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Recent fund launches: global fixed income popular – though greatest value flowing into global equities

Of the latest 100 funds launched into the Australian investment market by leading independent responsible entity Equity Trustees, the greatest number (19) were for global fixed income. This was followed by 18 new Australian equity funds.

There were some 16 alternative funds and an equal number of global equities, domestic real assets and Australian fixed income funds (13 of each), according to **The 100** – which uses the sample of the last 100 funds launched in the same period each year to compare trends.

“There was an increase in private credit and debt funds with several of these feeding into unregistered wholesale funds,” notes Johnny Francis, General Manager of Fund Services at Equity Trustees.

“Investors have recognised that non-bank lenders and their private credit funds can provide a source of income. The major traditional banks have reduced their overall lending and these newer fund managers have stepped-in to fill the gap and are being welcomed by investors.

“This is seeing more fund managers, both from here and overseas, offer these structures. We are seeing increased interest from offshore fund managers, in particular those from North America keen to access the Australian market.” reports Mr Francis.

The 100 is an innovative body of research developed by Equity Trustees and the latest report identified:

- Fixed income products have increased in popularity due to rising interest rates offering better returns, continued investor interest in Exchange Traded Funds (ETFs),
- Feeder funds remain popular with large global managers,
- Unregistered/wholesale vehicles were higher than previously, and
- Continued, but slower, rise of ESG related products.

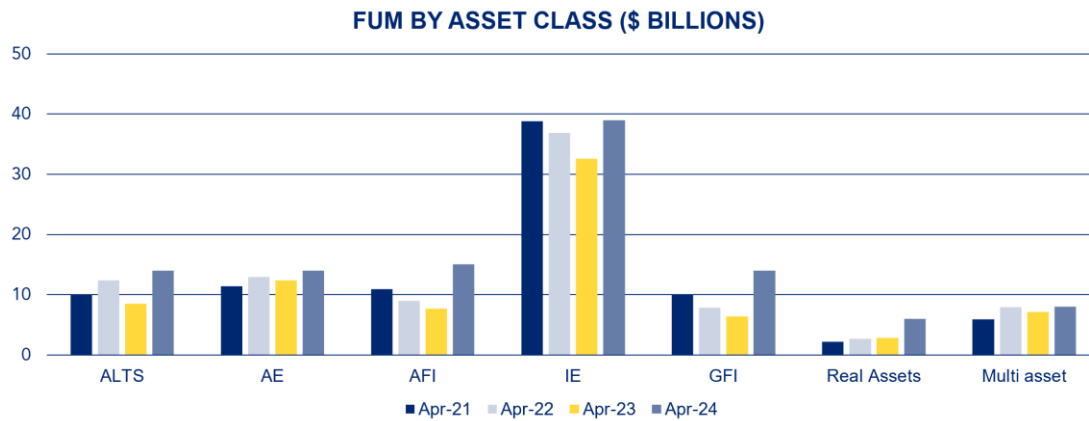
New funds created

FUND TYPE	2024 %	2023%	2022%
Global equities	13	22	34
Global fixed income	19	14	10
Australian equities	18	15	16
Domestic real assets	13	7	3
Australian fixed income	13	19	7
Alternatives	16	7	
Multi assets	4	4	12
Global property securities	1	5	5
Global real assets	1		3
Venture capital	1	3	3
Currencies	1	3	1



Most of the investment dollars were into global equities, as shown below.

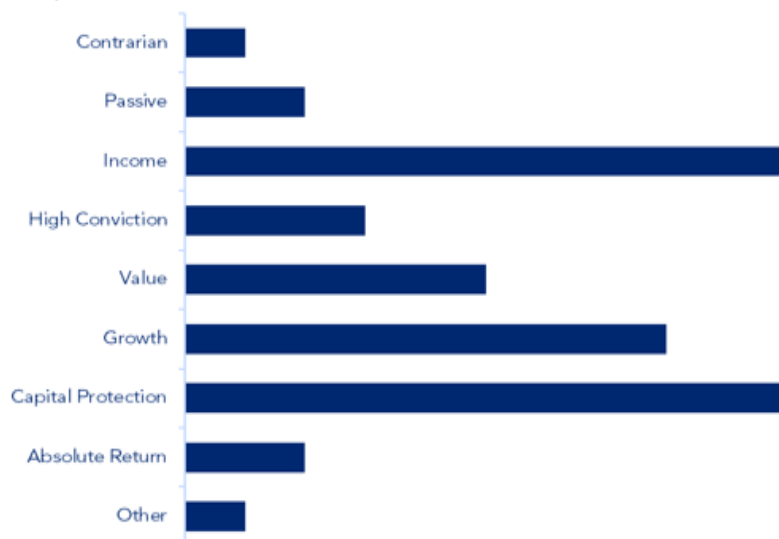
Fund Flows year on year by asset class



Mr Francis adds that when it comes to investment approach, the major focus of new funds was income and capital protection, as shown below, followed by the growth and value factor thematics.

“An important factor behind the increase in flows into global assets is largely being driven by our compulsory investment into superannuation. As the superannuation industry continues its trajectory to outgrow the total GDP of Australia, these funds must be deployed, hence asset managers and investment managers are increasingly allocating funds to products with global exposure” he says.

Investment strategies



Looking forward

“The next wave of funds that we see coming through are focused on alternatives, private credit and private debt with a particular focus on targeting private wealth groups.” notes Mr Francis. “We also expect the continued rise of ETFs which is an easily accessible product for investors and Self Managed Super Funds.”



He identified that there are changes occurring in distribution and marketing of foreign fund managers here. "While some fund managers apply a fly-in fly out marketing strategy or partner with third party specialists, the ideal model is having a local presence in the long term, as this is more successful with a local distribution team selling products. Institutional investors and asset allocators want to meet with key investment decision makers of the portfolio".

Increased interest, albeit slower, in responsible investment

Mr Francis also noted that investment managers were becoming more sophisticated in their approach towards responsible investment. "The industry has progressed from simply incorporating Environmental, Social and Governance (ESG) into investment decisions or excluding companies based on a set of ethical beliefs or values. Although these practices are still commonly used, there is a clear shift towards strategies being developed that contribute to sustainable solutions and that drive forward positive impact."

The number of funds which apply negative screens dropped compared to the previous year, he says. "One reason is that fund managers have become more aware of their capacity to have a greater impact through investment rather than divestment, using their seat at the table to advocate for better ESG practices.

"What we are seeing now is that corporate engagement and shareholder action have grown to become the most widely used responsible investment approach, a shift. Overall, what we can see here is a slow shift towards more 'active' forms of ownership.

"This trend has also been driven by investors who care about where their capital is being allocated and have the desire to align their investments with their values while alongside generating financial return," he says.

Mr Francis notes an increasing desire from fund managers for independent trustees, especially ahead of regulatory changes which are likely to include more stringent segregation of fiduciary obligations from investment decisions for Managed Investment Schemes, was driving increases in demand for external specialist trustees.

Equity Trustees is the nation's largest and oldest specialist provider of independent Responsible Entity and trustee services. With a footprint in US, Europe, and Asia Pacific, it has the ability and know-how to service an ever-growing number of globally diverse fund managers with complex funds.

MEDIA INQUIRIES

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