

Morningstar Direct™ Asset Flows Commentary: Europe

Bond-hungry investors sell equity funds in June

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Key Takeaways

- ▶ Europe-domiciled long-term funds experienced EUR 13.8 billion of net outflows in June 2023.
- ▶ Equity funds suffered the biggest outflows, with EUR 9.7 billion withdrawn by investors during the month.
- ▶ Equity passive strategies experienced the first negative month in terms of flows since October 2022 (with EUR 1.6 billion of net redemptions).
- ▶ On the other hand, June was another positive month for fixed-income funds, which were showered with EUR 8.75 billion of net inflows, marking their eighth consecutive positive month. Passive products attracted almost all flows.
- ▶ Allocation and alternative funds continued to bleed assets, with EUR 7.5 billion and EUR 2 billion of net outflows, respectively.
- ▶ Long-term funds classified as Article 8 shed EUR 15.5 billion in June; meanwhile, Article 9 products lost EUR 440 million in net redemptions. This latter group had the highest organic growth rate for the first half of the year (3.07%), while the former had a 0.34% organic growth rate in the same period.
- ▶ Like in May, global large-cap blend equity was again the top seller in June. While investors' interest in equities overall subsided, large-cap blend equity both with exposure to global and US markets continued to see inflows.
- ▶ Once again, iShares topped the list of asset-gatherers, as three of the asset manager's ETFs ranked in the top-10 list in June.
- ▶ Eastspring Investments Asian Local Bond Fund experienced outflows of EUR 4.5 billion in June, while M&G's Asian Local Currency Bond Fund attracted net inflows of that same amount.
- ▶ Assets in long-term funds domiciled in Europe increased to EUR 10.951 trillion from EUR 10.697 trillion at the end of May.

Flows by Global Broad Category Group (ETFs and Open-End Funds)

Name	Net Assets	Market Share	Estimated Net Flow (EUR Mil)			Org Growth
	(EUR Bil)	(%)	1 Mo	YTD	1 Year	Rate (%)
	June 2023	June 2023				1 Year
Allocation	1,608	12.85	(7,535)	(21,918)	(42,210)	(2.58)
Alternative	166	1.33	(2,050)	(12,249)	(22,571)	(10.48)
Commodities	124	0.99	(2,330)	(2,337)	(17,257)	(11.75)
Convertibles	43	0.34	(834)	(4,007)	(7,454)	(15.24)
Equity	5,571	44.53	(9,679)	18,386	(36,859)	(0.71)
Fixed Income	3,143	25.12	8,755	101,712	102,588	3.26
Property	187	1.49	(445)	(1,802)	(1,799)	(0.87)
Miscellaneous	91	0.72	210	195	3,104	3.16
Unclassified	20	0.16	107	815	938	43.02
All Long-Term	10,951	87.54	(13,800)	78,797	(21,519)	0.20
Money Market	1,559	12.46	(4,034)	30,063	207,692	14.62
Total	12,511	100	(17,834)	108,860	186,173	

Source: Morningstar Direct.

After two positive months of flows, Europe-domiciled long-term funds experienced EUR 13.8 billion of net outflows in June, reflecting investors' negative sentiment amid economic uncertainty.

And yet, June was a largely positive month for global equity markets, with all major regions bouncing back from May's losses. Inflation is moderating in Europe and the US, with the latter having paused interest-rate hikes after the last Federal Reserve meeting.

Equity funds experienced EUR 9.7 billion of net outflows last month, the worst monthly result since October 2022 (the half-year result is still positive for equity strategies, with EUR 18.3 billion cashed in between January and June). Unlike what we have seen in recent months, redemptions hit both active and passive products this time. Europe large-cap blend equity funds suffered particularly, shedding EUR 2 billion. At the other hand of the spectrum, global large-cap blend funds attracted EUR 4 billion in the month.

