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## EUROPEAN FUND FLOWS REPORT: Q3 2015

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# EXECUTIVE SUMMARY

## LAUNCHES, LIQUIDATIONS, AND MERGERS IN THE EUROPEAN MUTUAL FUND INDUSTRY, Q3 2015

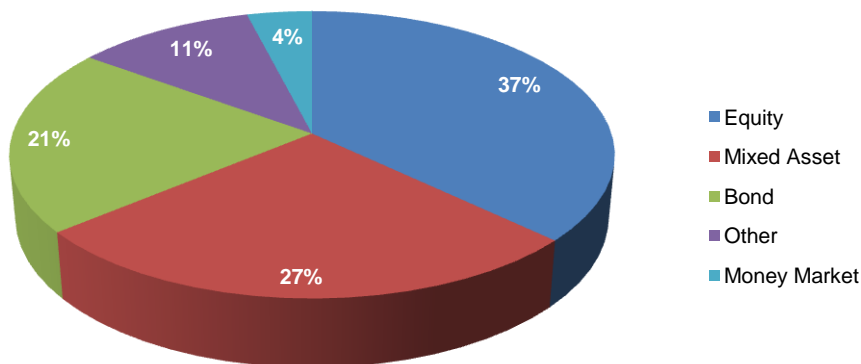
- As of the end of September 2015 there were 31,982 mutual funds registered for sale in Europe. Luxembourg, hosting 9,136 funds, continued to dominate the fund market in Europe, followed by France, where 4,631 funds were domiciled.
- For Q3 2015, 453 funds were created in Europe. During the same period 322 funds were liquidated and 324 were merged.
- With 646 funds (322 liquidations and 324 mergers) being withdrawn from the market and only 453 new products being launched, the European fund universe shrank by 193 products during the third quarter.



### View on the Mutual Fund Market in Europe

The chart below breaks down the European fund market by asset class as of the end of Q3 2015. Equity funds dominated the scene with 37% of the funds available for sale, followed by mixed-asset funds at 27%. Bond funds stood at 21%, while money market funds represented 4% of the market. The remaining 11% of “other” funds were real estate funds, commodity funds, guaranteed funds, and funds of hedge funds.

Figure 1 Distribution of Mutual Funds Registered for Sale in Europe by Asset Type as of the End of September 2015



Source: Thomson Reuters Lipper

### Quarterly Comparison

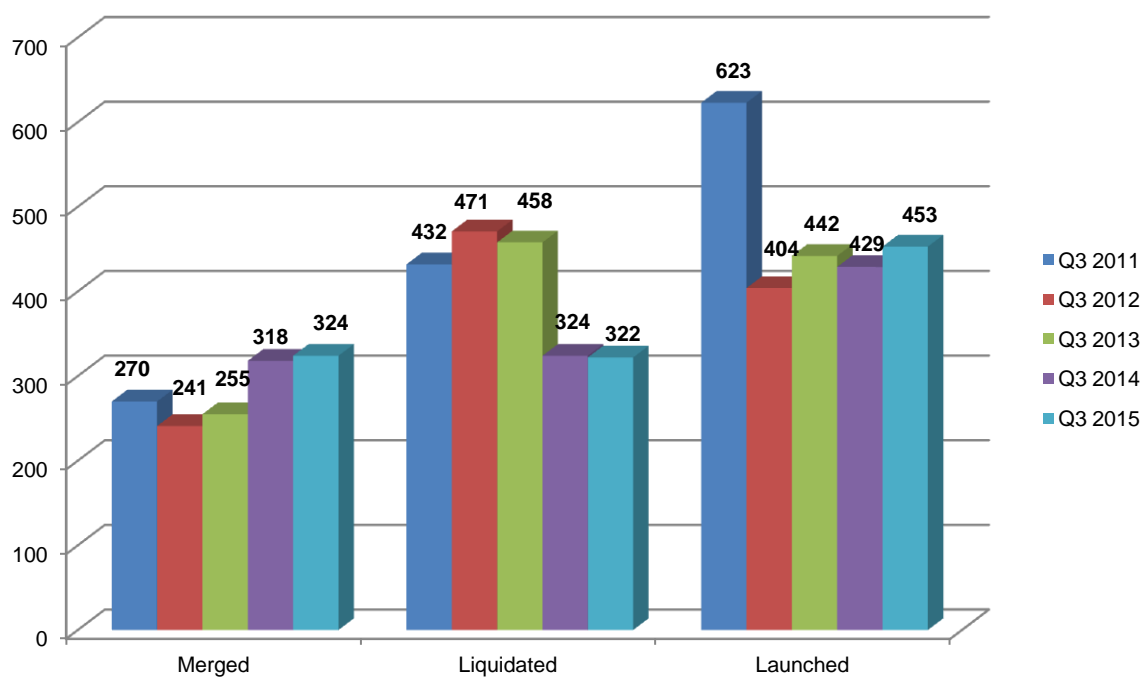
During Q3 2015, 453 funds were launched in Europe. The quantity of newly launched funds showed the highest number of launches in a third quarter since 2011. Compared with the peak in 2011, the number of newly launched products for Q3 2015 showed a decrease of around 27%.

