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EMBARGOED UNTIL 14th AUGUST 2012 8AM

HEADWINDS GET STRONGER FOR FUND MANAGERS

The usual flurry of ISA business at the beginning of the tax year gave fund sales a welcome boost in the second quarter. Net retail sales reached their highest level for a year. Managers with the right sort of funds benefitted. Meanwhile the trend towards more investment outsourcing by financial advisers continued.

The company with the bond funds that everyone wants, M&G, maintained its unbroken three-and-a-half year run as the UK's favourite fund manager, according to figures from the confidential Pridham report published by Fundscape. Nearly two thirds of its gross sales in the second quarter went into its fixed income products. Helen Pridham, Director of Fundscape, said "If there was an Olympic discipline for fund sales, M&G would be standing on top of the podium".

Three other groups that benefitted most from investor demand for bond funds were Invesco Perpetual, Fidelity and Kames. Kames (formerly Aegon) has achieved strong sales with its High Yield Bond fund, as well as garnering increasing support for its Investment Grade Corporate Bond fund.

Top ten managers by gross retail sales in Q2 2012 (£m)		
1	M&G	2,939.2
2	BlackRock	2,494.7
3	Invesco Perpetual	1,621.2
4	BNY Mellon	1,455.0
5	Standard Life Inv	1,049.0
6	Fidelity	971.1
7	Jupiter	881.5
8	Threadneedle	823.6
9	Schroders	770.3
10	HSBC	750.3

Top ten managers by net retail sales in Q2 2012 (£m)		
1	M&G	1,273.6
2	BlackRock	566.8
3	Standard Life Inv	478.0
4	BNY Mellon	420.0
5	Kames	258.0
6	Axa IM	245.6
7	Cazenove	210.5
8	Jupiter	187.0
9	Threadneedle	162.5
10	Scottish Widows	132.2

Source: Fundscape Pridham Report

It was not only bond funds that were in demand. BlackRock, in second position, saw its gross and net sales increase in the second quarter thanks mainly to sales of its low-cost index-trackers and mixed asset funds to discretionary wealth managers, fund of funds managers and other intermediaries building portfolios for clients.

BNY Mellon/Newton achieved its highest ever gross retail sales and strong net sales in the quarter as a result of a two-pronged success story. The attractions of its equity income franchise have been boosted by its overseas income funds, Newton Asian Income in particular, while the popularity of Newton Real Return, its absolute return fund, has also been a major contributor.

Meanwhile, Cazenove and Jupiter are among those that have benefitted from the trend towards multi-manager and mixed asset funds.

The next two quarters of 2012 are likely to bring less good news for fund managers said Pridham. "Uncertainty about the Eurozone and the health of the UK economy is deterring investors while IFAs could be distracted as they work on their business models in preparation for RDR. Fund managers face a challenging second half."

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Notes to Editors:

The Pridham Report is a confidential report for fund managers that provide actual sales and asset figures on a quarterly basis. It is published by Fundscape LLP. For further information about Fundscape visit www.fundscape.co.uk.

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