Fund Distributors in Europe Predict Continued Strong Outflows from Government Bonds

March 31, 2015

Executive Summary:

Against the backdrop of the European Central Bank kicking off its long-awaited government bond-buying program, a full 62% of the fund distributors participating in the Greenwich Associates 2014 European Intermediary Distributors Study say they expect their clients to continue to “significantly decrease” allocations to domestic/European government bonds over the next three years.

Although flows in to fixed-income funds overall are expected to remain positive, the study indicates that this growth will not be supported by net positive flows into traditional government bond funds.

Only 8% of the 162 funds of funds, private banks, retail banks, financial advisors, and insurance companies participating project significant increases to these allocations. Distributors also expect to see sharp reductions in allocations to global government bonds, with 47% predicting significant decreases and 22% projecting significant increases.

With bonds looking expensive and providing little income potential, investors are looking far and wide for more attractive opportunities ranging from income-generating equity funds that many investors are increasingly using to replace their low-risk allocations, to absolute return offerings and multi-asset products that can maximize the potential for risk-adjusted returns.

Methodology:

Greenwich Associates conducted in-depth interviews between June and October 2014, with individuals at 162 intermediary distributors across Europe. The annual research study covers distributors representing fund of funds, private banks, retail banks, insurance, and financial advisor channels.

Markets covered by this research include Benelux, Iberia, Nordics, France, Germany, Austria, Italy, Switzerland, and the United Kingdom.

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