Compared with the number of funds closed between 2011 and 2013, the number of liquidations for Q3 2015 stabilized at the low level we saw for Q3 2014.

The number of fund mergers went up from 318 for Q3 2014 to 324 for Q3 2015.



Figure 2 Overview of New Fund Launches, Mergers, and Closures of Investment Funds



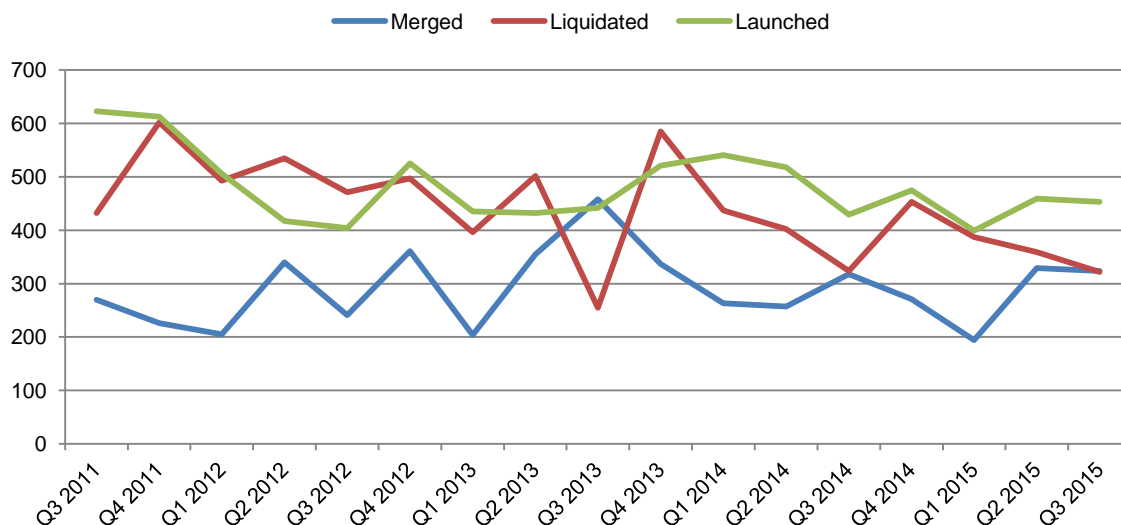
Source: Thomson Reuters Lipper

Since 2012 we saw two trends in the number of closures of products: so-called “hard closures”—liquidations—going down consistently, while the number of mergers increased.

## Launches, Mergers, and Liquidations Over the Past Five Years

The 453 newly launched products for Q3 2015 was a small decrease compared to the previous quarter. The number of liquidations went down parallel to the number of mergers going up, and the European fund universe still showed a negative trend in total.

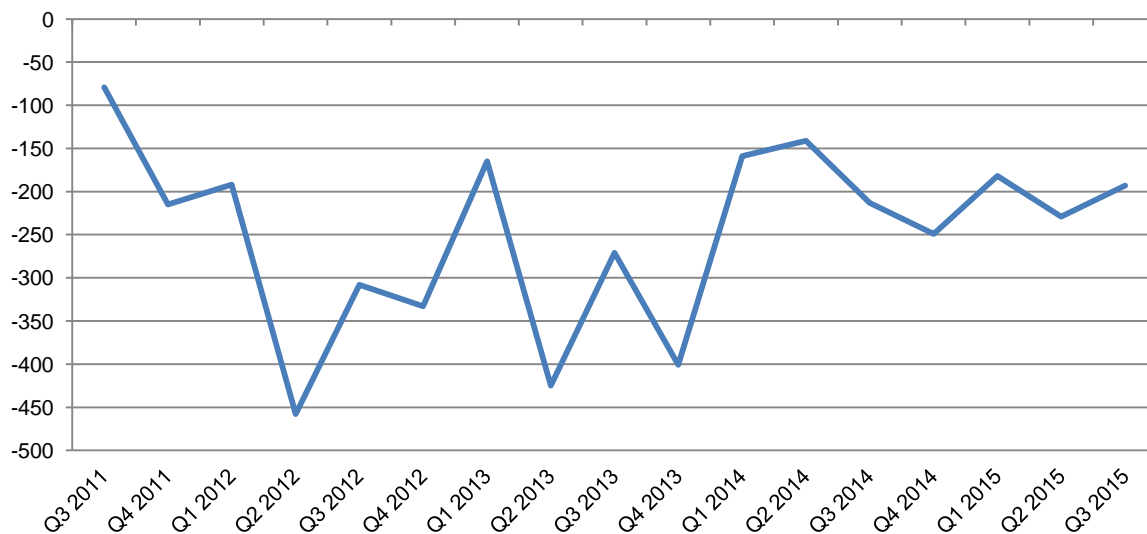
Figure 3 Launches, Mergers, and Closures of Investment Funds



