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LAUNCHES, LIQUIDATIONS, AND MERGERS IN THE EUROPEAN MUTUAL FUND INDUSTRY, Q2 2013

CHRISTOPH KARG
Content Specialist for Germany & Austria

Executive Summary

As of the end of June 2013, there were 31,877 mutual funds registered for sale in Europe. Luxembourg continued to dominate the fund market in Europe, hosting 8,515 funds, followed by France, where 5,035 funds were domiciled. For Q2 2013, 432 funds were created in Europe. During the same period 502 funds were liquidated and 355 were merged.

The total number of funds showed a decrease of 425 products for second quarter 2013. For second quarter 2012 the net decrease had been slightly higher, with 458 products.

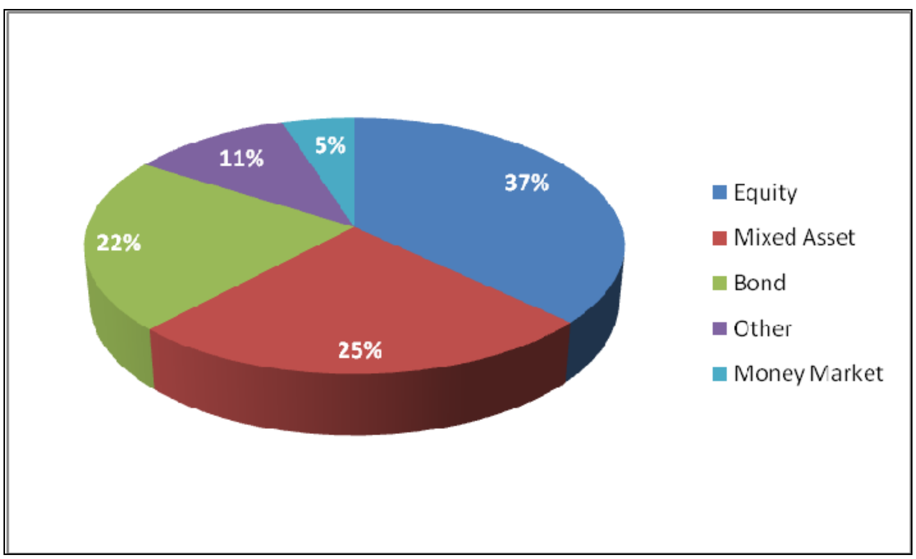
The quarterly net change in the European fund universe showed the highest decrease of the past year.

DETLEF GLOW
Head of Lipper EMEA Research

View of the Mutual Fund Market in Europe

The chart below breaks down the European fund market by asset class as of the end of Q2 2013. Equity funds dominated the scene with 37% of the funds available for sale, followed by mixed-asset funds at 25%. Bond funds stood at 22%, while money market funds represented 5% of the market. The remaining 11% of “other” funds were real estate funds, commodity funds, guaranteed funds, and funds of hedge funds.

Figure 1 Distribution of Mutual Funds Registered for Sale in Europe by Asset Type as of the End of June 2013



