



accelerando
intelligence
an accelerando associates brand

European fund flows

H1 2021

Executive briefing, 31 July 2021

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Introduction

Dear Reader,

To a large extent, the first half of 2021 picked up where 2020 left off, with **new records in flows and asset levels - partly with increasing pace.**

Also, and very importantly, the trend in which the winners, **the best-selling fund groups, managed to distance themselves further from the rest** remained in place. The **#new-environment** - where almost all European fund distribution models have been turned upside down - continues to separate the wheat from the chaff.

H1 2021 also saw an acceleration in terms of **sub-advised funds** coming to market - to a degree unthinkable just some years ago as many sponsors contributed massive volumes, often to the expense of fund of funds and external fund assets under control. Nonetheless, fund flows beyond sub-advised funds - including non-captive third party funds - remained very strong indeed.

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
managing partner
accelerando associates

Executive summary

European fund assets finished the first half of 2021 at another record level. Excluding money market funds, open-ended investment funds and ETF assets reached EUR 11.6 trillion, with most inflows into equity funds (EUR 244.3 billion), followed by fixed income (EUR 133 billion) and multi-asset (EUR 72 billion).

It has been a while since we last saw alternative UCITS posting net positive flow numbers. After the overall alternative bloodbath from 2018 to 2020, alternative UCITS ended H1 2021 with moderate net inflows of EUR 4 billion.

BlackRock largely dominated European fund flows in the first half of the year posting a massive EUR 64.8 billion of net inflows (iShares EUR 36.5 billion and BlackRock EUR 27.3 billion). Please also see the insert “The year BlackRock redefined European fund distribution” on page 6. **UBS scored second** with inflows of EUR 19.6 billion (already ahead of its entire 2020 sales numbers of EUR 18.9 billion), followed by JP Morgan (EUR 18.3 billion), Amundi (EUR 15 billion), Vanguard (EUR 14 billion) and Allianz GI with net sales of EUR 13.8 billion.

Some prominent Top 20 permanent guests such as Pimco or Flossbach von Storch dropped out of the Top 20 leaderboards, but remained in sound positive flow territories - ranked #30 and #55 respectively.

All in all, 100 fund groups featured net sales north of EUR 1 billion and another 58 inflows between EUR 500 million and EUR 1 billion.

On the other side of the spectrum, **only 33 asset managers experienced net outflows larger than EUR 500 million, including 16 with outflows larger than EUR 1 billion.** However, providing a much less dramatic picture than in previous periods, Russell Investment took the lead with EUR 5.5 billion in outflows, followed by Aviva (EUR -5.4 billion), M&G (EUR -3 billion), Franklin Templeton (EUR -2.6 billion) and Columbia Threadneedle (EUR -2.5 billion). Aberdeen Standard and Invesco remained in low net negative fields, but far away from the dramatic numbers in previous periods.

H1 2021 was a period of many records, not only in terms of fund provider net sales. Unsurprisingly, **ETF inflows in Europe already saw EUR 100 billion inflows in H1 this year, just shy of the previous full year records experienced in 2020 and 2019.**

Nevertheless, 2021 was also marked by the return of active asset management and more and more cautious voices on current passive exposure can be heard. In February 2021, a UBS research paper 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.”

Also in Q1, Willis Towers Watson - the heavyweight gatekeeper advising around EUR 2.2 trillion in assets - started 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.

Fund flows to ESG funds, in both active and passive, remained strong and almost 40% of new fund launches this year have been either article 8 or 9 under SFDR, representing a 50% jump versus end of 2020. See also the insert “ESG and SFDR “ on page 7.

However, in spite of the undisputed march towards ESG, **buy-side fears on greenwashing remain widely in place** and we regularly come across rather light-hearted and at the end of the day unconvincing approaches to ESG. We also regularly hear of cases in which ESG fund selectors kill the meeting with an asset manager by unmasking alleged ESG expertise within minutes.

Nevertheless, more and more asset managers are getting really serious about ESG integration. In addition, ever increasing investor diligence and growing awareness of potential reputation risks should change the picture.