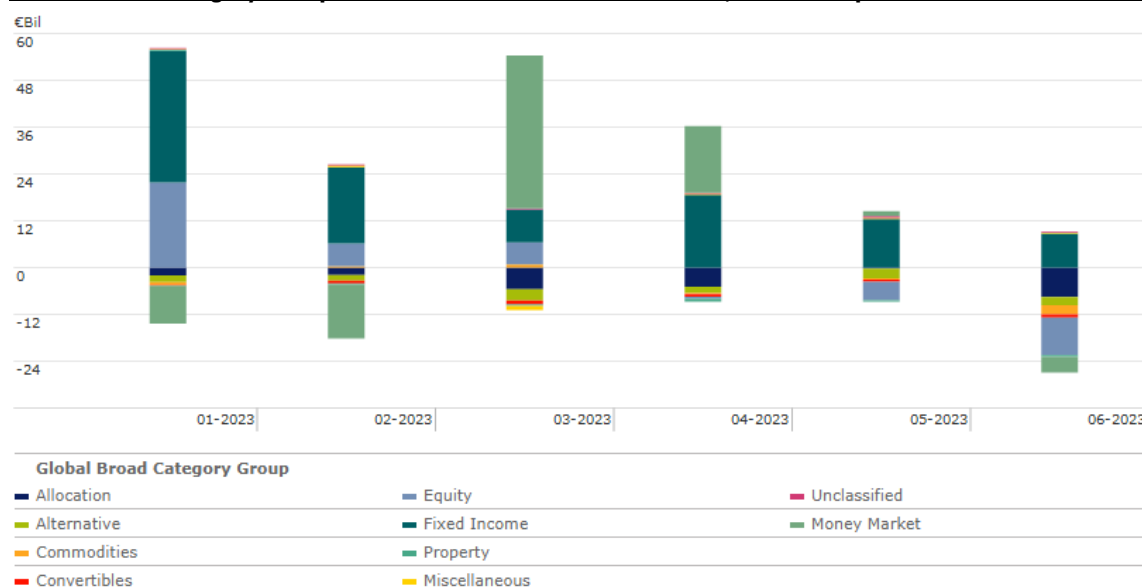
Bond funds marked their eighth consecutive positive month in terms of flows, with almost EUR 9 billion of net new subscriptions, which brings the half-yearly figure to EUR 102 billion. Last month, the majority of these inflows targeted funds exposed to fixed-term bonds (the portfolios of these funds carry bonds whose expiry date is aligned with the fund's target maturity date, and all the bonds are held to maturity), followed by government-bond funds in EUR and GBP.

Allocation strategies were the other big detractor of the month, with EUR 7.5 billion of net outflows. These funds had only two positive months in terms of flows since May 2022. In June, flexible allocation in GBP and moderate strategies in euros that invest globally were the ones hit hardest. Alternative funds, for their part, had their 14th consecutive month of net redemptions.

Commodities funds also had a very negative month, with EUR 2.3 billion lost in June. This mainly owed to the EUR 1.7 billion withdrawn from precious-metals products; most of them were exchange-traded commodities on gold.

Money market funds had EUR 4 billion of net outflows last month. Assets in long-term funds domiciled in Europe increased to EUR 10.951 trillion at the end of June, up from EUR 10.697 trillion as of 31 May.

Global Broad Category Group Net Flows in the Past Six Months (ETFs and Open-End Funds, EUR Billion)



Source: Morningstar Direct.

Active Versus Passive

Long-term index funds posted inflows of EUR 5.3 billion in June versus the EUR 14.9 billion lost as net outflows by actively managed funds. (The table below only includes the main broad category groups.) Last month, commodities and equity funds experienced outflows from both passive and active strategies.

The market share of long-term index funds rose to 25.10% as of June 2023 from 23.24% in June 2022. When including money market funds, which are the domain of active managers, the market share of index funds stood at 21.98%, up from 20.53% 12 months earlier.

