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## EUROPEAN FUND INDUSTRY REVIEW Q1-2017

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# EXECUTIVE SUMMARY

## Will 2017 be a record year for the European fund industry?

- The assets under management in the European fund industry increased from €9.4 tr to €10.6 tr over first quarter 2017.
- Bond funds (+€71.3 bn) were the best selling asset type overall.
- Within the segment of long-term mutual funds all asset types, with the exception of “other” products (-€0.8 bn) did well over the course of first quarter 2017.
- **BlackRock** (€730.1 bn) was by far the largest fund promoter in Europe, followed by **JP Morgan** (€337.6 bn) and **Deutsche Bank** (€291.8 bn).
- **BlackRock**, with net sales of €22.1 bn, was the best selling fund promoter for first quarter 2017 overall, well ahead of **Amundi** (+€20.4 bn) and **JP Morgan** (+€12.8 bn).
- The European fund market declined by 4 funds over the course of first quarter 2017.
- Mixed-asset funds showed the highest number of mergers (71) and launches (212), while equity funds showed the highest number of fund liquidations (114).



## EUROPEAN FUND INDUSTRY REVIEW Q1-2017

Looking at the headline figures, the first quarter of 2017 could be considered a good quarter for the European fund industry, since the assets under management (+€1.2 tr) hit an all-time high at the end of March. The European fund industry enjoyed net inflows of €210.5 bn over the course of first quarter 2017.

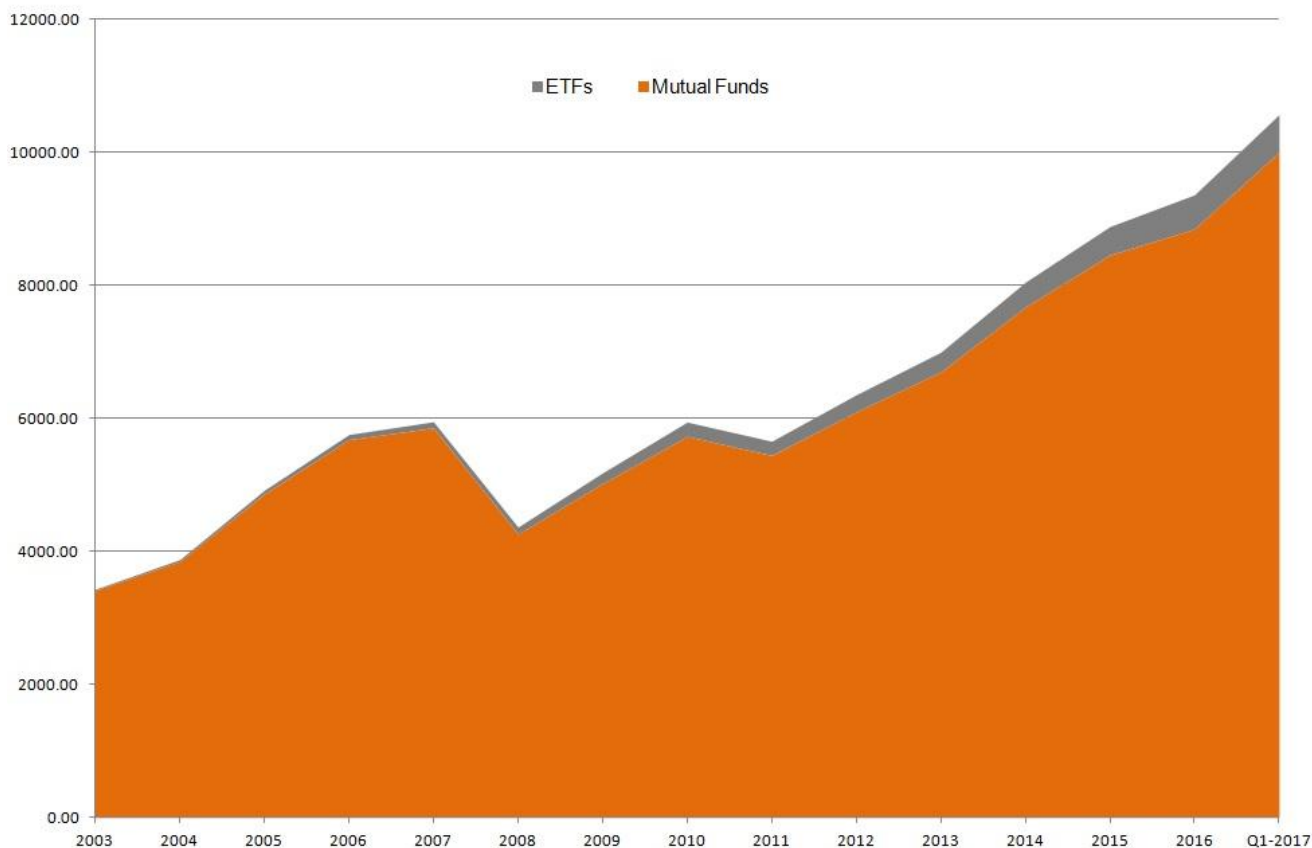
### Assets Under Management in the European Fund Industry

The assets under management in the European fund industry increased from €9.4 tr to €10.6 tr over first quarter 2017. This increase was mainly driven by market performance (+€994.1 bn), while net sales contributed €210.5 bn.

