

# NEW FUNDS IN GLOBAL MARKETS

## Q2 2014 - ASIA, EUROPE, AND CROSS-BORDER

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### Executive Summary

- Long-term launches in Asia, Europe, and Cross-Border collected \$64 billion during Q2 2014, split roughly 60-40 between Europe (including Cross-Border) and Asia. The decrease in new fund sales from the prior quarter was attributed mainly to a decline in flows to new bond vehicles (\$20 billion in Q2 vs. \$37 billion in Q1), which offset the slight increase in fund sales to new equity products.
- In Asia, new long-term product sales totaled \$26 billion in Q2: Bond funds garnered \$12 billion in net flows, of which \$7 billion came from local India and Thailand. Chinese investors led sales of mixed investments (\$2.9 billion) and equity products (\$2.4 billion), while Japan collected the vast majority of new real estate funds sales.
- In China, joint venture China Life AMP raised just under \$1 billion with its first passive equity fund, CSI 300 Index Fund. In Japan, Daiwa and Mitsubishi UFJ continued to roll out new US bank loan products.
- In Europe and Cross-Border, new long-term funds collected \$38 billion. Mixed asset vehicles raised the most cash with \$14 billion, while equity and bond funds followed closely with \$12 billion and \$8 billion, respectively. "Other" funds, including guaranteed and alternative products, collected \$4.5 billion.
- Hedge fund manager John Paulson partnered with Schrodgers to launch Schroder GAIA Paulson Merger Arbitrage (\$230 million) on the GAIA alternative UCITS platform. Other highlights in the Cross-Border space include three new emerging market funds from Allianz (\$0.5 billion), as well as similar offerings from Pictet and Babson Capital.
- New local funds in European markets raised \$23 billion during Q2. New equity and bond products collectively totaled \$9 billion, with European-focused vehicles attracting 70% of the combined flows.
- CF Woodford Equity Income was the best-selling new fund this month, garnering nearly \$2.7 billion in net flows. The fund is managed by Neil Woodford, former manager of the Invesco Perpetual High Income fund before starting his own company, Woodford Investment. Capita Financial, the Authorized Corporate Director, handles the regulatory framework and distribution model for the fund, which is offered on 17 fund platforms.

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**Simfund Global**

Data from this report is primarily sourced from Strategic Insight's Simfund Global databases, which cover 120,000 portfolios across Asia, Europe, the Americas, Australia, and Canada. Simfund integrates information from various sources and includes net flows, assets, returns, risk, ratings, portfolio holdings, fees, share class details, and hundreds of other fields in a flexible analytical solution.

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**New Fund Developments: Asia, Europe, and Cross-Border**

