

Morningstar Direct™ Asset Flows Commentary: Europe

Bonds continue positive momentum as investors navigate rate-cut uncertainties.

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Key Takeaways

- ▶ Europe-domiciled long-term funds experienced EUR 11.7 billion of net inflows in April 2024 and EUR 67.1 billion year to date.
- ▶ Equity funds were again negative, down EUR 1.8 billion. It was a one-sided story with passive equity funds collecting EUR 8.4 billion of net inflows, while active strategies bled EUR 10.3 billion.
- ▶ Fixed-income strategies continued their positive momentum, with EUR 25.7 billion of net inflows. April was the 17th month of positive flows out of the last 18. There was a strong appetite for active funds, which collected EUR 17.4 billion, while passive funds gathered EUR 8.3 billion.
- ▶ Commodity funds bled EUR 3.6 billion as investors presumably cashed in on physical gold positions.
- ▶ Allocation funds continued to bleed with EUR 6.1 billion in net redemptions, while outflows from alternative strategies slowed to EUR 227 million (down from EUR 2.6 billion in March).
- ▶ Long-term funds classified as Article 8 or 9 under the EU Sustainable Finance Disclosure Regulation, or SFDR, posted net outflows across the board. Article 8 funds were down EUR 4.6 billion in April, following three straight months of inflows in the first quarter (EUR 15 billion) and after having shed EUR 29.5 billion in 2023. At the same time, Article 9 funds shed EUR 2.9 billion in April and EUR 7.2 billion year to date, after having taken in EUR 3.0 billion in 2023.
- ▶ Global large-cap blend equity was again the top-selling Morningstar Category in the month, followed by fixed-term bonds.
- ▶ On the other hand, commodities (precious metals) saw the highest net outflows at the category level (EUR 4 billion), followed by global large-cap growth equity (EUR 1.9 billion of net redemptions).
- ▶ Last month, iShares topped the rankings of asset-gatherers, followed by Vanguard. Eurizon, Credit Suisse, and UBS were the biggest laggards of the month.
- ▶ iShares Core S&P 500 ETF and Pimco GIS Income Fund lead the list of inflows in April, while iShares emerging-markets index fund and L&G US ESG Exclusions Paris Aligned ETF saw the largest net redemptions.

Money market funds gathered EUR 14.2 billion in net inflows.

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

Name	Net Assets (EUR Bil)	Market Share (%)	Estimated Net Flow (EUR Mil)			Org Growth Rate (%)
			1 Mo	YTD	1 Year	
	Apr 2024	Apr 2024				1 Year
Allocation	1,508	11.43	(6,135)	(30,967)	(90,388)	(5.61)
Alternative	144	1.09	(227)	(6,551)	(26,856)	(13.65)
Commodities	130	0.98	(3,599)	(6,013)	(18,590)	(14.04)
Convertibles	36	0.27	(560)	(2,278)	(7,631)	(17.53)
Equity	5,967	45.22	(1,889)	8,437	(8,463)	(0.16)
Fixed Income	3,346	25.36	25,714	110,039	197,965	6.30
Property	165	1.25	(928)	(3,604)	(10,629)	(5.48)
Miscellaneous	90	0.68	(307)	(1,942)	(1,832)	(2.04)
Unclassified	19	0.14	(340)	10	(3,053)	(282.16)
All Long-Term	11,406	86.43	11,729	67,132	30,522	(0)
Money Market	1,790	13.57	14,210	43,959	215,768	13.81
Total	13,196	100	25,939	111,091	246,291	

Source: Morningstar Direct.

April was a positive month for the European asset-management industry, driven solely by continued appetite for fixed-income funds, as investors navigate news that the long-awaited rate cut in the US is likely to be postponed to later in the year. In total, investors poured EUR 11.7 billion into long-term Europe-domiciled funds in April and EUR 67.1 billion year to date. The timing of rate cuts remained the market's focus. The Swiss National Bank and Swedish Riksbank were the first Western central banks to cut rates, and the European Central Bank is likely to follow suit at its next meeting on June 6. A rate cut from the Bank of England in June is also on the table.

