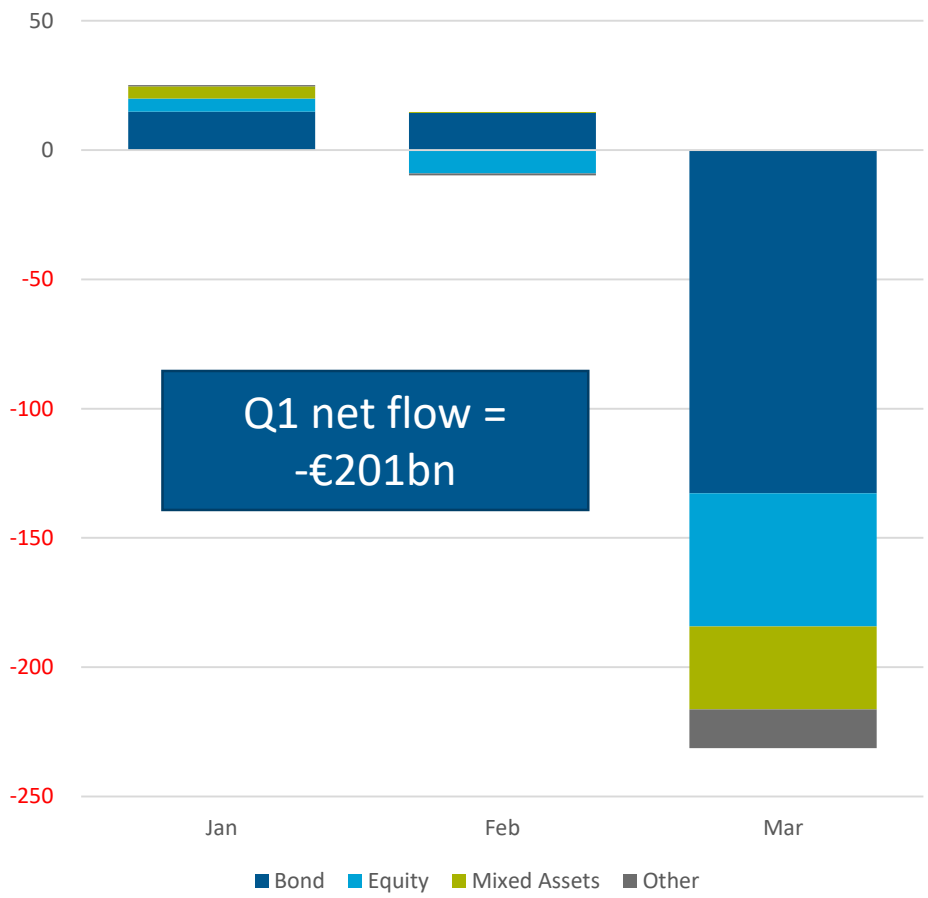
INSIGHT OF THE WEEK

March volatility sparks record European fund outflows

EUROPE: NET SALES OF LONG-TERM FUNDS, Q1 2020, €BN



Source: Broadridge GMI, excluding money market funds and funds of funds.

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Fixed income leads rapid sell-off

By March the impact of the Covid-19 pandemic was unmistakable. What had started as a human virus rapidly developed into a full-blown economic crisis. European investors redeemed a record €231bn from funds during the month, with bonds posting outflows of €133bn, equities losing €52bn, and mixed asset bleeding €32bn. European long-term funds saw some 3% of their total assets redeemed. Despite the torrent of outflows from bond funds, the sum is nevertheless dwarfed by the volume of inflows to the asset class over the past decade – in excess of €1trn. As a result, cumulative net sales are comparable to the levels registered last summer.

Early indicators suggest a strong bounce back in fund demand during April, which will mitigate some of the carnage. But the sales performance of various parts of the industry in March has sharpened the focus on a number of ongoing challenges and opportunities. Many income funds faced severe outflows and will struggle to generate as much income as they have done in the past as companies announce dividend cuts. Overall, active funds bore the brunt of redemptions while passives suffered fairly minimal outflows. ESG funds, meanwhile, were left relatively unscathed, losing just 1% of their assets in outflows.

Insights drawn from Radar Europe

A monthly intelligence report analysing the latest wholesale European and cross-border fund flows



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