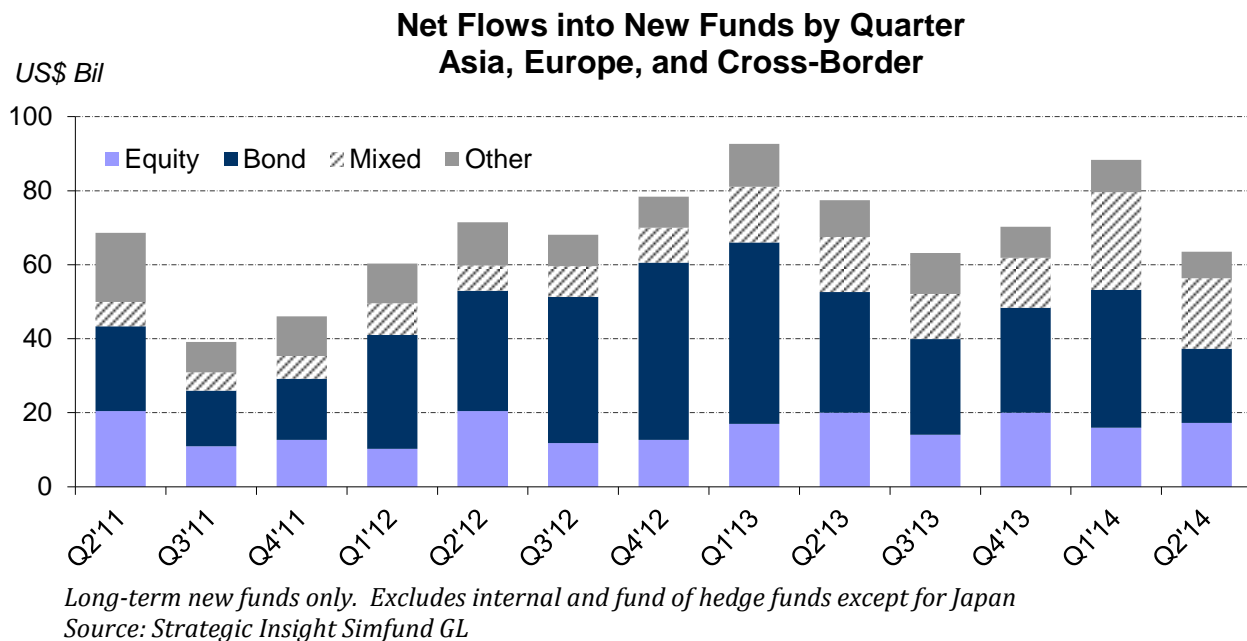
Figure 1

New Long-Term Investment Funds by Region						
In US\$ Billion						
	Q2 2013		Q1 2014		Q2 2014	
	# of Funds	Flows	# of Funds	Flows	# of Funds	Flows
Asia	572	44.4	977	37.0	762	25.5
Europe	390	22.8	370	33.0	274	23.4
Cross-Border	242	13.2	298	18.4	247	14.7
<b>Total Above</b>	<b>1,204</b>	<b>80.4</b>	<b>1,645</b>	<b>88.4</b>	<b>1,283</b>	<b>63.6</b>

Data excludes internal and fund of hedge funds except for Japan  
 Source: Strategic Insight Simfund GL

Flows to long-term new funds in Asia, Europe, and Cross-Border decreased 30% from the prior quarter (\$88 billion) to \$64 billion, as fewer products were launched across all regions. In particular, total flows into new bond vehicles were nearly half that of Q1, with Asia collecting \$12 billion (\$20 billion in Q1) and Europe including Cross-Border \$8 billion (\$17 billion in Q1).

Figure 2



Product development highlights in Q2 include Neil Woodford’s new UK launch, **CF Woodford Equity Income** (\$2.7 billion), three **Allianz** emerging market funds (\$0.5 billion), and a partnership between hedge fund manager **John Paulson** and **Schroders’ alternative UCITS platform GAIA** in the Cross-Border space. In Asia, **China Life AMP** launched its first passive equity fund, **CSI 300 Index Fund** (\$0.8 billion), while Japan saw high inflows into domestic stock and US bank loan funds.

## New Fund Trends in Asia

Figure 3

## New Funds by Asset Class

In US\$ Billion

Type	Q2 2013		Q1 2014		Q2 2014	
	# of Funds	Flows	# of Funds	Flows	# of Funds	Flows
Equity	172	13.8	200	8.8	195	5.7
Bond	225	23.8	551	20.2	351	11.9
Mixed	98	4.0	112	5.5	121	5.1
Guaranteed	41	2.1	35	0.8	34	0.8
Real Estate	16	0.6	15	0.9	18	1.2
Other	<u>20</u>	<u>0.2</u>	<u>64</u>	<u>0.8</u>	<u>43</u>	<u>0.9</u>
<b>Total Long-Term</b>	<b>572</b>	<b>44.4</b>	<b>977</b>	<b>37.0</b>	<b>762</b>	<b>25.5</b>
Money Mkt	<u>103</u>	<u>8.0</u>	<u>146</u>	<u>21,046</u>	<u>166</u>	<u>13.0</u>
<b>Total Asia</b>	<b>675</b>	<b>52.4</b>	<b>1,123</b>	<b>58.0</b>	<b>928</b>	<b>38.5</b>

Data excludes internal and fund of hedge funds except for Japan

Source: Strategic Insight Simfund GL

New long-term product sales in Asia totaled \$26 billion in Q2, \$10 billion less than the prior quarter. Bond funds garnered \$12 billion in net flows, of which \$7 billion came from local India and Thailand. Chinese investors led sales of mixed investments (\$2.9 billion) and equity products (\$2.4 billion), while Japan collected the vast majority of new real estate funds sales.

