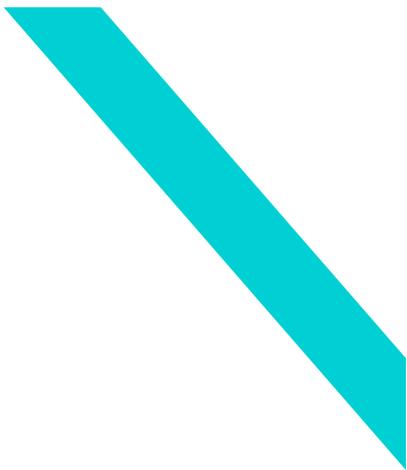
EVERYTHING FLOWS

UK FUND FLOWS
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Equities Incoming?

Despite strong equity redemptions, global equity income funds saw significant inflows, indicating that investors are adapting to markets' shift from growth to value.

Asset Class View

- Money market funds experienced the largest moves in April, with outflows of £7.8bn, reversing the previous month's £4.8bn inflows.
- Negative sentiment drove £3bn of equity fund outflows, as bond funds saw inflows of £2.1bn.

Active v Passive

- The headline bond figure conceals a -£842m active to £2.9bn passive rotation, while both active and passive equity funds saw outflows.
- Passive bond mutual funds took about five times that of their ETF equivalents (£2.5bn versus £448m), while equity ETFs saw inflows of £698m, as their passive mutual fund peers shed £1.8bn.

Classifications

- Mixed Asset GBP Aggressive topping the table, netting £1.2bn. Equity Global Income makes its first appearance in the top-10 classifications, with £657m inflows.
- Other than Money Market GBP's £7.8bn outflows, the main victims of risk-off sentiment were Equity US and Equity UK, shedding £1.1bn and £985m, respectively.

ESG Flows

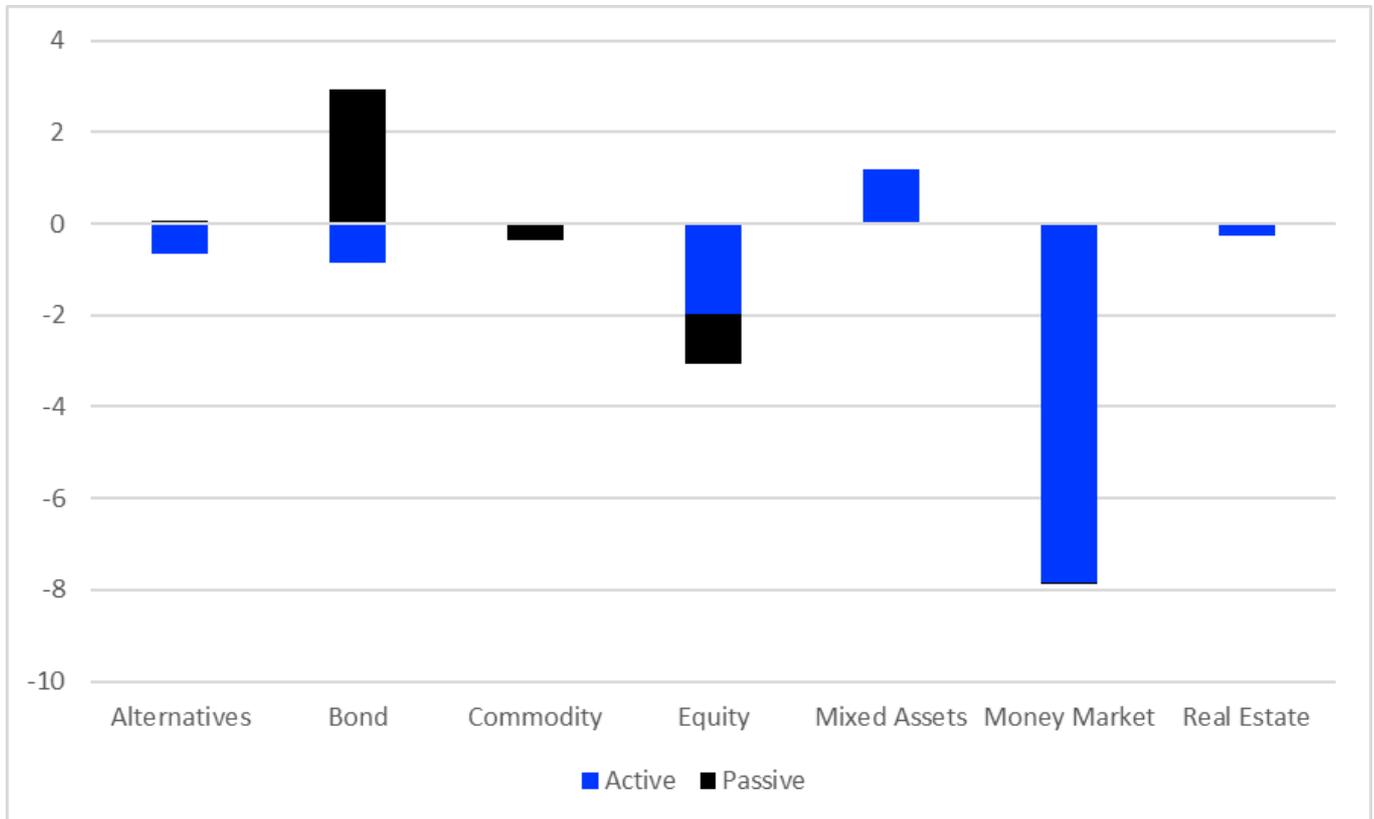
- "Green" to "brown" equity flows were £856m to -£4bn, respectively, with BlackRock being a notable beneficiary.
- Other than money market funds (-£3.5bn), the only responsible asset class to be in negative territory were alternatives, with outflows of £310m.