Executive summary (2)

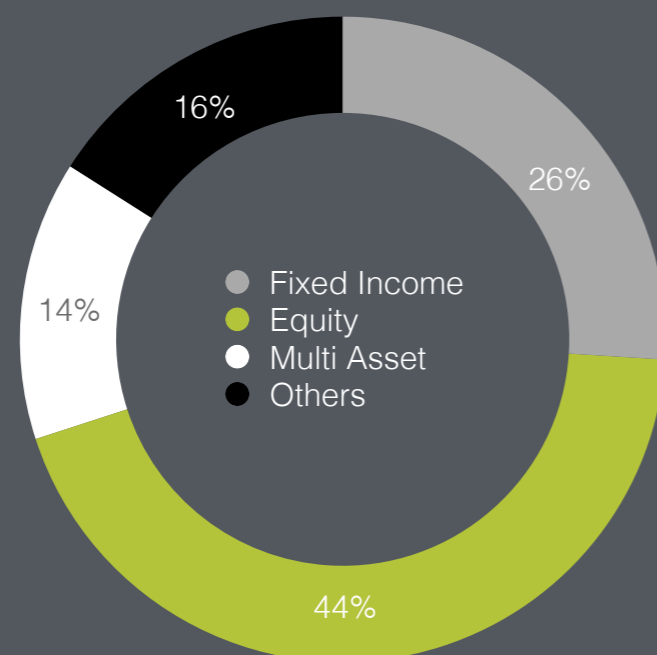
Fund category leaderboards were once again dominated by Global Large-Cap Blend Equity with a stunning EUR 50 billion in inflows, already ahead of its 2020 full year record of EUR 41 billion. Sector Equity Ecology scored second, followed by Global Large-Cap Growth Equity and Sector Equity Technology, all proportionally in line with their 2020 net sales. The long anticipated return of value equity investing did not hugely manifest itself in the fund category leaderboards, with only US Large-Cap Value Equity making it into the top 20, ranked #8.

In terms of worst-selling fund categories, the top 20 are largely dominated by European equity fund outflows (both, Eurozone and UK) and Marco Trading GBP.

Another interesting H1 2021 observation was that while **fund fees** in Europe hit an all-time low in 2020, there is more evidence emerging that the trend may reverse - not only in the ETF space but also in the segment of alpha delivering active asset management.

Following 2020, **#tides-have-turned** in European fund distribution to an extent still widely ignored in the industry. **Assuming that top sales are all about proposition and performance falls short. In fact, it is more than ever about a highly adaptive, yet very consequent and focused sales and communication model. #lets-talk!**

European long-term asset breakdown (OE and ETFS)



Insert - The year BlackRock redefined European fund distribution

BlackRock dominated European fund flows in the first half of the year, posting a massive EUR 64.8 billion of net inflows (iShares EUR 36.5 billion and BlackRock EUR 27.3 billion) - en route to beating its 2020 net sales numbers.

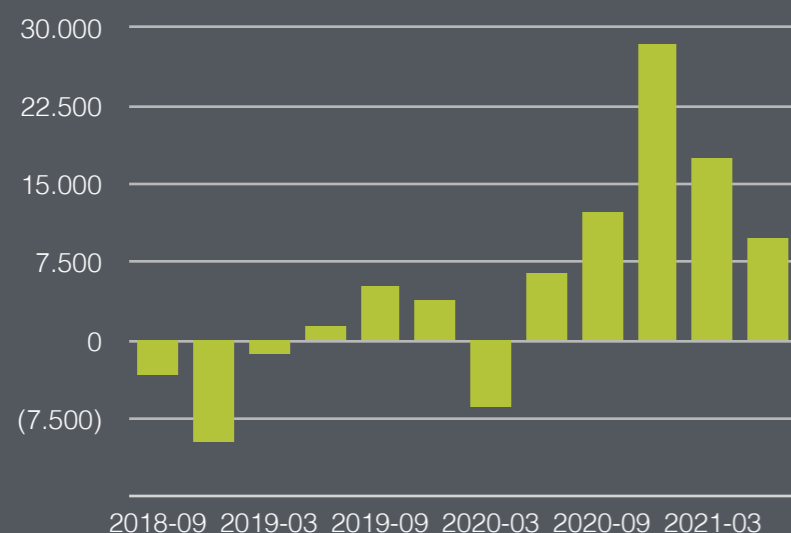
Last year, BlackRock saw its European net sales reach an outstanding EUR 44 billion, representing an impressive turnaround of its active book. Its passive franchise, iShares, added another prodigious EUR 52 billion - making it EUR 96 billion combined. Ignites Europe, a Financial Times publication, quotes us in January this year as saying that “BlackRock’s overall inflows are reaching **a level of domination compared with European rivals that has never been seen before.**”

