2021/22 European fund flows

Executive briefing, January 2022

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Introduction

Dear Reader,

To a large extent, 2021 picked up where 2020 left off, with **new records in flows and asset levels -** with increasing pace, almost as if the fish were jumping into the boat. Obviously, it wasn't that simple and following the 2020 and 2021 market ride, struggling fund groups need to ask themselves hard questions indeed.

The trend in which the winners, **the best-selling fund groups, managed to distance themselves further from the rest** remained in place throughout last year.

This executive briefing addresses all relevant leaderboards of 2021 as well as key drivers behind them and also provides some of our thoughts on what may be on the cards for 2022.

With respect to the best and worst-selling fund house leaderboards, we show two separate tables, one including open-ended funds and ETFs and one displaying open-ended funds only. Money market funds are excluded. We also exclude FoFs and feeder funds to avoid double-accounting.

We are not a data company, nor are we overly obsessed with data. Flow data is hindsight and does not tell us anything about the future. Experience also tells us not to fully rely on data accuracy or completeness. **Our work for our clients is very much focused on what drives the flows and what these may mean for fund distribution going forward.** Nevertheless, we trust the flow data and comments provided in this executive briefing are of value to you.

We remain at your disposal for any questions or comments you may have.

All the best,

Philip Kalus, CEO
accelerando associates

Net sales 2021 versus 2020 (OE and ETFs)

+89%

A bird’s eye snapshot

Net sales > EUR 10 billion

19
asset managers

Net sales > EUR 1 billion

155
asset managers

Net redemptions > EUR 1 billion

24
asset managers

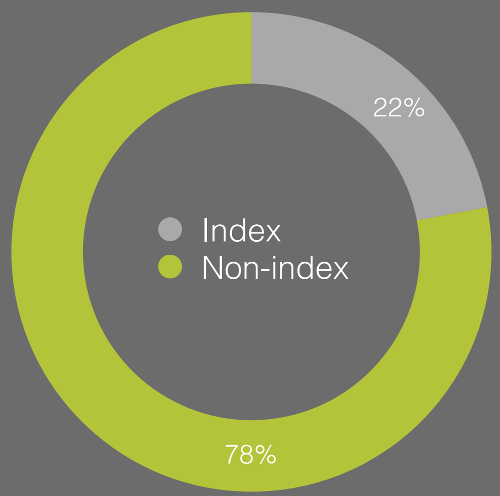
Net sales > EUR 1 billion

255
funds

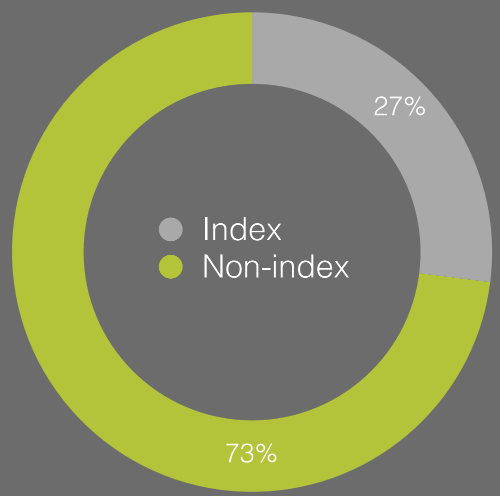
Source: Morningstar Direct, data as of 31.12.2021, excluding MMFs, FoFs and Feeders

A bird's eye snapshot (2)

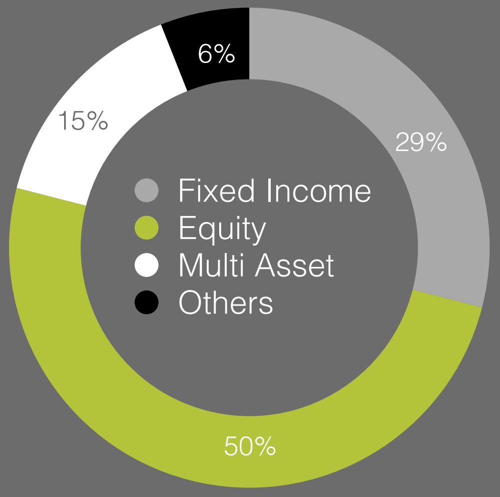
Index versus non index market share (OE and ETFS)



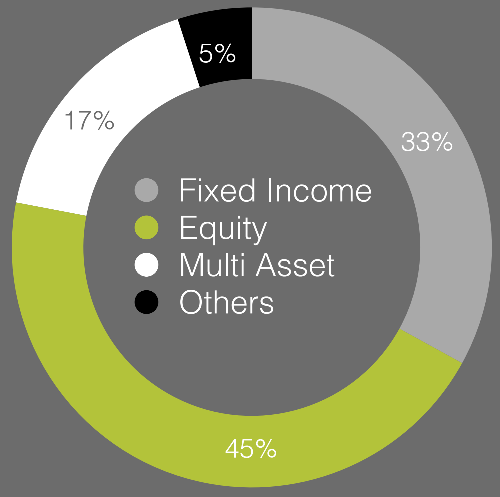
Index versus non index net sales (OE and ETFS)