Since exchange-traded funds (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, although the numbers for ETFs are included in the overall numbers for the European fund industry.

The European ETF industry enjoyed increasing popularity with all kinds of investors over first quarter 2017. This popularity was seen in the increase in the assets under management; assets held by the European ETF industry, increasing €50.7 bn, marked a new all-time high at €565.2 bn at the end of March 2017, up from €514.4 bn at the end of 2016. In contrast to their actively managed peers, the growth in the European ETF segment was mainly driven by net sales (+€29.3 bn), while the performance of the underlying markets contributed €21.5 bn.

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



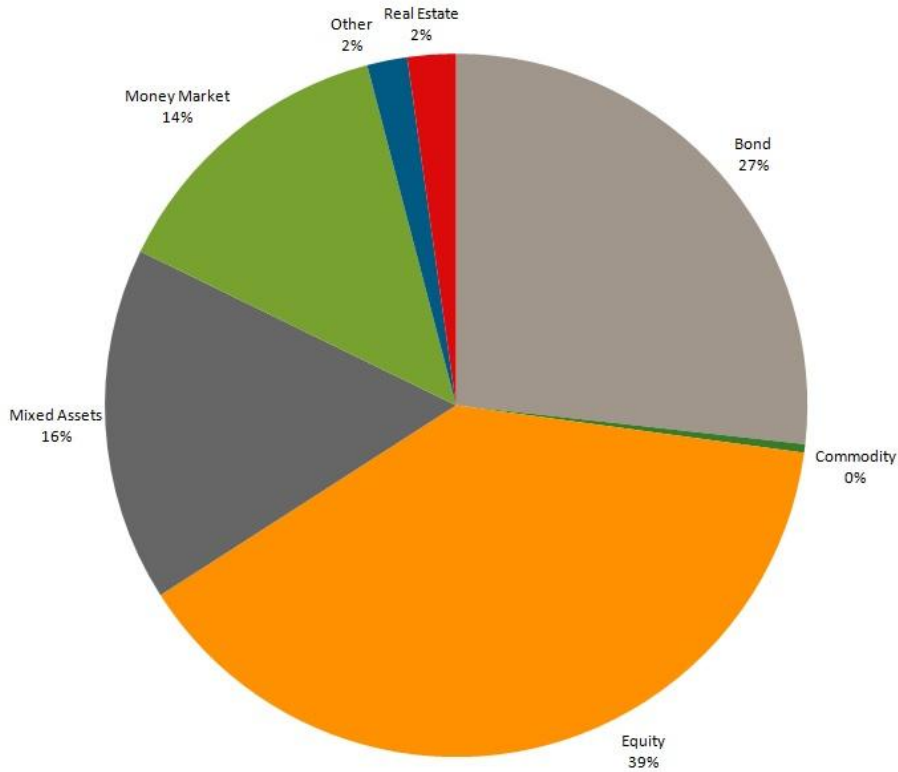
Source: Thomson Reuters Lipper



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With regard to the overall number of funds, it was not surprising that equity funds (€3.8 tr) were the asset type with the highest assets under management, followed by bond funds (€2.7 tr), mixed-asset products (€1.6 tr), money market funds (€1.4 tr), alternative UCITS funds (€0.7 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 by Asset Type (March 31, 2017)