Source: Lipper, a Thomson Reuters company

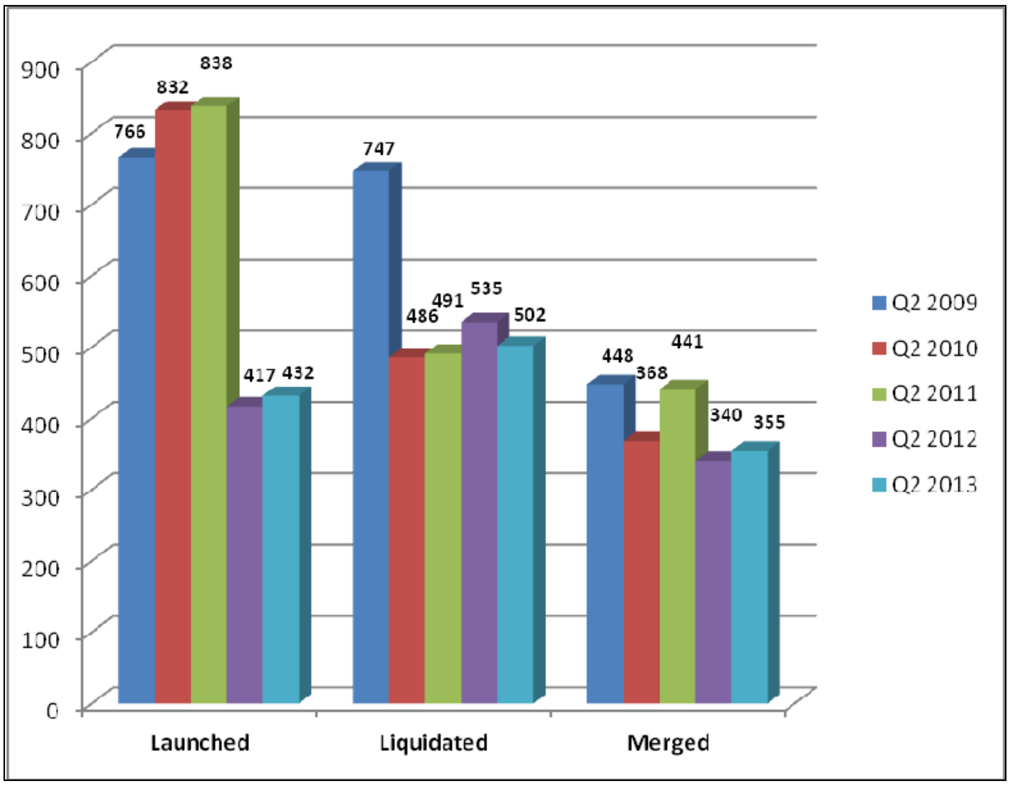
Quarterly Comparison

During Q2 2013, 432 funds were launched in Europe. The quantity of newly launched products was comparable with the numbers of the preceding quarter, when 435 funds were launched. The Q2 2013 number was slightly higher than the number of newly listed products for Q2 2012, when 417 funds were launched.

Fund liquidations were up from 396 funds for Q1 2013 to 502 funds for Q2 2013 (+27%). Compared with the second quarter 2012, the number of liquidations decreased 6%.

During the same period the number of fund mergers showed no real change, comparing Q2 2012 with 340 mergers and Q2 2013 with 355 mergers. For Q1 2013, 204 funds were merged, so measuring Q2 2013 against Q1 2013 we saw an increase of 74%.

Figure 2 Overview of New Fund Launches, Mergers, and Closures of Investment Funds



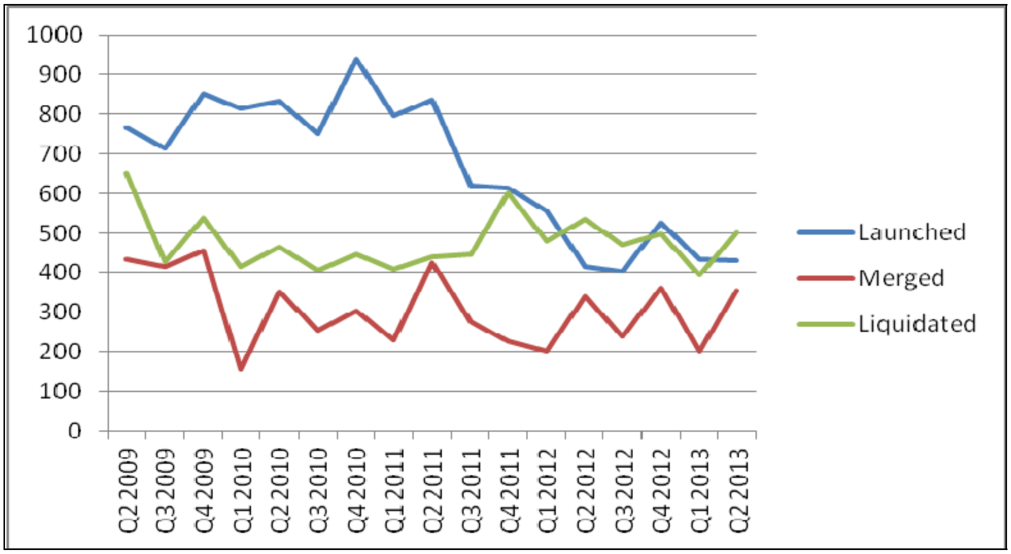
Source: Lipper, a Thomson Reuters company

The number of liquidations and mergers seemed to be stable, comparing second quarters since 2010. With 432 new products for Q2 2013 the low number of newly launched funds we had noticed since Q2 2012 continued.