Asset class market share (OE and ETFS)



Asset class net sales (OE and ETFS)



Source: Morningstar Direct, data as of 31.12.2021, excluding MMFs, FoFs and Feeders

Executive summary

European fund assets finished 2021 at another record level. Excluding money market funds, open-ended investment funds and ETF assets reached EUR 12.4 trillion, representing a 19% growth compared with the end of 2020. Total net **inflows** into Europe-domiciled open-ended funds and ETFs for 2021 reached **a stunning EUR 816 billion, 89% more than in 2020.**

All in all, 155 fund groups featured net sales north of EUR 1 billion and **19 asset managers even managed to account inflows north of EUR 10 billion.**

BlackRock kept dominating European fund flows throughout 2021. Including iShares, BlackRock booked net inflows of EUR 105 billion in 2021, four times those of second-ranked UBS. The firm was **also the top-selling asset manager for actively managed** funds with EUR 38 billion in net sales.

UBS scored second, beating the 2020 second JPMorgan, with inflows of EUR 33 billion, way ahead of its 2020 sales numbers of EUR 19 billion. JPMorgan ranked third with net sales of EUR 28 billion pretty much inline with its 2020 number.

Amundi, AllianzGI, Schroders, BNP Paribas and Union impressively stormed into the top 20 of the best-selling asset managers in Europe. Allianz GI also took the lead in terms of the best-selling fund last year. Its Allianz Income and Growth took in new business worth more than EUR 10 billion, which also represents a certain risk for AllianzGI. For comparison reasons, UBS' best-selling fund, the MM Access II US Multi Credit fund, had inflows of just EUR 2.3 billion in 2021. Also BlackRock's flows provide a much more diverse picture.

On the other side of the spectrum, 24 asset managers experienced net outflows larger than EUR 1 billion. Russell Investments took the crown as worst-selling fund house in 2021 with outflows amounting to EUR 6.4 billion. However, it shall be noted that Russell experienced some substantial asset switches into separately managed accounts.

In term of OE net sales only, Invesco was the second worst-selling asset manager with net redemptions almost equal to Russell, following the alarming first place in 2020 with net outflows in OE funds of EUR 14 billion.

Franklin Templeton scored third in the worst-selling leaderboard, followed by Eastspring and M&G, although all with somewhat improved numbers versus 2020. **Anyway, the persistence of multi-year outflows at Invesco, Franklin, M&G or Jupiter and abrdn - in particular given the strong market environment - is undeniably alarming**.

On individual fund levels, Pimco's GIS Global Investment Grade Credit Fund took the crown as worst-selling fund in 2021 with net outflows amounting to EUR 7.6. billion.

In terms of active versus passive, 73% of last year's inflows went into active strategies. ETFs captured 18% while passive OE funds accounted for 9% of 2021 inflows. Although the passive side also reached new record levels, relative flows slowed compared with recent years. In this context, in our H1 2021 flow paper from July 2021, we quoted a UBS research paper which stated that "While we don't expect passive penetration to stop in the coming years, the strong alpha generation in 2020, the rising popularity of ESG funds and elevated volatility levels should act to slow passive penetration in the coming years." We also mentioned that Willis Towers Watson - the heavyweight gatekeeper - started in Q1 2021 to advise its clients to shift from passive to active management, based on growing concern about the risks of passive equity investing, negative climate change implications for passive investing and more favourable conditions for active investing.

Looking at fund categories, equity funds took in the lion's share of inflows (45%), followed by fixed income (33%) and multi asset funds (17%).

Leaderboards were once again dominated by Global Large-Cap Blend Equity with a stunning EUR 98 billion in inflows, **more than doubling its 2020 full year record of EUR 41 billion.** Global Large-Cap Growth Equity scored second with inflows of EUR 38 billion. Sector Equity Ecology ranked third, while Sector Equity Technology dropped to rank 6 (from being ranked 2nd in 2020). **Multi asset / allocation funds marked a significant comeback** in 2021, while the picture for fixed income was diverse. On an overall basis, **alternative UCITS returned into net positive territories**, although still with modest combined inflows of EUR 14 billion, following 3 years of heavy outflows.

Executive summary (2)

Worst-selling fund categories were broadly dominated by UK and EU equity and other GBP funds, with Fixed Term Bond sneaking into second place with net outflows of EUR 8 billion.