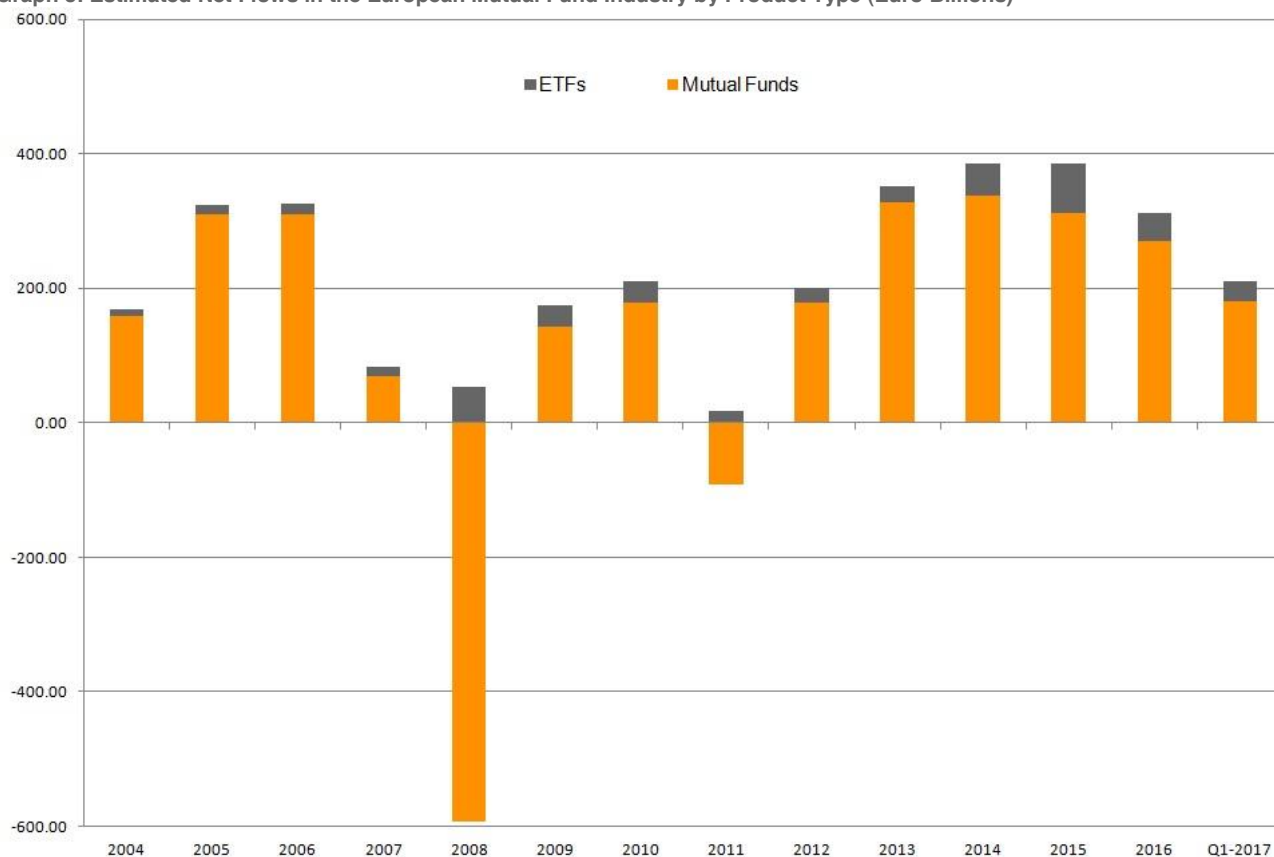


Source: Thomson Reuters Lipper

### European Fund Flow Trends Q1-2017

Generally speaking, first quarter 2017 seemed to be a very good quarter for the European fund industry; the rising stock markets led to high inflows into mutual funds. The overall net inflows of €210.5 bn into mutual funds looked quite impressive; pulling out the money market funds from these numbers showed that the flows into long-term mutual funds were still quite high (+€157.6 bn) but more in line with the flows into long-term mutual funds in other strong quarters. With regard to these numbers it was not surprising that first quarter 2017 was also a good period for the promoters of ETFs; [ETFs contributed €29.3 bn \(equalling 14% of the overall net inflows\) to these flows numbers.](#)