Asset Manager View

- Vanguard was the top-selling fund manager, followed by Liontrust.

Flows by Asset Class

Chart 1: Asset Class Flows, Active and Passive, April 2022 (£bn)



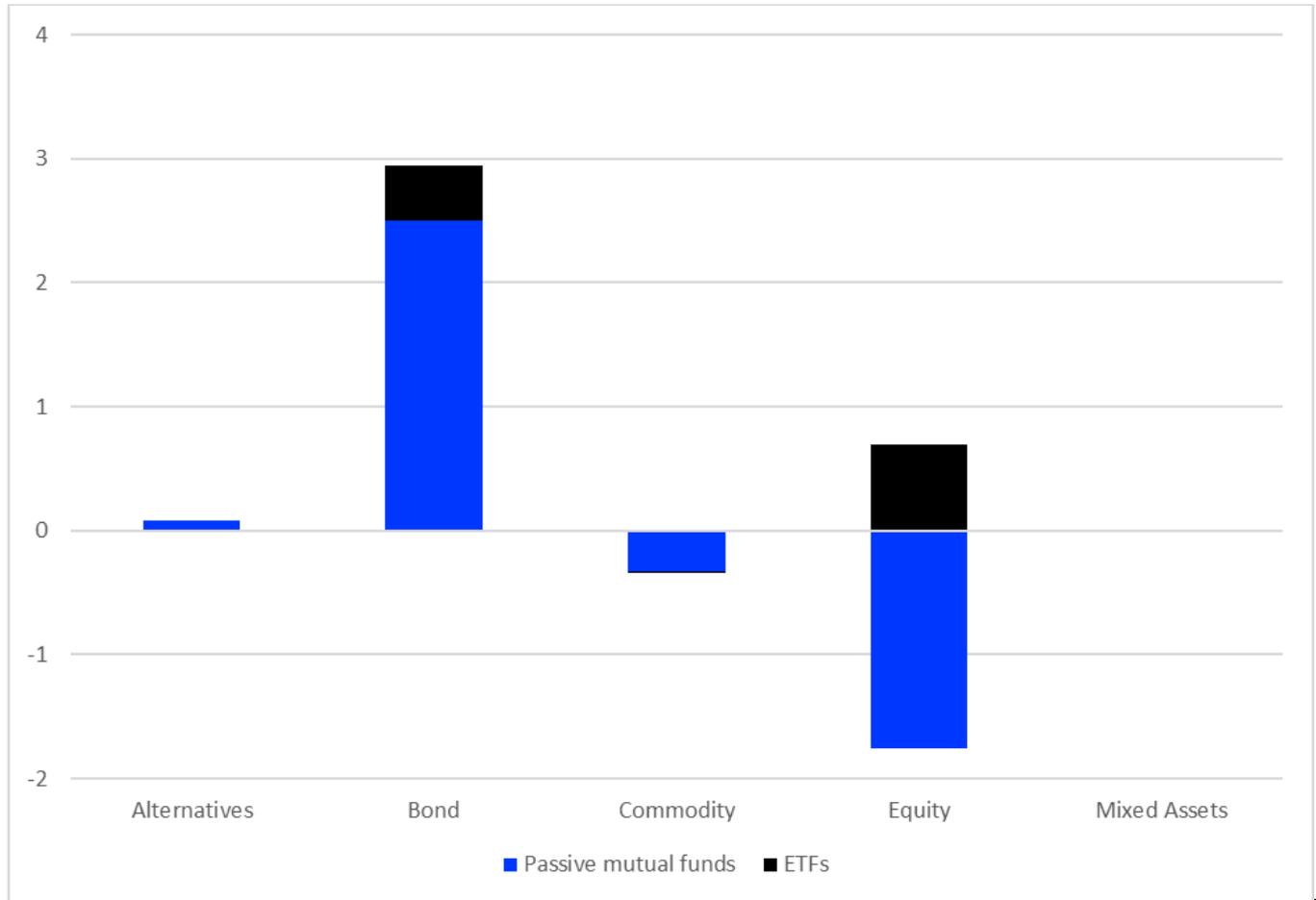
Source: Refinitiv Lipper

The biggest moves in April were negative flows of £7.8bn from money market funds. While outflows from this asset class can indicate a risk-off sentiment, in the words of George Gershwin, it ain't necessarily so. Often, they play the more neutral role of providing short-term liquidity. Given the broader environment, this is what that negative sign in front of the number likely indicates.

While the FTSE 100 pretty much finished where it started the month, this was buoyed by a large exposure to sectors that have thrived in the current environment, such as oil and gas. Those without such exposures suffered significant falls. That's driven £3bn of equity fund outflows, divided roughly two-thirds active to one-third passive.

Over the month, the yield on the benchmark 10-year gilt went from 111 basis points (bps) to 190 bps. Nevertheless, the largest positive flows by asset class were £2.1bn to bond funds. The significant net inflows over 2021 to the asset class, despite major losses, we think were likely down to portfolio rebalancing after these losses. That's likely still happening, but we are also hearing that some investors are now eyeing bond markets, attracted by the higher yields. As a result, we've seen a turnaround of March's negative bond flows of £2bn. The other point to note, of course, is that the beneficiaries of this are passive funds, with £842m active outflows and £2.9bn passive inflows.

Lastly, mixed assets saw flows broadly in line with the previous month, at £1.2bn.

Chart 2: Passive Asset Class Flows, Mutual Funds v ETFs, April 2022 (£bn)