Source: Thomson Reuters Lipper

The net size of the European fund universe decreased since Q3 2011. Q3 2015 showed a net decrease of 193 products.

Figure 4 Net Change in Number of Funds Registered for Sale in Europe



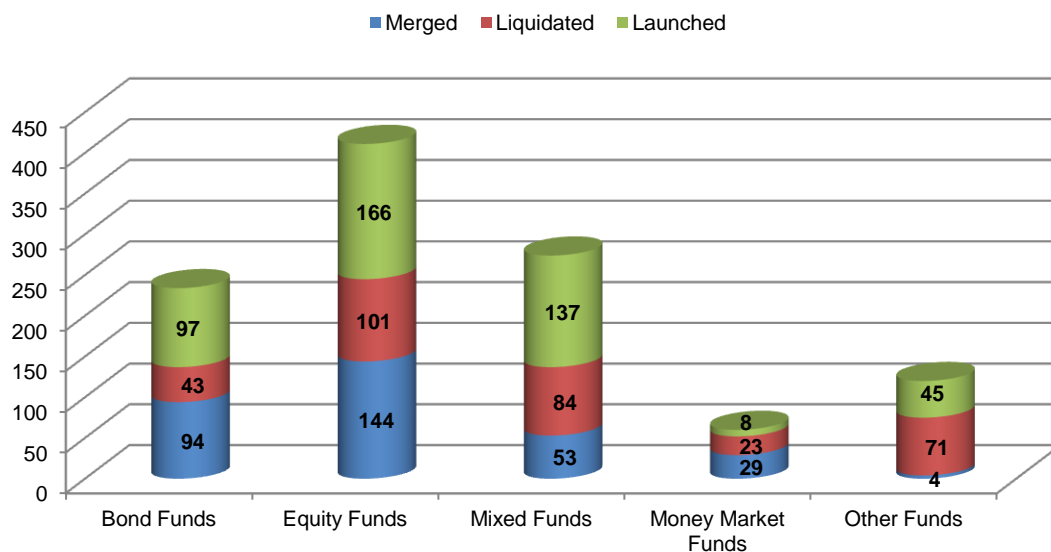
Source: Thomson Reuters Lipper

## Changes in European Fund Universe Asset Classes, Q3 2015

Q3 2015 witnessed the launch of 453 funds: 166 equity funds, 97 bond funds, 137 mixed-asset funds, 45 “other” funds, and 8 money market funds. During the same period 322 funds were liquidated: 101 equity funds, 43 bond funds, 84 mixed-asset funds, 71 “other” funds, and 23 money market funds.

For Q3 2015, 324 funds were merged: 144 equity funds, 94 bond funds, 53 mixed-asset funds, 4 “other” funds, and 29 money market funds.

Figure 5 Overview of New Fund Launches, Mergers, and Closures, June 30, 2015–September, 30, 2015



Source: Thomson Reuters Lipper

The net changes for Q3 2015 showed consistency; all asset types other than mixed-asset funds (with a net change of zero) showed negative net numbers; i.e., liquidations and mergers were on the same level with launches (137). Of significance was the decrease in money market products; 52 products were removed from the market, while in parallel only 8 were launched. (This asset type has only 4% European market share—measured by number of available products.)

## Outlook

Since the European fund industry is enjoying high net inflows for 2015, it is surprising the industry is still cautious with regard to fund launches. There have been a number of mergers between asset managers over the last few years, which has led to a number of duplications in the respective product ranges that need to be cleared to achieve economies of scale. In addition, there is still a lot of pressure on asset managers with regard to profitability, which is also driving the cleanup of the product ranges. This pressure might even increase, once the new regulatory frameworks are fully applied, since not all the costs related to regulation can be passed on to investors and will therefore become a burden for the asset management industry.

In this regard the consolidation of the European fund industry might continue over the foreseeable future. Even a supportive market environment, with rising equity and bond markets, might not stop this trend. But it should at least slow down the consolidation, since increasing assets under management lead to higher income for fund promoters.



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