EXECUTIVE SUMMARY

- The European fund industry faced massive estimated net outflows in Q1 2020.

- The overall fund flows for mutual funds in Europe amounted to estimated net outflows of €125.9 bn for Q1 2020.

- Commodities funds (+€5.5 bn) were the best-selling individual asset type overall for Q1 2020.

- Equity Global (+€8.1 bn) was the best-selling sector among long-term funds for 2019.

- **Goldman Sachs**, with net sales of €14.1 bn, was the best-selling fund promoter for Q1 2020 overall, well ahead of **Vanguard Group** (+€8.9 bn) and **UBS** (+€5.1 bn).

- The European fund market increased by 16 funds over the course of Q1 2020.
EUROPEAN FUND INDUSTRY REVIEW Q1 2020

The coronavirus pandemic hit the European fund industry with declining markets and estimated net outflows of €125.9 bn in the first quarter of 2020. The flows were mainly driven by developments around the spread of the coronavirus and the lockdowns of economies around the globe since these circumstances may lead to a global recession with further falling stock markets. Central banks and governments have put rescue programs into place to reduce the impacts of lockdowns on the economy, as well as on the society in general, which will lead to an increase in outstanding government debt and a restart of the money printing machines. Taking all of this into account, it was not surprising that Q1 2020 was a tough period for the European fund industry.

**Assets Under Management in the European Fund Industry**
Assets under management in the European fund industry decreased from €12.3 tr to €10.6 tr over the course of Q1 2020. This decrease was mainly driven by the performance of the underlying markets (+€1.5 tr), while net sales contributed estimated net outflows of €125.9 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 of the European fund industry.

Even as the European ETF industry enjoyed a further increase in popularity with all kinds of investors over the course of 2019, ETFs faced outflows (-€10.1 bn) for Q1 2020. Given the general market environment, it was not surprising to see a decrease in assets under management from €870.0 bn at the end of December 2020 to €719.2 bn at the end of Q1 2019 due to the additional negative impact from the underlying markets (+€140.7 bn).

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

Source: Refinitiv Lipper

For funds overall, it was not surprising that equity funds (€3.6 tr) were the asset type with the highest assets under management, followed by bond funds (€2.7 tr), mixed-assets products (€1.9 tr), money market funds (€1.3 tr), alternative UCITS funds (€0.6 tr), real estate funds (€0.3 tr), “other” products (€0.1 tr), and commodities funds (€0.07 tr).
Generally speaking, Q1 2020 was a tough quarter for the European fund management industry since mutual funds and ETFs were hit by overall outflows of €125.9 bn.

That said, it was surprising that index-tracking mutual funds enjoyed inflows of €4.4 bn within this market environment, while ETFs (-€10.1) and actively managed mutual funds (-€130.3 bn) faced outflows.
**Fund Flows into Long-Term Mutual Funds**

A more detailed view by asset type reveals that not all of them had outflows over the course of Q1 2020. Commodities funds (+€5.5 bn) was the best-selling asset type, followed by "other" funds (+€0.1 bn). On the other side of the table, bond funds (-€73.9 bn) faced the highest overall outflows, bettered by equity funds (-€37.8 bn), alternative UCITS funds (-€32.9 bn), mixed-assets funds (-€18.5 bn), and real estate funds (-€2.8 bn). These fund flows added up to overall net outflows of €160.3 bn from long-term investment funds for the quarter. These flows indicate that European investors returned to risk-off mode over the course of the first quarter of 2020.

The European ETF segment showed somewhat the same dynamics with regard to estimated net outflows since bond ETFs also posted the highest net outflows (-€6.6 bn) for Q1 2020, bettered by equity ETFs (-€5.5 bn) and alternative UCITS ETFs (-€0.3 bn). On the other side of the table, commodities ETFs (+€0.3 bn) showed the highest inflows in the ETF segment, followed by mixed-assets ETFs (+€0.2 bn) and "other" ETFs (+€0.07 bn). Even as European investors showed a preference for ETFs in 2019, these flows may indicate that they are using them as trading instruments since liquidity and transparency are two of the product features of ETFs.

**Graph 4: Estimated Net Sales by Asset Type, Q1-2020 (Euro Billions)**

**Fund Flows into Money Market Products**

As European investors sold long-term mutual funds in a risk-off move, buying money market funds has been a logical step since these products are considered to be safe-haven products. Therefore, it was not surprising to witness net inflows into money market products (+€34.4 bn) over the course of Q1 2020. These flows included inflows into money market ETFs (+€1.6 bn).

This flow pattern led to estimated net outflows of €125.9 bn from mutual funds in Europe for the quarter.

**Money Market Products by Sector**

Money Market EUR (+€22.7 bn), followed by Money Market GBP (+€14.1 bn) and Money Market SEK (+€3.5 bn) were the three best-selling money market sectors for Q1 2020. At the other end of the spectrum, Money Market USD (-€6.4 bn) suffered the highest net outflows in the money market segment, bettered by Money Market NOK (-€0.5 bn) and Money Market EUR Leveraged (-€0.2 bn).
Fund Flows by Sectors
Equity Global (+€8.1 bn) was once again the best-selling sector within the segment of long-term mutual funds, followed by Bond USD (+€7.2 bn), Equity U.K. (+€7.0 bn), Commodity Precious Metals (+€6.4 bn), and Equity Switzerland (+€3.2 bn).