Source: Refinitiv Lipper

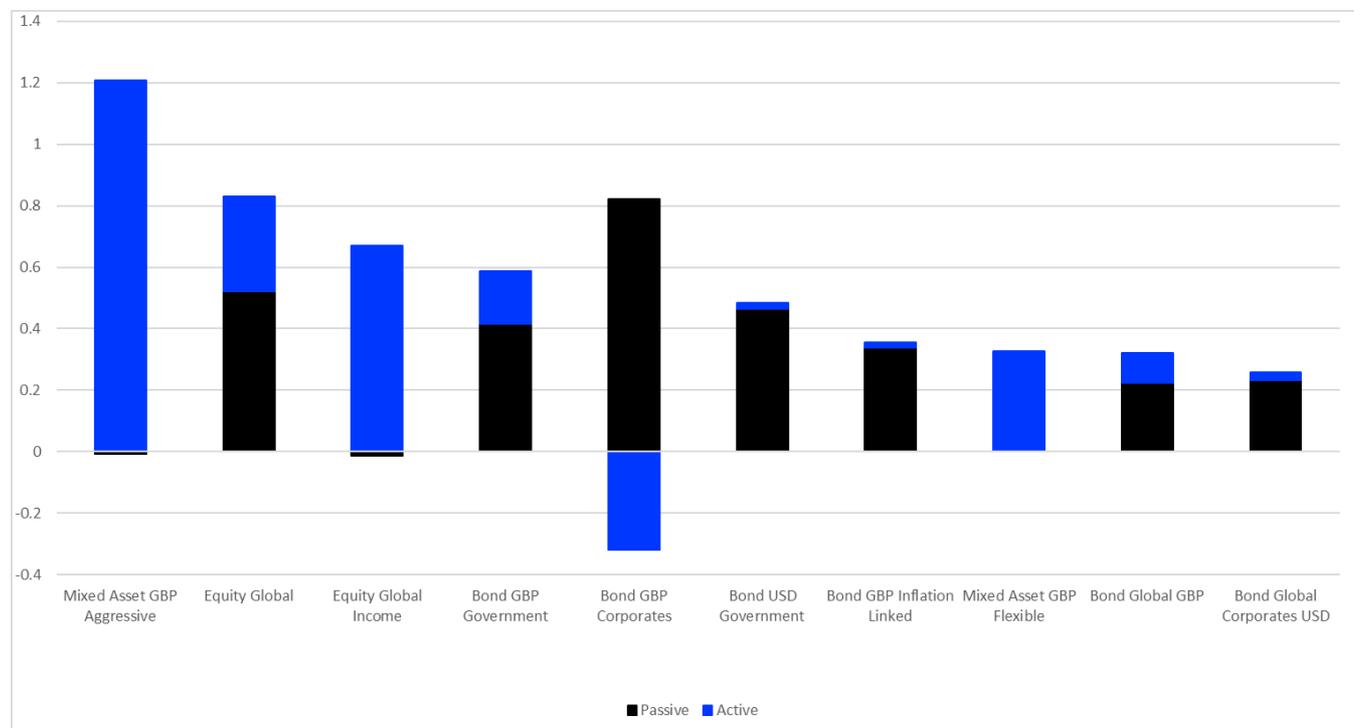
Speaking of passive bond funds, passive mutual fund vehicles have taken about five times the amount of their ETF equivalents (£2.5bn versus £448m). There were doubts about the resilience of fixed income ETFs before the COVID meltdown in March 2020, and the fact that they came through with flying colours stoked anticipation over their take off, but two years on we've yet to see a significant gear change for the vehicle.

The four largest share classes took more than a billion between them, with Bond GBP Corporate funds netting about half of this, followed by Bond GBP Government and Bond GBP Inflation Linked.

ETFs have fared rather better in the equity space this month, however, seeing inflows of £698m, as their passive fund mutual peers shed £1.8bn.

Flows by Classification

Chart 3: Largest Positive Flows by Refinitiv Lipper Global Classification, April 2022 (£bn)



Source: Refinitiv Lipper

The top-selling classification over the past couple of years has swung between Equity Global or Money Market GBP, but not this time, with Mixed Asset GBP Aggressive topping the table, with £1.2bn of flows—though, to be fair, this classification isn't normally far down the queue. The five top-selling share classes on the table below have a variety of strategies, from Vanguard's use of internal passive funds, through True Potential's portfolio of external active funds, to L&G's single security-based portfolio. None of the five are flagged as responsible investment vehicles, however, which is a little unusual for the top of the table—there's normally a smattering up there, if not more.