Following the introduction of SFDR in March last year, the ESG landscape changed significantly - with ever increasing pace. While article 8 and 9 funds represented 25% of the European fund universe (number of funds) just 6 months ago, they managed to grow their combined share to 34% by the end of 2021.

In terms of net sales, article 8 and 9 took in 57% of all net sales. Whilst we expect this segment to grow significantly going forward it should also be mentioned that many asset managers managed to garner substantial inflows without having any article 8 or 9 in place in 2021.

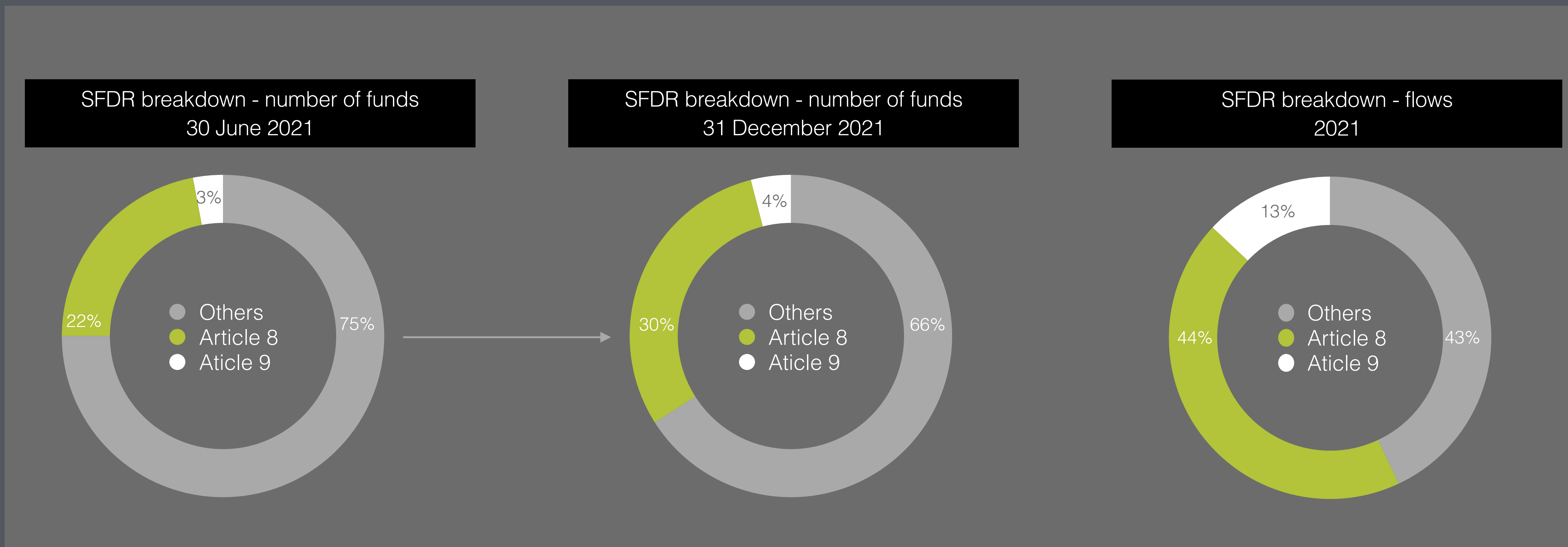
Whilst, the buy-side is also heading towards article 8, 8 plus and 9 funds, an open and above all credible assessment comes first, still leaving room for article 6 managers thoughtfully preparing their way to article 8 and 9.

In fact, **prominent greenwashing allegations from the first half of 2021 did not only lead to much more cautious approaches from many asset managers in terms of ESG / SFDR related wording and reviews of methodologies, but also to more focus on credibility and coherence from the buy-side.**

Active management largely dominates the current SFDR fund landscape. Passive funds accounted for only 11% in article 8 and 9 funds.

Looking at ETFs only, unsurprisingly equity ETFs took the crown with net sales of EUR 114 billion, followed by fixed income with EUR 38 billion and commodities with EUR 3 billion. Like in the OE and ETF combined leaderboards, Global Large-Cap Blend Equity took the lead (although with a far less dramatic lead followed by US Large Cap Blend Equity and Global EM Equity).

