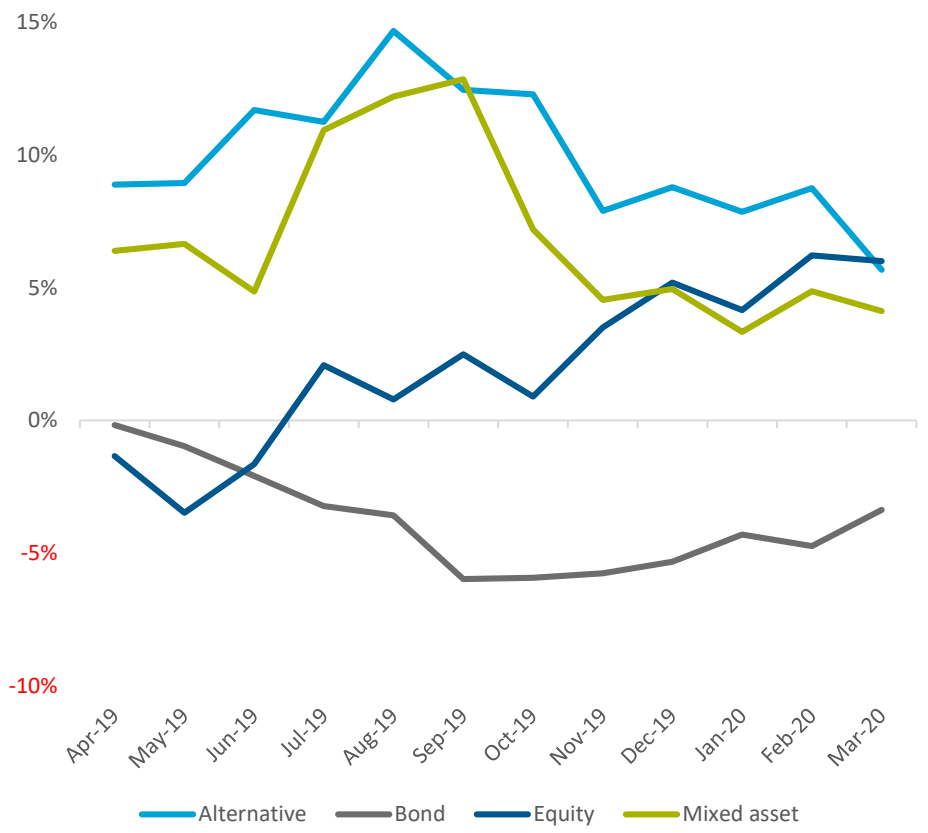
INSIGHT OF THE WEEK

European fund selectors see opportunities in equity

NET SELECTOR SENTIMENT – THREE MONTH MOVING AVERAGE

Europe



Source: Product Innovation Perspectives Monthly Barometer, based on Broadridge Fund Buyer Focus interviews with third-party fund selectors in 10 key European markets. Net allocation intentions are calculated by subtracting negative responses from positive responses and dividing by the total number of interviews.

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Professional fund buyers' appetite for stock funds is growing

Since late 2019, European selectors having been increasingly keen to add more equities to portfolios. The economic fallout from the coronavirus pandemic could upset that trend, but so far it is not the case. Selector interviews conducted in March highlight how sentiment toward core stock sectors like global and North America were instead positive, with the latter jumping 22 percentage points to record net allocation intentions of 18%.

With markets in freefall in much of February and March, more attractive valuations are surely a key factor here – but it may also be the case that selectors feel they have little choice if their bond allocations are already overweight and default risk is on the rise. Can selectors persuade their clients that the time is right to focus on equity funds again? That is no mean feat, as this quote from an Italian fund selector in March highlights:

'*The amount of redemptions requested by customers has been less than we expected. This trusting attitude is probably the result of the substantial liquidity still available, but it is also reasonable to think that the downward movement was so sudden and violent that it did not allow time to exit without the loss of a large portion of invested capital. I think it will be hard for fund flows to turn positive, at least until there is a minimum of certainty about the outcome of this pandemic. At the moment I perceive investors to be relatively immobile*'.

Insights drawn from Product Innovation Perspectives

A global intelligence service for product strategists



Underpinned by Broadridge's global data and analytics platforms, Product Innovation Perspectives enables a deeper understanding of the drivers behind successful product launches, and equips product teams with clear, incisive indicators and a deep analysis of the changing demands of the third-party fund buying universe.

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