Interestingly and for the very first time, BlackRock had **more inflows in the EMEA region than in the Americas** last year. This is particularly remarkable considering the much larger market size in the US and also BlackRock’s regional AuM split. The Americas account for 65% of the firm’s AuM, while the EMEA region holds 28%. In H1 2021, that trend continued. On an overall basis, BlackRock gained net new business worth USD 100 billion in the EMEA region, compared with USD 74 billion in the Americas and USD 18 billion in Asia-Pacific.

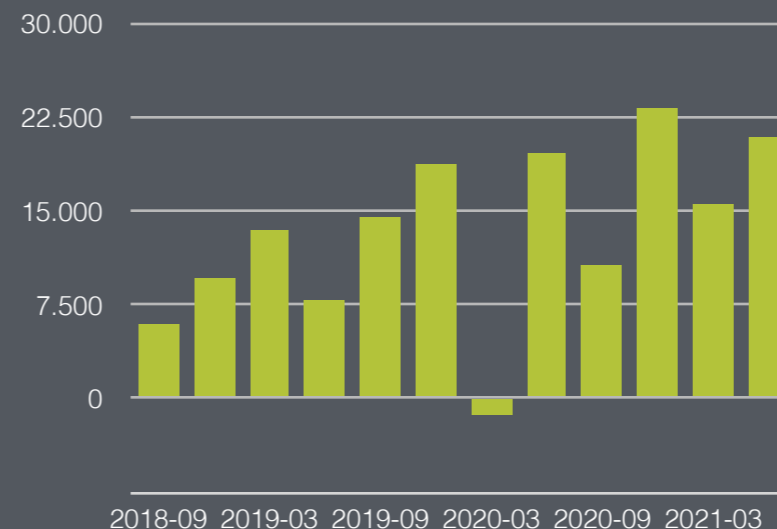
BlackRock’s UCITS AuM have now surpassed EUR 1 trillion, almost 3 times the level of UBS, the second largest UCITS manager, while the firm’s global AuM reached EUR 9.5 trillion as of the end of June 2021.

Assuming that this all comes down to proposition and budgets falls short in our view and nobody, not even boutique fund managers, can afford to ignore lessons from BlackRock’s operational or client experience model.

BlackRock - quarterly OE net sales, EURm



iShares- quarterly ETF net sales, EURm



Insert - ESG and SFDR

ESG and the march towards sustainable investments continues unabated. Globally, ESG assets climbed up to USD 2.25 trillion in the second quarter of this year, up 12% from the end of Q1. **The European market accounts for 82% of global ESG fund assets**, followed by the United States with 14%.

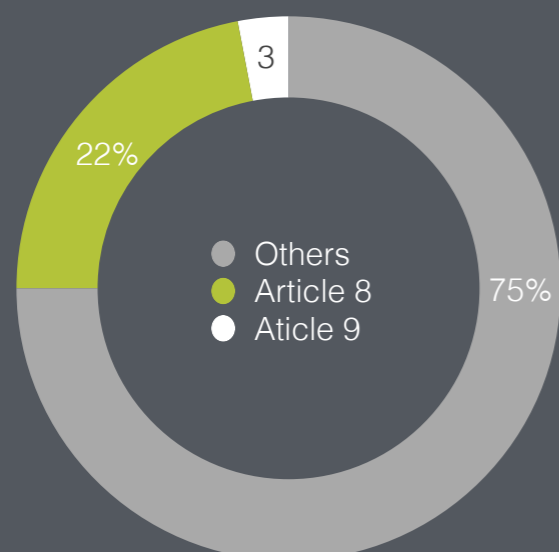
As of June 2021, **ESG fund assets account for around 13% of total European assets, while respective flows accounted for 42.7% of the European universe inflows in Q2 2021, following an even stronger first quarter.** Net inflows dropped by around 25% in Q2 versus Q1 2021. Launch activity showed a similar pattern, but we do not read too much into it, given the extremely strong numbers in Q4 2020 and Q1 2021.