Mixed Asset GBP Aggressive, April 2022	Flow (£m)
Vanguard LifeStrategy 80% Equity Acc	193
True Potential Balanced 3 A Acc	142
Legal & General Real Capital Builder I Acc	70
Scottish Widows Rgr inc Fund Class A Acc	67
ES Investec Wealth & Investment Bal A GBP Inc	65

Source: Refinitiv Lipper

I'm skipping over second-placed Equity Global to cast an eye over Equity Global Income. It is, I believe, the first time the classification—or any equity income, come to that—has appeared in the top 10 since this report's inception in November 2020, netting £657m. Of course, we're going through a period where value is outperforming growth. Investors still clearly have an appetite for global, but they tempered this month by a tilt away from the more growth-orientated funds that dominate the Equity Global classification. Indeed, [Equity UK Income has dragged](#)

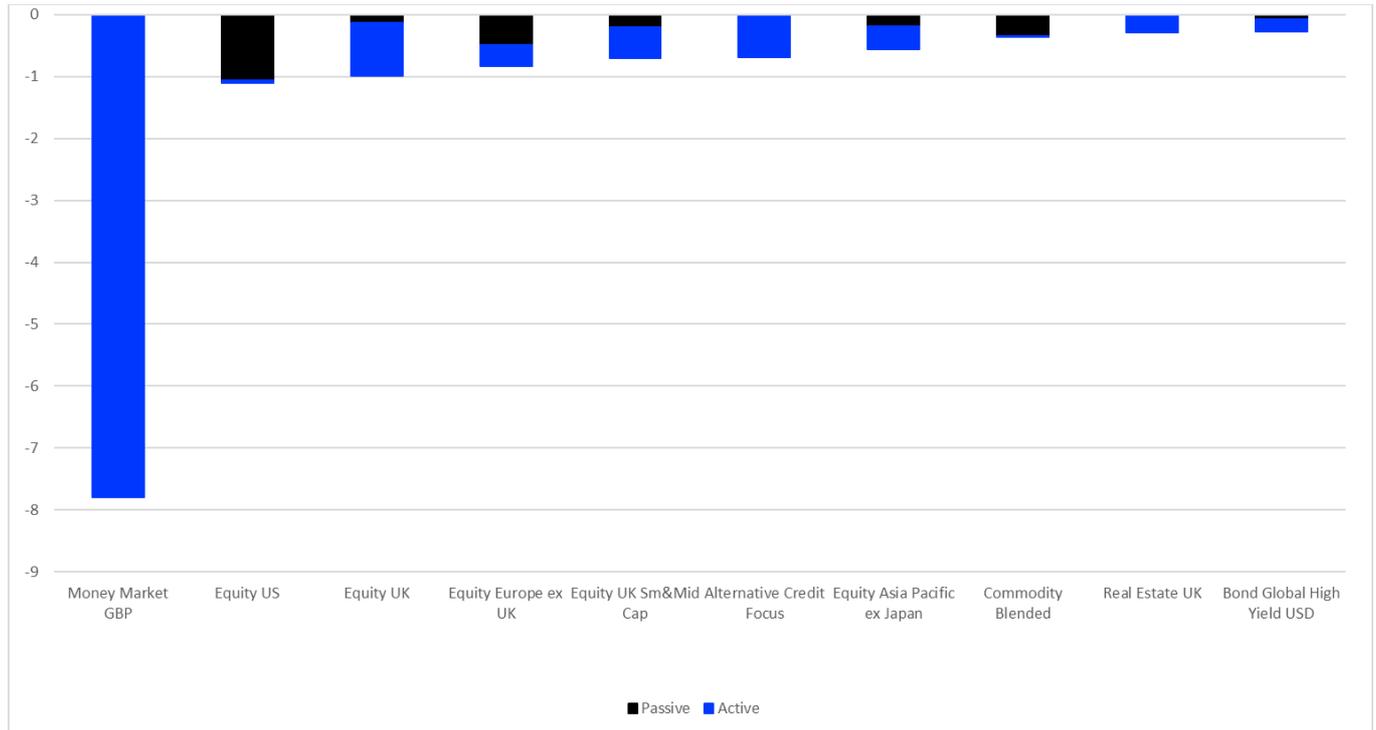
[itself up from its customary position at the bottom of the table](#) to attract a modest but positive £62m (and £267m inflows to passive funds).

It's interesting, too, that the top-seller is a Baillie Gifford vehicle. This is a house whose reputation has been linked with delivering strong outperformance during the growth-dominated period between the end of the global financial crisis and the onset of COVID. Despite its membership of a distinctly value-tilted category, the fund doesn't stray all the way into value, with Lipper's analysis categorising it as core multi-cap.

