EVERYTHING FLOWS

UK FUND FLOWS
SEPTEMBER 2021

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Passive Equity in the Black, Despite Negative Flows for the Asset Class Overall

Most cash goes to mutual funds, as ETFs see their share squeezed to a sliver for September

Asset Class View
- Money market and equity funds saw outflows (-£6.04bn and -£1.51bn, respectively), while alternatives and bonds attracted money.

Active v Passive
- Bond funds’ flows of £732m were split between £278m active and £454m passive, while active equity funds lost £2.38bn as their passive peers took in £869m.
- A muted month for ETFs, as bond and equity flows were just 11% and 4%, respectively, of their passive mutual fund equivalents.

Classifications
- The most popular classification was Equity Global (£1.37bn), followed by Absolute Return Bond USD (£753m) and Alternative Credit Focus (£593m).
- Money Market GBP saw the largest outflows (£6.04bn) and Equity UK saw the second highest redemptions (£1.08bn).

ESG Flows
- Despite negative flows for the asset class, ESG-themed equity funds netted £2.43bn, while their “conventional” peers saw outflows of £3.7bn, in what’s become a well-established pattern.

Asset Manager View
- JP Morgan gathered most assets, attracting £1bn, in mainly money market and equity funds, with Vanguard (£960m) and HSBC (£934m) coming next.
Flows by Asset Class

Chart 1: Asset Class Flows, Active and Passive, September 2021 (£bn)

September, like August, saw outflows from both money market and equity funds—though more amplified this month—at negative £6.04bn and £1.51bn, respectively. Alternatives and bonds also saw a continuation of their positive asset flows, although mixed assets—the group which saw the largest positive flows the previous month—went into reverse in September, albeit modestly at £256m.

Fixed income’s positive flows of £732m were divided between £278m active and £454m passive, while active equity funds shed £2.38bn while their passive peers attracted £869m.
As you can see from the chart above, all the passive action has been with mutual funds—you’ve got to squint quite hard to see bond ETFs' outflows and equities’ inflows. Indeed, the flows are just 11% and 4% of their passive mutual fund equivalents.
Flows by Classification

Chart 3: Largest Positive Flows by Refinitiv Lipper Global Classification, September 2021 (£bn)

While there is a fair amount of shuffling of the pack in the top fund classifications between this month and the last, there is some commonality. Alternative Credit Focus and Bond Global USD and GBP have once again had good months—as, somewhat unusually, has Mixed Asset EUR Flex – Global. Bond GBP is noteworthy, as it’s active flows are in the red, with the net money going to passive strategies, with iShares ESG Sterling Corporate Bond Index D Acc GBP taking almost all of this (£498m).

The largest money-taker in September, however, was Equity Global (£1.37bn), which didn’t feature in last month’s top 10. Four out of the top five funds are ESG vehicles—three BlackRock and one Baillie Gifford. The top slot, however, is taken by Dodge & Cox Worldwide Global Stock GBP Acc.

<table>
<thead>
<tr>
<th>Equity Global, September 2021</th>
<th>Flow (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dodge &amp; Cox Worldwide Global Stock GBP Acc</td>
<td>754</td>
</tr>
<tr>
<td>ACS World Low Carbon EQ Tracker X2 Acc</td>
<td>229</td>
</tr>
<tr>
<td>ACS Climate Transition World Equity X1 Acc GBP</td>
<td>181</td>
</tr>
<tr>
<td>Baillie Gifford Positive Change B Acc</td>
<td>144</td>
</tr>
<tr>
<td>ACS World ESG Insights Equity X1 Acc GBP</td>
<td>122</td>
</tr>
</tbody>
</table>

Source: Refinitiv Lipper
The second-most popular classification was Absolute Return Bond USD, at £753m. The bulk of this was netted by one vehicle, the **Wellington Global Total Return Fund**, at £500m.