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



Source: Thomson Reuters Lipper

### Fund Flows Into Long-Term Mutual Funds

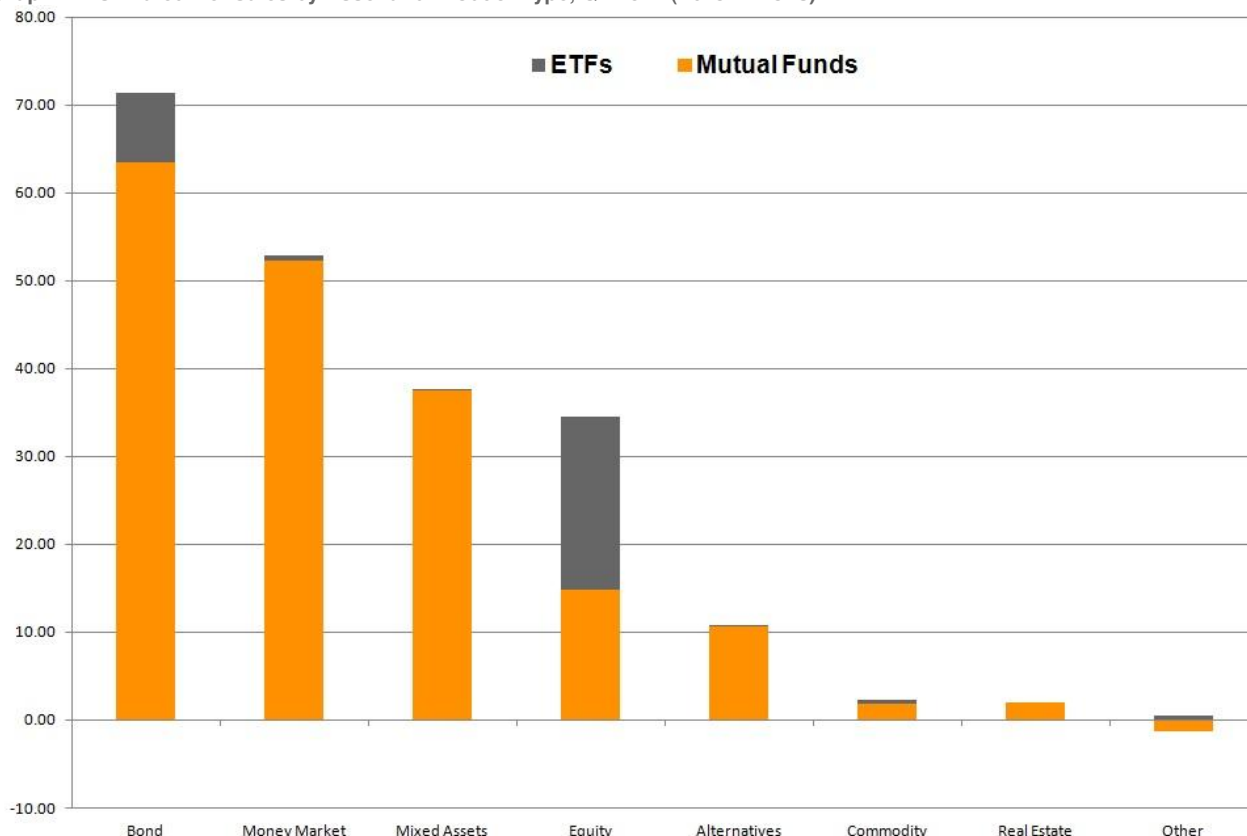
A more detailed view by asset type unveils that all asset types, with the exception of “other” products (-€0.8 bn) did well over the course of first quarter 2017. With regard to the low-interest-rate environment and the first rate hikes by the Federal Reserve Bank in the United States, it **was** surprising that bond funds (+€71.3 bn) were the best selling asset type overall, followed by mixed-asset funds (+€37.6 bn), equity funds (+€34.5 bn), and alternative UCITS products (+€10.7 bn) as well as commodity funds (+€2.4 bn) and real estate funds (+€2.0 bn). These fund flows added up to overall net inflows of €157.6 bn into long-term investment funds for first quarter 2017. These flows may have indicated that European investors are returning to the markets, especially in equity funds, after the comparably shy net inflows for 2016.



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With regard to ETFs, equity ETFs were the best selling asset type in this market segment (+€19.6 bn), followed by bond ETFs (+€7.9 bn), commodity products (+€0.5 bn), and “other” products (+€0.5 bn) as well as alternative UCITS ETFs (+€0.1 bn) and mixed-asset ETFs(+€0.1 bn).

Graph 4: Estimated Net Sales by Asset and Product Type, Q1-2017 (Euro Billions)



Source: Thomson Reuters Lipper

### Fund Flows Into Money Market Products

Money market products (+€52.9 bn) were the second best selling asset type overall for first quarter 2017. Mutual funds investing in money market instruments enjoyed net inflows of €52.3 bn, while their passive peers (ETFs) had net inflows of €0.7 bn.

This flow pattern led the overall fund flows to mutual funds in Europe to net inflows of €210.5 bn for first quarter 2017.