Equity Global Income, April 2022	Flow (£m)
Baillie Gifford Responsible Global Eq Inc B Acc	278
Fidelity Global Dividend Fd R Inc	180
Fidelity Global Dividend W Inc	44
TB Evenlode Global Income B GBP Acc	44
Fidelity Global Enhanced Inc W Acc	22

Source: Refinitiv Lipper

Six of the top 10-selling classifications are bonds, selling £2.5bn between them, the top two of these being Bond GBP Government and Bond GBP Corporates. Passive vehicles in the latter saw inflows of £820m—a greater inflow than any other category in the top 10 apart from Mixed Asset GBP Aggressive. Bond GBP Inflation Linked nets £356m, and I'm a tad surprised this hasn't been more on the radar before now.

Chart 4: Largest Negative Flows by Refinitiv Lipper Global Classification, April 2022 (£bn)

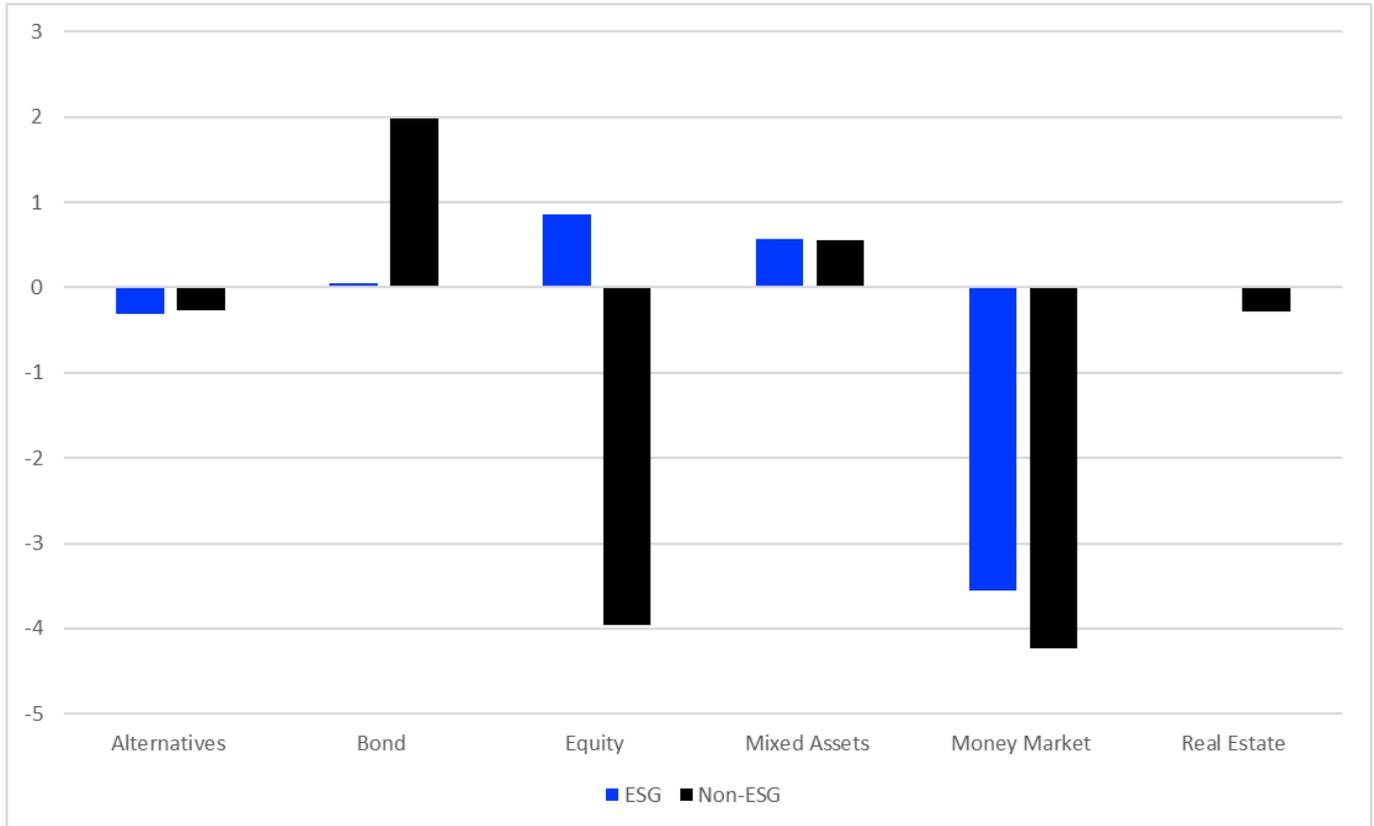
Source: Refinitiv Lipper

Money Market GBP shed £7.8bn. The main victims of the risk-off sentiment were Equity US and Equity UK, shedding £1.1bn and £985m, respectively. The latter is a tad surprising, [given the strong relative performance of the FTSE 100](#). After a decade in the shadows, you'd think that now is its time to shine.

Another surprise is the £359m outflow from Commodity Blended. "Stagflation" is a term increasingly bandied about, once having thought to have disappeared along with bell-bottomed trousers and Space Invaders. Commodities