Launches, Mergers, and Liquidations Over the Past Five Years

The net size of the European fund universe has gone down consistently since Q1 2011. We saw the lowest net growth for Q2 2012, with 340 mergers, 535 liquidations, and just 417 newly launched funds (for a total decline of 458 products). For Q2 2013 the number of mergers and liquidations went up (since Q1 2013), while at the same time we noticed a flat number of fund launches.

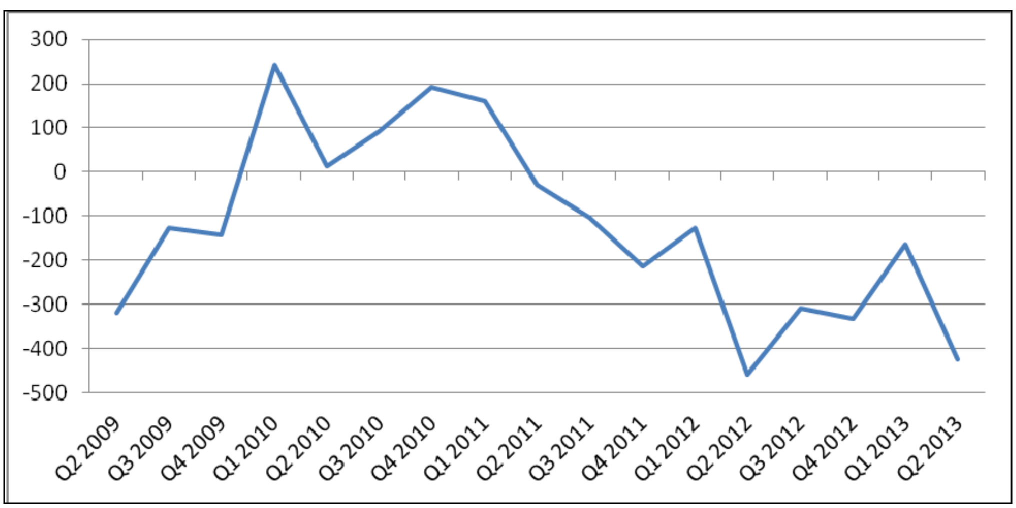
Figure 3 Launches, Mergers, and Closures of Investment Funds



Source: Lipper, a Thomson Reuters company

The numbers shown for Q2 2009 have to be considered a direct reaction to the financial crisis. The immediately following quarters showed that the industry counter-steered this trend successfully. Since then, we have seen nine quarters in a row with negative net numbers caused by lower activity in the launch of new products. In Q1 2013 the positive trend we observed since Q2 2012 ended with a net decrease of 425 products.

