EUROPEAN FUND INDUSTRY REVIEW: 2021

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Executive Summary

- The assets under management rose to €15.3 tr over the course of 2021.
- Long-term mutual funds (+€718.9 bn) posted net inflows for 2021 overall.
- Money market products (+€5.2 bn) posted net inflows for the year 2021.
- The overall fund flows for mutual funds and ETFs in Europe over the course of the year 2021 amounted to a new record for estimated net inflows (€724.1 bn).
- ETFs enjoyed record inflows of €160.9 bn over the course of 2021
- Equity Global (€1,953.7 bn) was by far the largest Lipper Global Classification by assets under management at the end of 2021.
- Equity Global (+€179.5 bn) was the best-selling sector among long-term funds.
- BlackRock (€1,390.5 bn) is the largest fund promoter in Europe, far ahead of JPMorgan (€472.5 bn) and Amundi (€470.3 bn).
- BlackRock (+€107.7 bn) was the best-selling fund promoter in Europe for the year, ahead of JPMorgan (+€33.9 bn) and Vanguard (+€31.8 bn).
- Luxembourg (€4,992.3 bn) was the leading fund domicile by assets under management.
- Luxembourg (+€329.1 bn) was the fund domicile with the highest net inflows, followed by Ireland (+€204.3 bn) and the UK (+€40.5 bn).
- There is no evidence that European investors are chasing performance by buying funds from the best performing Lipper Classifications.
- The overall number of primary funds in Europe increased by 209 products over the course of 2021.

European Fund Industry Review 2021

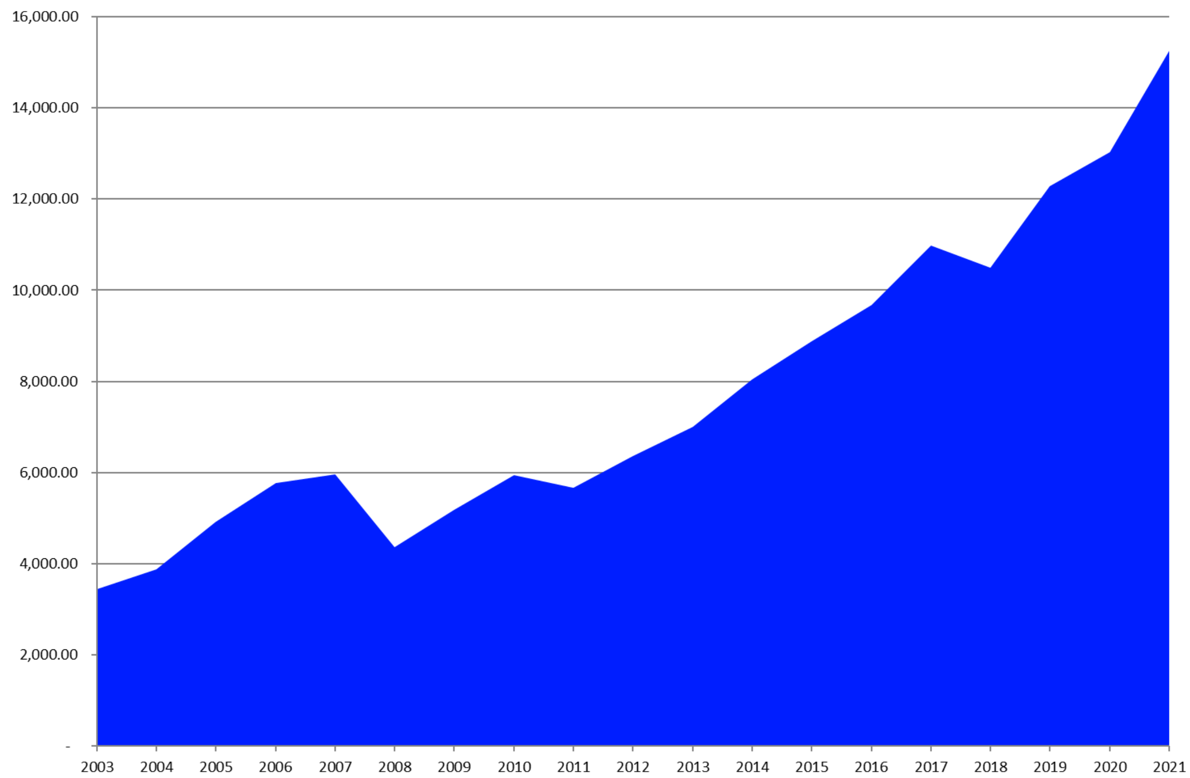
European investors in general were further in a risk-on mode over the course of the year 2021 as equity funds were the best-selling asset type for the year. In fact, the European fund industry enjoyed record inflows (€724.1 bn) over the course of the year 2021 despite the unclear economic situation caused by the ongoing COVID-19 pandemic, disruptions in the delivery chains of some industry sectors, and steadily rising inflation.

That said, it is remarkable that the year 2021 was the second year in a row during a global crisis in which the European fund industry enjoyed record inflows. With regard to this, these strong inflows are somewhat surprising since companies and investors had to weather the uncertainty and impacts caused by the COVID-19 pandemic. Under normal circumstances, this would have led to more cautious behavior from investors. Therefore, it can be assumed that the massive financial and fiscal actions taken by governments and central banks around the globe have boosted the confidence of investors to stay in a risk-on mode.

Assets Under Management

In regard to the generally favorable market environment and the positive investor sentiment, it is no surprise that the assets under management in the European fund industry rose over the course of 2021 by a combination of the positive performance of the underlying markets and estimated net inflows from €13.0 tr as of December 31, 2020, to €15.3 tr at the end of December 2021. The increase of €2.2 tr for 2021 was driven by the performance of the underlying markets (+€1.5 tr), while estimated net sales contributed €0.7 tr to the increase of the assets under management.

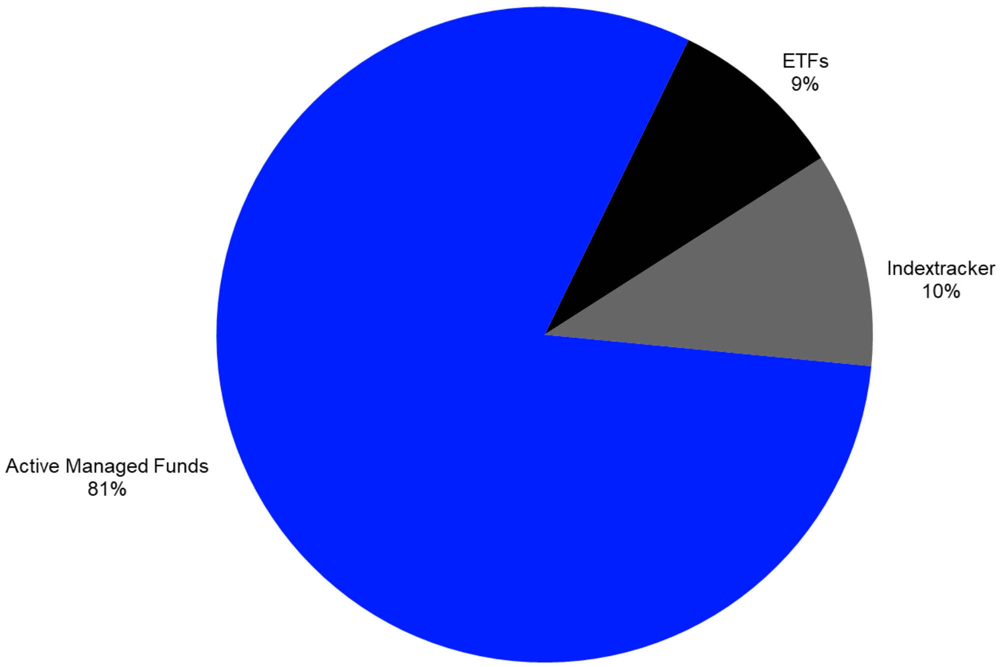
Graph 1: Assets Under Management in the European Fund Industry – December 31, 2021 (in bn EUR)



Source: Refinitiv Lipper

The majority of the assets under management (€12.3 tr) were invested in actively managed products, while index-tracking mutual funds accounted for €1.6 tr and ETFs for €1.3 tr. This means that actively managed products held by far the highest market share (80.69%) of the assets under management, while passive products account for 19.31% of the overall assets under management in the European fund industry.

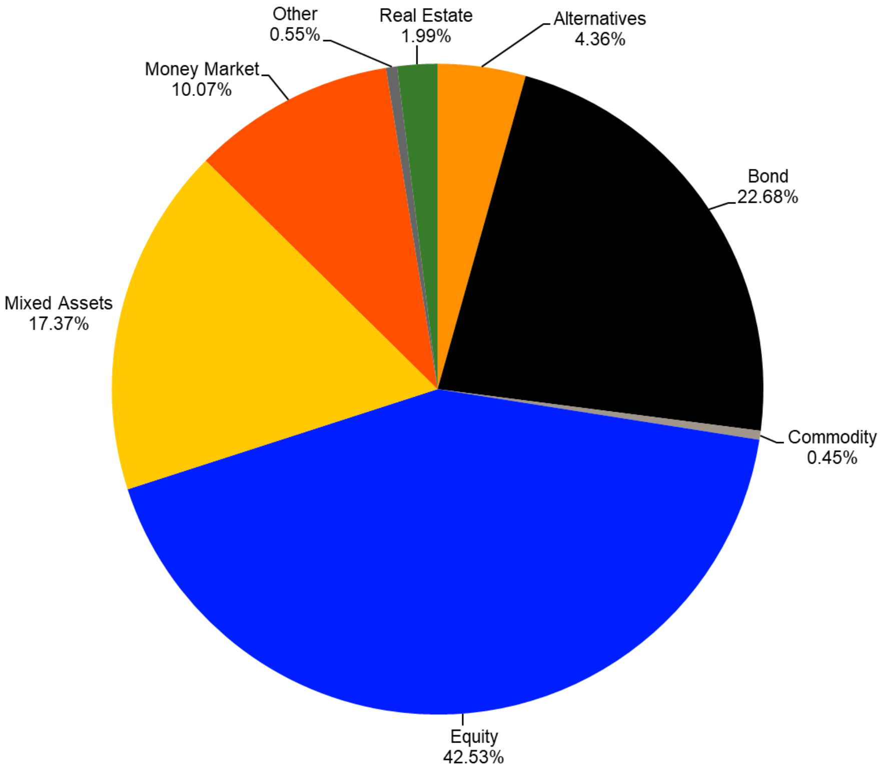
Graph 2: Market Share of Product Types by Assets Under Management in the European Fund Industry – December 31, 2021



Source: Refinitiv Lipper

In more detail, equity funds (€6.5 tr) held the majority of assets, followed by bond funds (€3.5 tr), mixed-assets funds (€2.5 tr), money market products (€1.5 tr), alternative UCITS funds (€0.7 tr), real estate funds (€0.3 tr), “other” funds (€0.1 tr), and commodities funds (€0.07 tr).