Flows by the Main Global Broad Category Groups: Active Versus Passive

Estimated Net Flows (EUR Mil)	Active			Passive		
	1 Mo	YTD	Assets EUR (Bil)	1 Mo	YTD	Assets EUR (Bil)
Allocation	(7,579)	(22,143)	1,604	44	226	4
Alternative	(2,511)	(13,255)	163	461	1,006	3
Commodities	(185)	(896)	20	(2,145)	(1,440)	103
Equity	(8,104)	(31,474)	3,604	(1,575)	49,861	1,966
Fixed Income	272	55,803	2,487	8,483	45,909	656

Source: Morningstar Direct. Data in euros as of 30 June 2023.

The Sustainable-Investing Wave

Funds falling within the scope of Article 8 of the Sustainable Finance Disclosure Regulation had net outflows of EUR 15.5 billion in June, the worst monthly result over the last eight months. Equity and allocation products were the biggest detractors. It is interesting to note, however, that within this group, bond funds also recorded net outflows (EUR 2 billion).

At the same time, funds falling under Article 9 ("dark green" strategies) saw EUR 440 million walking out the door.

From an organic growth perspective, Article 9 funds showed a 3.07% organic growth rate for the first half of the year. Products falling in the Article 8 group saw 0.34% organic growth over the same period, a lesser result compared with nonsustainable funds (according to the SFDR). Between January and June, funds not considered to be Article 8 or Article 9 had average organic growth rates ranging from 0.70% to 1.14%.

Flows by EU SFDR Fund Type: Active Versus Passive

Estimated Net Flows (EUR Mil)	Active				Passive			
	1 Mo	YTD	Assets EUR (Bil)	No of Funds	1 Mo	YTD	Assets EUR (Bil)	No of Funds
Article 8	(12,615)	(8,648)	4,212	9,146	(2,904)	24,056	530	853
Article 9	181	7,406	275	830	(621)	1,385	35	57
Not Stated	(4,867)	(9,772)	2,465	10,958	9,539	51,194	1,401	1,541
N/A	(1,458)	(5,239)	1,240	4,531	(726)	18,760	779	970

Source: Morningstar Direct. Data in euros as of 30 June 2023. Money market funds excluded.

Note: Based on SFDR data collected from prospectuses on around 98% of open-end funds and exchange-traded funds available for sale in the European Union. Historical flows and assets indicated in asset flows are based on EU SFDR fund types at the time of writing, even though the information didn't exist or apply to the funds prior to this time.

EU SFDR Fund Type: Monthly Organic Growth Rate in the Past Six Months (ETFs and Open-End Funds)



Source: Morningstar Direct.

Morningstar Categories: The Leaders

Like in May, global large-cap blend equity was again the top seller in June. While investors' interest in equities overall subsided, large-cap blend equity both with exposure to global and US markets continued to see inflows. Fixed income experienced the eighth consecutive months of inflows, and the majority of these inflows targeted funds exposed to fixed-term bonds, followed by government-bond funds in EUR and GBP.

Flows by Morningstar Category: The Leaders (Long-Term Funds, Active and Passive)

Name	Net Assets	Estimated Net Flow (EUR Mil)			Org Growth
	(EUR Bil)	1 Mo	YTD	1 Year	Rate (%)
Global Large-Cap Blend Equity	1,145	3,915	39,526	64,195	6.59
US Large-Cap Blend Equity	633	3,406	4,767	14,449	2.64
Fixed Term Bond	118	3,246	30,869	51,492	81.32
EUR Government Bond	129	3,220	14,741	23,255	20.95
GBP Government Bond	54	3,081	2,818	5,804	10.66

Source: Morningstar Direct.

Morningstar Categories: The Laggards

EUR 2.3 billion exited the global bond NOK-hedged category, which was almost entirely due to the losses of KLP's Obligasjon Global fund.