do well in stagflationary environments, so in theory you'd expect to see such funds attracting a little more attention. But maybe we need to be at that stage where investors are not picking up pennies in front of the steamroller, but actively trying to extract their feet from under the roller.

ESG Flows

Chart 5: ESG Asset Class Flows, April 2022 (£bn)



Source: Refinitiv Lipper

Equity market downturns haven't stopped the rotation out of "conventional" into ethical funds in the asset class, but they have rather muted the ESG inflows. "Green" to "brown" equity flows were £856m to -£4bn respectively. As you can see from the table below, ACS share classes—in other words, BlackRock—were significant beneficiaries of the positive flows, with the only non-BlackRock vehicle being the Baillie Gifford global equity income fund referenced above.

ESG Equity Takers, March 2022	Flow (£m)
ACS Wld ESG Insights Eqty X1 Acc GBP	319
Baillie Gifford Responsible Global Eq Inc B Acc	278
ACS World Low Carbon EQ Tracker X2 Acc	275
ACS World ESG Eq Trkr Fd Class X1 Acc GBP Hdged	156
ACS World ESG Eqty Tracker X1 Acc GBP	142

Source: Refinitiv Lipper

Despite the largest mixed-assets money takers being conventional vehicles over April, ESG funds were in positive territory overall, to the tune of £571m—and indeed marginally ahead of their conventional peers.