The flight to articles 8 and 9



Best-selling asset managers

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OE & ETFs

Rank	Group	EUR m
1	iShares	66.887
2	BlackRock	37.687
3	UBS	33.229
4	JPMorgan	28.085
5	Amundi	26.778
6	Allianz Global Investors	23.889
7	Vanguard	22.529
8	Xtrackers	17.795
9	Schroders	17.332
10	BNP Paribas	15.412
11	Union Investment	15.087
12	Pictet	13.365
13	Deka	12.365
14	HSBC	12.028
15	Swisscanto	11.075
16	State Street	11.033
17	Mercer Global Investments	10.753
18	Lyxor	10.519
19	Goldman Sachs	10.516
20	Legal & General	9.908

OE only

Rank	Group	EUR m
1	BlackRock	37.687
2	JPMorgan	26.661
3	Amundi	25.360
4	Allianz Global Investors	23.889
5	UBS	21.565
6	Schroders	17.332
7	BNP Paribas	17.269
8	Union Investment	15.087
9	Pictet	13.365
10	Vanguard	13.020
11	Swisscanto	11.131
12	Mercer Global Investments	10.753
13	Goldman Sachs	10.486
14	Deka	10.189
15	Baillie Gifford	9.893
16	Nordea	9.763
17	HSBC	8.135
18	FundPartner Solutions	7.806
19	Fidelity	7.046
20	Legal & General	6.770

Source: Morningstar Direct, data as of 31.12.2021, excluding MMFs, FoFs and Feeders

Worst-selling asset managers

OE & ETFs

Rank	Group	EUR m
1	Russell Investments	(6.447)
2	Lantern Structured Asset Manageme	(4.854)
3	Franklin Templeton	(4.353)
4	Eastspring Investments	(4.346)
5	M&G	(4.020)
6	Link Group	(3.957)
7	Aviva	(3.713)
8	Columbia Threadneedle	(3.246)
9	ACTIAM	(2.390)
10	Comgest	(2.302)
11	MFS	(2.290)
12	Findlay Park Partners	(2.277)
13	Jupiter	(2.160)
14	SEI	(2.087)
15	Aberdeen Standard Investments	(1.889)
16	Ninety One	(1.689)
17	Ackermans & Van Haaren	(1.525)
18	GAM	(1.255)
19	InsingerGilissen	(1.109)
20	Ashmore	(1.080)

OE only

Rank	Group	EUR m
1	Russell Investments	(6.447)
2	Invesco	(6.370)
3	Franklin Templeton	(4.648)
4	Eastspring Investments	(4.346)
5	M&G	(4.020)
6	Link Group	(3.957)
7	Aviva	(3.713)
8	Columbia Threadneedle	(3.246)
9	ACTIAM	(2.390)
10	Comgest	(2.302)
11	MFS	(2.290)
12	Findlay Park Partners	(2.277)
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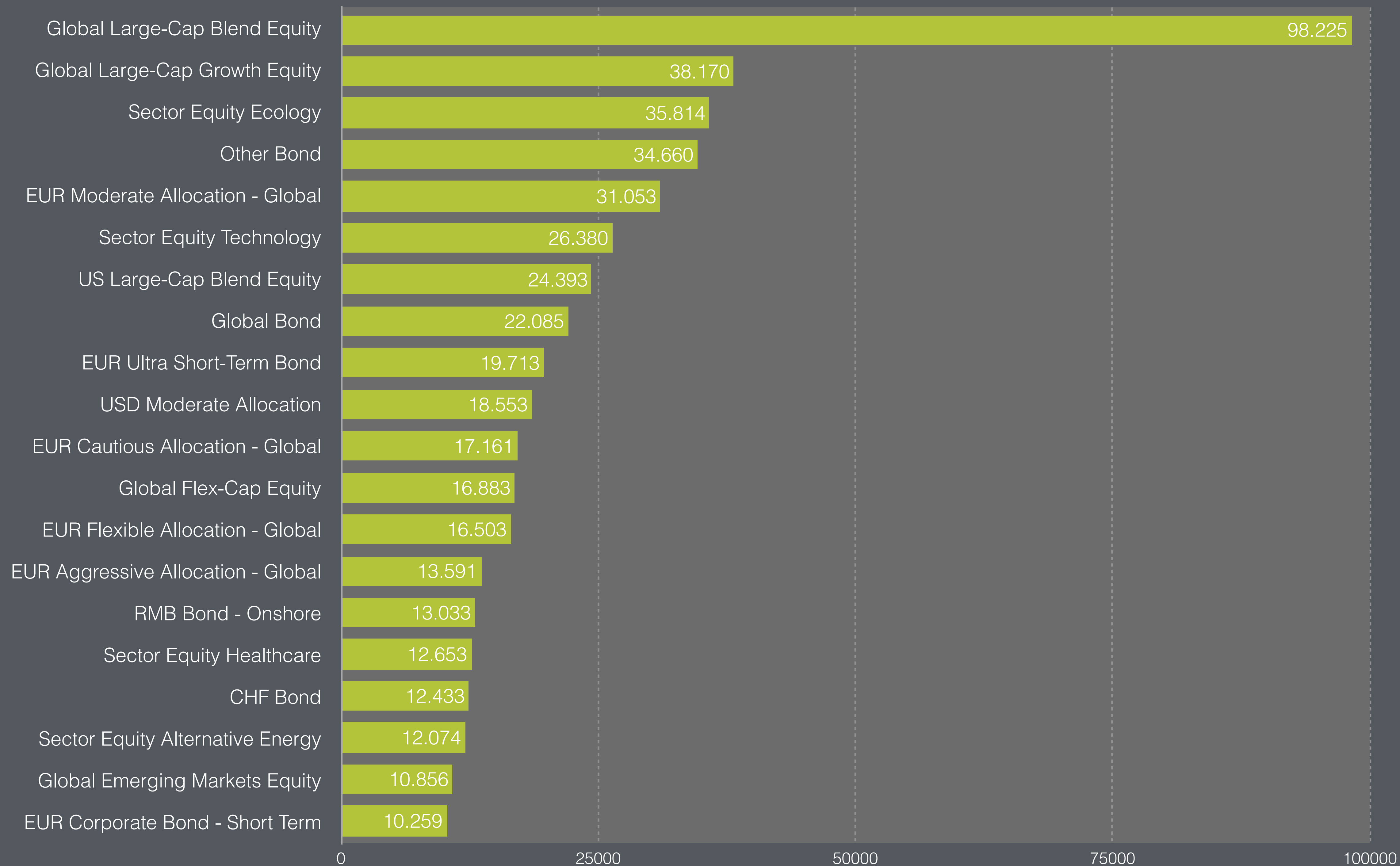
19	Ashmore	(1.080)
20	Unigestion	(1.080)