Graph 3: Market Share of Asset Types by Assets Under Management in the European Fund Industry – December 31, 2021



Source: Refinitiv Lipper

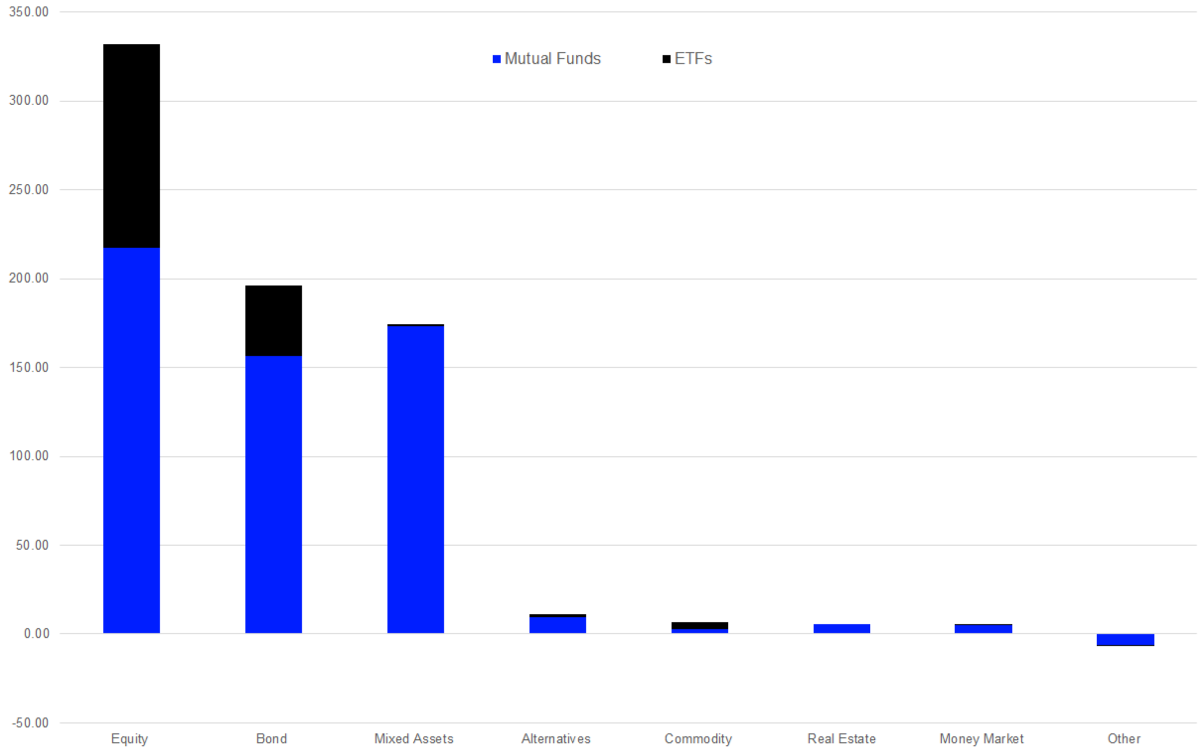
European Fund Flows

In more detail, the majority of the fund flows for 2021 (+€563.2 bn) were invested into mutual funds, while ETFs enjoyed record inflows of €160.9 bn over the course of the year 2021. Despite the fact that the majority of the flows for 2021 were invested in mutual funds, ETFs reached also record inflows over the course of the year 2021 as the inflows at the end of the year topped the all-time high for annual flows into ETFs in Europe from 2019, which stood at €106.7 bn, by €54.2 bn.

As said before, European investors were in risk-on mode over the course of 2021 since long-term investment products (€718.9 bn) enjoyed much higher estimated inflows than money market funds (+€5.2 bn).

Taking a closer look, equity funds (+€331.7 bn) were the asset type with the highest estimated net inflows overall for 2021. It is followed by bond funds (+€195.9 bn), mixed-assets funds (+€174.2 bn), alternative UCITS funds (+€11.4 bn), commodities funds (+€6.7 bn), real estate funds (+€5.5 bn), and money market funds (-€5.2 bn). Meanwhile, “other” funds (-€6.5 bn) were the only asset type that faced outflows for the year.

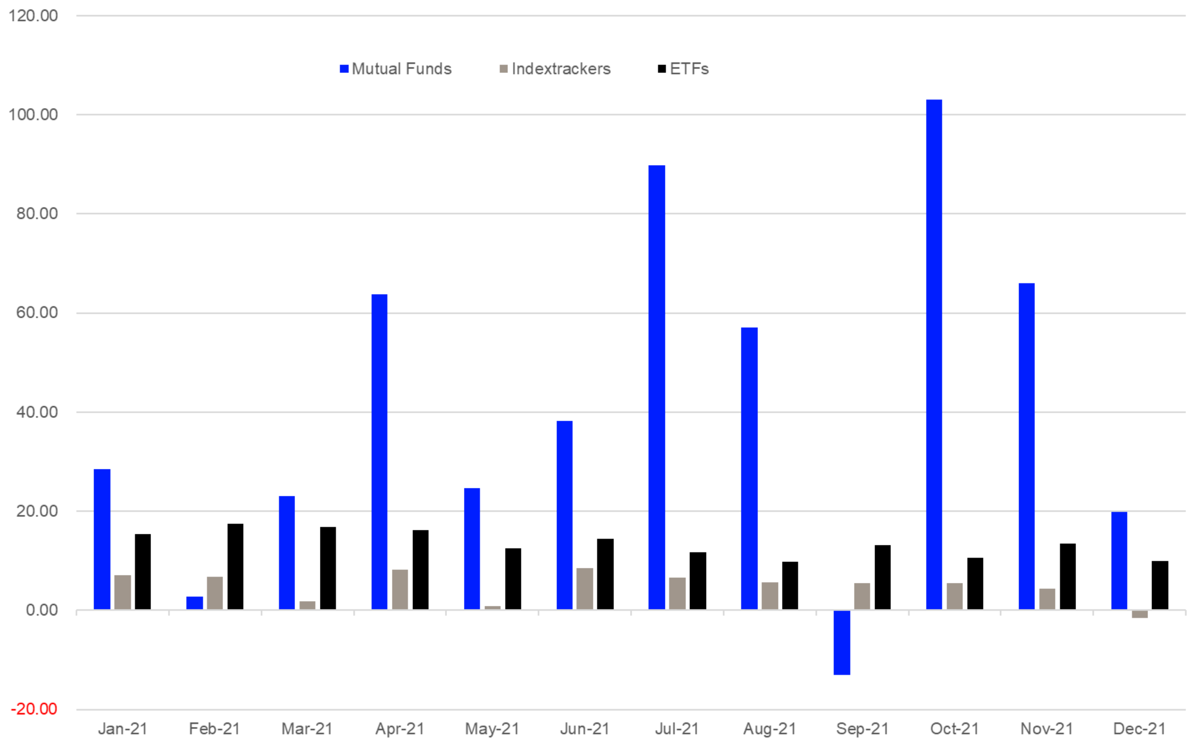
Graph 4: Estimated Net Sales by Asset and Product Type, January 1 – December 31, 2021 (Euro Billions)



Source: Refinitiv Lipper

With regard to the overall flow pattern, it is no surprise that the European fund industry enjoyed inflows for all months of the year, even as active managed mutual funds (-€13.0 bn), and index tracking mutual funds (-€1.5 bn) faced outflows over the course of September and December, respectively.

Graph 5: Estimated Monthly Net Flows by Product Type January 1 – December 31, 2021 (Euro Billions)



Source: Refinitiv Lipper

Money Market Products

With a market share of 10.06% of the overall assets under management in the European fund management industry, money market products are the fourth largest asset type. Therefore, it is worthwhile to briefly review the trends in this market segment. Since the market environment was rather uncertain with the exacerbating situation around the COVID-19 pandemic, it was somewhat surprising that European investors increased their money market positions only slightly over the course of the year. Money market funds enjoyed inflows for the year (+€5.2 bn). In line with their active peers (+€4.9 bn), ETFs investing in money market instruments contributed estimated net inflows of €0.4 bn to the total.

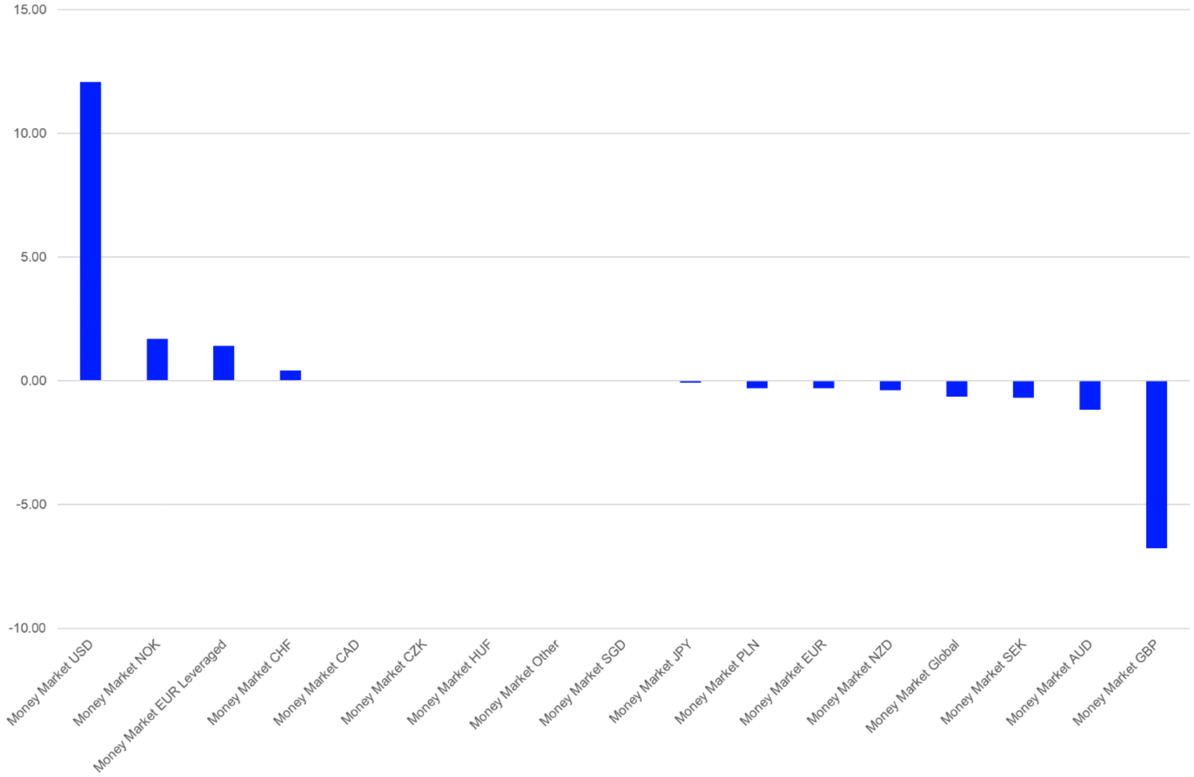
Money Market Products by Lipper Global Classification

In more detail, Money Market USD (+€12.1 bn) was the best seller within the money market segment, followed by Money Market NOK (+€1.7 bn) and Money Market EUR Leveraged (+€1.4 bn). At the other end of the spectrum, Money Market GBP (-€6.8 bn) suffered the highest net outflows overall, bettered by Money Market AUD (-€1.2 bn) and Money Market SEK (-€0.7 bn).

This flow pattern revealed that European investors bought money market products denominated USD which might have been caused by the strong performance of the USD against the EUR.

In conjunction with the asset allocation decisions of portfolio managers, these shifts in the money market segment might have also been caused by corporate actions such as cash dividends or cash payments since money market funds are also used by corporations as replacements for cash accounts.

Graph 6: Estimated Net Flows in Money Market Products by LGC – 2021 (Euro Billions)



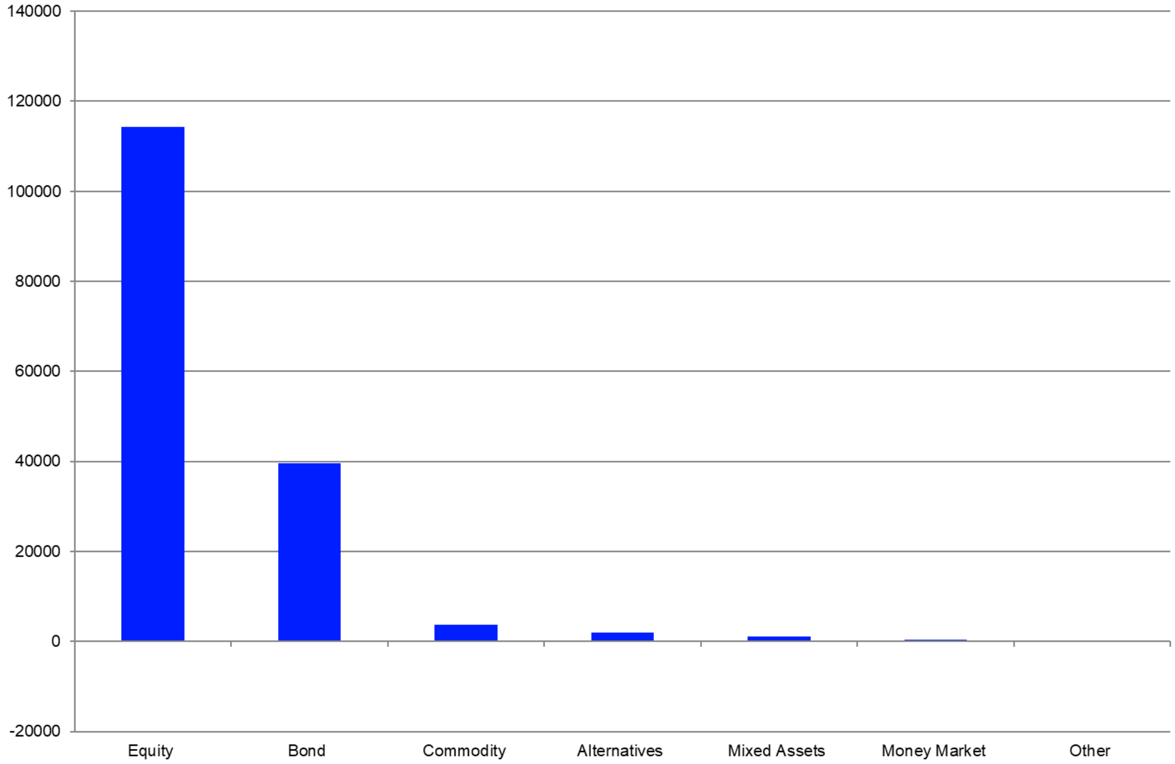
Source: Refinitiv Lipper

A Brief Review of the ETF Flows in Europe

ETFs have become an important part of the European fund industry since their introduction in 2000. It is worthwhile to shine a spotlight on the estimated net flows of this market segment, especially as ETFs enjoyed record flows over the course of 2021. Taking a closer look at fund flows in 2021, you can see the general trends in the ETF segment followed the general trends in the European fund industry—equity funds (+€114.3 bn) were the asset type with the highest estimated net inflows overall for 2021, followed by bond ETFs (+€39.7 bn). Since the other asset types play only a minor role in the European ETF segment it is no surprise that ranking is somewhat different compared to the trends in the overall fund industry as commodities ETFs (+€3.7 bn) were the third best-selling asset type, followed by alternative UCITS ETFs (+€2.0 bn), mixed-assets ETFs (+€1.1 bn), and money market funds (+€0.4 bn). Meanwhile, “other” funds (-€0.02 bn) were the only asset type that faced outflows for the year.