Figure 4

## Top 5 Highest Cash Flow Managers for New Funds in Asia

In US\$ Billion

Rank	Manager	# of Funds	Flows
1	Daiwa	11	1.6
2	SCB Asset	13	1.4
3	Kasikom	16	1.1
4	Mitsubishi UFJ	19	0.9
5	China Life AMP	<u>1</u>	<u>0.8</u>
<b>Total Above</b>		<b>60</b>	<b>5.8</b>
<b>Total Asia</b>		<b>762</b>	<b>25.5</b>

Data excludes internal and fund of hedge funds except for Japan; long-term funds

Source: Strategic Insight Simfund GL

**Daiwa** and **Mitsubishi UFJ** gathered \$1.6 billion and \$1 billion, respectively, with a notable portion of sales coming from new US bank loan funds. In China, joint venture **China Life AMP** raised just under \$1 billion with its first passive equity fund, **CSI 300 Index Fund**, while Thai managers **SCB Asset** and **Kasikom** together raised \$2.5 billion through their new short and ultra-short term local bond products.

## New Funds in Japan

Figure 5

## Top-Selling Japan New Launches, Q2'14

In US\$ Million

Portfolio	Manager	Objective	Launch	Net Flows Q2'14
SMAM Nikko Blackrock High Quality Allocation Fund*	Sumitomo Mitsui	Mixed Flexible	Jun-14	573
Tokio US Preferred REIT Fund*	Tokio Marine	Real Estate	Apr-14	515
Daiwa Nippon Backup Fund Vol.5 -Rising Japan-	Daiwa	Equity Japan	Apr-14	450
Daiwa Global Hybrid Securities Fund II	Daiwa	Bond Global	May-14	413
MYAM US REIT Income Premium Fund	Meiji Dresdner	Real Estate	May-14	378
Kokusai US ST High Yield Bond*	Kokusai	Bond High Yield	Apr-14	371
MitsubishiUFJ US Bank Loan NH*	Mitsubishi UFJ	Alt - Credit/Debt	May-14	370
Daiwa AUD High Yield Securities Alpha	Daiwa	Bond AUD	Jun-14	275
Daiwa Global Great Consumer Equity Fund II*	Daiwa	Equity Sector/ Other	Jun-14	235
MitsubishiUFJ World Fin Hi Income Security Fund 2014-05	Mitsubishi UFJ	Bond Global	May-14	230
MHAM EU Real Estate Strategy Fund*	Mizuho	Real Estate Equity	Jun-14	196
Kokusai Short Term High Yield Bond Fund 2014-04*	Kokusai	Bond Global	Apr-14	179
Premium Funds-Schroder Japanese Equity	Nikko	Equity Japan	Apr-14	175
Daiwa England High Dividend Equity Fund*	Daiwa	Equity UK	May-14	157
DaiwaSB North EU Double Income	Daiwa SB	Mixed Balanced	Apr-14	153
<b>Total Above</b>				<b>4,670</b>

*Total Long-Term Net Flows in Q2'14 = \$6.6 bn*

*\* Flows combined various currency-linked, hedged/non-hedged and settlement versions*

*Source: Strategic Insight Simfund GL*

Nearly \$6.6 billion went into new long-term funds in Japan, a third less than the prior quarter. Bond launches attracted \$2.7 billion, with six new US bank loan funds contributing \$0.6 billion net flows. New equity funds collected \$1.6 billion, real estate \$1.1 billion, and mixed vehicles \$0.8 billion.

- **Sumitomo Mitsui** garnered \$570 million with **SMAM Nikko Blackrock High Quality Allocation**. The fund, sub-advised by Blackrock, shares the same strategy as Luxembourg-domiciled BGF Global Allocation fund, which was launched in 1997 and has \$22 billion AUM. The Japanese fund invests 70% of its assets in undervalued corporate and government stocks and bonds around the world.
- **Tokio US Preferred REIT** and **MYAM US REIT** both invest in REITs listed on the US stock exchange. The two collected \$520 million and \$380 million, respectively. The first is sub-advised by Heitmann Real Estate and the latter by Neuberger Berman. Mizuho also launched **MHAM EU Real Estate Strategy Fund** and garnered \$200 million. The fund is sub-advised by CBRE Clarion and invests in REITs and real estate related equity in Europe, particularly the UK, France, and Germany.
- **Daiwa Nippon Backup Fund Vol.5 Rising Japan** invests in domestic stocks that benefit from the economic revitalization of Tokyo, particularly small- and medium-sized companies in industries such as urban construction, real estate, infrastructure, and tourism. **Nikko** launched **Premium Funds-Schroder Japanese Equity**, which also invests in equity securities of Japanese companies and gathered \$180 million. Nikko's **Premium Funds** range has \$430 million AUM as of Q2'14 and includes

other funds advised by foreign managers such as Capital (US Growth and Income), ING (European High Yield), Blackrock (Global Corporate Bond), and PIMCO (Total Return Strategy).