Many fund distributors insist that funds must have either article 8 or 9 classifications - as a sine qua non. Nonetheless, around 75% of European funds and 66% of European fund assets are categorized differently and **only 25% of funds in Europe meet articles 8 and 9. However, asset managers are catching up.** For instance, JPMorgan classified 55 funds as article 8 in June, after initially taking a more cautious approach to the rules - and others are taking similar steps. Looking forward, we expect the article 8 and 9 ratios (by number of funds and assets) to double within the next 24 months.

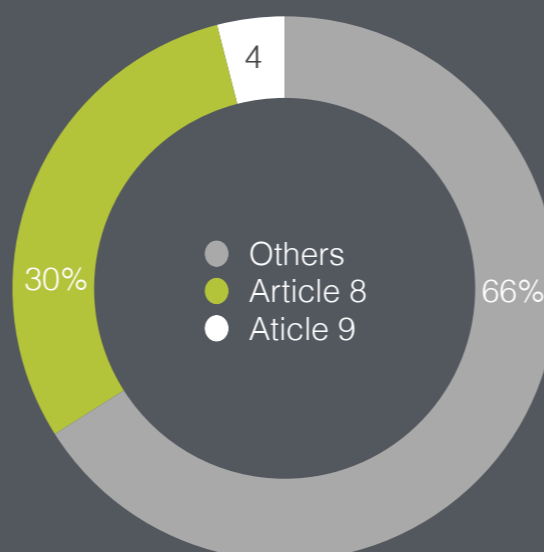
Active management largely dominates the current SFDR ESG fund landscape. Passive funds account respectively for only 11% and 10% of assets in article 8 and 9 funds. Interestingly, as a side observation, Nordic-domiciled index funds dominate the passive article 9 largest funds league table.

In terms of H1 2021 ESG fund flows, BlackRock took the undisputed lead. Although the giant ranks only #6 in terms of European market share of fund assets that are classified as article 8 or 9 under SFDR. **Amundi posts the highest ESG market share** with 6.5%, followed by Nordea (4.9%), Swedbank (4.7%) and JPMorgan (3.9%). Robeco ranks 10th, but has one of the highest article 8 and 9 share in its fund range (93%).

SFDR breakdown - number of funds



SFDR breakdown - assets



Best-selling asset managers

OE & ETFs

Rank	Group	EUR m
1	iShares	36.514
2	BlackRock	27.320
3	UBS	19.641
4	JPMorgan	18.253
5	Amundi	14.986
6	Vanguard	14.118
7	Allianz Global Investors	13.786
8	Xtrackers	12.453
9	Schroders	11.237
10	BNP Paribas	9.866
11	Nordea	9.402
12	Pictet	8.745
13	HSBC	8.280
14	Union Investment	8.226
15	State Street	8.045
16	Fidelity	7.680
17	Lyxor	6.934
18	Baillie Gifford	6.762
19	Robeco	6.747
20	Mercer Global Investments	6.014

OE only

Rank	Group	EUR m
1	BlackRock	27.370
2	JPMorgan	17.593
3	UBS	14.642
4	Amundi	14.171
5	Allianz Global Investors	13.786
6	Schroders	11.237
7	BNP Paribas	10.994
8	Nordea	9.500
9	Pictet	8.757
10	Vanguard	8.239
11	Union Investment	8.226
12	Baillie Gifford	6.761
13	Robeco	6.747
14	Fidelity	6.377
15	Mercer Global Investments	6.034
16	HSBC	6.001
17	Swisscanto	5.684
18	DWS	5.006
19	Deka	4.637
20	Nikko AM	4.607