Graph 5: The 10 Best- and Worst-Selling Sectors for Q1-2020 (Euro Billions)

Source: Refinitiv Lipper

At the other end of the spectrum, Equity U.S. (-€14.6 bn) suffered the highest net outflows from long-term mutual funds, bettered somewhat by Bond Global USD (-€14.6 bn), Bond EUR Short Term (-€11.1 bn), Bond Emerging Markets in Hard Currencies (-€9.3 bn), and Equity Eurozone (-€8.3 bn).
Assets Under Management by Promoters
A closer look at the assets under management in the European mutual fund industry shows that **BlackRock** (€839.2 bn) was by far the largest fund promoter in Europe, followed by **Amundi** (€361.6 bn), **JP Morgan** (€327.4 bn), **UBS** (€320.1 bn), and **DWS Group** (€278.8 bn).

**Graph 6: The 20 Largest Promoters by Assets Under Management in Europe Q1-2020 (Euro Billions)**

Source: Refinitiv Lipper
Fund Flows by Promoters
Goldman Sachs, with net sales of €14.1 bn, was the best-selling fund promoter for Q1 2020 overall, well ahead of Vanguard Group (+€8.9 bn) and UBS (+€5.1 bn). If one takes into account that the flows from UBS contain outflows of €5.2 bn from its ETF range, the traditional mutual funds branch of the business saw net inflows of €10.3 bn, which would make UBS the second best-selling fund promoter in Europe for Q1 2020. It is also noteworthy that the overall flows of Goldman Sachs were driven by money market products (+€15.8 bn).

Graph 7: Twenty Best-Selling Promoters Q1 2020 (Euro Billions)

Considering the single-asset bases, UBS (+€9.4 bn) was the best-selling promoter of bond funds for Q1 2020, followed by JP Morgan (+€2.2 bn), Union Investment (+€2.2 bn), Mercer (+€1.6 bn), and Vanguard Group (+€0.9 bn).

Within the equity space, Vanguard Group (+€6.7 bn) stood at the head of the table, followed by BlackRock (+€6.6 bn), Credit Suisse Group (+€2.6 bn), Morgan Stanley (+€2.1 bn), and Pictet (+€1.9 bn).

KBC (+€1.4 bn) was the leading promoter of mixed-assets funds in Europe for Q1 2020, followed by Flossbach von Storch (+€1.3 bn), Vanguard Group (+€1.2 bn), Union Investment (+€1.0 bn), and Santander (+€0.8 bn).

Amundi (+€3.1 bn) was the leading promoter of alternatives funds for the year, followed by Man Investments (+€1.1 bn), DWS Group (+€0.8 bn), Allianz (+€0.7 bn), and LRI (+€0.5 bn).
Promoter Activity—Fund Launches, Liquidations, and Mergers

Despite the fact that 2020 was a tough year for mutual funds in terms of net outflows and declining overall assets under management in the European fund industry, the promoter activity in terms of fund launches, liquidations, and mergers indicated the industry is still in a moderate growth mode. We witnessed a slight increase in the overall number of primary funds in Europe. Nevertheless, this increase may mark the beginning of the third year of growth in the overall number of primary funds since Lipper began to study these developments in 2012. More generally, the increasing number of funds was continuing a trend in Europe since the rate of decline slowed down for seven consecutive years.

The net growth of the number of funds occurred despite the fact that the number of fund liquidations has gone up in Q1 2020 compared to Q4 2019, while the number of fund mergers has gone down. The number of fund launches in Q1 2020 was slightly lower than during Q4 2019. Nevertheless, the drop in fund launches still ended in a higher number of launches than the combined mergers and liquidations. The main reason for the mergers and liquidations at the fund level were restrukturings of the general product offerings. For example, some fund promoters merged funds with a similar investment objective to strengthen their product ranges.

Lower profitability because of a lack of assets under management might have been another reason fund promoters merged or liquidated some funds. At the top-line level, the activity of fund promoters with regard to fund launches and liquidations seemed to be in line with the activity over the other years covered in this report, while we witnessed a comparably low number of fund mergers. Since the implementation of new regulations—currently MiFID II—does increase the cost for maintaining a fund, we expect that the trend of consolidation of small funds will continue over the course of 2020.

Graph 8: Fund Launches, Liquidations and Mergers

![Graph showing fund launches, liquidations, and mergers]

Source: Refinitiv Lipper

The European fund promoters liquidated 278 funds over the course of Q1 2020, while 182 funds were merged into other funds. In contrast, European fund promoters launched 476 funds. This meant the overall number of primary funds in Europe increased by 16 products over the course of Q1 2020.

A more detailed view shows that equity funds showed the highest number of mergers (63) and launches (183), while mixed-assets funds witnessed the highest number of liquidations (89). With regard to the broader trends in the financial markets, it was surprising equity funds showed the highest number of fund launches in the
current market environment. Therefore, it can be guessed that the launching activity in this segment was driven by the positive market environment in 2019.

It was, however, surprising that mixed-assets products grew only by one new primary fund over the course of Q1 2020 since mixed-assets products were the product of choice of European investors in the past. Therefore, the low number of new funds may be a sign of saturation in the fund market since the fund industry reacts to investor behavior. Additionally, mixed-assets products have experienced lower and more concentrated net flows over the last few years.

Graph 9: Fund Launches, Liquidations and Mergers in Q1 2020 by Asset Type

Source: Refinitiv Lipper
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