It is noteworthy that money market ETFs faced outflows for the first 11 months of 2021, which were reversed by estimated net inflows in December which drove the overall flows for money market ETFs into positive territory. This turnaround left “other” ETFs as the only asset type with net outflows for 2021.

Graph 7: Estimated Net Sales by Asset Type, 2021 (Euro Millions)



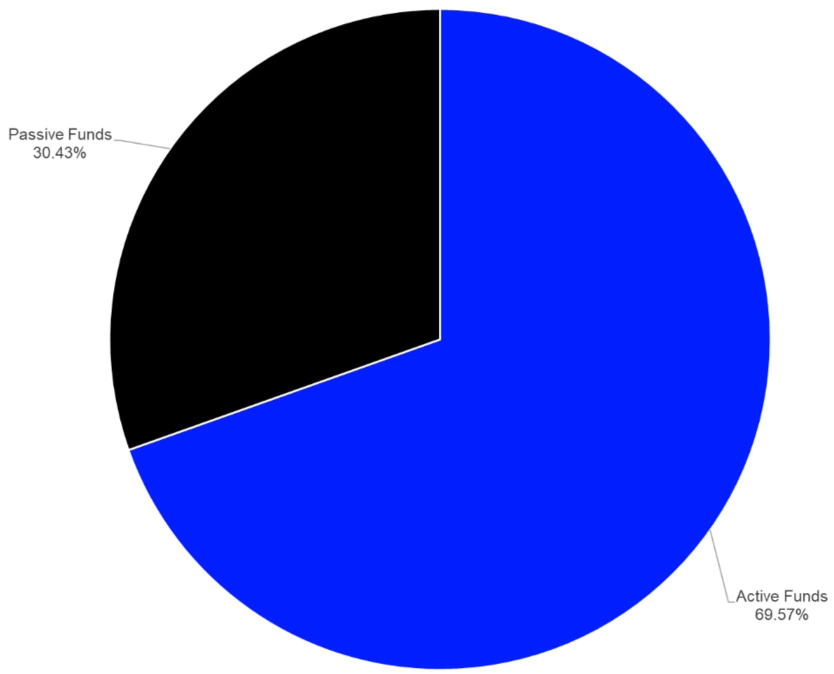
Source: Refinitiv Lipper

Active vs. Passive Products

The trend toward passive investment vehicles has been widely discussed by market observers and asset managers, and a new all-time high for inflows into ETFs will fuel these discussions further. Therefore, it is worthwhile to highlight this topic—especially as not all passive products are ETFs. In contrast to the year 2020, flows into ETFs (+€160.9 bn) are outpacing the flows into passive mutual funds (€59.4 bn) by a large margin for 2021.

More generally, there is no evidence that passive funds will continue their pattern from 2020 and overtake actively managed funds, as the majority (€503.8 bn, or 69.57%) of the overall fund flows for 2021 were invested in actively managed products. Meanwhile, €220.3 bn—or 30.43%—were invested in passive products. This pattern does not change much when one takes money market products into consideration, as the overall inflows into money market products contributed only €4.9 bn to the inflows into actively managed funds. Cutting these flows out brings the estimated flows into actively managed long-term funds to €498.9 bn and, respectively, the market share of actively managed long-term products down to 69.40% of the overall flows. Meanwhile, passive long-term products had inflows of €220.0 bn—or 30.60%—of the overall inflows in this category.

Graph 8: Market Share of the Estimated Net Flows by Management Approach (January 1 – December 31, 2021)

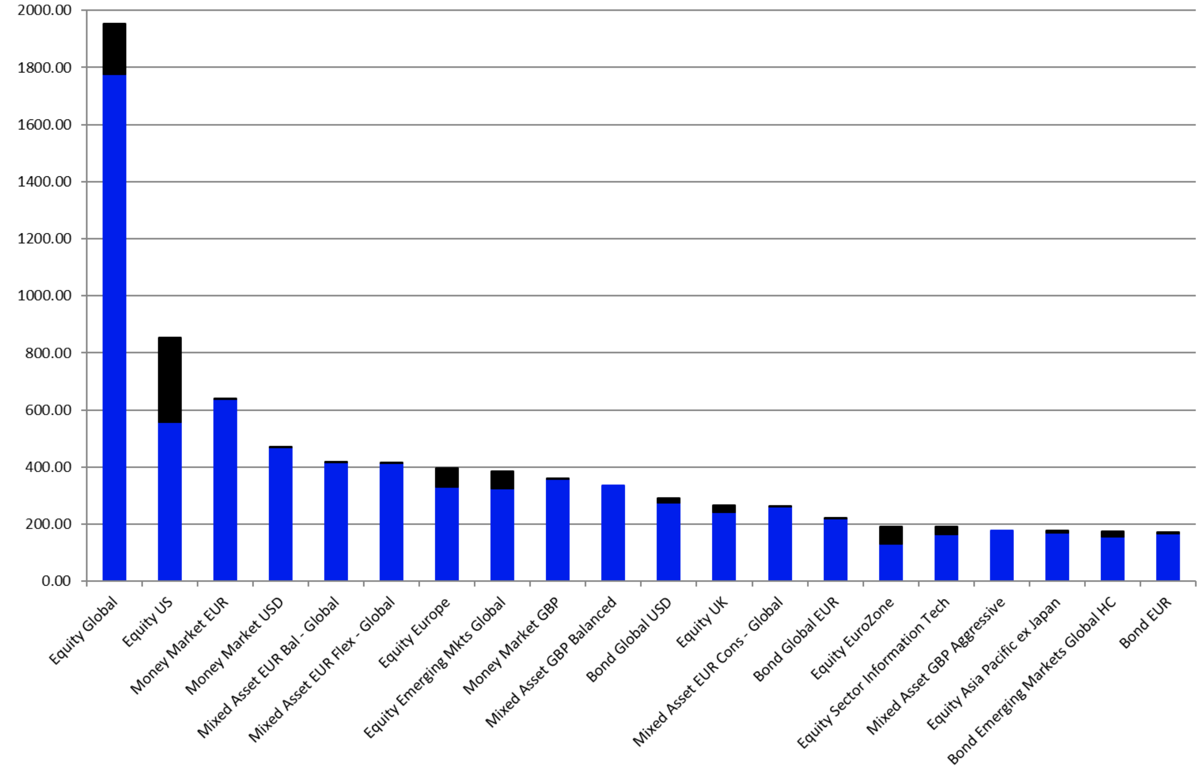


Source: Refinitiv Lipper

Assets Under Management by Lipper Global Classifications

Equity Global (€1,953.7 bn) was by far the largest Lipper Global Classifications by assets under management at the end of 2021. It was followed by Equity US (€853.8 bn), Money Market EUR (€641.5bn), Money Market USD (+€467.9 bn), and Mixed Asset EUR Balanced - Global (+€416.6 bn).

Graph 9: Twenty Largest Lipper Global Classifications by Assets Under Management – December 31, 2021 (Euro Billions)



Source: Refinitiv Lipper

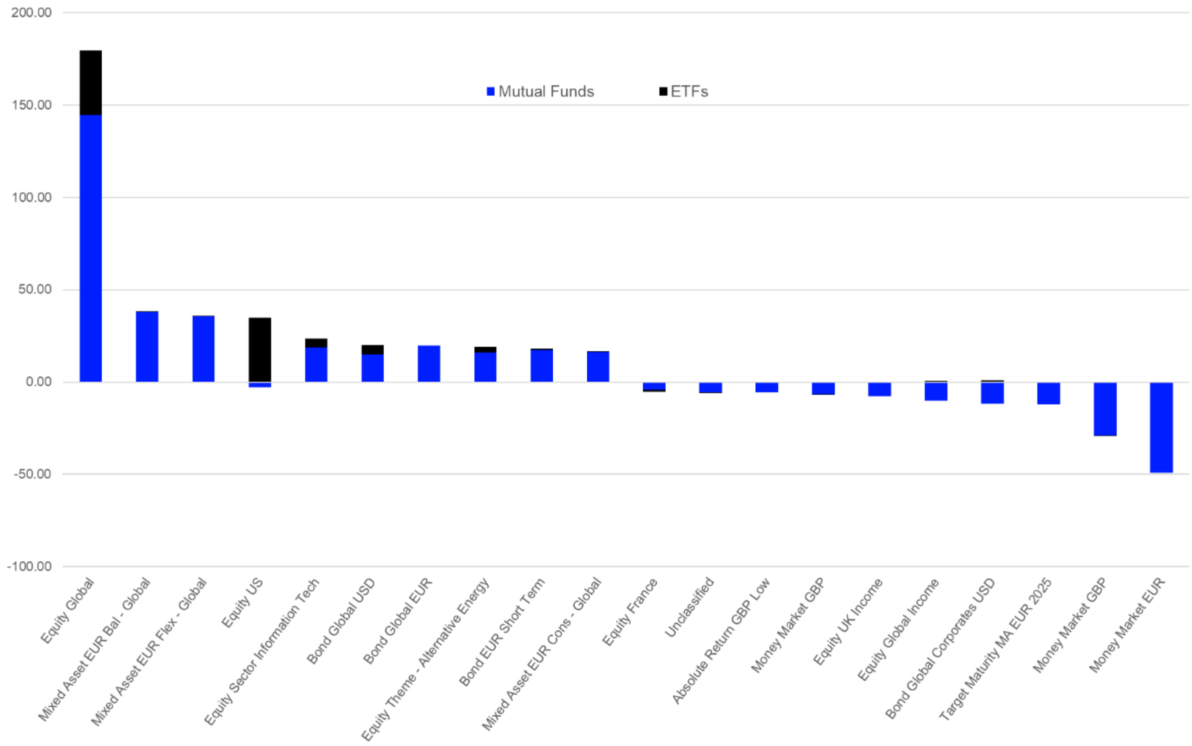
The assets under management in the European fund industry are quite concentrated on Lipper Global Classification level, since the 20 largest Lipper Global Classifications hold more than half (€8.4 tr or 54.78%) of the overall assets under management. The concentration of the assets under management can also be seen in the number of Lipper Global Classifications with more than €100.0 bn in assets under management. Only 30 of 342 Lipper Global Classifications for Europe reach this threshold and account for €9.7 tr.

Fund Flows by Lipper Global Classifications

A closer look at the best- and worst-selling Lipper Global Classifications for 2021 shows that European investors sold some of their safe-haven investments while investing in funds that may offer diversification for their portfolio or are focused on single themes, sectors, and countries. This flow pattern shows that European investors are back in a risk-on mode

As graph 1 shows, equity products enjoyed the highest inflows over the course of 2021. As for the overall trend of the year 2021, it is not surprising that the table of the best-selling Lipper Global Classifications was split between equity, bond, and mixed-assets peer groups. Equity Global (+€179.5 bn) was the best-selling peer group for the year. It was followed by Mixed Asset EUR Balanced – Global (+€38.0 bn), Mixed Asset EUR Flexible - Global (+€35.7 bn), Equity US (+€31.9 bn), and Equity Sector Information Technology (+€23.4 bn). It is noteworthy that mixed-assets funds started to gather significant inflows over the course of May and June, which drove the positions of the two mixed-assets classifications within the 10 best-selling classifications up for the year 2021.