### Money Market Products by Sector

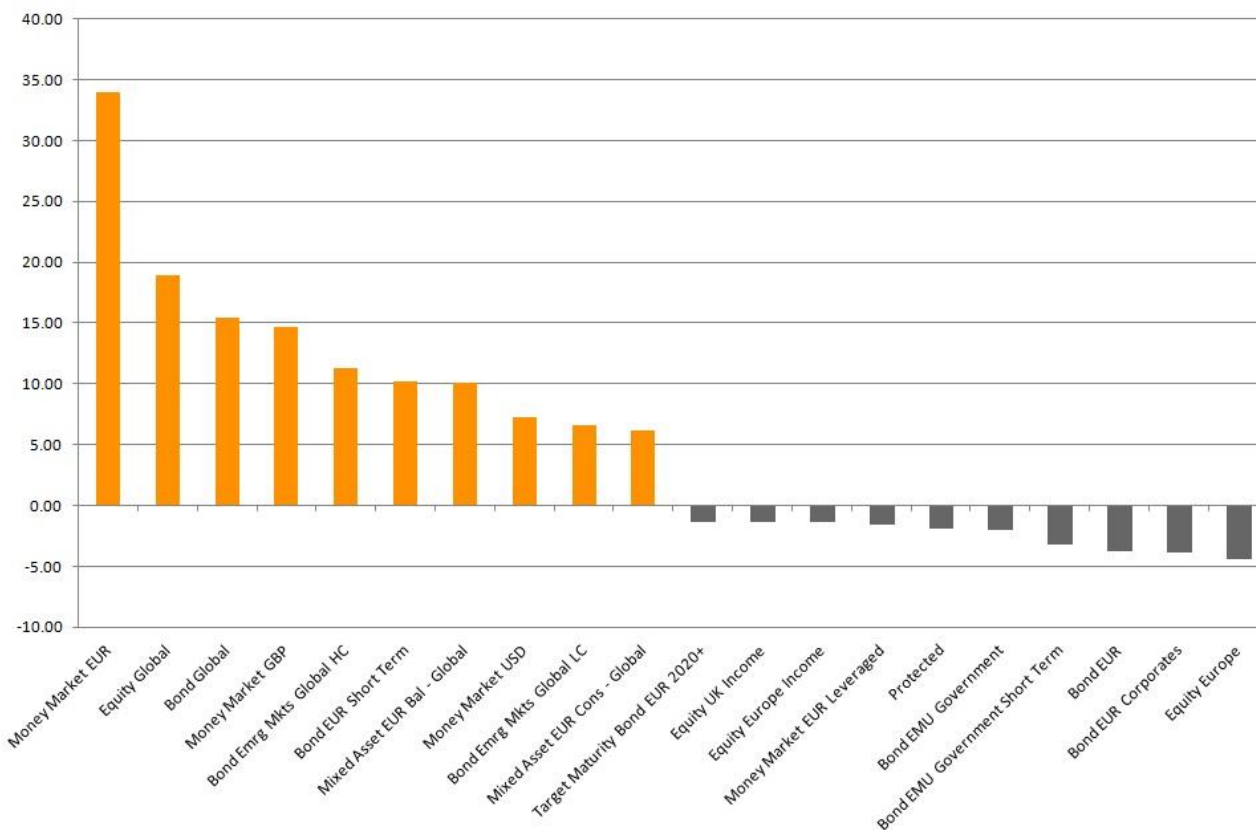
Money Market EUR (+€34.0 bn) was not only the best selling money market sector but also the best selling Lipper Global Classification overall for first quarter 2017. It was followed by Money Market GBP (+€14.6 bn) and Money Market USD (+€7.3 bn). At the other end of the spectrum Money Market EUR Leveraged (-€1.5 bn) suffered the highest net outflows in the money market segment, bettered by Money Market CHF (-€0.6 bn) and Money Market Global (-€0.6 bn).



### Fund Flows Into Long-Term Mutual Funds by Sectors

Within the segment of long-term mutual funds Equity Global (+€18.9 bn) was the best selling sector, followed by Bond Global (+€15.5 bn), Bond Emerging Markets in Hard Currencies (+€11.3 bn), and Bond EUR Short Term (+€10.2 bn) as well as Mixed-Asset EUR Balanced Global (+€10.1 bn).

Graph 5: The Ten Best and Worst Selling Sectors for Q1-2017 (Euro Billions)