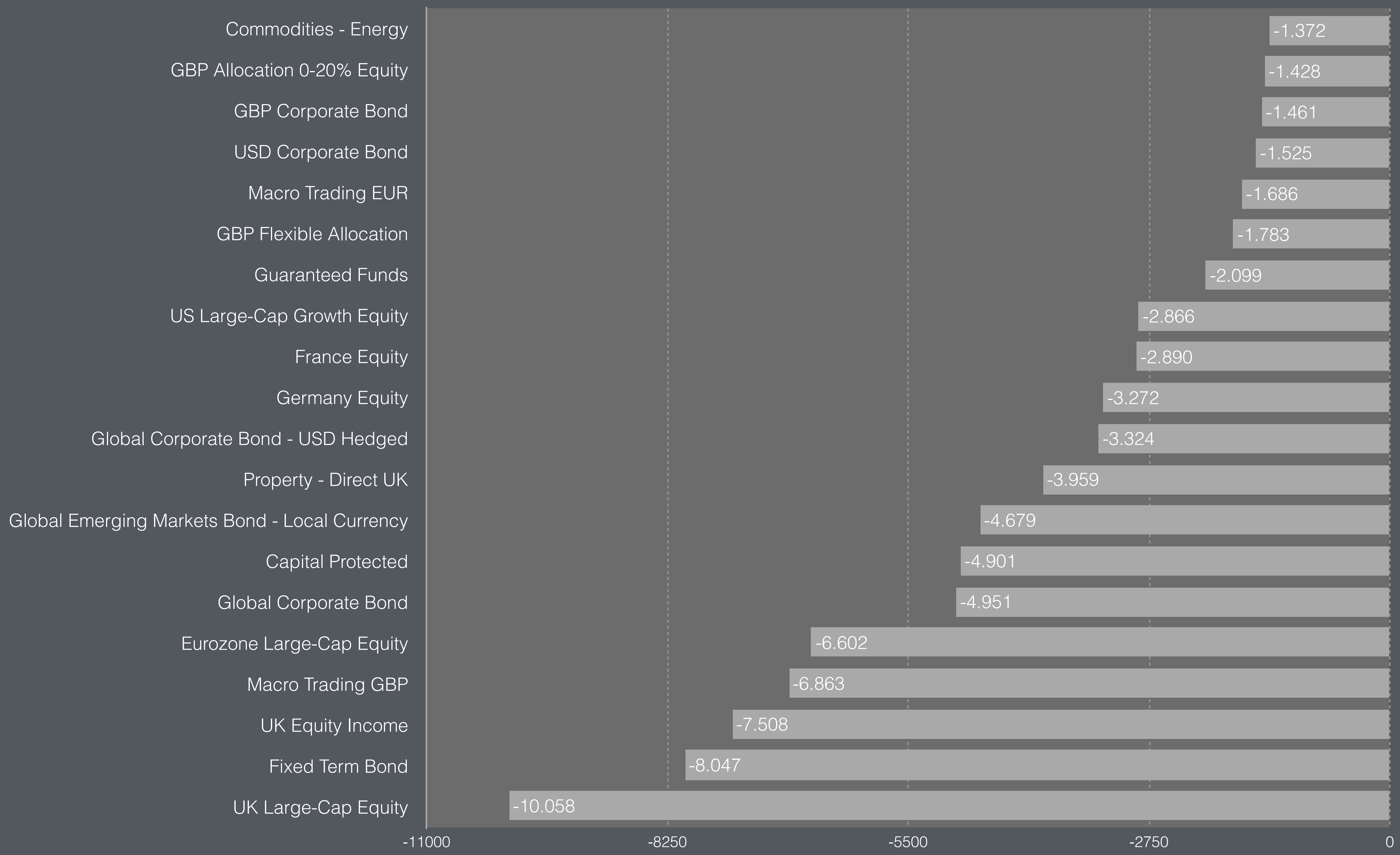
Source: Morningstar Direct, data as of 31.12.2021, excluding MMFs, FoFs and Feeders