Graph 10: Ten Best- and Worst-Selling Lipper Global Classifications by Estimated Net Sales, January 1 – December 31, 2021 (Euro Billions)



Source: Refinitiv Lipper

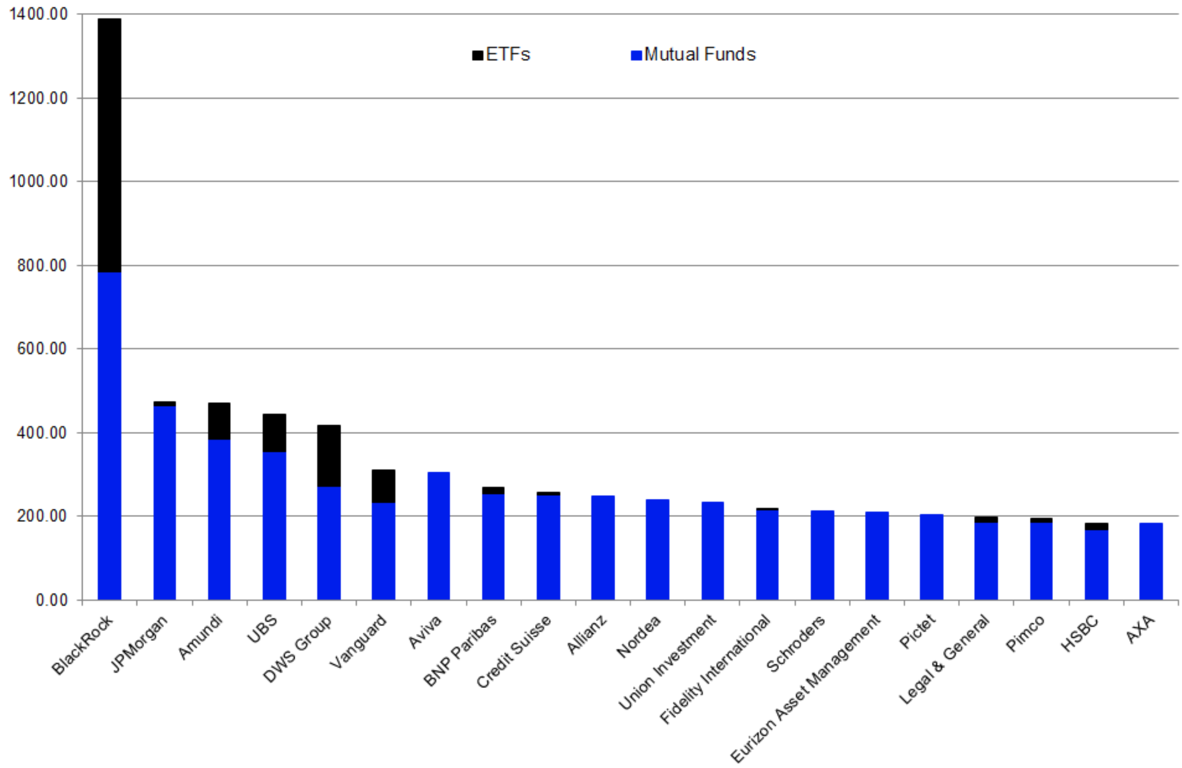
Conversely, some of the safe-haven favorites of 2020 were at the opposite side of the table. Money Market EUR (-€48.8 bn) faced the highest outflows for the year. It was bettered by Money Market GBP (-€28.9 bn), Target Maturity MA EUR 2025 (-€12.3 bn), Bond Global Corporates USD (-€11.0 bn), and Equity Global Income (-€9.3 bn).

It is noteworthy that the estimated flows in money market sectors are not only a reflection of asset allocation decisions of investors since these products are also used by corporates as a replacement for cash accounts.

Assets Under Management by Promoters

With regard to assets under management (AUM), it is no surprise that BlackRock (€1,390.5 bn) is the largest fund promoter in Europe, far ahead of JPMorgan (€472.5 bn), Amundi (€470.3 bn), UBS (€442.9 bn), and DWS Group (€418.8 bn).

Graph 11: Twenty Largest Fund Promoters in Europe, December 31, 2021 (Euro Billions)

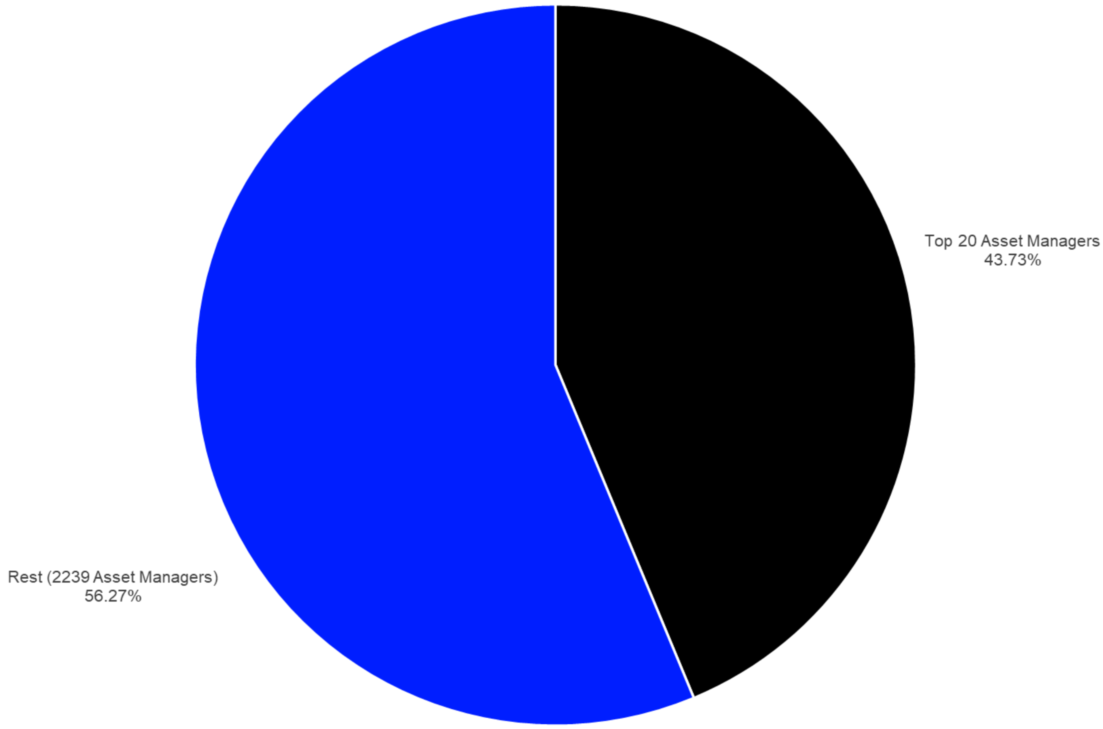


Source: Refinitiv Lipper

The combined assets under management of the 20 largest fund promoters in Europe account for €6,671.9 bn, or 43.71%, of the overall assets under management in the European fund industry. This means that the other 2,239 promoters with at least one fund domiciled in a European fund domicile account for 56.37% of the overall assets under management. This shows that assets under management in the European fund industry are highly concentrated. Although this is not surprising, the high concentration of assets in Europe can have some implications for fund promoters since the leading fund promoters in Europe are often the top-selling fund promoters on the continent (please see the chapter on fund flows on the promoter level for more details).

Accordingly, it is not surprising that a number of fund promoters in Europe try to grow their assets under management by buying other fund promoters since asset management is a business where scale matters. Surprisingly, it is not always the case that large fund promoters buy smaller competitors. We have also seen instances in which small asset managers buy larger competitors. Overall, one could expect that the trend toward consolidation in the European fund industry will continue on all levels of the asset management value chain.

Graph 12: Market Share of the 20 Largest Fund Promoters in Europe (December 31, 2021)

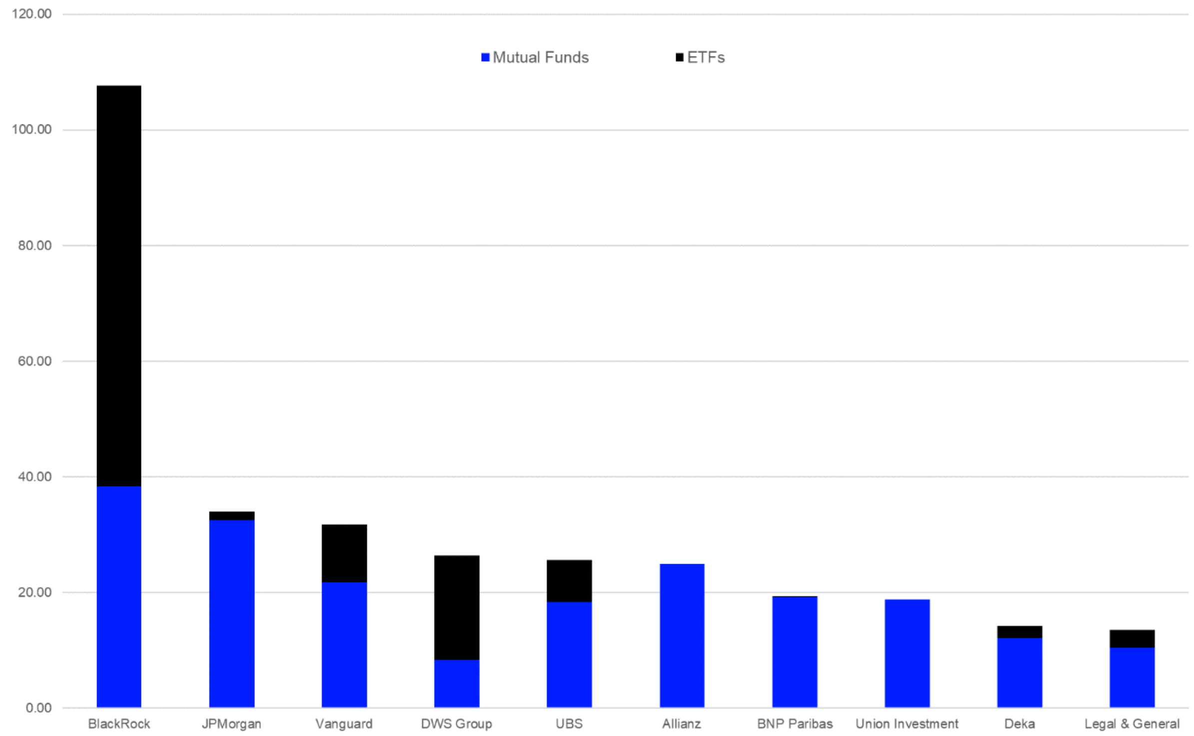


Source: Refinitiv Lipper

Fund Flows by Promoters

Unsurprisingly, the largest fund promoter in Europe, BlackRock (+€107.7 bn), is also the best-selling fund promoter over the course of 2021, ahead of JPMorgan (+€33.9 bn), Vanguard (+€31.8 bn), DWS Group (+€26.4 bn), and UBS (+€25.6 bn). It is noteworthy that the inflows for JPMorgan were impacted by inflows into money market products (+€9.9 bn).

Graph 13: Ten Best-Selling Fund Promoters in Europe, January 1 – December 30, 2021 (Euro Billions)



Source: Refinitiv Lipper

Considering the single-asset classes, BlackRock (+€24.7 bn) was the best-selling promoter of bond funds, followed by UBS (+€21.9 bn), BNP Paribas (+€10.5 bn), Vanguard (+€10.3 bn), and Aegon Asset Management (+€7.1 bn).

Within the equity space, BlackRock (+€79.8bn) led the table, followed by JPMorgan (+€16.4 bn), DWS Group (+€13.6 bn), Vanguard (+€13.4 bn), and Amundi (+€12.9 bn).

Allianz (+€13.6 bn) was the leading promoter of mixed-assets funds in Europe, followed by Union Investment (+€9.7 bn), Vanguard (+€8.1 bn), Amundi (+€7.3 bn), and DWS Group (+€6.7 bn).

Pictet (+€3.8 bn) was the leading promoter of alternative UCITS funds for the year, followed by DWS Group (+€3.4 bn), Nordea (+€2.7 bn), JPMorgan (+€2.4 bn), and Brevan Howard (+€1.6 bn).