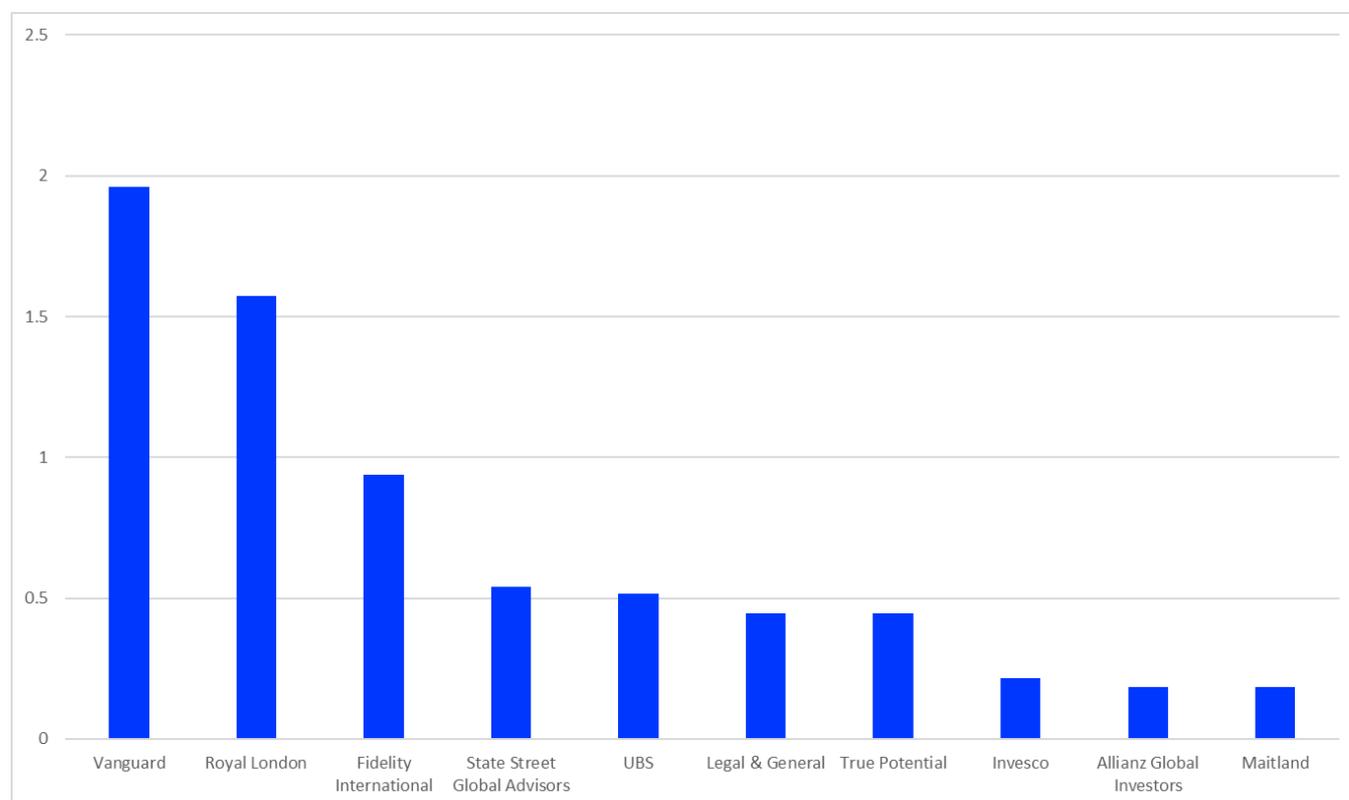
ESG Mixed-Assets Money Takers, March 2022	Flow (£m)
PSI Julius Baer Global Balanced GBP Class N - acc - GBP	126
Mercer Multi Asset Growth Fund B5-0.1610-GBP	115
Trojan Ethical O Acc	73
Nordea 1 - GBP Diversified Return AI GBP	51
SUTL Cazenove Charity Resp Multi-Asset S Inc	46

Source: Refinitiv Lipper

Aside from ESG money market funds (-£3.5bn), the only responsible asset class to be in negative territory were Alternatives, with outflows of £310m, with most of this coming from one Alternative Credit Focus-classified fund.

Flows by Promoter

Chart 6: Largest Positive Flows by Promoter, April 2022 (£bn)



Source: Refinitiv Lipper

Vanguard (£2bn), Royal London (£1.6bn), and Fidelity International (£937m) were the top sellers in April.

The biggest contributor to Vanguard's flows were £1.1bn to equity vehicles, against the current of the asset class's flows this month.

Vanguard Top-Selling Share Classes, April 2022	Asset Class	£m
Vanguard LifeStrategy 80% Equity Acc	Mixed Assets	193
Vanguard LifeStrategy 60% Equity Acc	Mixed Assets	164
Vanguard FTSE Dvlpd World ex-UK Eq Index GBP Acc	Equity	160
Vanguard LifeStrategy 100% Equity Acc	Equity	154
Vanguard FTSE UK Equity Income Index GBP Acc	Equity	151

Source: Refinitiv Lipper

Meanwhile, RL's largest contributor was from money market funds, at £1.2bn—again, contrary to the overall trend this month.

Royal London Top-Selling Share Classes, April 2022	Asset Class	£m
Royal London Short-Term Money Market Y Inc	Money Market	546
Royal London Sterling Liquidity Money Market R Dis	Money Market	514
Royal London Short Term Fixed Income Z Acc	Money Market	195
Royal London Absolute Return Government Bond R Acc	Bond	161
Royal London International Government Bond M Inc	Bond	98

Source: Refinitiv Lipper

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