Are ‘multi-asset income funds’ for real?

By Editor Test *Thu, May 23, 2013*

“As talk of a gravy train gains currency, however, now is a good time to consider what lies beneath the multi-asset income label," said Barbara Wall, a director at Cerulli Associates, in a release.

Are “multi-asset income” funds the more-effective successor to “equity income” funds? Or are they an old concept dressed in new clothes, a marketing gimmick aimed at yield-starved, risk-averse investors?

In Europe, established multi-asset income funds enjoyed record inflows in calendar 2012, according to the May issue of *The Cerulli Edge-European Monthly Product Trends*. Miton, Schroders, BlackRock, Old Mutual, and Deutsche Bank all launched multi-asset income funds in the past year.

“As talk of a gravy train gains currency, however, now is a good time to consider what lies beneath the multi-asset income label,” said Barbara Wall, a director at Cerulli Associates, in a release. “Multi-asset income funds are not easily categorized but a key selection criterion for advisors and end users is the number and range of assets that funds have exposure to. A multi-asset income fund that restricts exposure to equities, cash, and bonds does not cut the mustard.”

“If this strategy is to gather momentum and knock equity income off its perch, managers will need to diversify more, delve into specialist areas, and take risks,” said Yoon Ng, a Cerulli associate director. “A snappy fund label will spark interest but a sustainable high yield and a commitment to capital preservation will keep that interest alive.”

Other Cerulli findings:

- As part of its growth strategy, La Francaise Asset Management has decided to launch a new incubation vehicle for distributors following a successful year for international fund sales (which represented 31% of the group’s total inflows
in 2012). The manager also plans to launch a new distribution platform in France, CD Partenaires, with an asset pool of €2.1 billion (US$2.7 billion). Meanwhile boutique Mandarine Gestion, in an effort to grow its business domestically and internationally, will be split into two specialist units: asset allocation and stock-picking.
- Italian investors appear to be increasingly adventurous: asset allocation, dynamic mixed assets, global high-yield bonds, emerging market, and euro corporate high-yield bonds were the top five best-selling sectors in the market during the first quarter, gathering net inflows of €5.8 billion. Franklin Templeton funds attracted €1 billion of NNF from retail and institutional investors in March, topping the month’s sales chart.
- Following in PIMCO’s footsteps, more U.S. managers are approaching the European market by launching European versions of successful funds in their home markets. Lately, Matthews Asia has rolled out a UCITS version of its Asia Small Companies funds, while Polen Capital Management is targeting U.K., Swiss, and Scandinavian investors by launching a UCITS version of its U.S. growth fund.