Worst-selling asset managers

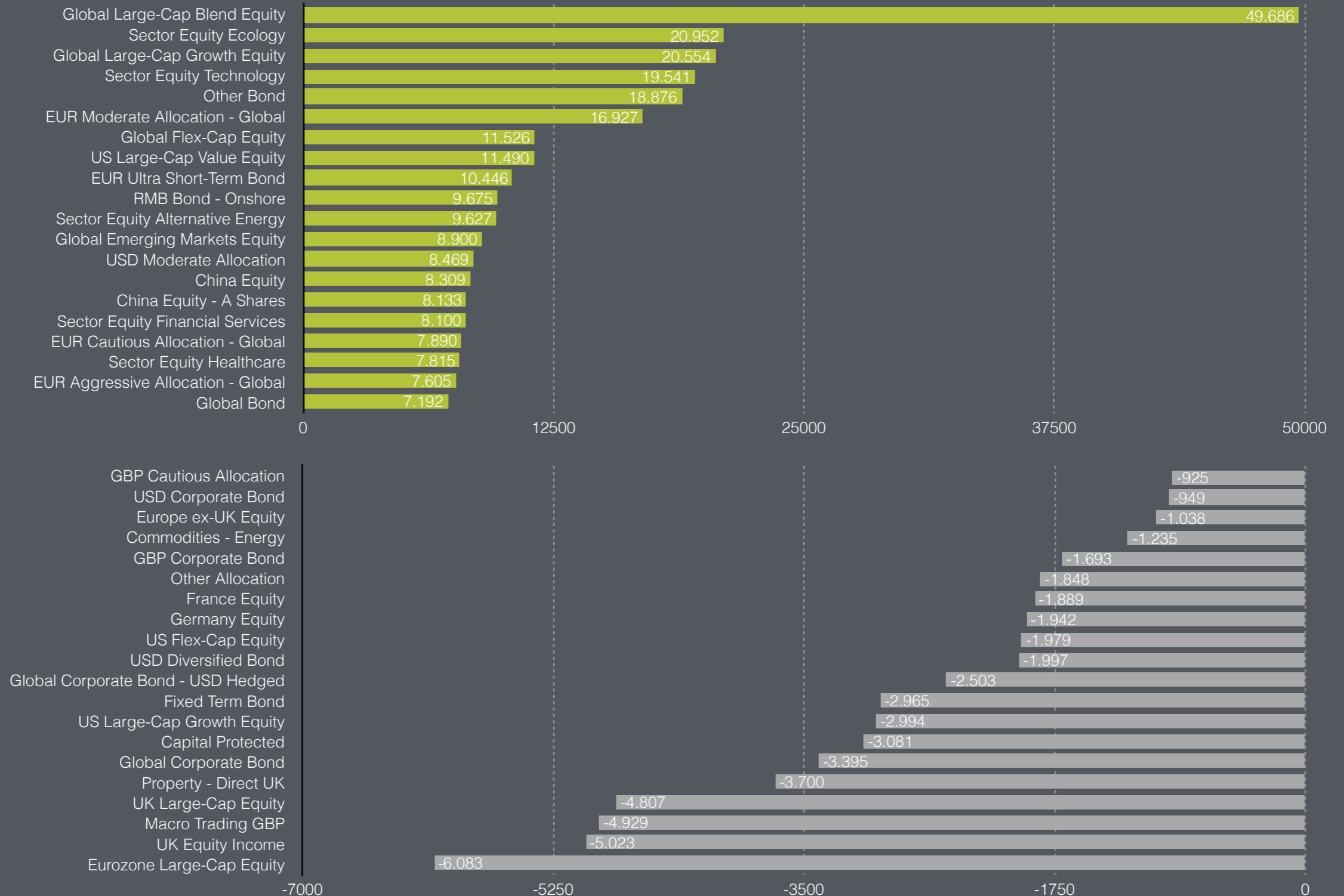
OE & ETFs

Rank	Group	EUR m
1	Russell Investments	(5.457)
2	Aviva	(5.364)
3	M&G	(3.017)
4	Franklin Templeton	(2.594)
5	Columbia Threadneedle	(2.463)
6	Link Group	(2.254)
7	ACTIAM	(2.118)
8	MFS	(1.732)
9	Findlay Park Partners	(1.560)
10	Comgest	(1.530)
11	Fideuram	(1.458)
12	Eastspring Investments	(1.276)
13	Pramerica	(1.173)
14	Ashmore	(1.119)
15	InsingerGilissen	(1.077)
16	Bankia	(1.028)
17	GAM	(976)
18	AllianceBernstein	(944)
19	GLG Partners	(936)
20	Lægernes Invest	(821)