- **Kokusai US Short Term High Yield Bond**, sub-advised by Morgan Stanley, invests in USD denominated short-term high yield bonds and gathered \$180 million. **Daiwa AUD High Yield Securities Alpha** also pursues high yield through investments in corporate and hybrid securities denominated in AUD. The fund is sub-advised by Goldman Sachs and garnered \$280 million.
- **MitsubishiUFJ** collected \$370 million through its **US Bank Loan Fund**, which is sub-advised by Western Asset and invests in US Bank Loans with a rating of B or higher. Nikko's new bank loan fund collected \$110 million in addition to other offerings from Sumitomo Mitsui, Shinko, Nomura, and Manulife.
- **Daiwa Global Great Consumer Equity Fund II** aims to benefit from the expansion of emerging consumer markets by investing in companies worldwide. The fund allocates roughly 50% to Europe, Middle East, and Africa; 33% to Latin America; and 17% to Asia. The fund consists of AUD and BRL currency share classes and is sub-advised by Mirae. Daiwa also introduced **England High Dividend Equity** and **North EU Double Income**. Both funds collected approximately \$150 million each and invest in stocks with high dividend yield, the first in the UK and the second in the Nordic region through Alfred Berg's Nordic High Dividend Stock and Bond funds.

**New Funds in Asia (ex- Japan)**

Figure 6

**Top-Selling Asia ex Japan Launches, Q2'14***In US\$ Million*

Portfolio	Manager	Domicile	Objective	Launch	Net Flows Q2'14
China Life AMP CSI 300 Index Fund	China Life AMP	China	Equity China	Jun-14	833
China Post Core Competitive Hybrid Fund	China Post & Capital	China	Mixed Flexible	Apr-14	365
Harvest Regular Open Investment Fund	Harvest	China	Mixed Flexible	May-14	317
BOC JULI Graded Bond Fund	BOC International	China	Bond CNY	Jun-14	299
Hua An New Flexible Allocation Fund	Hua An	China	Mixed Flexible	Apr-14	295
SCB Foreign Fixed Income 1YB2	SCB Asset	Thailand	Bond Global	Apr-14	249
ICBCCS Absolute Return Strategy Hybrid Fund	ICBC Credit Suisse	China	Abs Return Multi-Asset	Jun-14	246
Yuanta China Opportunities Bond Fund	Yuanta	Taiwan	Bond CNY	Jun-14	238
SCB Foreign Fixed Income 1YA8	SCB Asset	Thailand	Bond Global	Apr-14	222
JPMorgan (Taiwan) Asia Equity Div Fund	JP Morgan	Taiwan	Equity Asia Pac Ex Japan	Jun-14	211
Capital Industrialized Countries Equity Inc	Capital Invst Trust	Taiwan	Equity Global	Jun-14	208
SCB Foreign Fixed Income 1YC1	SCB Asset	Thailand	Bond Asia Pacific LC	Jun-14	199
China Southern Dream Hybrid Fund	China Southern	China	Mixed Flexible	Jun-14	194
CTBC Multi Income Balance Fund	Truswell	Taiwan	Mixed Balanced	May-14	189
Fuh Hwa Emerging Market RMB ST Income Fund	Fuh-Hwa	Taiwan	Bond Emerging Markets	Apr-14	171
<b>Total above</b>					<b>4,234</b>

*Total Long-Term Net Flows in Q2'14 = \$19.0 bn**Source: Strategic Insight Simfund GL*

**India** and **Thailand** each collected around \$4 billion in net new flows, mostly through short-to-ultra-short local bond products launched this quarter. **Korea** saw \$1.2 billion of inflows to new vehicles, more than a third of which also came from bond funds. Other local Asian markets (Indonesia, Malaysia, Hong Kong, Singapore, and Philippines) saw relatively fewer launches and attracted less than \$1 billion in net new flows altogether.

