

UK FUND FLASH

LIPPER FMI'S QUARTERLY SNAPSHOT OF UK TRENDS

FOR IMMEDIATE RELEASE

INVESTORS' RISK APPETITE RETURNS

IN BRIEF

- **UK fund sales** soar as investors move out of cash to gain yield and exposure to stock market recovery.
- **M&G and Invesco Perpetual** top sales charts thanks to bond fund inflows.
- **Supporters of an Asian and emerging market turnaround** push First State into third position.
- **Neptune and Jupiter** attract increasing business.
- **HSBC Global** scores top marks for multi manager and ISA sales in second quarter.

HOW MUCH TIME DOES YOUR TEAM SPEND ANALYSING UK FUND MARKET TRENDS???

Watch your inbox! Coming soon is an email about the new FundFile module for the UK— a new and fast way of gaining deep insights on the UK market.

Lipper FMI — Leading Fund Intelligence

Retail fund sales soared to record levels in the second quarter thanks to a combination of low interest rates on deposits and the 'relief rally' in the UK stock market, after it became clear that banks were not going to collapse after all. Gross retail sales rose by 14.5%, according to IMA data, but more importantly redemptions by retail investors fell to their lowest level for three years. Consequently, net retail investment reached a record quarterly level of £7.4bn, while ISA sales quintupled to £1.2bn.

YIELDS TOO GOOD TO REFUSE

Continuing the trend seen in the first quarter, corporate bond funds with average after-tax yields of 5% continued to tempt UK savers out of cash accounts which at best were paying gross interest of only half this level. Despite the risk to their capital, many investors clearly saw these fund yields as too good an offer to refuse. M&G and Invesco Perpetual, the top selling groups in the quarter, continued to benefit from this trend. Though both saw their sales decline somewhat compared to the first quarter, they still attracted net inflows in excess of £1bn each during the three month period. Both groups' top sellers were their corporate bond funds. However, the good news for other fund companies was that investors started spreading their wings to other groups' fixed income and equity funds so business was less concentrated than in the first quarter.

EQUITY FUNDS RETURN TO FAVOUR

The resurgence in equity fund sales was the most striking feature of the second quarter. Over £3bn poured into this asset class of which more than £2.5bn came from retail investors (mainly guided by their advisers and wealth managers). Among the most popular sectors were Asia and the emerging markets due to a belief among investors that these markets are likely to come out of the recession ahead of Western economies. The group which gained most from this was First State. Its gross sales doubled and its net retail sales tripled in the second quarter,

QUARTERLY SALES (Q209)

TABLE 1
TOP TEN MANAGERS BY GROSS RETAIL SALES
FOR Q209

Fund Manager	Sales (£m)
M&G	1,990.7
Invesco Perpetual	1,934.0
BlackRock	1,167.4
Jupiter	908.6
First State	902.2
BNY Mellon	823.3
Fidelity	748.3
Schroder	689.6
Neptune	659.8
Threadneedle	635.8

enabling it to leapfrog ahead of the likes of BlackRock and Jupiter to take third place at the top of the net retail sales table. Though an Australian owned group, it is the experience and safe pair of hands approach of the company's Edinburgh-based investment team led by Angus Tulloch that appears to have attracted investors. Two new fund launches by First State during the quarter also helped to boost the group's sales.

SIBLING RIVALRY

Though Neptune and Jupiter may be brothers in Roman mythology, nowadays they are competing for fund business. Jupiter has proved a resilient, long term favourite among investors, but Neptune is becoming increasingly prominent. Both groups saw their sales in the second quarter increase to record levels. Each attracts support across a range of funds. For Jupiter the top seller in the second quarter was Merlin Income. For Neptune, which saw its gross

TABLE 2
TOP TEN MANAGERS BY NET RETAIL SALES
FOR Q209

Fund Manager	Sales (£m)
M&G	1,452.2
Invesco Perpetual	1,095.7
First State	603.6
BlackRock	515.7
Jupiter	499.9
Neptune	479.7
BNY Mellon	456.4
Threadneedle	381.9
Scottish Widows	343.6
HSBC	302.6

retail sales more than double during the quarter, and net sales nearly quadruple, it was European Opportunities. Sales of this fund appear to have been boosted by investors switching their European allocations from other, underperforming funds. The boutique's top-performing US Opportunities fund has also been selling well. Its sales and marketing heads believe they are achieving increasing success by getting the message across about the company's team-based investment process, backed up by a flexible approach to advertising and the use of in-house online manager interviews.

MULTI-MANAGER SUCCESS

After several years of banging the drum, HSBC Global is finally making headway with its multi-manager approach, entering the top ten for retail sales. It also achieved the highest ISA sales in the quarter.

This is an extract from the UK Fund Sales Report, published by Lipper FMI, a Thomson Reuters company. Lipper FMI is the leading provider of data and information on the European mutual fund markets.

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