Best-selling fund categories (OE and ETFs)



Source: Morningstar Direct, data as of 31.12.2021, EURm excluding MMFs, FoFs and Feeders

Worst-selling fund categories (OE and ETFs)



Source: Morningstar Direct, data as of 31.12.2021, EURm excluding MMFs, FoFs and Feeders

Best and worst-selling funds (OE and ETFS)

Best-sellers

Rank	Funds	EUR m
1	Allianz Income and Growth	10.312
2	iShares Core MSCI World ETF	8.505
3	PIMCO GIS Income Fund	5.675
4	Ruffer Total Return International	5.466
5	AeAM Dutch Mortgage Fund 2	4.711
6	SPDR® Bloomberg SASB U.S. Corp ESG ETF	4.651
7	iShares China CNY Bond ETF	4.390
8	Muzinich Enhancedyield Short-Term Fund	4.001
9	JPM Income Fund	3.963
10	Nordea 1 - Low Duration Eur Cov Bnd Fund	3.845
11	SPW Multi-Manager Global Invt Grd Bd Fd	3.839
12	Nikko AM ARK Positive Change Innovt Fd	3.831
13	PUTM Bothwell Global Bond Fund	3.824
14	Aviva Investors Global Sovereign Bond Fd	3.545
15	Vanguard Global Bd Idx	3.474
16	UniRak Nachhaltig Konservativ	3.407
17	JPM China Fund	3.352
18	iShares Core S&P 500 ETF	3.346
19	Nordea 1 - Global Climate and Envir Fd	3.321
20	Caixabank Master RF Corto Plazo FI	3.316

Worst-sellers

Rank	Funds	EUR m
1	PIMCO GIS Global Investment Grd Crdt Fd	(7.613)
2	Invesco Global Targeted Returns Fund(UK)	(5.746)
3	UBS FS MSCI ACWI SF	(4.590)
4	AB FCP I American Income Portfolio	(3.377)
5	UBS (Lux) EF China Opportunity (USD)	(3.020)
6	iShares $ Corp Bond ETF	(2.815)
7	Mercer Global High Yield Bond Fund	(2.488)
8	Findlay Park American Fund	(2.277)
9	Blackrock ACS World ex UK Eq Tracker Fd	(2.239)
10	Nordea Global	(2.194)
11	BGF Euro Short Duration Bond Fund	(2.101)
12	Vontobel US Equity	(2.052)
13	Templeton Global Total Return Fund	(2.001)
14	Aviva Investors Glbl Invm Grd Corp Bd Fd	(1.992)
15	Blackrock ACS 50:50 Global Eq Tracker Fd	(1.991)
16	Nordea Obligationsfond korta placeringar	(1.985)
17	Templeton Global Bond Fund	(1.970)
18	Hermes Global Low	(1.953)
19	CSIF (CH) Equity Swtzl Total Market Blue	(1.916)
20	Eastspring Inv Glbl EmMkts Custmzd Eq Fd	(1.894)