OE only

Rank	Group	EUR m
1	Russell Investments	(5.457)
2	Aviva	(5.366)
3	M&G	(3.017)
4	Franklin Templeton	(2.756)
5	Invesco	(2.502)
6	Columbia Threadneedle	(2.463)
7	Link Group	(2.255)
8	ACTIAM	(2.118)
9	MFS	(1.732)
10	Findlay Park Partners	(1.560)
11	Comgest	(1.530)
12	Fideuram	(1.458)
13	Eastspring Investments	(1.276)
14	Ashmore	(1.119)
15	InsingerGilissen	(1.077)
16	Bankia	(1.021)
17	GLG Partners	(953)
18	AllianceBernstein	(942)
19	Natixis	(910)
20	GAM	(892)

Best and worst-selling fund categories (OE and ETFs)



Best and worst-selling funds (OE and ETFs)

Best-sellers

Rank	Funds	EUR m
1	iShares Core MSCI World ETF	5.035
2	SPDR® Bloomberg SASB U.S. Corp ESG ETF	4.531
3	Allianz Income and Growth	4.294
4	iShares China CNY Bond ETF	3.908
5	SPW Multi-Manager Global Invt Grd Bd Fd	3.554
6	BGF China Bond Fund	3.526
7	Nikko AM ARK Positive Change Innovt Fd	3.079
8	Hermes Universal Moderate	2.924
9	iShares Edge MSCI USA Value Factor ETF	2.921
10	JPM China A-Share Opportunities Fund	2.838
11	JPM China Fund	2.812
12	Blackrock ICS Euro Ultra Short Bd	2.796
13	Ruffer Total Return International	2.773
14	Mercer Passive Global High Yield Bond Fd	2.762
15	Xtrackers S&P 500 Equal Weight ETF	2.701
16	AeAM Dutch Mortgage Fund 2	2.689
17	iShares Edge MSCI Wld Val Fctr ETF	2.676
18	Developed World Sustainable Eq Idx Fd	2.505
19	BGF Next Generation Technology Fund	2.427
20	Royal London Em Mkts ESG Ldrs Eq Trkr Fd	2.420

Worst-sellers

Rank	Funds	EUR m
1	PIMCO GIS Global Investment Grd Crdt Fd	(4.789)
2	Invesco Global Targeted Returns Fund(UK)	(4.264)
3	iShares \$ Corp Bond ETF	(2.992)
4	Mercer Global High Yield Bond Fund	(2.491)
5	Aviva Investors Global High Yield Bd Fd	(2.402)
6	AB FCP I American Income Portfolio	(2.075)
7	Amundi 6 M	(1.833)
8	Hermes Global Low	(1.823)
9	Russell Inv Global Credit Fund	(1.804)
10	Blackrock ACS World ex UK Eq Tracker Fd	(1.730)
11	Eastspring Inv US Corporate Bond Fund	(1.602)
12	iShares UK Equity Index Fund (UK)	(1.570)
13	Findlay Park American Fund	(1.560)
14	UBS FS MSCI ACWI SF	(1.551)
15	Blackrock ACS UK Equity Tracker Fund	(1.451)
16	CSIF (CH) III Eq Wrl ex CH B Pnsn F Plus	(1.438)
17	Hermes Global Medium	(1.371)
18	iShares Core € Corp Bond ETF	(1.346)
19	JPM Japan Equity Fund	(1.325)
20	iShares Core S&P 500 ETF	(1.286)

accelerando intelligence

- 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*

Contact details

Disclaimer



Philip Kalus
managing partner
accelerando intelligence

fon: +34.96.3682314
mobile & facetime: +34.689429636
kalus@accelerando-associates.com
www.accelerando-intelligence.com

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