EVERYTHING FLOWS

UK FUND FLOWS
NOVEMBER 2021

Author:
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Refinitiv Lipper Head of Research, UK & Ireland
Little Sign of Inflation-Proofing, as Fund Buyers Dash for Cash

As UK inflation hits 5.1%, its fund buyers are net sellers of inflation-linked bonds

**Asset Class View**
- Money market funds took £11.1bn, with the next biggest asset gatherers being bond (£2.2bn) and mixed assets (£1.6bn).
- Equities saw the only outflows, at £2.2bn.

**Active v Passive**
- All but £300m of equity outflows were from passive vehicles, with almost all of this being from mutual funds rather than ETFs.
- Likewise, positive passive bond flows were dominated by mutual funds (£1bn) versus £380m for ETFs.

**Classifications**
- The most popular classification was Money Market GBP (£11.2bn), almost doubling the flows of the rest of the top-10 money takers.
- Equity Global was second, with £2.7bn, but was the only equity classification in the top 10, while Equity US and Equity UK saw the biggest outflows.

**ESG Flows**
- The rotation from non-ethical to ethical equity funds continues, with the former losing £5bn and the latter gaining £2.8bn, largely to global funds.

**Asset Manager View**
- Legal & General was the main beneficiary of the trend to money market funds, with £5.3bn of its £5.5bn of sales for the month going into these.
I'm not sure whether fund buyers are putting cash back for Christmas this November, but the flows into money market funds have dwarfed previous positive months for the asset class, and shaded other asset classes this month. Money market funds took £11.1bn this month, with the next biggest money takers being bond (£2.2bn, £1.4bn being passive) and mixed assets (£1.6bn, with a £11m outflow from passive).

On the negative side of the equation, equities experienced outflows of £2.2bn, with all but £300m of that being from passive funds.
Chart 2 shows that most of the passive movement has been executed via mutual funds rather than ETFs: negative £1.8bn versus -£53m for equities and £1bn versus £380m for ETFs. I’d speculated early in the year that we may be seeing a trend where ETFs were taking more of the passive pie, but that does seem to have subsided. What is clear, however, is that the active management mantra in fixed income—that buying passive just means investors are buying the most indebted companies—is having little traction. Fund buyers seem little more troubled with holding passive bond funds than they are holding their equity peers.
Money Market GBP sweeps all before it, almost doubling the flows of the rest of the top-10 money takers for November. **LGIM Sterling Liquidity 1** has taken just shy of half of this (£5bn), with JPM and BlackRock hoovering up much of the rest.

Except for Equity Global, it’s clear no-one’s interested in the asset class, as it’s the only equity classification in the top 10. Indeed, you’ve got to go to the thirteenth on the list, Equity Emerging Mkts Global (£207m), before encountering another equity listing.

<table>
<thead>
<tr>
<th>Money Market GBP, November 2021</th>
<th>Flow (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGIM Sterling Liquidity 1</td>
<td>4,997</td>
</tr>
<tr>
<td>JPM GBP Liquidity LVNAV Institutional Dis</td>
<td>2,202</td>
</tr>
<tr>
<td>BlackRock ICS Sterling Liq Admin IV Acc</td>
<td>2,174</td>
</tr>
<tr>
<td>Deutsche Managed Sterling Advisory</td>
<td>990</td>
</tr>
<tr>
<td>Insight ILF GBP Liquidity 6</td>
<td>766</td>
</tr>
</tbody>
</table>

Legal & General has done well on second-placed Equity Global as well, netting £347m with its **Legal & General Future World ESG Developed Index**. Flows have been £1.1bn/£603m passive to active, but the real story is that all the top five—and eight out of the top 10—selling funds are ESG vehicles.
Further down the list, Real Estate UK makes a rare return to favour, with £785m going to the SLI UK Real Estate Retail and its feeder.
Apart from the seeming undying popularity of global equities—intertwined with the popularity of ESG—equities are about as fashionable as your Christmas jumper. Some £3.7bn has exited Equity US and Equity UK alone, with Japan and UK Small & Mid Cap following (at -£319 and -£287m, respectively).

One thing of note here is, despite surging inflation—51% for November, racing ahead of expectations—there hasn’t been a rush for inflation protection. Bond Global Inflation Linked saw outflows of £149m, and net flows for all inflation-linked bonds were -£184m. The only positive flows to such assets were to Bond USD Inflation Linked (£22m).

Commodities blended—a potential inflationary hedge—took in a modest £47m. The only indication of investors moving to inflation-proofing assets was the £730m that went into Real Estate UK. Calling that an inflation trade without any further supporting evidence is, however, something of a leap of faith.

This is in contrast to what’s happening in the US, where my colleague Tom Roseen reports: “Net flows into Inflation Protected Bond Funds (+$68.4bn) are a record amount stretching back to 2002 when Lipper created the classification”. 