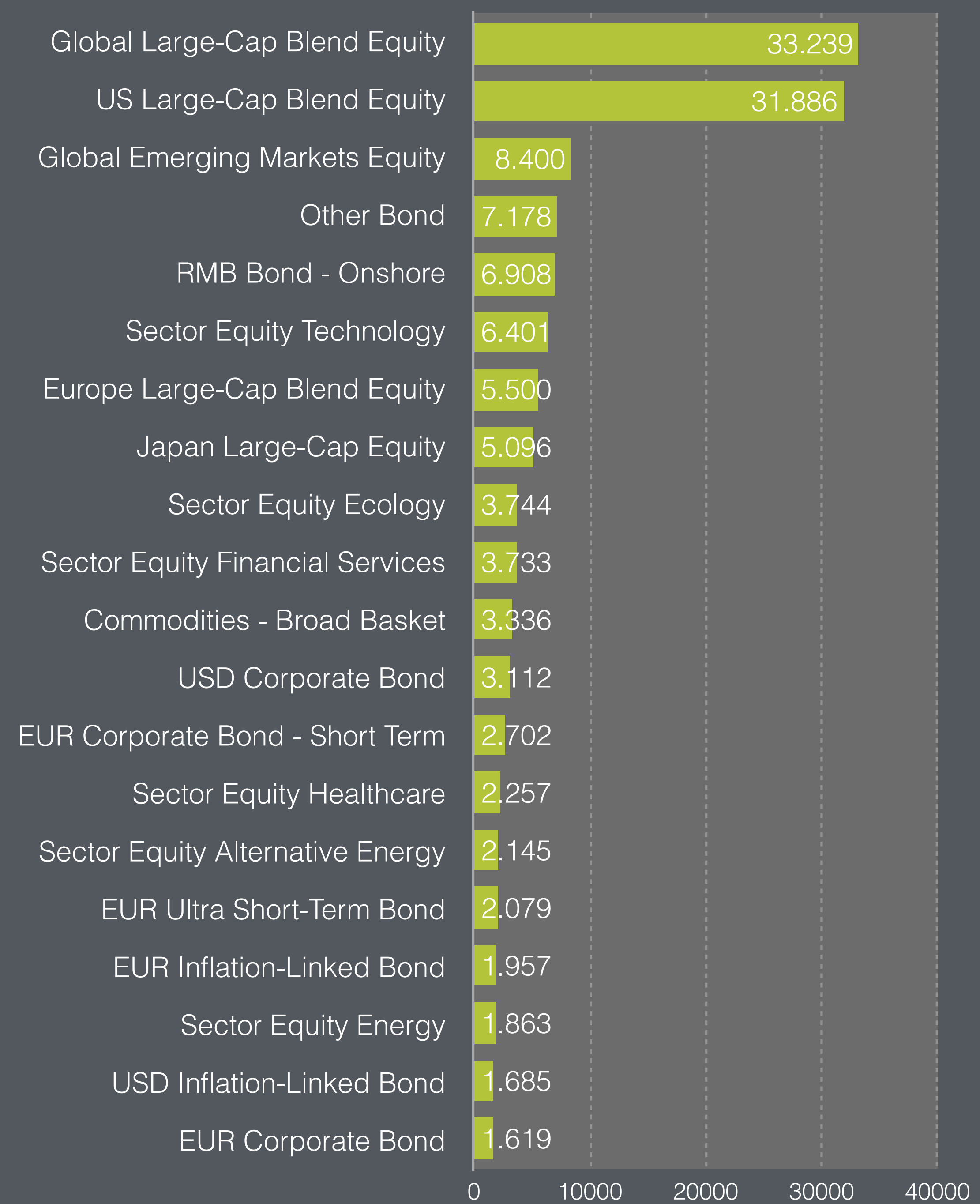
Source: Morningstar Direct, data as of 31.12.2021, excluding MMFs, FoFs and Feeders

ETF only snapshot

Best-selling ETF providers

Rank	Funds	EUR m
1	iShares	66.648
2	Xtrackers	18.222
3	Amundi	11.788
4	Vanguard	9.857
5	Invesco	9.295
6	Lyxor	8.222
7	UBS	7.183
8	State Street	7.114
9	HSBC	3.894
10	Legal & General	3.139
11	Deka	2.191
12	VanEck	2.140
13	Fidelity	2.098
14	Credit Suisse	1.712
15	JPMorgan	1.424
16	Deutsche Borse	1.001
17	Amun	688
18	Goldman Sachs	681
19	Waystone Management	672
20	BlackRock	599

Best-selling ETF categories



2022 - what to expect

We do not have our crystal ball at hand, nor do we forecast market behaviour or economic numbers. Nonetheless, we feel confident to highlight some areas which, in our humble view, will largely mark European fund distribution and hence flow numbers in 2022.

Most industry outlooks see more clouds coming into the sky. Waters are said to become choppier. Morgan Stanley wrote in its outlook for the asset management industry that “we see secular pressures that remain and an evolving industry backdrop that will intensify the need for scale, alpha generation, distribution access and growth avenues.” Analysts at Bank of America Merrill Lynch expect headwinds set to hit asset growth, flows and margins. Ok - all valid and rising volatility levels and inflation may well take their toll, but what else in more practical, controllable terms?

Regulatory headaches

Undoubtedly, 2022 will be another year not short of regulatory challenges for asset managers and distributors alike. **Apart from numerous new rules and guidelines coming to market, there are also local discrepancies, with some local regulators rather competing for gold-plating, which might keep the industry awake at nights**. These existing and also expected discrepancies are not limited to ESG / sustainability / taxonomy rules only, but cover also many other issues such as the Priips KIDs.

Also, the full effects of Brexit might well become much more visible in 2022, following a rather muted year of transition. In a world of increasing regulatory complexity and regional variations, regulatory excellence and anticipation gain more importance than ever.