Source: Thomson Reuters Lipper

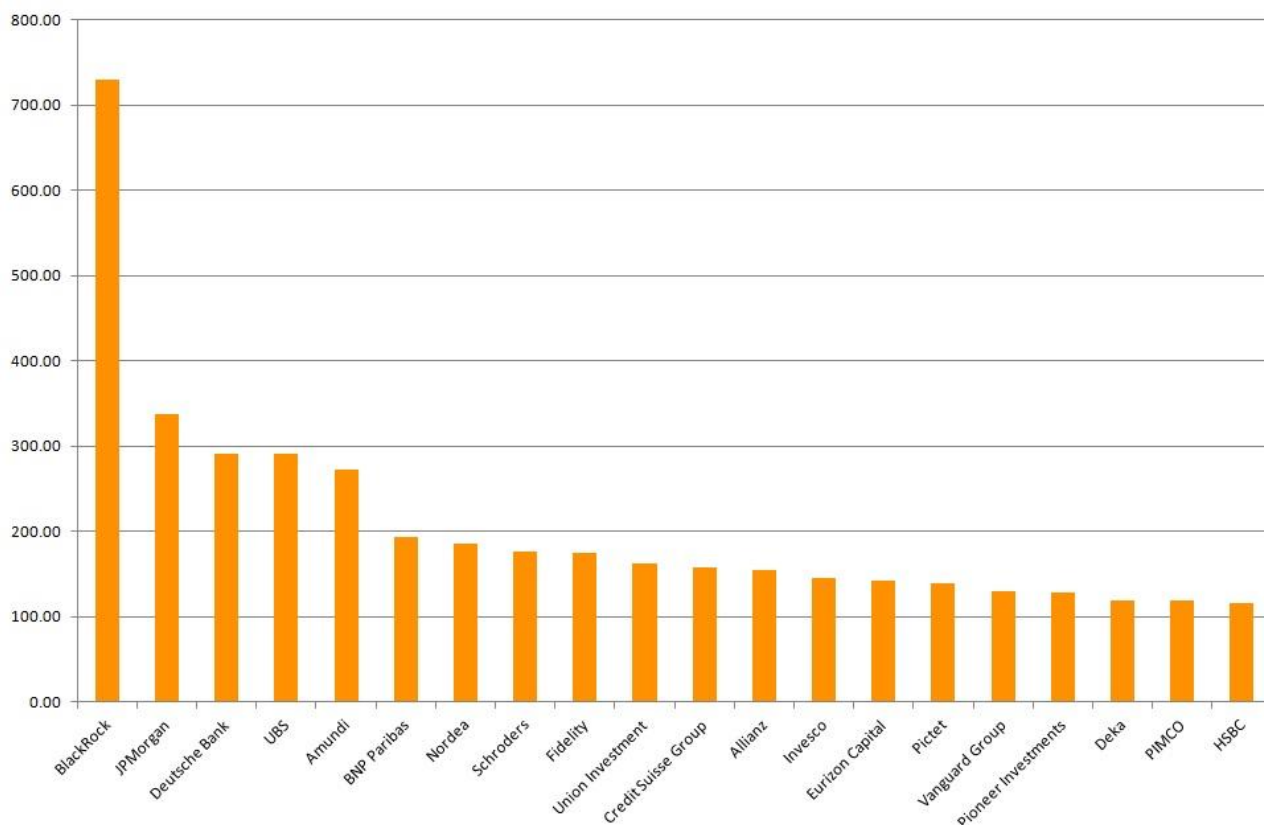
At the other end of the spectrum Equity Europe (-€4.3 bn) suffered the highest net outflows from long-term mutual funds, bettered by Bond EUR Corporates (-€3.7 bn) and Bond EUR (-€3.7 bn) as well as Bond EMU Government Short Term (-€3.1 bn) and Bond EMU Government (-€1.9 bn).



### Assets Under Management by Promoters

A closer look at the assets under management in the European mutual fund industry shows that **BlackRock** (€730.1 bn) was by far the largest fund promoter in Europe, followed by **JP Morgan** (€337.6 bn) and **Deutsche Bank** (€291.8 bn) as well as **UBS** (€290.9 bn) and **Amundi** (€272.7 bn). 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 6: The 20 Largest Promoters by Assets Under Management in Europe, March 31, 2017 (Euro Billions)



Source: Thomson Reuters Lipper



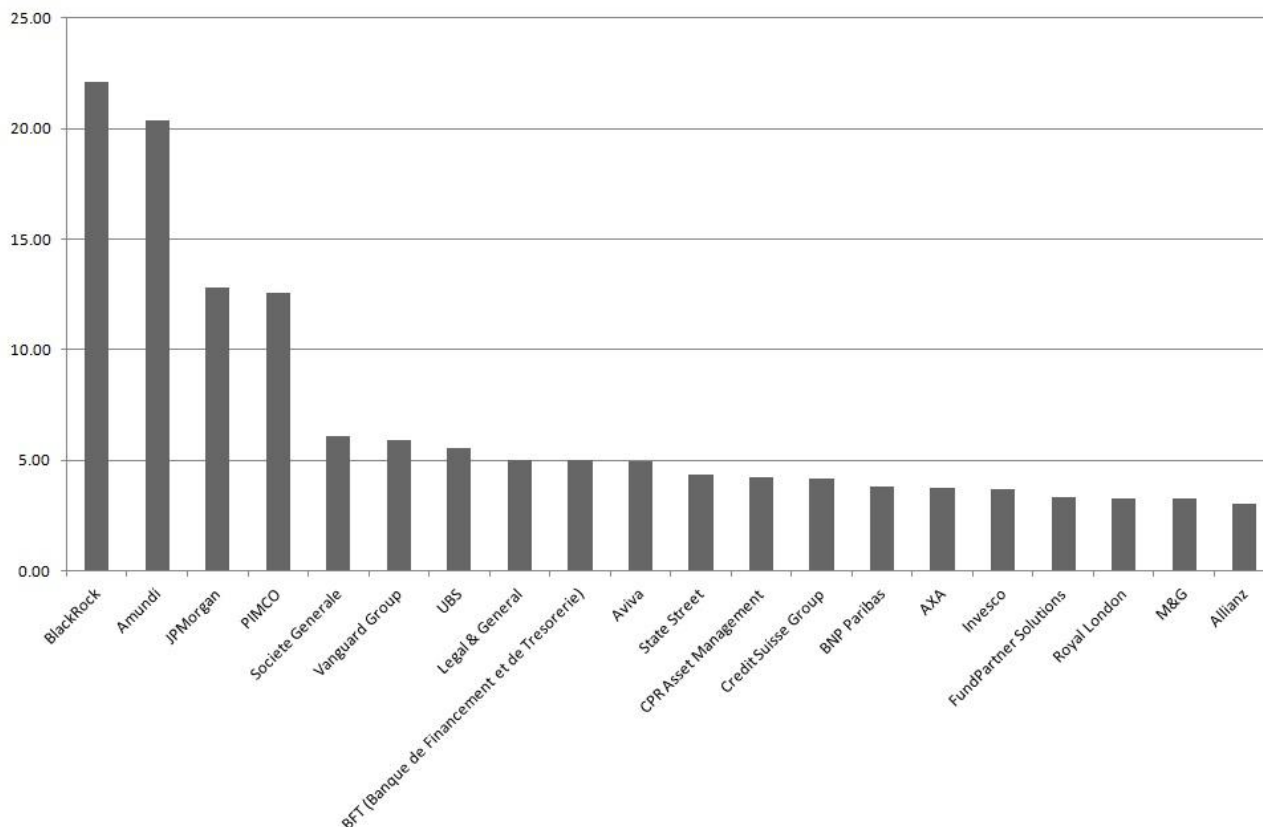
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## Fund Flows by Promoters