New long-term flows in **China** reached \$7.3 billion in Q2, with mixed and equity launches contributing \$2.9 billion and \$2.4 billion, respectively. Though the \$1.5 billion of inflows into new bond vehicles were more than double the amount collected in Q1 (\$0.7 billion), existing bond products in the market continued the trend of large outflows, with \$6.8 billion for the quarter (\$22 billion YTD).

- **China Life AMP**, a joint venture between Australia's AMP Capital and China Life, launched the **CSI 300 Index Fund** and collected \$830 million. It is the first passive equity fund under the new partnership and it tracks the CSI 300 Index, which consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges. Additionally, 11 passive funds were launched in China during Q2 and those garnered \$1.6 billion altogether.
- **China Post Core Competitive Hybrid Fund** and **Harvest Regular Open Investment Fund** both invest in bonds issued by small and medium enterprise (SME) and collected \$370 million and \$320 million, respectively. The latter uses a long/short investment strategy to control systemic risk exposure.



- \$370 million went into **Bank of China's JULI Graded Bond Fund**, which invests mainly in government and corporate bonds. **Hua An New Flexible Allocation Fund** and **China Southern Dream Hybrid Fund** both invest in equity and fixed income using a flexible asset allocation strategy and collectively gathered \$500 million.

Fourteen new long-term funds in **Taiwan** raised \$1.7 billion: \$0.6 billion of the total came from new equity funds, \$0.5 billion from mixed vehicles, and \$0.4 billion from bond products.

- **Yuanta China Opportunities Bond Fund** was the top-selling new fund in Taiwan with \$240 million. The fund invests at least 60% of its assets in government bonds as well as other fixed income securities issued by “China opportunity” countries. (These are countries that benefit the economic development of China through export trade.) The fund has local currency and RMB share classes.
- **JPMorgan (Taiwan) Asia Pacific Equity** invests in high-dividend stocks, including REITs in the Asia Pacific region and gathered more than \$210 million. **CTBC Multi Income Balance Fund** also seeks to provide income by investing in foreign and domestic stocks, as well as up to 30% of its assets in high yield bonds.
- **Capital Industrialized Countries Equity**, advised by equity specialist ClearBridge, invests at least 60% of its assets in equities of industrial countries and also collected around \$200 million. **Fuh Hwa** collected \$170 million via its **Emerging Market RMB Short-Term Income Fund**, which invests at least 60% of its assets in emerging market bonds with durations between one to three years.



## New Fund Trends in Cross-Border and Local Europe

Figure 7

New Funds by Asset Class						
In US\$ Billion						
Type	Q2 2013		Q1 2014		Q2 2014	
	# of Funds	Flows	# of Funds	Flows	# of Funds	Flows
Equity	176	6.4	171	7.2	188	11.6
Bond	124	8.5	149	17.2	110	8.1
Mixed	187	13.6	193	20.9	117	13.9
Guaranteed	59	3.1	53	3.9	18	0.9
Real Estate	9	0.1	13	0.2	6	0.1
Other	<u>77</u>	<u>4.3</u>	<u>89</u>	<u>2.1</u>	<u>82</u>	<u>3.5</u>
<b>Total Long-Term</b>	<b>632</b>	<b>36.0</b>	<b>668</b>	<b>51.4</b>	<b>521</b>	<b>38.0</b>
Money Mkt	<u>12</u>	<u>7.8</u>	<u>5</u>	<u>162</u>	<u>8</u>	<u>1.7</u>
<b>Total Above</b>	<b>644</b>	<b>43.8</b>	<b>673</b>	<b>51.6</b>	<b>529</b>	<b>39.8</b>

Data excludes internal and fund of hedge funds  
Source: Strategic Insight Simfund GL

Flows into long-term new products reached \$38 billion in local Europe and Cross-Border markets in Q2 2014. New mixed funds, mainly local target maturity strategies, continued to attract the most cash with \$14 billion, while equity and bond products gathered \$12 billion and \$8 billion, respectively. “Other” funds, including guaranteed and alternative vehicles, collected \$4.5 billion.