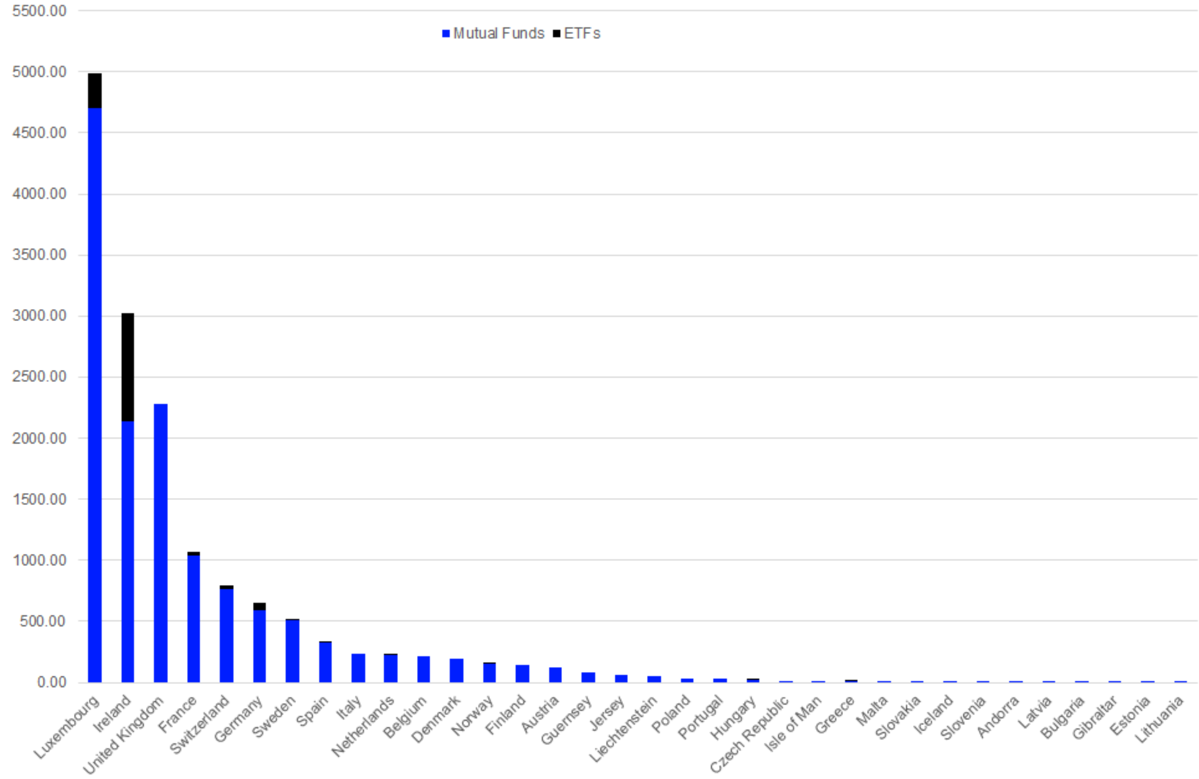
Assets Under Management by Fund Domiciles

It is no surprise that the international fund hubs in Europe—Luxembourg and Ireland—are dominating the table of the fund domiciles by assets under management. This is because the majority of funds in these domiciles are distributed within the UCITS regulation all over Europe and even in countries outside of Europe which have adopted the UCITS regulation.

In more detail Luxembourg (€4,992.3 bn) and Ireland (€3,020.0 bn) were leading the table, followed by the U.K. (€2,277.9 bn), France (€1,071.8 bn), and Switzerland (€795.6 bn).

Since ETFs are true cross-border products which are distributed via exchanges in a number of countries, it is also no surprise that Ireland (€882.0 bn) and Luxembourg (€292.6 bn) were by far the leading fund domiciles for ETFs, followed by Germany (€61.3 bn), France (€38.0 bn), and Switzerland (€36.2 bn).

Graph 14: Assets Under Management by Domicile and Product Type, December 31, 2021 (Euro Billions)



Source: Refinitiv Lipper

Considering the single-asset classes, there are differences between the fund domiciles which display either regulatory arbitrage and/or promoter preferences (Luxembourg vs. Ireland) or investor demand in the single countries, as funds which are domiciled in a local fund domicile are often only distributed in the respective country. Therefore, it is worthwhile to take a more detailed view of the leading fund domiciles by asset type.

Luxembourg (€1,420.5 bn) was the largest domicile of bond funds, followed by Ireland (€836.9 bn), the U.K. (€245.2 bn), Switzerland (€232.7 bn), and France (€171.1 bn).

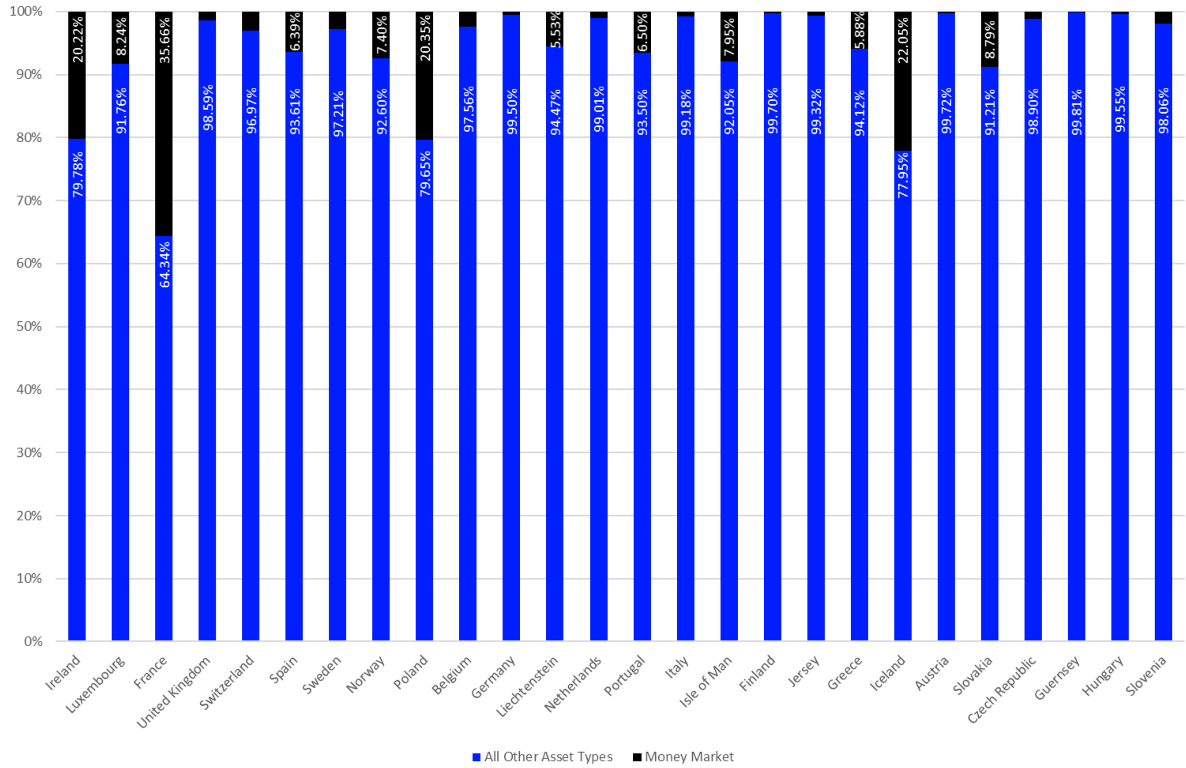
Within the equity space, Luxembourg (€2,033.6 bn) led the table, followed by the U.K. (€1,306.2 bn), Ireland (€1.278.9 bn), Switzerland (€337.1 bn), and Sweden (+€334.3 bn).

Luxembourg (€780.2 bn) was the leading domicile of mixed-assets funds in Europe, followed by the U.K. (€566.9 bn), France (€169.1 bn), Germany (€157.4 bn), and Italy (€139.4 bn).

Alternative UCITS fund domiciled in Luxembourg (€319.2 bn) held the highest combined assets under management, followed by Ireland (€120.7 bn), the U.K. (€51.6 bn), Spain (€32.6 bn), and France (€30.2 bn).

A closer view of the money market segment shows a particularity for France, as money market funds domiciled in France hold €382.5 bn in assets under management, which represents 35.66% of the overall assets under management from funds domiciled in France. A comparison with the other fund domiciles on the list of the top five fund domiciles shows that this is an exceptional market share, as money market products represent 8.24% of the assets under management in Luxembourg, 20.22% of the AUM in Ireland, 1.41% of the AUM in the U.K., and 3.03% of the AUM in Switzerland.

Graph 15: Market Share of Assets Under Management by Domicile, December 31, 2021 (Euro Billions)



Source: Refinitiv Lipper

Assets Under Management - Fund vs. Promoter Domiciles

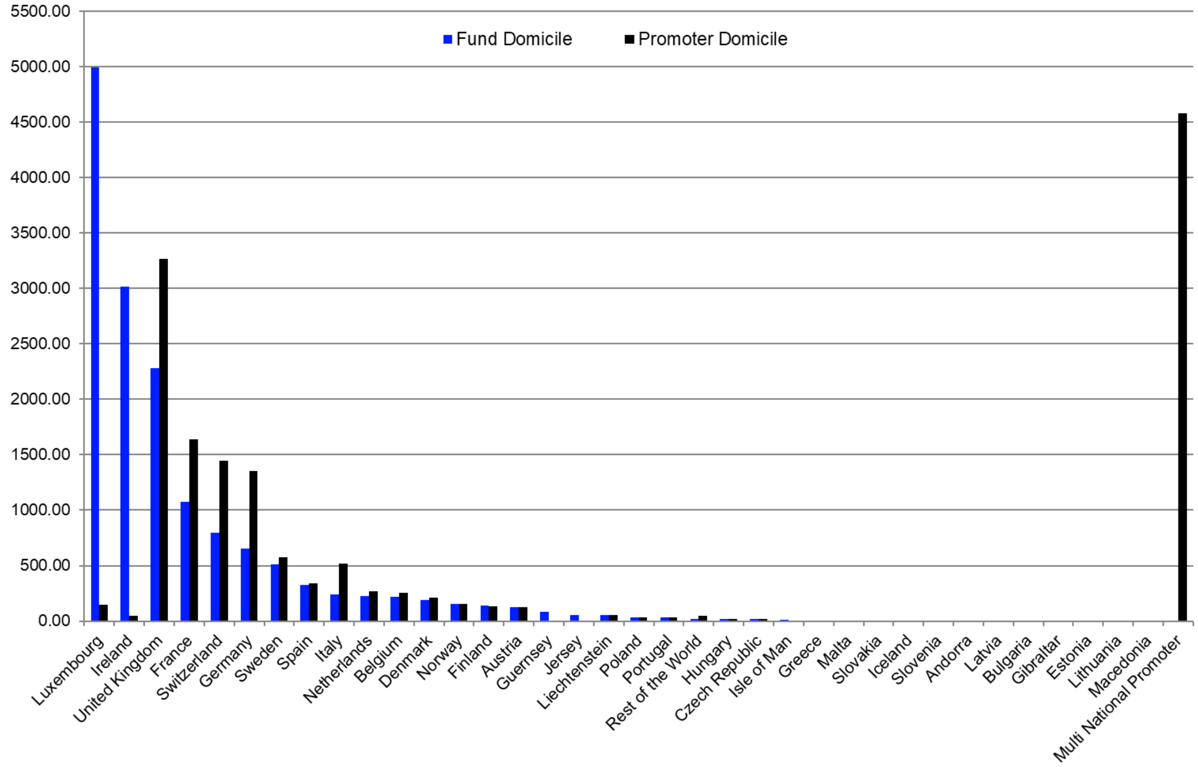
With regard to fund management and distribution, the market for collective investments in Europe have national and international layers. While the national layer has evolved from the time back when there was no common regulation of collective investments in Europe, the international layer takes profit from the common UCITS regulation, which builds the foundation and guidelines for cross-border fund distribution and the delegation/outsourcing of duties in the administration and management of fund products.

Luxembourg and Ireland have established themselves as fund hubs for cross-border and international fund distribution, as the respective governments, regulatory bodies, and associations created an efficient framework for the authorization and registration of collective investments. In addition to this, both countries also created an infrastructure that enables asset managers to build a very efficient corporate structure and support them with their distribution efforts in Europe, Asia, and Latin America.

That said, the domicile of a fund does not mean that the asset manager who makes the asset allocation decisions for the fund is also based in the respective domicile. Therefore, one needs to look at the assets under management by promoter domicile to evaluate which countries are the main asset management centers in Europe.

As graph 15 below depicts, Luxembourg and Ireland are the fund domiciles with the highest assets under management (blue bars), but are quite small with regard to the amount of assets actually managed in these countries (black bars). Graph 15 also shows that the multi-national fund promoter, which can't be accounted for a single domicile because of their international company structure and fund distribution strategy, for the respective products hold the highest assets under management. As one may expect, the funds of these promoters are the main portion of the assets under management for the funds domiciled in Ireland and Luxembourg.

