

Morningstar Direct™ Asset Flows Commentary: Europe

Investors sold everything but bonds in August.

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Key Takeaways

- ▶ Europe-domiciled long-term funds experienced EUR 6.6 billion of net outflows in August 2023.
- ▶ Allocation funds suffered the biggest outflows, with EUR 2.7 billion withdrawn by investors during the month.
- ▶ Equity strategies experienced EUR 1.3 billion of net redemptions. It was a one-sided story, with equity passive funds able to cash in EUR 10.5 billion of net inflows in the month.
- ▶ Fixed-income funds, on the other hand, had their 10th positive month in terms of flows, although flows in August are down sharply compared with previous months (EUR 1.7 billion).
- ▶ Alternative funds continued to bleed assets, with EUR 1.7 billion of net outflows.
- ▶ Long-term funds classified as Article 8 shed EUR 10.8 billion in August; meanwhile, Article 9 products attracted EUR 200 million in net inflows. This latter group had the highest organic growth rate for the year to date (3.26%), while the former had a 0.10% organic growth rate in the same period.
- ▶ Global large-cap blend equity was again the top seller in August. While investors' interest in equities overall subsided, large-cap blend equity both with exposure to global and U.S. markets continued to see inflows.
- ▶ Once again, iShares topped the list of asset-gatherers, followed by Vanguard and State Street. Pictet, Eurizon, and Fidelity International were the biggest laggards of the month.
- ▶ iShares Core S&P 500 ETF experienced inflows of EUR 960 million in August, while Pictet CH I-CHF Bonds lost EUR 1.5 billion in net redemptions.
- ▶ Money market funds gathered EUR 25.7 billion, 11 billion more compared with July.
- ▶ Assets in long-term funds domiciled in Europe decreased to EUR 10.997 trillion from EUR 11.146 trillion at the end of July.

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)	(%)				Rate (%)
	August 2023	August 2023	1 Mo	YTD	1 Year	1 Year
Allocation	1,604	12.72	(2,739)	(30,755)	(50,122)	(3.02)
Alternative	162	1.29	(1,736)	(16,054)	(24,152)	(11.02)
Commodities	126	1.00	(301)	(4,450)	(11,255)	(8.27)
Convertibles	42	0.33	(659)	(5,187)	(7,250)	(14.49)
Equity	5,596	44.38	(1,312)	19,846	(7,113)	(0.13)
Fixed Income	3,174	25.17	1,663	117,466	109,848	3.45
Property	182	1.44	(397)	(2,904)	(2,971)	(1.48)
Miscellaneous	90	0.71	(554)	(730)	1,234	1.29
Unclassified	21	0.16	(556)	877	778	32.32
All Long-Term	10,997	87.21	(6,591)	78,109	8,997	0.08
Money Market	1,613	12.79	25,726	67,228	215,213	14.88
Total	12,610	100	19,135	145,337	224,210	

Source: Morningstar Direct.

After a positive month of flows in July, Europe-domiciled long-term funds experienced EUR 6.6 billion of net outflows in August, reflecting investors' negative sentiment caused by economic uncertainty and inflation not falling as hoped.

In August, global stocks fell amid worries over renewed weakness in the Chinese real estate sector. Economic data from China also continued to be worse than expected and emerging markets underperformed their developed peers. At the same time, government-bond yields rose, which means that prices fell.

Equity funds experienced EUR 1.3 billion of net outflows last month, the second-worst monthly result since October 2022 (for the year to date, equity strategies cashed in EUR 19.9 billion). Like what we have seen in recent months (with the exception of June), outflows are entirely attributable to actively managed products, which shed EUR 11.8 billion; meanwhile, equity passive funds attracted EUR 10.5 billion. China equity and China equity A-shares funds suffered particularly, with both categories shedding EUR 1.1 billion each. At the other hand, U.S. large-cap blend funds attracted EUR 6.4 billion in the month.