Figure 8

Top 5 Highest Cash Flow Managers for New Funds in Cross-Border and Local Europe			
In US\$ Billion			
Rank	Manager	# of Funds	Flows
1	Intesa Sanpaolo	9	5.1
2	Pioneer Investments	10	2.7
3	Capita Group Plc	2	2.7
4	Pictet	5	2.1
5	Deutsche AWM	<u>16</u>	<u>1.7</u>
<b>Total Above</b>		<b>42</b>	<b>14.4</b>
<b>Total Cross-Border and Local Europe</b>		<b>521</b>	<b>38.0</b>

Long-term new funds only. Excludes internal and fund of hedge funds  
Source: Strategic Insight Simfund GL

Aside from local banking groups and their affiliated managers (Sanpaolo and Pioneer of Italy) that continued to attract significant flows with new target maturity offerings, **Capita Group** landed in the top new fund managers list with Neil Woodford’s new UK launch, **CF Woodford Equity Income** (\$2.7 billion). Pictet’s two new tracker funds and single alternative fund also contributed more than \$2 billion.

## New Funds in Cross-Border

Figure 9

### Top-Selling Cross-Border New Launches, Q2'14

In US\$ Million

Portfolio	Manager	Domicile	Objective	Launch	Net Flows Q2'14
Eastspring Investments-Developed Asia Equity	Eastspring	Lux	Equity Asia Pac Ex Japan	Jun-14	1,513
Mercer Euro Nominal Bond Long Duration	Mercer	Ireland	Bond Flexible Multisector	May-14	857
CAPB Funds Fixed Income-Euro	Credit Agricole	Lux	Bond Global	Jun-14	752
BlueBay Structured Fd Glo Multi-Asset Credit	Bluebay AM	Lux	Bond Global	Apr-14	732
BlueBay Structured Fd TR Diversified Credit	Bluebay AM	Lux	Alt - Hedge/Other	Apr-14	569
HSBC GIF Global Equity Volatility Focused	HSBC	Lux	Equity Global	Jun-14	413
Old Mutual Global Equity Abs Return	Old Mutual Group	Ireland	Alt - Market Neutral	May-14	397
T. Rowe Ins- Amplified US Strc Rsrch Equity	T Rowe Price	Lux	Equity North America	Apr-14	359
Pictet Total Return-Diversified Alpha	Pictet	Lux	Alt - Multistrategy	May-14	348
T. Rowe Price Ins - US Structured Rsrch Equity	T Rowe Price	Lux	Equity North America	Apr-14	346
Allianz Emerging Markets Bond Extra 2018	Allianz	Lux	Bond Emerging Markets	Apr-14	332
db x-trackers MSCI USA Index UCITS ETF	Deutsche AWM	Ireland	Equity North America	May-14	273
Hermes Multi Strategy Credit	Hermes	Ireland	Bond Flexible Multisector	May-14	267
Fidelity Funds - Fixed Term 2018	Fidelity	Lux	Target Maturity	Apr-14	250
Schroder GAIA Paulson Merger Arbitrage	Schroders	Lux	Alt - Event Driven	Jun-14	228
<b>Total above</b>					<b>7,637</b>

Total Long-Term Net Flows in Q2'14 = \$14.7 bn

Source: Strategic Insight Simfund GL

New long-term vehicles raised \$14.7 billion in Cross-Border markets during Q2: Bond and equity products led with more than \$5 billion each, followed by “other” new funds, including alternatives (\$2.6 billion), and mixed vehicles (\$1.5 billion).

- **Eastspring**, the Asia asset management arm of Prudential, launched **Developed Asia Equity Fund**, and collected \$1.5 billion. The fund is available for institutional investors and invests in equity and equity-related securities of companies that derive substantial revenue from developed markets in Asia Pacific ex Japan.

Thirty emerging market bond and equity fund launches collected \$1.8 billion in net new flows:

- **Allianz** rolled out three emerging market funds, including **Emerging Markets Bond Extra 2018**, **Target Return Bond Emerging Markets**, and **Emerging Markets Short Duration Defensive Bond** — collectively gathering \$540 million. The **Emerging Markets Short Duration Defensive Bond** invests in USD-denominated emerging market sovereign and corporate bonds and aims to defend against volatility caused by rising rates.
- **Pictet-Short Term Emerging Corporate Bonds** is benchmarked against the JPMorgan CEMBI Broad Diversified 1-3 Years, and invests in emerging market corporate and high yield bonds (maximum allocation for each country 20%). **Babson Capital** also launched two emerging market bond funds, **Emerging Markets Corporate Bond** and **Emerging Markets Local Bond**.