Graph 16: Assets Under Management by Fund Domicile vs. Promoter Domicile, December 31, 2021 (Euro Billions)



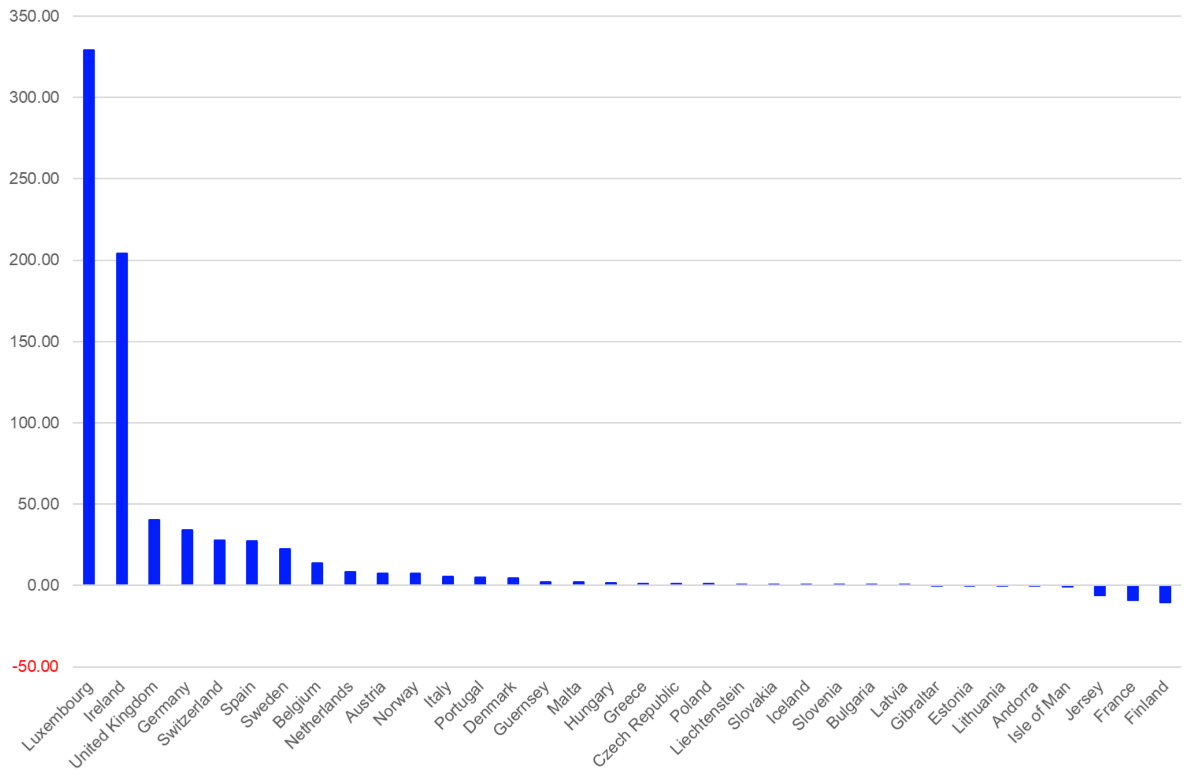
Source: Refinitiv Lipper

Considering the single-asset classes, there are differences between the fund domiciles. While the international fund hubs are built to service the demand from fund promoters with a regional/global distribution strategy, the local fund hubs rather serve local demand, as the funds from these domiciles are often mainly distributed in the country of origin. With regard to the reasons why promoters choose one of the international fund hubs, we see some kind of regulatory arbitrage and/or promoter preferences with regard to the local language of the respective fund domicile.

Fund Flows by Fund Domiciles

Single-fund domicile flows (including those to money market products) showed, in general, a positive picture over the course of 2021. Twenty-six of the 34 markets covered in this report showed estimated net inflows, and eight showed net outflows. Unsurprisingly, Luxembourg (+€329.1 bn) was the fund domicile with the highest net inflows for the year, followed by Ireland (+€204.3 bn), the U.K. (+€40.5 bn), Germany (+€34.2 bn), and Switzerland (+€28.0 bn). On the other side of the table, Finland (-€10.5 bn) was the fund domicile with the highest outflows, bettered by France (-€8.8 bn) and Jersey (-€6.3 bn). It is noteworthy that the fund flows for France (-€2.5 bn) were impacted by outflows from the money market segment.

Graph 17: Estimated Net Sales by Fund Domiciles, January 1 – December 31, 2021 (Euro Billions)



Source: Refinitiv Lipper

Within the bond sector, funds domiciled in Luxembourg (+€70.2 bn) led the table, followed by Ireland (+€64.6 bn), Switzerland (+€22.7 bn), the Netherlands (+€10.5 bn), and the UK (+€7.8 bn). Bond funds domiciled in Italy (-€2.3 bn), Poland (-€1.5 bn), and Liechtenstein (-€1.0 bn) were at the other end of the table.

For equity funds, products domiciled in Luxembourg (+€163.2 bn) led the table for the year, followed by Ireland (+€120.0 bn), the UK (+€23.2 bn), Sweden (+€12.8 bn), and Germany (+€12.4 bn). Meanwhile, Finland (-€13.1 bn), France (-€6.5 bn), and Switzerland (-€4.4 bn) were the domiciles with the highest estimated net outflows from equity funds.

Regarding mixed-assets products, Luxembourg (+€63.3 bn) was the domicile with the highest estimated net inflows, followed by the UK (+€22.6 bn), Spain (+€14.7 bn), Germany (+€11.7 bn), and Italy (+€10.3 bn). In contrast, Jersey (-€1.3 bn), Denmark (-€0.4 bn), and the Isle of Man (-€0.2 bn) were the domiciles with the highest estimated net outflows from mixed-assets funds.

Luxembourg (+€20.7 bn) was the domicile with the highest estimated net inflows into alternative UCITS funds for the year, followed by Ireland (+€8.2 bn) and Germany (+€1.5 bn). Meanwhile, France (-€9.0 bn), the UK (-€7.9 bn), and Italy (-€2.8 bn) were at the other end of the table.

European Fund Performance Review 2021

The year 2021 was a difficult year for investors around the globe, as the returns of many peer groups and their respective funds have been driven by the development of the underlying currencies against the euro. Therefore, the performance of a number of Lipper European Classifications does only partly reflect the developments of the underlying markets.

The first part of the review is showing the 10 best and worst performing Lipper European Classifications for bond, equity, and mixed-assets funds. The second chart shows the 10 best-performing Lipper European Classifications for bond, equity, and mixed-assets funds in comparison to the estimated net inflows into the respective classification over the course of 2021.

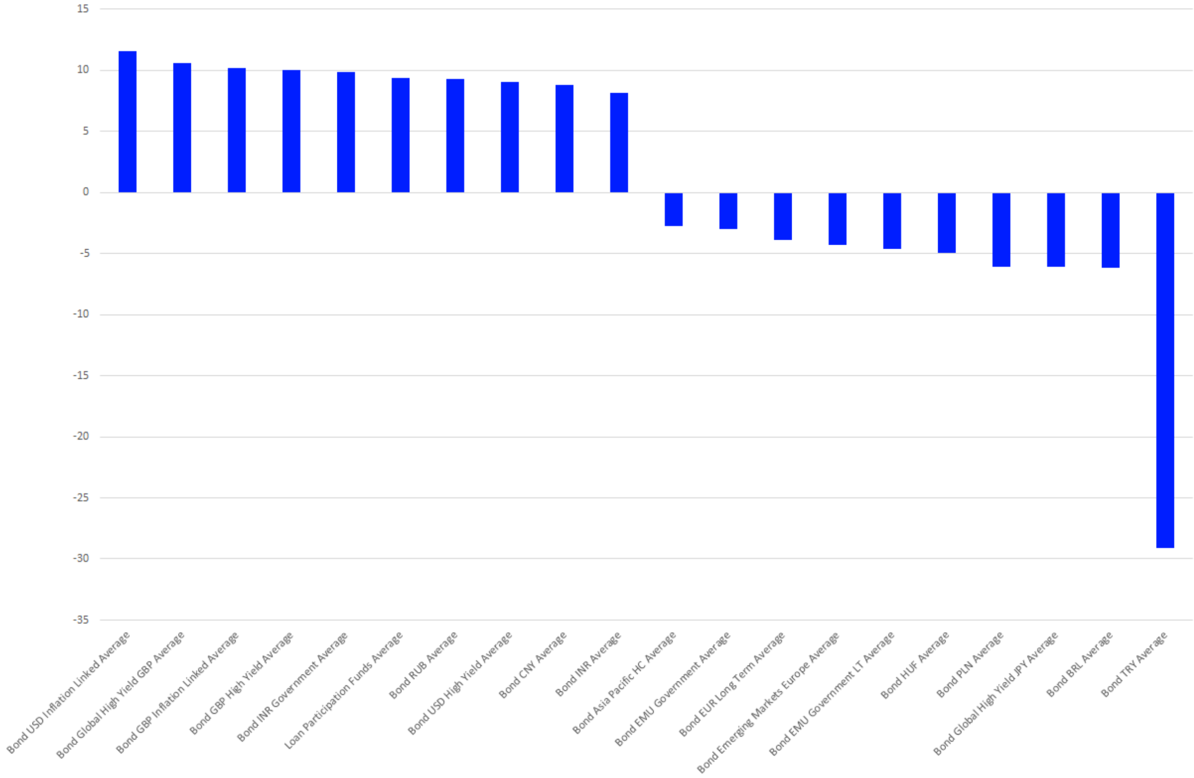
Methodology

As Lipper does only calculate performance averages on a global level, the methodology used to calculate the Lipper Global Classifications averages for the European fund market has been adapted for this fund universe. For the respective calculations, all primary and convenience share classes from mutual funds, ETFs, closed-end funds, and investment trusts with the status “active” as of January 7, 2022, which were at least registered for sale in one of the following European countries (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Monaco, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, and the UK) were taken into consideration. The average returns are calculated as simple averages by adding up the returns from all share classes and dividing them by the respective number of share classes within each Lipper Global Classification. As this study is covering Europe as target market, all calculations are made in euros.

Lipper European Bond Classifications

A closer view of the performance of different bond classifications shows that currency effects and specific risks/investment objectives like inflation linked or high yield bonds were driving the results within the bond peer groups. One example for this are global high yield bonds. While Bond Global High Yield denominated in GBP (+10.57%) was the second-best performing Lipper European Bond Classification, Bond Global High Yield denominated in JPY (-6.12%) was the third worst performing peer group.

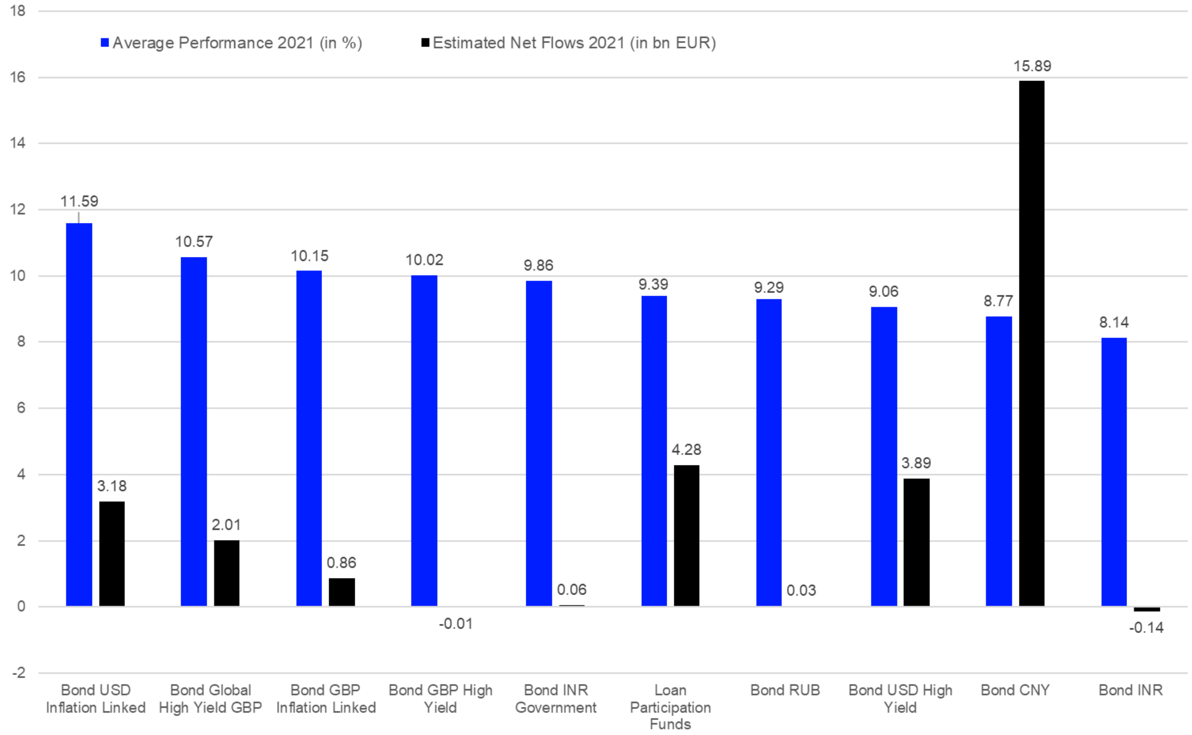
Graph 18: The 10 Best and Worst Performing Lipper European Bond Classifications (January 1 – December 31, 2021)



Source: Refinitiv Lipper

There is no evidence that European investors are chasing performance in the bond segment by buying funds from the best-performing Lipper Classifications. Generally speaking, the flow pattern within the 10 best-performing bond classifications seem to be driven by asset allocation decisions and not by the performance of the respective bond funds.