**BlackRock**, with net sales of €22.1 bn, was the best selling fund promoter for first quarter 2017 overall, well ahead of **Amundi** (+€20.4 bn) and **JP Morgan** (+€12.8 bn). Taking into account that the flows into **BlackRock** contain €9.7 bn from its ETF branch **iShares** meant that the traditional mutual fund branch of the business saw net inflows of €12.5 bn; i.e., the ETF business contributed—in terms of net flows—more than one-third of the overall flows into products sold by **BlackRock**. If one looked only at traditional mutual funds, **BlackRock** would have finished the quarter as the fourth best selling fund promoter, behind **Amundi**, **JP Morgan**, and **PIMCO**.

Graph 7: Twenty Best Selling Promoters, Q1-2017 (Euro Billions)



Source: Thomson Reuters Lipper

Considering the single-asset bases, **PIMCO** (+€11.8 bn) was the best selling promoter of bond funds for first quarter 2017, followed by **BlackRock** (+€10.5 bn), **UBS** (+€4.2 bn), and **Amundi** (+€3.8 bn) as well as **Carmignac Gestion** (+€3.0 bn).

Within the equity space **BlackRock** (+€8.3 bn) stood at the head of the table, followed by **Vanguard Group** (+€3.7 bn), **Societe Generale** (+€3.4 bn), and **Amundi** (+€3.3 bn) as well as **Deutsche Bank** (+€2.5 bn).

**Allianz** (+€3.3 bn) was the leading promoter of mixed-asset funds in Europe for first quarter 2017, followed by **FundPartner Solutions** (+€3.2 bn), **KBC** (+€2.8 bn), and **Union Investment** (+€2.1 bn) as well as **Azimut** (+€2.0 bn).

**Aviva** (+€2.1 bn) was the leading promoter of alternatives funds for first quarter 2017, followed by **Old Mutual** (+€1.6 bn), **Invesco** (+€1.3 bn), and **GAM** (+€1.2 bn) as well as **Schroders** (+€1.0 bn).