Source: Refinitiv Lipper
ESG Flows

Chart 5: ESG Asset Class Flows, November 2021 (£bn)

Source: Refinitiv Lipper

As the top selling ESG equity funds are the same as the top selling Equity Global funds (p6), I won’t bore you by repeating them—other than to mention while there’s generally a close alignment between these two, I’ve never seen them match identically.

The rotation from non-ethical to ethical equity funds continues in November, with the former losing £5bn and the latter gaining £2.8bn. That said, this isn’t a like-for-like trade, as Equity Global is sucking in the money as other equity sectors shed it. It’s most probable that investors are still prioritising the region before opting for ESG, but the greater range of ESG offerings in global may be adding to the pull factor.

ESG Mixed Asset Money Takers, November 2021

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Flow (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal &amp; General Future World Multi-Index 4 R Acc</td>
<td>122</td>
</tr>
<tr>
<td>Trojan Ethical O Acc</td>
<td>56</td>
</tr>
<tr>
<td>Liontrust Sustain Future Defensive Managed 2 Inc</td>
<td>53</td>
</tr>
<tr>
<td>Liontrust Sustainable Future Managed 6 Acc</td>
<td>52</td>
</tr>
<tr>
<td>Liontrust Sustainable Future Cautious Managed 2 Inc</td>
<td>49</td>
</tr>
</tbody>
</table>

Source: Refinitiv Lipper

Elsewhere, it’s been an excellent month for Legal & General, topping the sales in all three of the ESG asset classes with the largest flows, adding Legal & General Future World Multi-Index 4 R Acc in mixed asset and
L&G Absolute Return Bond Fund Z GBP Acc in fixed income to its equity top seller. Nevertheless, non-ESG has still outsold ESG in both mixed asset and bond for the month.

<table>
<thead>
<tr>
<th>ESG Bond Money Takers, November 2021</th>
<th>Flow (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>L&amp;G Absolute Return Bond Fund Z GBP Acc</td>
<td>143</td>
</tr>
<tr>
<td>BNY Mellon Sust Glb Dynamic Bd Newton X Acc</td>
<td>112</td>
</tr>
<tr>
<td>iShares Green Bond Index D GBP Hgd Acc</td>
<td>100</td>
</tr>
<tr>
<td>Vontobel Fund TwentyFour Abs Ret Credit Fund G</td>
<td>93</td>
</tr>
<tr>
<td>Federated Hermes AbsRtn Crdt M GBP Acc Hgd</td>
<td>70</td>
</tr>
</tbody>
</table>

Source: Refinitiv Lipper
Considerable sales in money market funds along with strong if smaller showings elsewhere have made Legal & General the UK’s top-selling fund management company in November, with the firm pulling in £5.5bn. However, in the round, £5.3bn of its net sales were down to money market offerings.

<table>
<thead>
<tr>
<th>L&amp;G Top-Selling Share Classes, November 2021</th>
<th>Asset Class</th>
<th>£m</th>
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<tbody>
<tr>
<td>LGIM Sterling Liquidity 1</td>
<td>Money Market</td>
<td>4,997</td>
</tr>
<tr>
<td>LGIM Sterling Liquidity Plus 1 Acc</td>
<td>Money Market</td>
<td>365</td>
</tr>
<tr>
<td>Legal &amp; General Fut Wld ESG Developed Index R Acc</td>
<td>Equity</td>
<td>347</td>
</tr>
<tr>
<td>L&amp;G Absolute Return Bond Fund Z GBP Acc</td>
<td>Bond</td>
<td>143</td>
</tr>
<tr>
<td>Legal &amp; General Future World Multi-Index 4 R Acc</td>
<td>Mixed Assets</td>
<td>122</td>
</tr>
</tbody>
</table>

*Source: Refinitiv Lipper*
Unsurprisingly, given the nature of sales over the month, it’s also money market funds that have put BlackRock at number two. Some £2.3bn of its £2.9bn sales went to the asset class.

<table>
<thead>
<tr>
<th>BlackRock Top-Selling Share Classes, November 2021</th>
<th>Asset Class</th>
<th>£m</th>
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<tbody>
<tr>
<td>BlackRock ICS Sterling Liq Admin IV Acc</td>
<td>Money Market</td>
<td>2,174</td>
</tr>
<tr>
<td>Blk ICS GBP Liq Envirn Aware Agency GBP Dist</td>
<td>Money Market</td>
<td>327</td>
</tr>
<tr>
<td>ACS World Low Carbon EQ Tracker X2 Acc</td>
<td>Equity</td>
<td>257</td>
</tr>
<tr>
<td>iShares Emerging Markets Equity Index (UK) D Acc</td>
<td>Equity</td>
<td>226</td>
</tr>
<tr>
<td>ACS Wld ESG Insights Eqty X1 Acc GBP</td>
<td>Equity</td>
<td>226</td>
</tr>
</tbody>
</table>

Source: Refinitiv Lipper
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