

# UK FUND FLASH

LIPPER'S QUARTERLY SNAPSHOT OF UK TRENDS

FOR IMMEDIATE RELEASE

## INVESTORS VOTE FOR INCOME IN 1ST QUARTER

### IN BRIEF

- **A good start to 2010** as retail investors show their faith in funds.
- **M&G continues to** top the charts with a rise in its gross sales though its net flows are somewhat less intense than in previous quarters.
- **BlackRock** attracts increasing business as absolute return funds move into the mainstream.
- **BNY Mellon's** reputation as an income provider goes global as investors opt for overseas dividends.
- **Multi-manager funds** help to boost several groups' fortunes.

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Fund managers saw the year get off to a buoyant start in the first quarter. With cash deposits having little to offer, investors are still flocking to funds, buying direct as well as within ISA wrappers. Gross total sales topped £37bn according to the IMA. Although net sales were somewhat down on the previous three quarters, retail sales reached record proportions for a first quarter at over £5.5bn. Institutional investment was also positive.

Although there have been some outflows from investment grade corporate bond funds in recent months, bonds as an asset class have returned to favour in 2010 overtaking equities for the first time since the second quarter of last year. They attracted £1.5bn net, while equity funds pulled in £1bn. The ongoing appeal of bond funds was reflected in the fact that the most successful new fund launch in the first quarter was Invesco Perpetual's Tactical Bond fund which attracted just shy of £150m in its initial launch period. However, other funds such as mixed asset funds also held their own.

### STILL RULING THE ROOST

The resilience of bond fund sales was reflected in M&G's continued dominance of the retail sales tables. This is the sixth consecutive quarter that the UK's oldest fund manager has topped these charts. Its best selling fund was Optimal Income, a flexible bond fund. Another top seller was the more self-explanatory Strategic Corporate Bond. However, the group is also attracting equity investors into funds such as its flagship Recovery fund, and Global Basics. In addition, the managers report that the property and mixed asset funds are selling well too.

## QUARTERLY SALES (Q1/10)

**TABLE 1  
TOP TEN MANAGERS BY GROSS RETAIL SALES  
FOR Q110**

Fund Manager	Sales (£m)
M&G	2,430.5
Invesco Perpetual	1,926.1
BlackRock	1,438.6
SWIP	1,357.1
Jupiter	1,309.1
BNY Mellon	1,113.2
Schroder	995.1
Fidelity	866.7
First State	861.6
Legal & General	849.0

**TABLE 2  
TOP TEN MANAGERS BY NET RETAIL SALES  
FOR Q110**

Fund Manager	Sales (£m)
M&G	930.3
BlackRock	656.5
SWIP	610.0
BNY Mellon	520.5
Threadneedle	464.0
Investec	457.1
Jupiter	378.5
HSBC	345.9
IFDS	336.0
Schroder	311.4

### MOVING INTO THE MAINSTREAM

Absolute return funds also played a strong role in the first quarter. These funds are increasingly regarded as core, rather than peripheral holdings. BlackRock, which arguably has done most to popularise the concept, was one of the few major groups to see its first quarter sales exceed last year's quarterly levels. Its best selling fund was UK Absolute Alpha which accounted for 22% of its gross retail sales. Standard Life Investment Management's Global Absolute Return Strategies also enjoyed good retail sales in the quarter.

### INCOME FROM AROUND THE WORLD

Several managers reported a growing interest in overseas equity income funds. One group particularly well placed to gain from this trend is BNY Mellon, which rose to fourth position in the net retail sales chart. Quarter on quarter, its net sales rose by over 60%. Its Newton range includes not only some best selling UK equity income funds, but

also a variety of overseas income funds. The top attraction was Global High Income, with its Asian and European Income funds also appealing to investors who want to diversify their sources of income, as well as those who see income funds as a better hedge against a downturn than more aggressive growth funds. Schroder Income Maximiser was another beneficiary of the thirst for income and along with the firm's conventional Income fund, and UK Alpha Plus fund helped the firm retain its place in the retail top tens.

### MULTIPLE CHOICE

One of the longest-serving members of the top ten club is Jupiter. Its funds of funds range continues to enjoy growing sales, particularly Merlin Income. Multi-manager funds also paved HSBC's way back into the net retail sales top ten. And multi-manager funds of various wealth managers, contributed to the presence of host company, IFDS, at the top table too.

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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