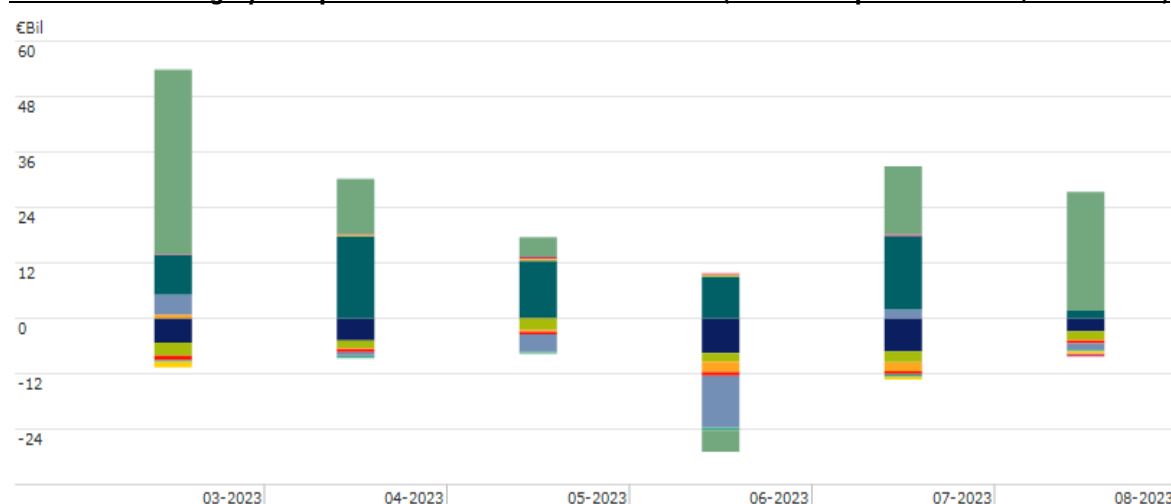
Bond funds marked their 10th-consecutive positive month in terms of flows, although flows in August are down sharply compared with previous months (EUR 1.7 of net inflows versus a range of between 9 and 17 billion over the last four months). Last month, the majority of these inflows targeted funds exposed to government bonds in EUR and USD, as well as global bonds.

Allocation strategies were the biggest detractor of the month, with EUR 2.7 billion of net outflows. These funds had only three positive months in terms of flows since May 2022. In August, cautious and flexible allocation in euros that invest globally were the ones hit hardest. Alternative funds, for their part, had their 16th-consecutive month of net redemptions.

Commodities funds also had a negative month, with EUR 301 million lost in August. This mainly owed to the EUR 369 million withdrawn from precious-metals products; most of them were exchange-traded commodities on gold.

Money market funds had EUR 25.7 billion of net inflows last month. Assets in long-term funds domiciled in Europe decreased to EUR 10.997 trillion at the end of August, down from EUR 11.146 trillion as of 31 July.

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 14.8 billion in August versus the EUR 21.6 billion lost as net outflows by actively managed funds. (The table below only includes the main broad category groups.) Last month, only commodities and alternative funds experienced outflows from both passive and active strategies.

The market share of long-term index funds rose to 25.65% as of August 2023 from 23.52% in August 2022. When including money market funds, which are the domain of active managers, the market share of index funds stood at 22.38%, up from 20.79% 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	(2,754)	(31,044)	1,600	15	290	4
Alternative	(1,457)	(16,892)	159	(279)	837	3
Commodities	(117)	(995)	21	(183)	(3,455)	105
Equity	(11,844)	(50,894)	3,590	10,532	70,740	2,005
Fixed Income	(3,833)	54,658	2,500	5,496	62,809	674

Source: Morningstar Direct. Data in euros as of 31 August 2023.

The Sustainable-Investing Wave

Funds falling within the scope of Article 8 of the Sustainable Finance Disclosure Regulation had net outflows of EUR 10.8 billion in August, the second-worst monthly result over the last 10 months. Equity and allocation products were the biggest detractors.

At the same time, funds falling under Article 9 ("dark green" strategies) saw EUR 200 million of net inflows invested in the month.

From an organic growth perspective, Article 9 funds showed a 3.26% organic growth rate for the year to date. Products falling in the Article 8 group saw 0.10% organic growth over the same period, a lesser result compared with nonsustainable funds (according to the SFDR). Between January and August, funds not considered to be Article 8 or Article 9 had average organic growth rates ranging from 0.49% to 1.51%.