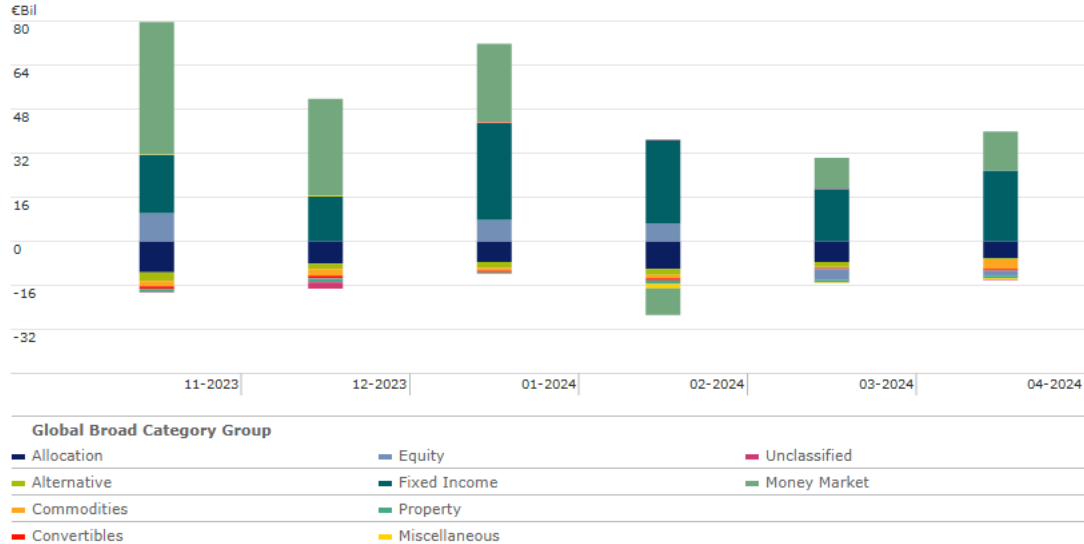
Equity funds bled another EUR 1.8 billion, following withdrawals of EUR 3.5 billion in March. Year to date, European equity strategies remain in positive territory and garnered EUR 8.4 billion so far, making it the only category besides fixed income that investors viewed positively. Money poured into passive equity strategies (EUR 8.4 billion), while active strategies bled EUR 10.3 billion in April.

Fixed income has attracted fresh money since October 2022 (only September 2023 saw a minor net redemption of EUR 2.7 billion), and April was another month with strong net inflows of EUR 25.7 billion. Of those, active strategies gathered EUR 17.4 billion, while a smaller share of EUR 8.3 billion came from passive funds as investors trust active managers to navigate the complexities of the bond market ahead of anticipated central bank rate cuts. Active managers can adjust their portfolio by adjusting duration, sector, and regional allocations as well as credit quality to manage risks associated with rate volatility.

Allocation funds bled a massive EUR 6.1 billion and EUR 30 billion in 2024, making it the least popular asset class among investors as measured by outflows. Commodities also bled, as investors redeemed EUR 3.6 billion (year to date EUR 6 billion) in April alone. Physical gold funds saw massive outflows in April, likely reflecting some profit-taking as the bullion reached new all-time highs in mid-April (in euros).

Alternative strategies continued to bleed assets with EUR 227 million of net outflows in April. Finally, money market funds garnered EUR 14.2 billion last month.

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 13.41 billion in April versus EUR 1.86 billion in net outflows for actively managed funds. (The table below only includes the main broad category groups.) As in prior months, only fixed-income funds experienced inflows into active strategies. This holds true for year to date as well.

The market share of long-term index funds rose to 27.96% as of April 2024 from 24.79% in April 2023. When including money market funds, which are the domain of active managers, the market share of index funds stood at 24.22%, up from 21.68% 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	-6,203	-29,514	1,503	68	-1,453	5
Alternative	-228	-6,141	142	1	-410	2
Commodities	-344	-269	21	-3,255	-5,744	109
Equity	-10,335	-50,402	3,646	8,446	58,839	2,321
Fixed Income	17,380	88,801	2,615	8,334	21,238	731

Source: Morningstar Direct. Data in euros as of April 30, 2024.