Flows by Morningstar Category: The Laggards (Long-Term Funds, Active and Passive)

Name	Net Assets	Estimated Net Flow (EUR Mil)			Org Growth
	(EUR Bil)	1 Mo	YTD	1 Year	Rate (%)
Global Bond - NOK Hedged	5	(2,357)	(1,951)	(1,559)	(20.64)
Global Bond - USD Hedged	36	(2,120)	1,188	3,736	10.35
Europe Large-Cap Blend Equity	221	(2,015)	1,518	(4,911)	(2.47)
Commodities - Precious Metals	94	(1,710)	(4,343)	(11,737)	(10.95)
US Large-Cap Growth Equity	118	(1,602)	(2,602)	(8,843)	(8.15)

Source: Morningstar Direct.

Fund Providers: The Leaders

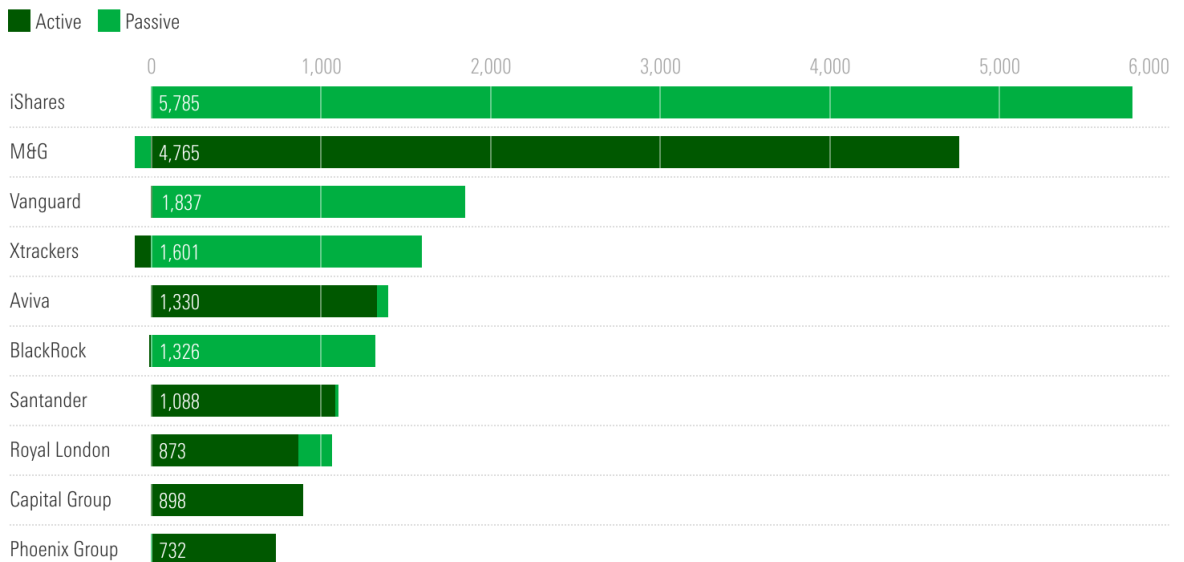
Once again, iShares topped the list of asset-gatherers, as three of the asset manager's ETFs ranked in the top-10 list in June. M&G attracted EUR 4.6 billion in June, with M&G (Lux) Asian Local Currency Bond Fund seeing inflows, presumably as investors channeled funds from another strategy. Vanguard, a major manager of ETFs, gathered EUR 1.8 billion in June.

Fund Providers: Largest Inflows, Active and Passive (Excluding Money Market Funds)

Name	Net Assets			Org Growth	
	(EUR Bil)	Estimated Net Flow (EUR Mil)		Rate (%)	
	June 2023	1 Mo	YTD	1 Year	1 Year
iShares	660	5,785	33,814	49,209	8.56
M&G	82	4,671	10,715	10,337	14.59
Vanguard	274	1,849	14,519	17,116	7.10
Xtrackers	146	1,502	6,851	4,442	3.34
Aviva	132	1,398	(1,416)	(146)	(0.11)
BlackRock	544	1,317	9,112	(3,463)	(0.70)
Santander	63	1,101	1,973	1,087	1.77
Royal London	72	1,069	(8,215)	(8,570)	(10.66)
Capital Group	28	898	1,937	2,275	9.59
PHOENIX GROUP	10	732	(3,584)	(4,204)	(27.20)

Source: Morningstar Direct.