8 plus and sustainability preferences

The long known amendment to Mifid II called the **sustainability preference**, due to be introduced in August this year, **carries enormous disruptive potential in wholesale and retail distribution**. Will having article 8 funds and ticking on principal adverse impacts be good enough? Probably not. How to move from article 8 (easy) to 8 plus or 9 (pretty difficult)? There are plenty of question marks in the room - on the provider as well as on the fund buyer side.

Nonetheless, caution is potentially the best advisor. ESG integration and resulting classifications must be utterly waterproof. It is all about credibility - with far-reaching consequences.

The mistaken flight to private assets

Talking about major trends across the asset management industry, the run towards private offerings will not only last throughout 2022, but will most likely increase in pace. **While there is undeniable appetite for private assets across all types of investor channels, it does not necessarily mean that asset managers should provide solutions en masse.** The so-called motivation for the democratization of access to private assets lacks credibility in our view, although tokenization can provide a valid route. Also, the enormous amount of current dry powder from the institutional asset flight should be considered with caution. The traditional asset management industry does not have great track record in chasing fashions and fads. In fact, it is just the opposite. We have seen it many times.

Our main concern is that many investors, as well as advisors, lack the expertise to understand what they might buy into. Also, like in many other hot trends, asset managers might not live up to their promises and investor expectations. 2022 may see stellar respective flow numbers, but they might well revert in the following years.

Where the alphas meet

Investment alpha itself isn’t a sufficient metric anymore - in particular when it comes to large tier one fund buyers. In fact, it just enables conversations and potential short-listings. **Client service alpha**, has already taken center stage when it comes to ultimate decision making. However, more and more facilitation provided by some asset managers in all stages of due diligence and ownership raised the bar even further. Operational excellence, **operational alpha** requirements also face more and more scrutiny and can well separate the wheat from the chaff further. Last but not least, in a world of many too interchangeable marketing claims, **evidence alpha** can become a major asset. Interestingly, leaving very few powerhouses aside, we don’t find any correlation between company sizes and alphas provided.

2022 - what to expect (2)

Concentration and investment outsourcing

We expect the current trend of a **reduction in touch points in wholesale fund distribution** to continue throughout 2022. Reasons are multi-faceted and only partly owed to consolidation or virtual and hybrid working models. Distributor business models and focus points change and we also expect more sub-advised funds replacing traditional third party distribution as well as some very notable investment outsourcing.

On the ball

For the sake of good order, it shall also be mentioned that the current and widely expected investment environment, should well support **active asset management** and we expect to see more **best-of-breed support** from many important funds buyers. 2020 and 2021 have already seen respective implementation levels widely unthinkable just some years ago. For 2022, we expect more evidence for some some asset managers **making the impossible possible**.

We won't put the genie back into the bottle

Many expect the impact from Covid-19 and coronavirus variants to ease this year, which is something we certainly hope for too. However, in spite of many people having understandably itchy feet, it appears as extremely unlikely that the industry will ever fully return to pre-Covid 19 fund distribution models. Yes, we will see conferences and road-shows again, but much less than in the past. **Many management boards have realized that they managed to speak to more fund buyers than ever in 2020 and 2021 and also managed to sell more funds than ever, without all the effort and the high costs** of global travel, physical road-showing etc. This has far-reaching consequences. People and business models which define themselves by busy travel and meeting agendas will face extinction. **Watch the young guns, not the dinosaurs!**

Last but not least

Of course, each of the listed points needs to be discussed in more detail and they can mean different things for different asset managers. Also, there are many other points of consideration which we have not covered in this executive briefing. In fact, we could easily fill an entire 50 pages plus report just on what to expect, but that is what we get paid for. **Let's talk!**

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- Founded in 2004
- Top-notch global client base
- Serving asset managers only
- Sole focus on European fund distribution
- Marked by intellect, eclecticism and curiosity
- Delivering clarity, practice relevance and actionability

- 100% team and advisory board owned
- 95% plus of revenue from bespoke work
- 80% plus of assignments reach client board level
- Very high proportion of multi-year client relationships

"Tremendous clarity!" Managing Director, U.S. Asset Manager, May 2021

"accelerando delivered a very thoughtful assessment of our European business. I was impressed about their "intellectual honesty", not afraid of highlighting improvement areas, as well as their clear and practical feedback in terms of distribution focus points and client service model."
Head of European Sales
European Asset Manager
November 2020

"Working with accelerando has been a terrific experience. Philip and his team offer world class expertise and an impressive level of depth."
Chief Operating Officer
U.S. Asset Manager
August 2019

"The strategic and tactical knowledge that the team displayed at accelerando shone through like a beacon of light. They immediately understood our business constraints. However, it was their recommendations once they 'got into the weeds' that really impressed me."
Head of International Sales
UK Asset Manager
June 2017

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