- In addition to debuting two Equity North America funds for institutional investors (**Amplified US Structured Research Equity** and **US structured Research Equity**), T. Rowe Price introduced **T. Rowe Price Frontier Markets Equity** and **Asia Opportunities**. The first invests in developing nations, particularly emerging Asia, while the latter invests in high-quality companies in Asia ex Japan.

#### New alternative funds:

- **Bluebay**, a leading European manager that specializes in fixed income and alternative investments, launched two multi asset SICAV SIFs, **Structured Fund Global Multi Asset Credit** (\$730 billion) **Structured Fund Total Return Diversified Credit** (\$570 million). The latter invests in global high yield bonds, convertible bonds, emerging market debt, and other fixed income securities. The firm plans to roll out more liquid versions of its existing hedge funds.
- Schroders and hedge fund manager **John Paulson** partnered to launch **Schroder GAIA Paulson Merger Arbitrage** on Schroders' Global Alternative Investor Access UCITS Platform (\$5.6 billion AUM). The first Paulson merger fund was launched in 1994 and the strategy manages \$9.4 billion.<sup>2</sup> The fund invests mainly in US, western European, and Canadian large-cap equities currently or potentially involved in mergers.
- **Old Mutual Global Equity Absolute Return** raised \$400 million following a merger with Old Mutual Global Investors Series in May. The fund seeks absolute return through a market neutral strategy by taking long and short positions in global stocks. **Hermes** rolled out a nontraditional bond fund, **Hermes Multi Strategy Credit**, which invests globally in fixed income assets and targets annual returns of seven percent with low volatility.
- Pictet launched the multi-strategy fund **Pictet Total Return Diversified Alpha** and collected \$350 million. The fund aims to make uncorrelated returns by taking a multi-strategy approach across equities and fixed income.

#### Other notable launches:

- **Credit Agricole** launched seven new funds this quarter, collectively gathering more than \$1 billion. The **Fixed Income–Euro** fund invests in global bonds and collected \$0.8 billion.
- **Mercer Euro Nominal Bond Long Duration**, which invests in Euro-denominated investment grade bonds in the OECD and up to 20% of its assets in emerging markets, raised \$0.9 billion. The fund belongs to the Mercer Global Investment Funds series, whose sub funds are managed by specialist third-party managers or sub-advisors.

<sup>2</sup> "Schroder GAIA Paulson Merger Arbitrage," August 2014. Schroders

**New Funds in Local Europe**

Figure 10

**Top-Selling Local Europe New Launches, Q2'14***In US\$ Million*

Portfolio	Manager	Domicile	Objective	Launch	Net Flows Q2'14
CF Woodford Equity Income	Capita Group Plc	UK	Equity UK	Jun-14	2,706
Eurizon Cedola Attiva Piu Luglio 2019	Intesa Sanpaolo	Italy	Target Maturity	May-14	1,578
Eurizon Cedola Attiva Luglio 2019	Intesa Sanpaolo	Italy	Target Maturity	May-14	1,384
Pictet CH Inst-Swiss Equities Tracker ex SL-I	Pictet	Switzerland	Equity Europe Country	May-14	1,050
Pioneer SSF UniC a F Europa Luglio 2019	Pioneer Investments	Lux	Mixed Balanced	May-14	969
Pioneer SSF UniC a F Sel Div Luglio 2019	Pioneer Investments	Lux	Mixed Balanced	May-14	849
Newton Growth & Income Fund for Charities	BNY Mellon	UK	Mixed Aggressive	May-14	819
Foncaixa Rentas Abril 2020	La Caixa	Spain	Target Maturity	Apr-14	818
Pictet CH Inst-EuropeanexSwiss Eq Trk exSL-J	Pictet	Switzerland	Equity Europe	May-14	614
IS by Epsilon Valore Cedola X 5 04/2014	Intesa Sanpaolo	Lux	Mixed Flexible	May-14	533
Eurizon Cedola Attiva Maggio 2019	Intesa Sanpaolo	Italy	Target Maturity	Apr-14	490
BBVA Bonos Patrimonio Rentas VI	BBVA	Spain	Target Maturity	Jun-14	482
Natixis Strategie Actions Europe	Natixis	France	Equity Europe	May-14	476
Pioneer SSF UniC a F S Div Settembre 2019	Pioneer Investments	Lux	Mixed Balanced	Jun-14	463
Obligationen Schweiz SDC	Deutsche AWM	Switzerland	Bond CHF	Jun-14	449
<b>Total above</b>					<b>13,679</b>