Figure 4 Net Change in Number of Funds Registered for Sale in Europe



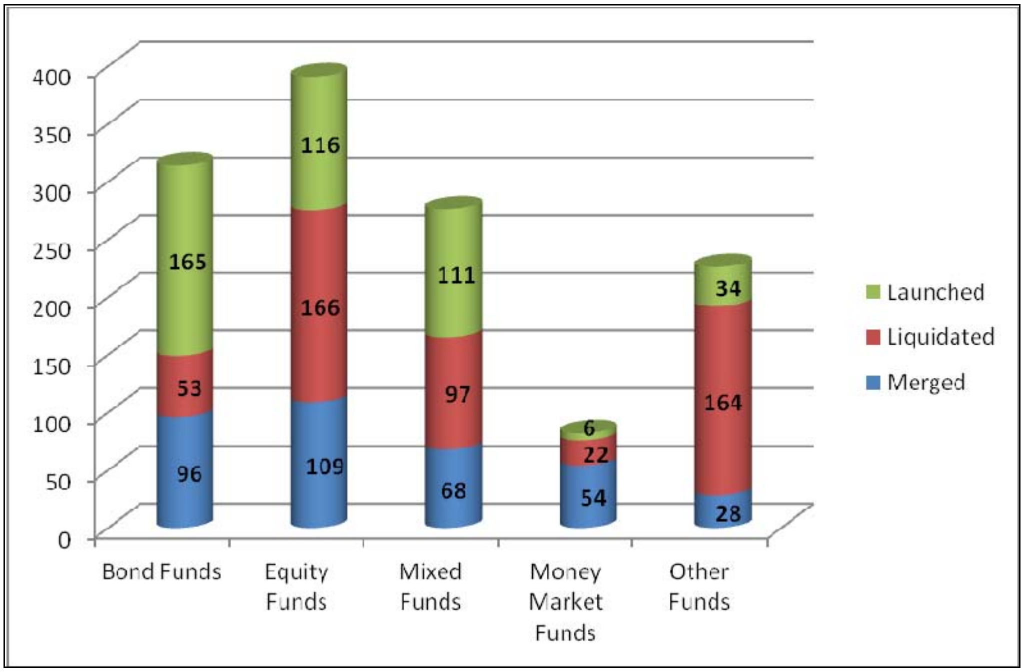
Source: Lipper, a Thomson Reuters company

Changes in European Fund Universe by Asset Classes, Q2 2013

Q2 2013 witnessed the launch of 432 funds: 116 equity funds, 165 bond funds, 111 mixed-asset funds, 34 “other” funds, and 6 money market funds. During the same period 502 funds were liquidated: 166 equity funds, 53 bond funds, 97 mixed-asset funds, 164 “other” funds, and 22 money market funds.

For Q2 2013, 355 funds were merged: 109 equity funds, 96 bond funds, 68 mixed-asset funds, 28 “other” funds, and 54 money market funds.

Figure 5 Overview of New Fund Launches, Mergers, and Closures, April 1, 2013 - June 30, 2013



Source: Lipper, a Thomson Reuters company

The higher numbers and therefore the higher activity in the equity space reflect the size (by number of funds) in this section.

The high number of newly launched bond funds reflects the demand of investors for new products within this sector, mainly driven by the chase for yield.

Summary and Outlook

Per statistics from the European Fund and Asset Management Association the first half of 2013 showed the European fund industry growing. With over 9.5 trillion euros of net assets as of the end of May 2013, the overall picture seems to be positive. But, looking behind the overall picture, the trends are quite different between the asset classes. Equity funds' net sales had been positive for the first four months of 2013 but turned negative in May 2013. In comparison bond fund and balanced fund net sales were consistently positive.

The latest available fund flow statistics from Lipper FMI show that the positive trend in the bond sector came to an end after Ben Bernanke's announcement of a possible end of the quantitative easing program. All major asset classes showed outflows for June 2013. The only sector resisting this trend was mixed-assets. Early indicators for July 2013 show that both bond funds and equity funds have seen net inflows. In addition, mixed-asset funds have continued their positive sales trend.

There is still a lot of money in the market seeking investment opportunities. With the ongoing policy of low interest rates from the leading central banks, the major stock exchanges are close to their all-time highs. The asset management industry should benefit from this general economic situation, but there is still a lack of new products being created and new trends being established.

Focusing on the European Union, we have to note that the major issues in the context of the debt crisis have yet to be sorted out. An additional debt haircut for Greece seems to be inevitable to solve the issues in that country. But this decision seems to have been postponed until after the German election set for late September.

Lipper U.S. Client Services
+1 877 955 4773
customers.reuters.com/crmcontactus/support.asp

Lipper Europe Client Services
(UK) 0845 600 6777
(Europe) +44207 542 8033
customers.reuters.com/crmcontactus/support.asp

Lipper Asia Client Services
+886 2 2500 4806
customers.reuters.com/crmcontactus/support.asp

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