Graph 19: Ten Best Performing Bond Classifications – Performance (in %) and Flows (in bn EUR) January 1 – December 31, 2021



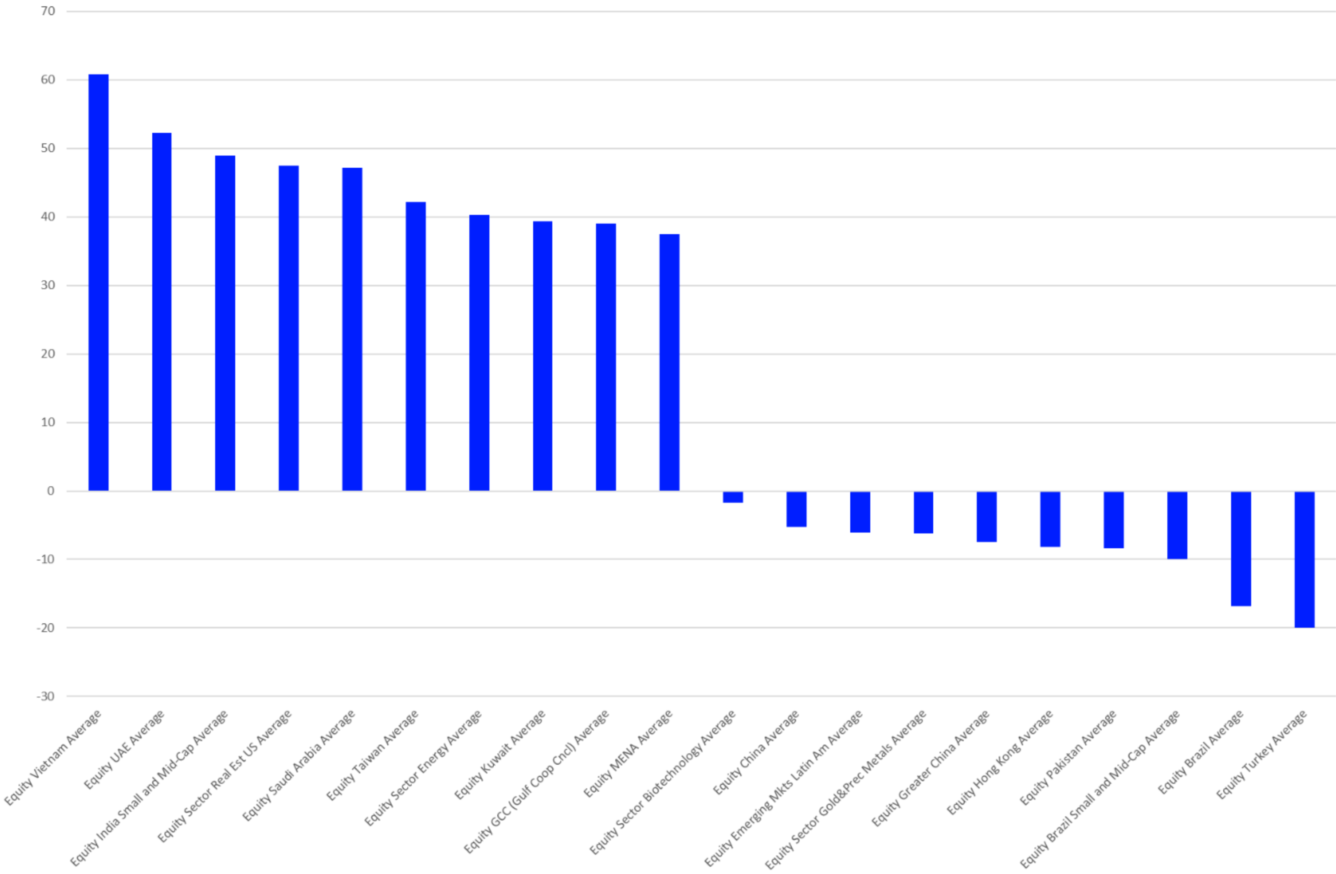
Source: Refinitiv Lipper

Lipper European Equity Classifications

When it comes to equity funds, we often see that exotic markets are dominating the tables of the best performing equity markets over the course of a calendar year. Therefore, it is not surprising that the performance table for equity funds over the course of 2021 is dominated by Equity Vietnam (+60.78%), followed by Equity UAE (+52.31%) and Equity India Small- and Mid-Cap (+48.94%).

The same is somewhat true for the peer groups on the other side of the table. That said, the performance of the worst performing Lipper European Classification, Equity Turkey (-19.91%), was massively impacted by the decline of the Turkish lira against the euro, while the underlying currency had only a minor effect on the second (Equity Brazil -16.79%) and third (Equity Brazil Small and Mid-Cap -9.97%) worst performing equity peer groups.

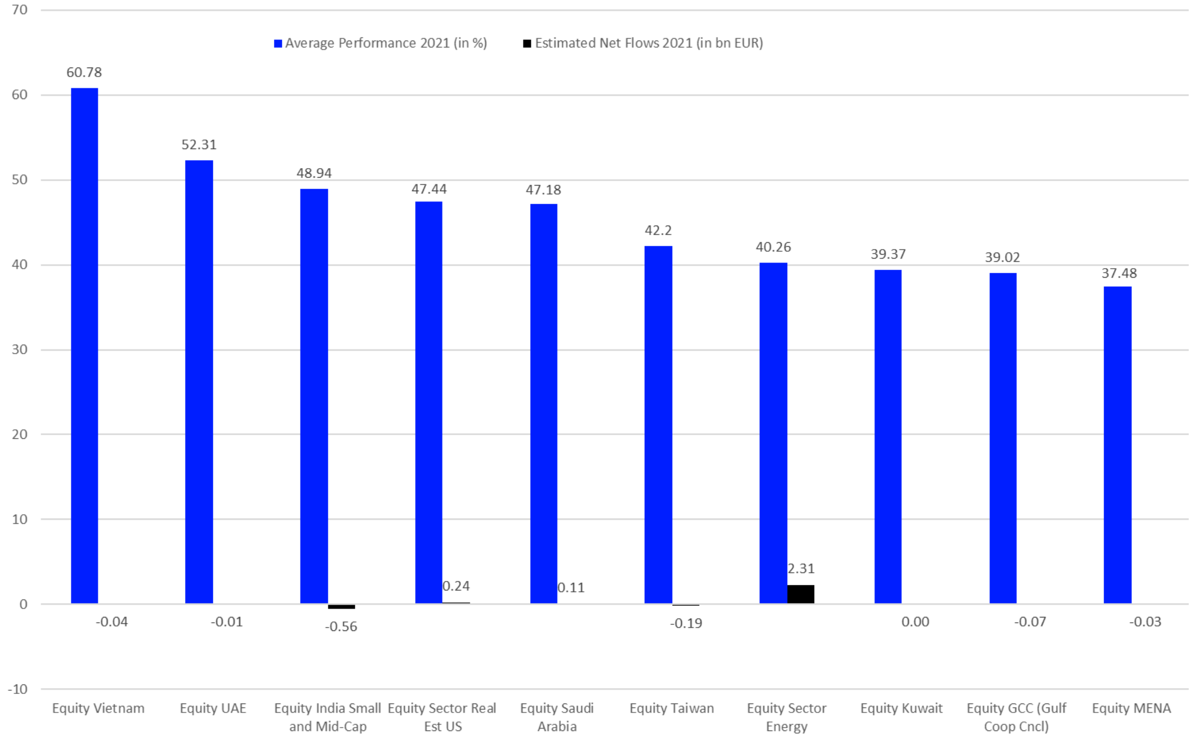
Graph 20: The 10 Best and Worst Performing Lipper European Equity Classifications (December 31, 2020 – December 31, 2021)



Source: Refinitiv Lipper

As for the bond classifications, there is no evidence that European investors are chasing performance in the equity segment by buying funds from the best performing Lipper Classifications. Generally speaking, the flow pattern within the 10 best-performing equity classifications show even more clearly that asset allocation decisions seem to be the main driver for the flows in this segment and not the performance of the respective equity funds.

Graph 21: Ten Best Performing Equity Classifications – Performance (in %) and Flows (in bn EUR) January 1 – December 31, 2021

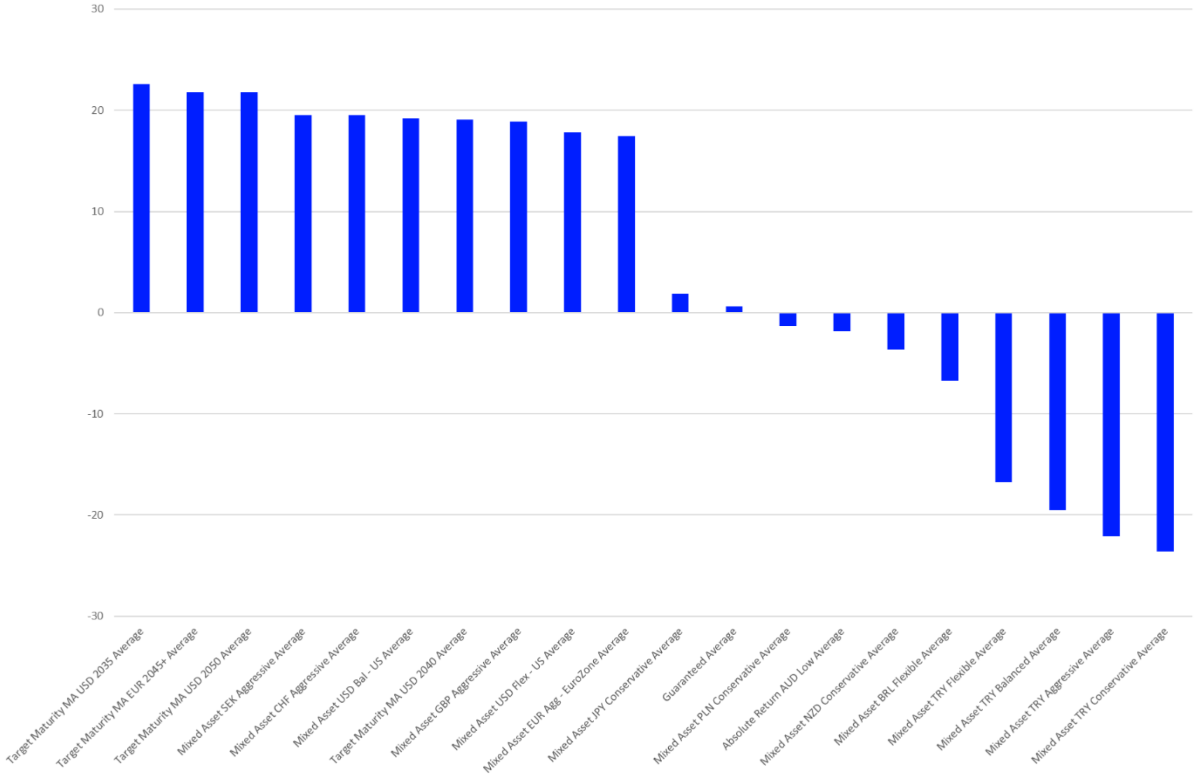


Source: Refinitiv Lipper

Lipper European Mixed-Assets Classifications

Within the mixed-assets segment it is somewhat surprising that target maturity products were dominating the performance table in 2021. That said, these funds are often buying long-term bonds which do somewhat match the maturity target of the fund. These bonds may help the respective funds to outperform their peers in a year with falling or stable interest rates, while they will lead to an underperformance in years with increasing interest rates. In addition to this, the performance table does also reflect the currency impact, as the majority of the 10 best performing Lipper European Classifications were denominated in currencies with a positive performance compared to the euro. Meanwhile, a number of the worst performing mixed-assets peer groups were denominated in currencies with a negative performance compared to the euro.