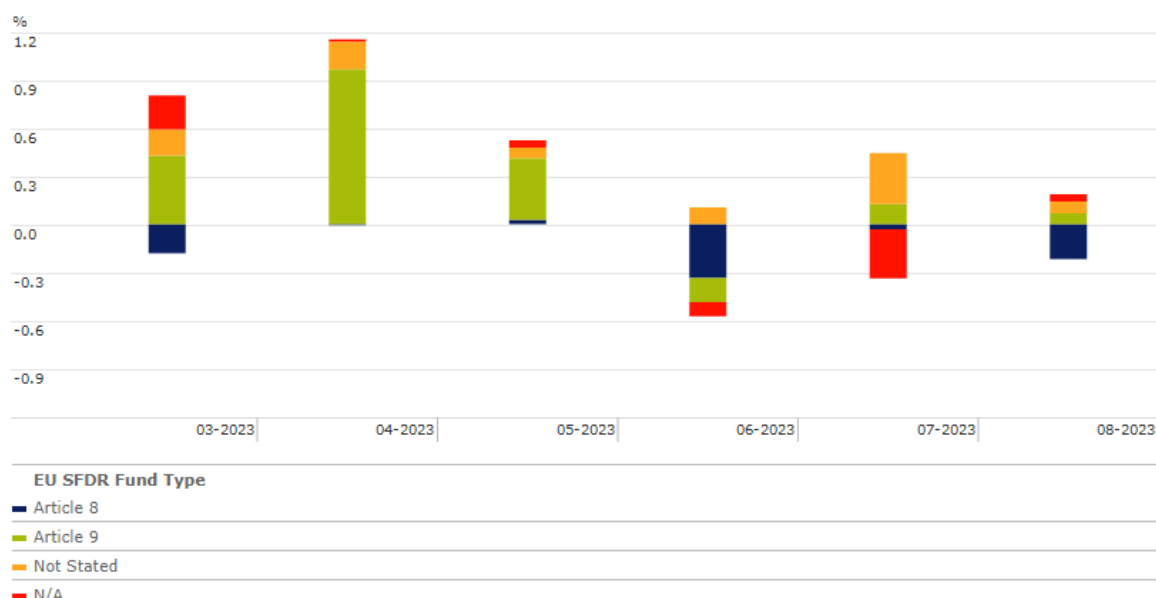
Flows by EU SFDR Fund Type: Active Versus Passive

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	(13,909)	(27,281)	4,231	9,236	3,179	31,883	545	868
Article 9	(331)	7,238	268	841	551	2,255	39	71
Not Stated	(4,676)	(18,253)	2,442	10,853	7,541	73,035	1,431	1,591
N/A	(2,582)	(13,736)	1,237	4,455	3,562	23,081	787	921

Source: Morningstar Direct. Data in euros as of 31 August 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 July, U.S. and global large-cap blend equity funds were again the top sellers in August. While investors' interest in equities overall subsided, these Morningstar Categories continued indeed to see inflows. Fixed income experienced the 10th-consecutive months of inflows, and the majority of these inflows targeted funds exposed to government bonds in EUR and USD, as well as global bonds.

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

Name	Net Assets (EUR Bil) August 2023	Estimated Net Flow (EUR Mil)			Org Growth Rate (%)	
		1 Mo	YTD	1 Year	1 Year	
US Large-Cap Blend Equity	656	6,425	17,307	29,257	4.94	
Global Large-Cap Blend Equity	1,167	4,714	52,179	68,831	6.63	
EUR Government Bond	132	2,299	17,911	20,922	18.22	
Global Bond	161	1,956	13,966	17,805	11.34	
USD Government Bond	87	1,881	10,853	18,113	24.70	

Source: Morningstar Direct.

Morningstar Categories: The Laggards

Global emerging-markets bond funds, both in hard currencies and in local currencies, were among the laggards in terms of flows in August. Investors also sold their China equity funds, A-shares included.

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

Name	Net Assets (EUR Bil) August 2023	Estimated Net Flow (EUR Mil)			Org Growth Rate (%)	
		1 Mo	YTD	1 Year	1 Year	
Global Emerging Markets Bond	130	(2,950)	(1,083)	(3,577)	(2.55)	
CHF Bond	122	(1,740)	5,243	4,891	4.36	
China Equity	45	(1,116)	940	(764)	(1.37)	
Global Emerging Markets Bond - LC	72	(1,088)	1,085	(4,314)	(5.74)	
China Equity - A Shares	27	(1,088)	1,477	(11)	(0.03)	

Source: Morningstar Direct.

Fund Providers: The Leaders

Once again, iShares topped the list of asset-gatherers, as two of the asset manager's exchange-traded funds ranked in the top-10 list in August. Vanguard attracted EUR 2.1 billion in the month, with Vanguard UK Government Bond Index Fund seeing EUR 577 of net inflows. State Street, for its part, gathered EUR 1.9 billion.