The Sustainable-Investing Wave

Funds falling within the scope of Article 8 of the SFDR posted net outflows of EUR 4.6 billion in April, following three straight months of inflows in the first quarter (EUR 15 billion) and after having shed EUR 29.5 billion in 2023. At the same time, funds falling under Article 9 ("dark green" strategies) shed EUR 2.9 billion in the month and EUR 7.2 billion year to date, after having taken in EUR 3.0 billion in 2023.

From an organic growth perspective, Article 8 funds showed a negative 0.08% organic growth rate for April. On the other hand, products falling in the Article 9 group saw a negative 0.88% organic growth rate over the same period. Meanwhile, funds not considered to be Article 8 or Article 9 according to the SFDR showed positive average organic growth rates in April.

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	(1,653)	1,704	4,498	9,694	(2,918)	12,608	632	906
Article 9	(2,338)	(7,778)	263	867	(570)	566	51	103
Not Stated	2,176	4,703	2,109	9,916	15,179	53,645	1,605	1,533
N/A	(47)	(3,521)	1,301	4,003	1,716	5,061	897	906

Source: Morningstar Direct. Data in euros as of April 30, 2024. Money market funds excluded.

Note: Based on Sustainable Finance Disclosure Regulation data collected from prospectuses on around 99% 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 March, global large-cap blend equity funds were by far the top sellers in April (and in the first quarter in total). Fixed-term bonds followed at a distance. These bonds have attracted net inflows since April 2022 as investors continue to be timid about taking market risks: Such fund portfolios carry bonds whose expiry date is aligned with the fund's target maturity date. As such, these strategies are insulated from the market's ups and downs. Japanese large-cap equity also was popular in April. Japan's stock market hit records in late March, so investors had high hopes for another bumper month.

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

Name	Net Assets (EUR Bil)	Estimated Net Flow (EUR Mil)			Org Growth Rate (%)
		April 2024	1 Mo	YTD	1 Year
Global Large-Cap Blend Equity	1,257	8,190	44,191	102,401	9.44
Fixed-Term Bond	165	3,466	18,285	55,113	49.05
Global Bond	175	3,179	10,991	23,617	14.92
Japan Large-Cap Equity	137	2,963	2,575	9,857	7.88
EUR Ultra Short-Term Bond	106	2,934	9,176	16,651	18.95

Source: Morningstar Direct.

Morningstar Categories: The Laggards

Precious metals—gold, specifically—was the category that saw the largest outflows in April. The gold price hit an all-time high (in euros) last month, and global investors in physical gold ETCs took massive profits, redeeming as much as \$4 billion. This marks the largest monthly net outflow in this category since Morningstar has started collecting investment flow data (2007).

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

Name	Net Assets (EUR Bil)	Estimated Net Flow (EUR Mil)			Org Growth Rate (%)
		April 2024	1 Mo	YTD	1 Year
Commodities — Precious Metals	99	(4,036)	(6,398)	(15,547)	(15.65)
Global Large-Cap Growth Equity	362	(1,885)	(2,624)	(4,484)	(1.45)
Europe Large-Cap Blend Equity	233	(1,584)	(1,924)	(5,087)	(2.28)
Global Emerging-Markets Equity	346	(1,541)	(2,129)	(4,638)	(1.44)
UK Large-Cap Equity	177	(1,331)	(2,264)	(13,675)	(7.63)

Source: Morningstar Direct.

Fund Providers: The Leaders

BlackRock's ETFs provider iShares topped the list of asset-gatherers last month and year to date, with EUR 5.5 billion of net inflows in April. Vanguard garnered the second-largest inflows in April, with EUR 4.8 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 (%)
	April 2024	1 Mo	YTD	1 Year	1 Year
iShares	774	5,482	19,630	61,664	9.76
Vanguard	328	4,844	11,942	29,335	11.27
BlackRock	559	3,058	9,613	6,780	1.26
State Street	119	2,213	5,307	14,964	15.31
JPMorgan	237	1,462	7,249	8,276	3.90
Pimco	168	1,227	7,989	8,365	5.31
Natixis	105	1,186	962	3,447	3.62
HSBC	135	1,064	9,256	16,536	15.51
Swisscanto	143	998	2,585	9,524	7.70
Man Group	28	779	3,056	2,480	10.71

Source: Morningstar Direct.