Monthly Flows by Fund Providers: The Leaders



Source: Morningstar Direct. Data as of June 30, 2023 (EUR Mil.) ETFs Included. Money Market Funds Excluded.



Fund Providers: The Laggards

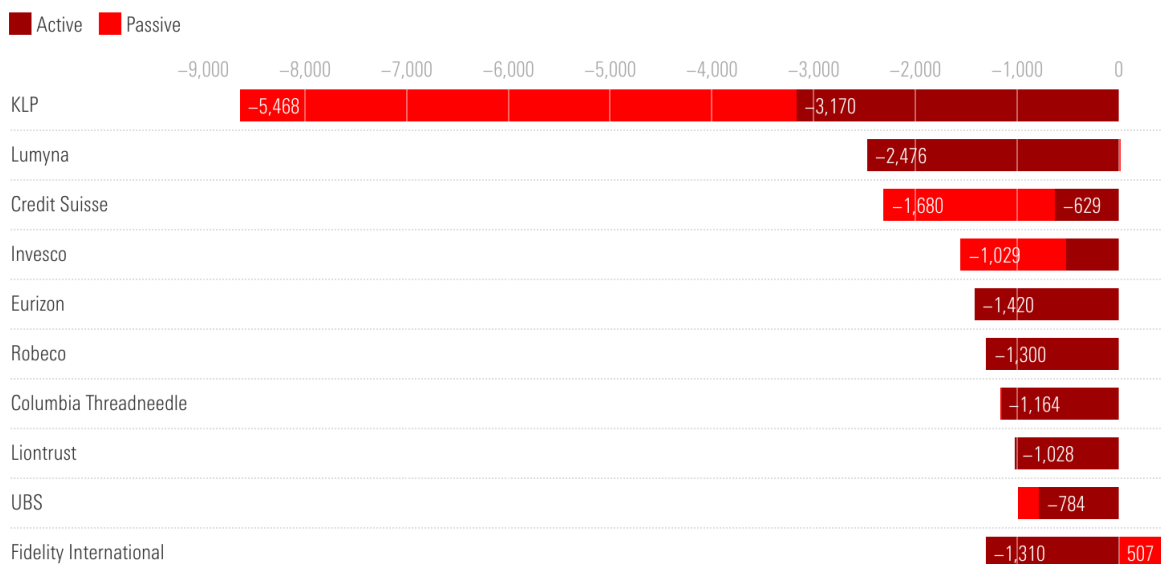
KLP, the Norway's largest pension fund, led the list of outflows in June, followed by Eastspring Investments. Two big share classes of Eastspring Inv Asian Local Bond Fund were liquidated in June.

Fund Providers: Largest Outflows, Active and Passive (Excluding Money Market Funds)

Name	Net Assets	Estimated Net Flow (EUR Mil)			Org Growth
	(EUR Bil)				Rate (%)
	June 2023	1 Mo	YTD	1 Year	1 Year
KLP	12	(8,638)	(8,654)	(7,672)	(40.85)
Eastspring Investments	15	(4,565)	(5,602)	(6,422)	(29.42)
Lumyna	5	(2,468)	(2,718)	(3,716)	(37.32)
Credit Suisse	154	(2,309)	(9,037)	(20,192)	(11.77)
Invesco	133	(1,553)	(2,258)	(7,229)	(5.44)
Eurizon	155	(1,420)	(6,650)	(9,825)	(5.93)
Robeco	78	(1,300)	(2,708)	(1,567)	(2.00)
Columbia Threadneedle	54	(1,165)	(3,480)	(7,244)	(12.46)
Liontrust	25	(1,028)	(2,450)	(4,049)	(14.55)
UBS	327	(997)	175	(12,152)	(3.68)

Source: Morningstar Direct.