<table>
<thead>
<tr>
<th>Absolute Return Bond USD, September 2021</th>
<th>Flow (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wellington Global Total Return GBP T Hdg</td>
<td>500</td>
</tr>
<tr>
<td>Federated Hermes Unconstrained Crdt L3 GBP Dis Hgd</td>
<td>182</td>
</tr>
<tr>
<td>PIMCO GIS Dynamic Bond Inst GBP Hgd Inc</td>
<td>39</td>
</tr>
<tr>
<td>L&amp;G Absolute Return Bond Plus Fund Z GBP Hgd Acc</td>
<td>22</td>
</tr>
<tr>
<td>Goldman Sachs Global Dyn Bd Pls IO Acc GBP-H</td>
<td>11</td>
</tr>
</tbody>
</table>

*Source: Refinitiv Lipper*
Given the numbers at the asset class level, it’s no surprise that the largest outflows were from Money Market GBP funds, with £6.04bn heading out of the door. Equity UK saw the second highest level of outflows (£1.08bn), albeit with positive flows of £95m to passive funds.
There’s a well-established pattern now, with ESG equities seeing inflows, even as net equity flows are negative, and their non-ESG peers generally experiencing outflows, often in positive months for the asset class. September is no different, with £2.43bn and negative £3.7bn, respectively (August: £881m versus £1.41bn).

While the top money-taker is a passive strategy, the rest are active, and all are Equity Global, and this does seem to be the area that is attracting most attention, with country- or region-specific ESG funds taking far fewer assets.
The same holds for bond funds, where the biggest money-taker was the just-launched **iShares ESG Sterling Corporate Bond Index D Acc GBP**. Coming in second is an Absolute Return Bond fund, **Federated Hermes Unconstrained Credit**.

<table>
<thead>
<tr>
<th>ESG Bond Money Takers, September 2021</th>
<th>Flow (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>iShares ESG Sterling Corporate Bd Index D Acc GBP</td>
<td>498</td>
</tr>
<tr>
<td>Federated Hermes Unconstrained Crdt L3 GBP Dis Hgd</td>
<td>182</td>
</tr>
<tr>
<td>PIMCO GIS Global Invt GC ESG Inst GBP Hgd Inc</td>
<td>96</td>
</tr>
<tr>
<td>Rathbone Ethical Bond Inst Acc</td>
<td>76</td>
</tr>
<tr>
<td>BNY Mellon Sust Glb Dynamic Bd Newton X Acc</td>
<td>42</td>
</tr>
</tbody>
</table>

*Source: Refinitiv Lipper*
Flows by Promoter

Chart 6: Largest Positive Flows by Promoter, September 2021 (£bn)

JP Morgan saw the strongest flows in September, attracting around £1bn, predominantly in money market and equity funds.

<table>
<thead>
<tr>
<th>JP Morgan Top-Selling Share Classes, September 2021</th>
<th>Asset Class</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>JPM GBP Liquidity LVNAV Institutional Dis</td>
<td>Money Market</td>
<td>481</td>
</tr>
<tr>
<td>JPM Global Sustainable Equity X Net Acc</td>
<td>Equity</td>
<td>161</td>
</tr>
<tr>
<td>JPM UK Dynamic X Net Acc</td>
<td>Equity</td>
<td>140</td>
</tr>
<tr>
<td>JPM GBP Liquidity LVNAV X Dis</td>
<td>Money Market</td>
<td>130</td>
</tr>
<tr>
<td>JPM Emerging Markets X - Net Acc</td>
<td>Equity</td>
<td>80</td>
</tr>
</tbody>
</table>

Source: Refinitiv Lipper
As was the case in August, Vanguard was the second-placed fund management company, again with inflows well spread between equity, mixed assets, and bond.

<table>
<thead>
<tr>
<th>Vanguard Top-Selling Share Classes, September 2021</th>
<th>Asset Class</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanguard LifeStrategy 60% Equity Acc</td>
<td>Mixed Assets</td>
<td>195</td>
</tr>
<tr>
<td>Vanguard Global Bond Index GBP Hedged Acc</td>
<td>Bond</td>
<td>169</td>
</tr>
<tr>
<td>Vanguard LifeStrategy 80% Equity Acc</td>
<td>Mixed Assets</td>
<td>113</td>
</tr>
<tr>
<td>Vanguard FTSE Dvlpd World ex-UK Eq Index GBP Acc</td>
<td>Equity</td>
<td>103</td>
</tr>
<tr>
<td>Vanguard US Equity Index GBP Acc</td>
<td>Equity</td>
<td>83</td>
</tr>
</tbody>
</table>

*Source: Refinitiv Lipper*
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