*Total Long-Term Net Flows in Q2'14 = \$23.4 bn**Source: Strategic Insight Simfund GL*

New local funds in European markets raised \$23 billion during Q2. Mixed funds led with \$12.4 billion, of which the majority of the flows came from target maturity funds. New equity and bond products collected \$6.4 billion and \$2.8 billion respectively, with European-focused vehicles attracting 70% of the combined flows. Other new funds, including guaranteed and alternative products, gathered \$1.7 billion.

- **CF Woodford Equity Income** was the best-selling new fund this quarter, collecting nearly \$2.7 billion in net flows. The fund is managed by Neil Woodford, who is known as the former manager of Invesco Perpetual High Income fund (\$22 billion AUM) before starting his own company Woodford Investment. The fund invests primarily in UK companies with the aim of providing income and capital growth. The launch of Woodford's equity income fund contributed to the record \$3.7 billion of inflows into the UK equity income category in June.

Unless investors have at least \$250,000 (£150,000) and can invest directly in the fund's A shares with an annual management charge of 1%, they must use the services of various fund platforms, discount brokers and IFAs to purchase C shares with an AMC of 0.75%. Hargreaves Lansdown (one of the larger fund platforms) has offered a discounted AMC of 0.65% (Z shares) for the fund in addition to an annual loyalty bonus of 0.05%.<sup>3</sup> However, it is important to factor in additional costs, such as the annual administration charge for the platform (Hargreaves Lansdown charges 0.45% vs. Fidelity's

<sup>3</sup> "Hargreaves Lansdown fires Neil Woodford's new fund straight into the Wealth 150 and claims lower fees for investors," May28,2014. This is Money

0.35%), which can vary by platform and alter the total costs based on the volume of shares purchased by the investor.

**Capita Financial** (Authorized Corporate Director) handles the regulatory framework and distribution model for the fund, which is offered on 17 fund platforms. Capita Financial Managers Limited is part of Capita's Asset Services Division and "provides investment managers onshore and offshore fund administration solutions across a wide variety of fund structures and asset classes."<sup>4</sup> Capita Financial holds both a UCITS Management Company license and an AIFM license (granted July 2014). The company also acts as the ACD for other boutique/specialist managers, including **Ruffer** (\$11 billion AUM), **Odey** (\$3.2 AUM), and **Miton** (\$2.6 billion AUM), to name a few.

Nine of the top 15 selling funds in the quarter were target date vehicles from local bank-owned asset managers, attracting a combined \$7.6 billion:

- In Italy, Intesa Sanpaolo launched **Eurizon Cedola Attiva Piu Luglio 2019**, **Eurizon Cedola Attiva Maggio 2019 and Luglio 2019**, and **IS by Epsilon Valore Cedola x5 – 04/2014** and garnered \$4 billion. Pioneer also added three funds to its **SSF UniCredit** series, adding \$2.3 billion.
- In Spain, La Caixa attracted \$820 million with **Foncaixa Rentas Abril 2020** and BBVA brought in \$480 million with **Bonos Patrimonio Rentas VI**. Both funds invest in bonds issued by the Spanish government and other EU States.
- Other notable funds include two Pictet tracker funds, **Pictet CH Inst-Swiss Equities Tracker ex SL-I** and **Pictet CH Inst-EuropeanexSwiss Eq Trk ex SL-J**. The first replicates Swiss Performance Index and collected more than \$1 billion, and the latter replicates the performance of the MSCI Europe ex Switzerland index and gathered \$610 million. Newton Investment Management, part of the BNY Mellon group, launched **Newton Growth and Income Fund for Charities** for UK charity investors and raised \$820 million.

<sup>4</sup> <http://www.capitafinancial.co.uk/>

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