Monthly Flows by Fund Providers: The Laggards



Source: Morningstar Direct. Data as of June 30, 2023 (EUR Mil.) ETFs Included. Money Market Funds Excluded.



Largest Inflows and Outflows by Fund

Eastspring Investments Asian Local Bond Fund experienced outflows of EUR 4.5 billion in June, while M&G's Asian Local Currency Bond Fund (both funds invest in the same asset class) attracted inflows of that same amount.

Funds With the Largest Net Inflows

Name	Estimated Net Flow (EUR Mil)			Org Growth	Net Assets
	1 Mo	YTD	1 Year	Rate (%)	(EUR Mil)
M&G (Lux) Asian Local Currency Bond Fund	4,531	4,808	4,808		4,802
Royal London Global Equity Enhanced	1,484	1,718	1,871		1,897
iShares Core € Corp Bond ETF	1,178	3,814	6,231	73.25	14,610
iShares Core MSCI World ETF	1,155	4,270	6,702	17.06	51,771
Caixabank Master RF Deuda Pública 3-7 FI	1,116	2,823	3,965	97.07	7,894
Mercer Global High Yield Bond Fund	1,011	1,087	2,313	226.47	2,129
Santander Corto Plazo FI	1,010	1,273	1,313		1,315
ASI Obbligazionario Euro 05/2028	968	968	968		968
Nordea Maailma Osinko	956	1,206	1,422	79.60	3,297
iShares MSCI USA ESG Enhanced ETF	952	966	5,548	118.83	11,174

Source: Morningstar Direct.

Funds With the Largest Net Outflows

Name	Estimated Net Flow (EUR Mil)			Org Growth	Net Assets
	1 Mo	YTD	1 Year	Rate (%)	(EUR Mil)
Eastspring Inv Asian Local Bond Fund	(4,534)	(4,664)	(4,735)	(96.13)	31
KLP AksjeGlobal Indeks	(2,848)	(3,039)	(2,912)	(39.67)	5,459
KLP Obligasjon Global	(2,372)	(2,295)	(2,210)	(81.58)	155
Lumyna Global Debt Government UCITS Fund	(2,260)	(2,226)	(2,703)	(61.10)	1,514
Robeco QI Glb Dev Enh Index Eq Fund	(1,428)	(1,361)	(1,451)	(97.64)	189
Caixabank Mtr RF Deuda Púb 1-3 Adv BY FI	(1,199)	(1,920)	(1,388)	(36.48)	2,317
KLP AksjeGlobal Small Cap Indeks	(1,045)	(1,103)	(1,116)	(97.67)	119
KLP AksjeNorge Indeks	(826)	(801)	(792)	(49.00)	685
Fidelity Diversified Markets Fund	(746)	(2,260)	(2,024)	(57.70)	1,588
CSIF (Lux) Equity Japan ESG Blue	(711)	300	302	27.19	424

Source: Morningstar Direct.

To learn more about Morningstar Direct, [visit us at this link](#).

Data Notes

The figures in this report were compiled on 19 July 2023 and reflect only the funds that had reported net assets by that date. Approximately 31,300 Europe-domiciled open-end funds and exchange-traded funds that Morningstar tracks from more than 2,900 fund companies across 36 domiciles were included. Organic growth rate is flows as a percentage of beginning assets.

Methodology

Morningstar computes flows using the approach that is standard in the industry: Estimated net flow is the change in assets not explained by the performance of the fund. Our method assumes that flows occur uniformly over the course of the month. Adjustments for mergers are performed automatically. When liquidated funds are included, the final assets of the fund are counted as outflows. Reinvested dividends are not counted as inflows. We use fund-level reinvestment rates to improve accuracy in this respect. We make ad hoc adjustments for unusual corporate actions, such as reverse share splits, and we overwrite our estimates with actual flows if managers are willing to provide the data to us.

Morningstar's current asset-flows methodology might not include pre-inception subscription-period inflows of so-called target-date funds in net asset-flows estimations.