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

Name	Net Assets	Estimated Net Flow (EUR Mil)			Org Growth
	(EUR Bil)				Rate (%)
	August 2023	1 Mo	YTD	1 Year	1 Year
iShares	633	2,976	36,923	48,763	8.56
Vanguard	281	2,139	19,375	22,705	9.04
State Street	96	1,930	6,953	7,234	7.26
Xtrackers	151	1,832	10,214	8,779	6.43
HSBC	112	1,479	6,106	9,001	8.73
Swisscanto	131	1,005	13,147	15,648	14.21
Union Investment	210	790	6,963	7,513	3.78
FundLogic	1	706	(169)	(812)	(36.63)
Pimco	159	584	6,427	4,283	2.54
Generali	23	486	1,644	1,801	9.53

Source: Morningstar Direct.

Fund Providers: The Laggards

Pictet led the list of outflows in August among asset managers, followed by Eurizon and Fidelity International. (Fidelity Global Inflation-Linked Bond Fund was the biggest detractor in August, with EUR 260 million walking out the door last month.)

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

Name	Net Assets	Estimated Net Flow (EUR Mil)			Org Growth
	(EUR Bil)				Rate (%)
	August 2023	1 Mo	YTD	1 Year	1 Year
Pictet	139	(2,016)	(5,212)	(6,969)	(4.67)
Eurizon	152	(1,538)	(9,652)	(12,831)	(7.78)
Fidelity International	196	(1,508)	(5,379)	(7,016)	(3.46)
UBS	322	(1,452)	(2,275)	(12,927)	(3.88)
BlackRock	577	(1,365)	13,373	9,913	1.85
GAM	17	(1,162)	(2,036)	(3,283)	(16.00)
Credit Suisse	152	(1,133)	(11,074)	(19,845)	(11.43)
Nordea	203	(905)	(3,393)	(15,523)	(7.53)
BNP Paribas	147	(869)	(1,275)	(1,018)	(0.69)
Morgan Stanley	73	(854)	(1,291)	(3,197)	(4.24)

Source: Morningstar Direct.

Largest Inflows and Outflows by Fund

iShares Core S&P 500 ETF was the top seller of the month, with EUR 960 million taken in in August, while Pictet CH I-CHF Bonds lost EUR 1.5 billion on net outflows.

Funds With the Largest Net Inflows

Name	Estimated Net Flow (EUR Mil)			Org Growth	Net Assets
	1 Mo	YTD	1 Year	Rate (%)	(EUR Mil)
iShares Core S&P 500 ETF	960	1,216	1,722	3.21	59,308
FundLogic Global Solutions S&P500 Idx Tr	799	(86)	(198)	(16.13)	1,111
Xtrackers Germany Government Bond ETF	723	1,017	886	215.93	1,271
UniOpti4	722	2,681	2,750	165.08	4,453
Pimco GIS Income Fund	697	7,268	7,754	13.42	60,722
iShares \$ Treasury Bd 20+y ETF	674	1,759	2,230	66.28	4,914
BlackRock ACS US ESG Insights Equity Fd	605	2,183	2,427		2,545
SSGA State Street Glb Aggt Bd Idx Fd	597	1,405	1,706	35.36	5,670
Vanguard UK Government Bond Index Fund	577	1,040	1,269	33.41	4,666
Allianz Income and Growth	518	3,248	4,852	12.50	40,015

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)
Pictet CH I-CHF Bonds	(1,546)	(835)	(801)	3.21	1,421
iShares Core € Corp Bond ETF	(1,104)	3,147	5,293	(16.13)	13,918
MM Access II Emerging Markets Debt	(1,095)	(275)	(553)	215.93	3,569
BGF Euro Bond Fund	(834)	(1,104)	(1,174)	165.08	1,948
Coronation Global Eq Select	(749)	(676)	(600)	13.42	113
JPM Emerging Markets Equity Fund	(536)	(565)	(775)	66.28	6,546
SWIF US Equity Index	(516)	(347)	(495)		77
CSIF (CH) Bd Swtzi AAA-BBB Blue	(487)	(884)	(2,288)	35.36	7,667
iShares JP Morgan \$ EM Bond ETF	(481)	(1,225)	(1,094)	33.41	6,222
UBS ETF Blombg Barcl Japan Trea 1-3Yr Bd	(464)	140	218	12.50	305

Source: Morningstar Direct.

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Data Notes

The figures in this report were compiled on Sept. 18, 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.