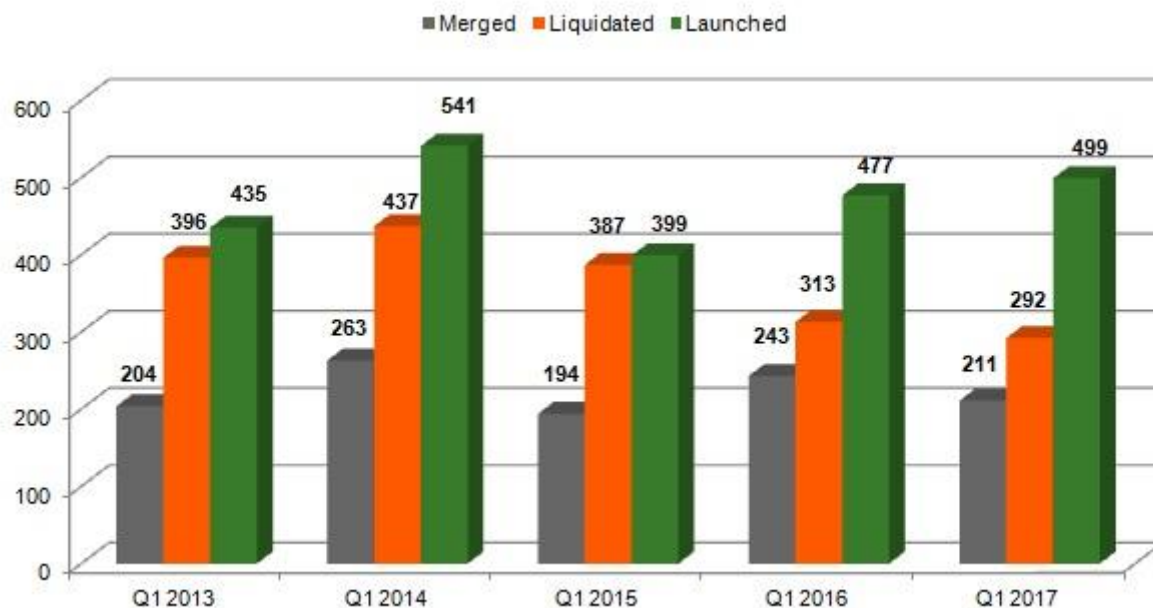


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### Promoter Activity—Fund Launches, Liquidations, and Mergers

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. Even though the number of funds available to investors in Europe declined by four for first quarter 2017, the underlying numbers may indicate a new trend in Europe; the numbers of mergers and liquidations went down in a quarter-by-quarter comparison, while the number of newly launched funds increased. That said, the main reason for the mergers and liquidations at the fund level has not changed. Fund promoters will further restructure their general product offerings; i.e., some fund promoters have merged funds with a similar investment objective to strengthen their product ranges. Lower profitability because of the lack of assets under management might be another reason fund promoters have merged or liquidated some funds.

Graph 8: Fund Launches, Liquidations, and Mergers in Q1-2017



Source: Thomson Reuters Lipper

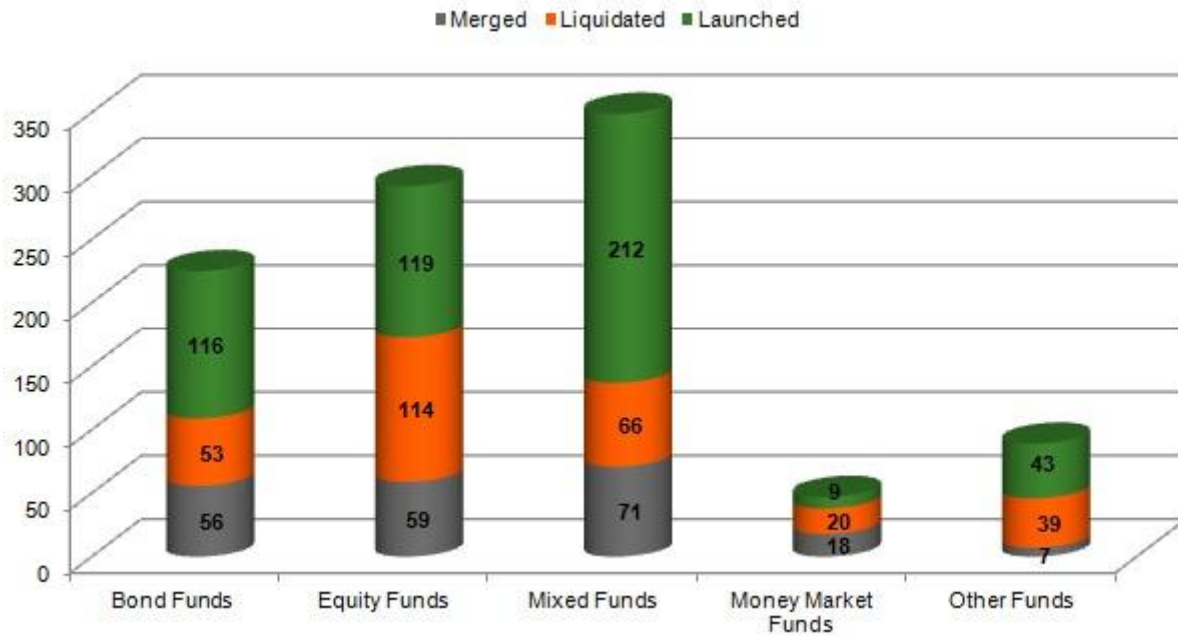
European fund promoters liquidated 292 funds over the course of first quarter 2017, while 211 funds were merged into other funds. In contrast, European fund promoters launched 499 funds. This meant the European fund market declined by four funds over the course of first quarter 2017.



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A more detailed view shows that mixed-asset funds showed the highest number of mergers (71) and launches (212), while equity funds showed the highest number of fund liquidations (114). With regard to fund flows in Europe, it was not surprising that mixed-asset funds showed the highest number of fund launches and mergers. This asset type is in the favor of European investors, and fund promoters are trying to grab their market share by launching so-called multi-asset funds and merging their “old fashioned” mixed-asset funds with these new products to increase the assets under management of the new products, making them more attractive for investors.

Graph 9: Fund Launches, Liquidations, and Mergers in Q1-2017 by Asset Type



Source: Thomson Reuters Lipper

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