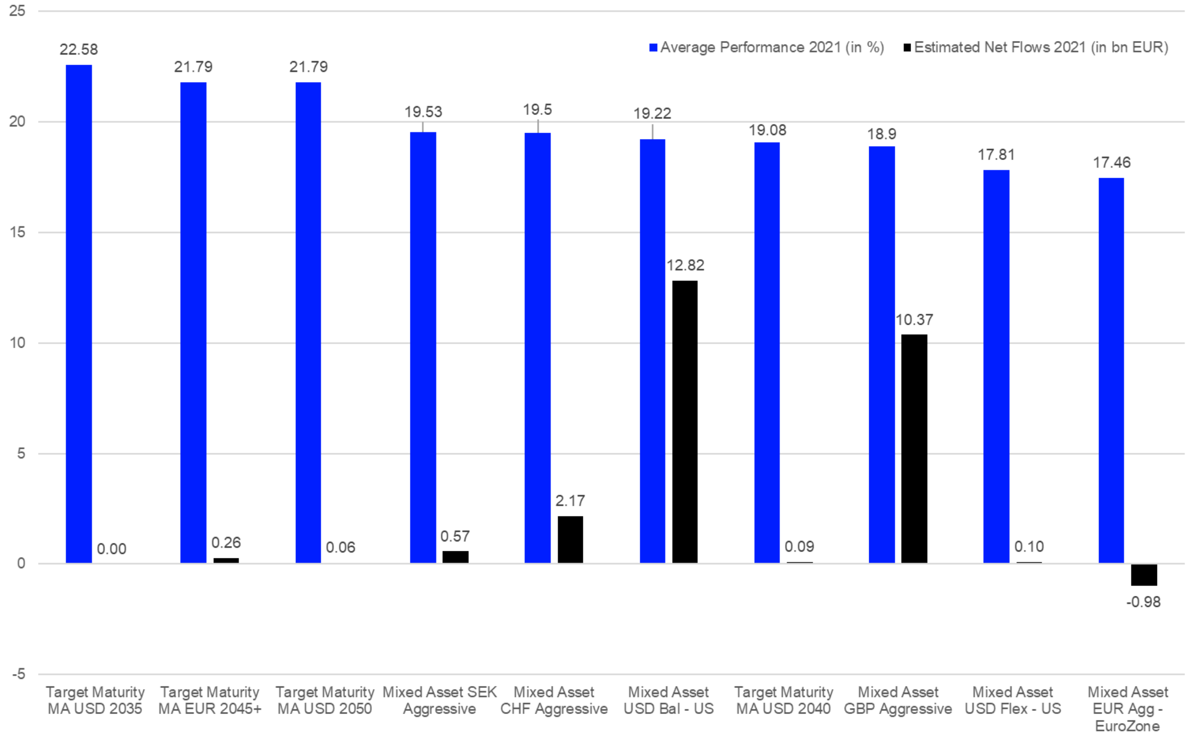
Graph 22: The 10 Best and Worst Performing Lipper European Mixed-Assets Classifications (December 31, 2020 – December 31, 2021)



Source: Refinitiv Lipper

As for the bond and equity classifications, there is no evidence that European investors are chasing performance in the mixed-assets segment by buying funds from the best performing Lipper Classifications. Generally speaking, the flow pattern within the 10 best performing mixed-assets classifications echoes the results from the bond and equity classifications and show that asset allocation decisions seem to be the main driver for the flows in this segment and not the performance of the respective equity funds.

Graph 23: Ten Best Performing Mixed-Assets Classifications – Performance (in %) and Flows (in bn EUR) January 1 – December 31, 2021



Source: Refinitiv Lipper

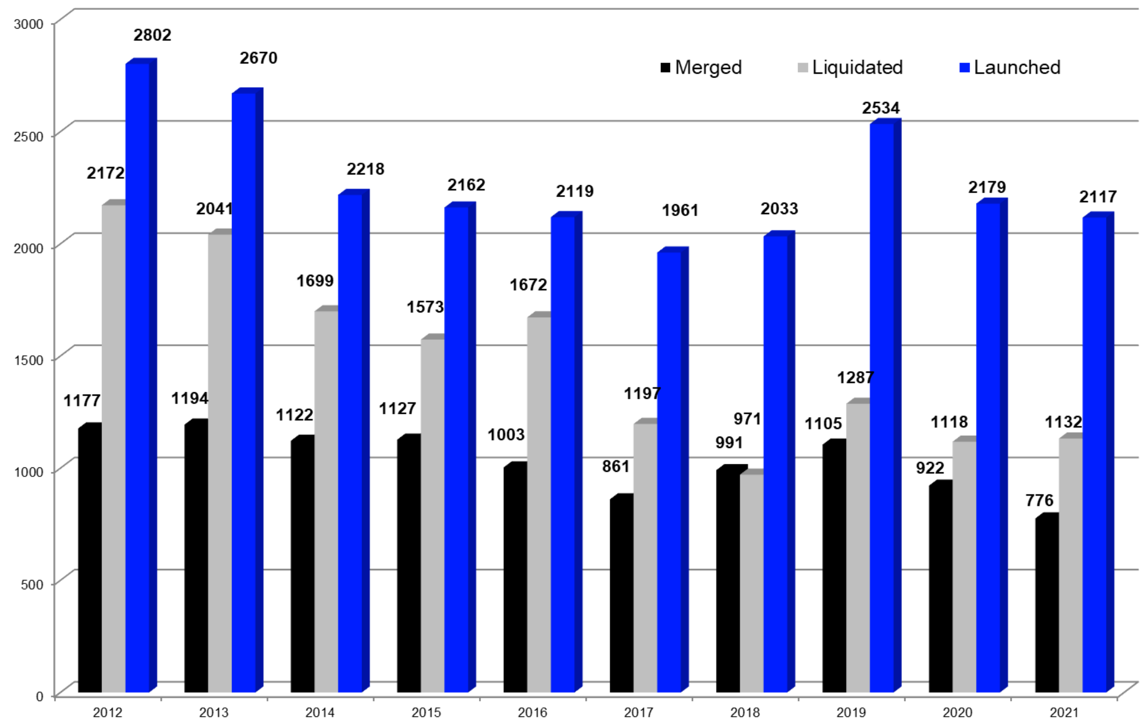
Promoter Activity—Fund Launches, Liquidations, and Mergers

Despite another year with record inflows into mutual funds and ETFs, 2021 has also been a somewhat tough year as inflation rates and market volatility increased. Despite the difficult geopolitical and economic environment, the activity of European fund promoters in terms of fund launches, liquidations, and mergers indicated the industry is somewhat in a business-as-usual mode, as we witnessed an increase in the overall number of primary funds in Europe for the year 2021. This marks the fourth year of growth 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 of the number of funds slowed down for seven consecutive years before the turn around over the course of 2018.

The net growth of the number of funds for 2021 occurred in a shaky, but in general positive, market environment in combination with record inflows and increasing assets under management. Therefore, it is no surprise that fund promoters showed a generally lower level of activity with regard to the maintenance of their existing product ranges. In more detail, the number of fund liquidations (1,132), mergers (776), and launches (2,117) in 2021 were with the exception of fund launches below the long-term annual averages—liquidations (1,218), mergers (952), and launches (1,812). The increasing number of fund launches led in combination with the below average numbers for fund liquidations and mergers to an increasing number of funds (209) for the year. The main reason for the mergers and liquidations at the fund level were restructurings of the general product offerings. For example, some fund promoters merged funds with a similar investment objective to strengthen their product ranges. As we witness also mergers of asset managers over the course of 2021, we expect this trend to continue in 2022, as fund mergers are a very efficient way to lower operational costs.

Lower profitability because of a lack of assets under management might have been another reason why 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, as we don't witness any excess activity for fund launches, liquidations, or mergers. Since the implementation of new regulations, such as MiFID II and SFDR, does increase the cost for maintaining a fund, we expect that the trend of consolidation of small funds will continue in 2022 and beyond.

Graph 24: Number of Fund Launches, Liquidations, and Mergers, 2012 – 2021



Source: Refinitiv Lipper

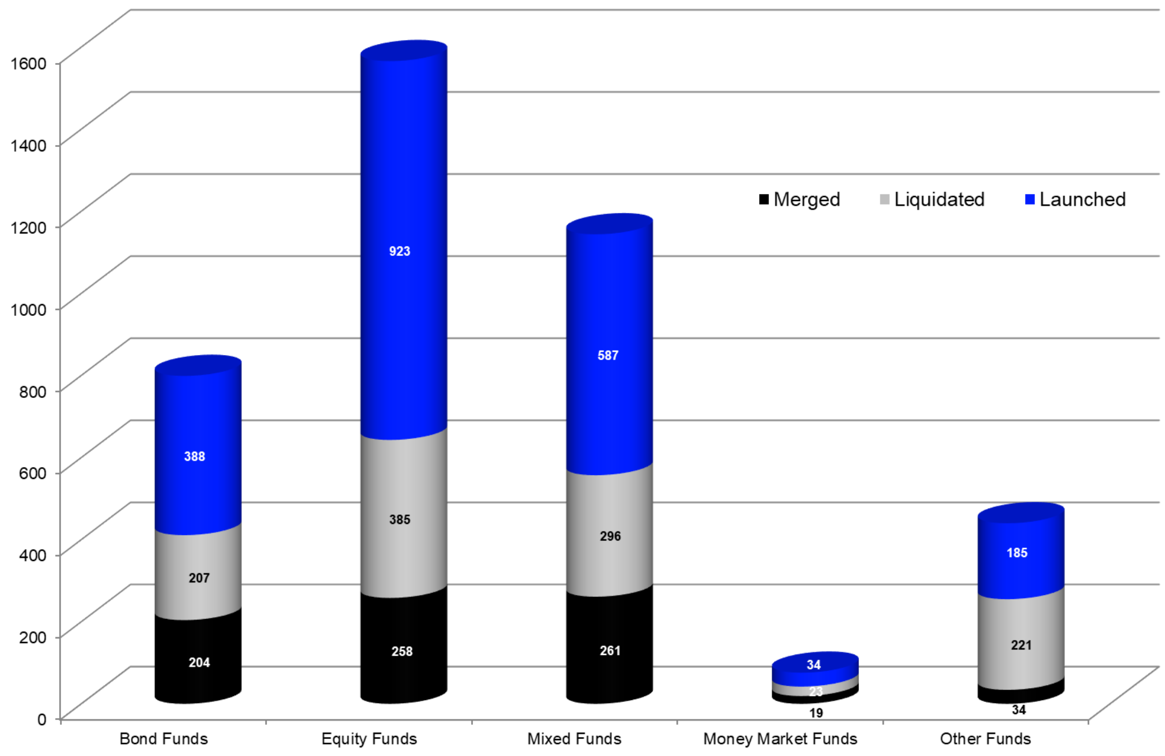
European fund promoters liquidated 1,132 funds over the course of 2021, while 776 funds were merged into other funds. In contrast, European fund promoters launched 2,117 funds. This means the overall number of primary funds in Europe increased by 209 products over the course of 2021.

A more detailed view shows that equity funds experienced the highest number of liquidations (385) and launches (923) for the year, while mixed-assets funds experienced the highest number of fund mergers (261). With regard to the broader trends in financial markets and the trends in the European fund industry, it was not surprising equity funds showed the highest number of fund launches given the current market environment and the trends toward passive and/or ESG-related equity products.

With regard to this it was not surprising that the number of equity products showed the net highest increase in the number of primary funds (280) over the course of 2021. As mentioned above this number seem to be driven by the market trends, as investors are looking for products with an ESG-related management approach.

The relatively small number of new mixed-assets products (30) might be a sign of market saturation. In addition, mixed-assets products have experienced lower and more concentrated net flows over the last few years, which is another sign of saturation. That said, the concentration of fund flows toward a small number of funds may fuel fund launches and mergers since promoters may want to launch products with similar investment objectives as the successful funds and support the assets under management of those funds by merging them with other products. This will increase the assets under management of the new products and make them more attractive for investors.

Graph 25: Number of Fund Launches, Liquidations, and Mergers 2021 by Asset Type



Source: Refinitiv Lipper

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