Fund Providers: The Laggards

Eurizon led the list of outflows in April among fund houses, followed by Credit Suisse and UBS. US equity large-cap blend equity funds had EUR 827 million of net redemptions in April, which was mirrored by net inflows attracted into CHF bond funds (EUR 832 million). These flows might reflect top-down asset-allocation shifts in UBS' wealth-management channels, which regularly see large shifts between asset classes and have repeatedly made a noticeable imprint on European fund flows.

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

Name	Net Assets	Estimated Net Flow (EUR Mil)			Org Growth
	(EUR Bil)				Rate (%)
	April 2024	1 Mo	YTD	1 Year	1 Year
Eurizon	148	(2,586)	(7,275)	(19,099)	(12.00)
Credit Suisse	163	(2,024)	(5,847)	(14,616)	(8.62)
UBS	352	(1,558)	8,351	(572)	(0.17)
Baillie Gifford	47	(1,286)	(5,275)	(11,802)	(22.43)
Columbia Threadneedle	59	(1,190)	(3,039)	(6,540)	(10.93)
BNP Paribas	149	(1,075)	(2,112)	(8,192)	(5.54)
Aviva	128	(1,016)	(6,919)	(9,810)	(8.01)
Morgan Stanley	74	(793)	(2,172)	(5,607)	(8.07)
DWS	179	(777)	(1,628)	(4,827)	(2.80)
WisdomTree	27	(651)	(670)	(3,101)	(11.65)

Source: Morningstar Direct.

Largest Inflows and Outflows by Fund

iShares Core S&P 500 ETF attracted EUR 1.6 billion. Meanwhile Pimco GIS Income Fund had inflows of EUR 1.1 billion in April, which makes it the largest asset-gatherer year to date as the largest single fixed-income fund continues to benefit from investors' appetite for bond strategies. iShares emerging-markets index fund bled EUR 1 billion. Amid profit-taking, three strategies exposed to physical gold were among the strategies that saw the largest net redemptions.

Funds With the Largest Net Inflows

Name	Estimated Net Flow (EUR Mil)			Org Growth	Net Assets
	1 Mo	YTD	1 Year	Rate (%)	(EUR Mil)
				1 Year	Apr 2024
iShares Core S&P 500 ETF	1,568	6,033	10,775	20.67	77,445
Pimco GIS Income Fund	1,094	6,949	12,149	20.99	70,974
Global Multi-Factor Equity Fund	1,058	1,059	1,059		1,059
Schroder SSF Wealth Mgmt Gbl Sust Eq	1,057	1,057	1,057		1,057
SSGA Stt Strt Gbl Trs 1-10 Yr Bd Idx Fd	958	2,060	3,744	136.96	6,321
iShares Core DAX UCITS ETF (DE)	850	668	445	7.65	6,927
CaixaBank Alternative Strategies Fund	843	1,345	1,345		1,340
Vanguard S&P 500 ETF	841	2,238	5,809	17.81	47,149
Blackrock ACS NA ESG Insgts Eq	821	5,255	6,839	290.15	10,140
BlackRock Japan Equity 1 Fund	755	(1,696)	(994)	(6.26)	1,417

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)
				1 Year	Apr 2024
iShares Emerging Markets Index Fund (IE)	(1,045)	(1,047)	(2,241)	(25.70)	7,490
L&G US ESG Exclsn Paris Aligned ETF	(932)	(1,441)	(589)	(70.57)	644
AI North American Equity Index Fund	(903)	(5,535)	(7,259)	(88.62)	2,948
Schroder ISF Global Sustainable Growth	(807)	(589)	220	5.37	5,222
iShares MSCI USA SRI ETF	(699)	(2,439)	(3,752)	(42.92)	6,568
XACT Nordic High Div Low Vol	(682)	(799)	(852)	(57.01)	665
Invesco Physical Gold ETC	(659)	(1,418)	(2,173)	(15.90)	13,981
Amundi IS Amundi MSCI USA ESG Lds Slr	(510)	(531)	(99)	(5.32)	88
Amundi Physical Gold ETC	(501)	(215)	(907)	(21.84)	3,962
Xetra-Gold	(490)	(1,553)	(3,308)	(25.02)	12,051

Source: Morningstar Direct.

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Data Notes

The figures in this report were compiled on May 19, 2024, 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.