

March 2022
Data through
28 February

Morningstar Direct™ Asset Flows Commentary: Europe

Despite fears over escalation in Ukraine, investors not fleeing equities nor emerging markets; bond funds suffered heavy outflows.

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Key Takeaways

- ▶ Assets in long-term funds domiciled in Europe declined to EUR 11,639 billion at the end of February 2022, down from EUR 11,951 billion as of 31 Jan.
- ▶ Net inflows to long-term funds stood at EUR 4 billion. Flows towards equity funds managed to stay in positive territory.
- ▶ Bond funds saw EUR 18 billion of net outflows.
- ▶ Long-term funds classified as Article 8 shed EUR 4.4 billion, while Article 9 products attracted EUR 3.1 billion in January.
- ▶ Global large-cap blend equity funds saw the highest net inflows at the Morningstar Category level, gaining EUR 7.1 billion in February. Among the laggards, EUR corporate bond and Japan large-cap equity funds experienced the largest net redemptions.
- ▶ UBS topped the list of the asset-gatherers by branding name, followed by iShares and Invesco.
- ▶ On the other hand, Pimco, KBC, and Lantern Structured AM suffered the biggest redemptions.
- ▶ SPDR Bloomberg SASB U.S. Corp ESG ETF was the top seller of the month (monetary products excluded), while UBS FS MSCI ACWI SF ETF experienced the largest net outflows.

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 (%)
	Feb 2022	Feb 2022	1 Mo	YTD	1 Year	1 Year
Allocation	1,791	13.74	7,899	17,751	147,461	9.16
Alternative	200	1.53	1,299	1,940	16,724	8.41
Commodities	143	1.10	2,083	3,357	6,017	5.29
Convertibles	60	0.46	(657)	(1,357)	1,182	1.83
Equity	5,722	43.89	11,292	47,194	311,156	6.19
Fixed Income	3,425	26.27	(18,013)	(22,604)	199,495	6.02
Property	194	1.49	772	2,269	8,630	4.56
Miscellaneous	99	0.76	(727)	(1,697)	(2,792)	(2.39)
Unclassified	4	0.03	(23)	35	1,174	47.93
All Long-Term	11,639	89.28	3,926	46,888	689,048	6.48
Money Market	1,398	10.72	(42,290)	(55,235)	18,117	1.30
Total	13,036	100	(38,364)	(8,346)	707,164	

Source: Morningstar Direct.

Growing concerns on a monetary-policy tightening, inflationary pressure, and the outbreak of war between Russia and Ukraine has turned investors' sentiment particularly low. Investors sent just under EUR 4 billion to long-term European-domiciled funds in February, the worst monthly result in terms of flows since March 2020. This owed primarily to strong redemptions from fixed-income products.

Equity funds were able to conclude February in positive territory (EUR 11.3 billion) despite strong outflows over the final week of the month, following the Russian invasion of Ukraine. Flows were fairly evenly split between active and passive products. Global large-cap blend equity was by far the most popular category during the month, followed by US large-cap blend equity and global emerging-markets equity funds.

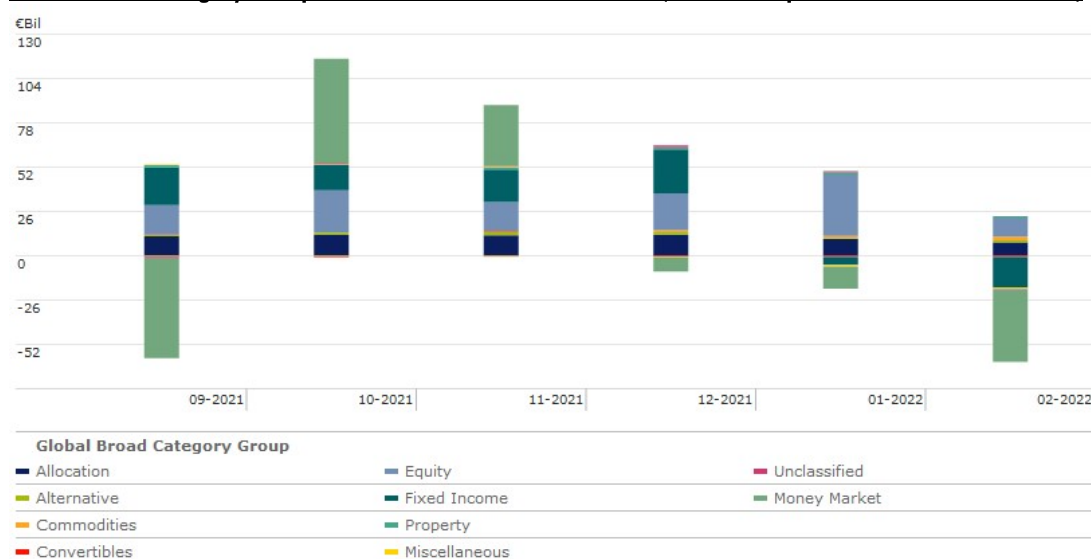
With EUR 18.7 billion of net redemptions, bond funds experienced the worst month in terms of flows since March 2020. If we exclude March 2020, we have to go back as far as June 2013 to find a worse month flow-wise for fixed-income products. Indeed, generally speaking there have been very small outflows overall for fixed-income funds in recent years. The majority of these withdrawals came from corporate and high-yield bonds in euros and US dollars, as well as flexible bond funds.

Allocation funds, on the other hand, enjoyed another strong month, although below the average seen over the past year (EUR 7.9 billion of net inflows in February); moderate-allocation funds in euros that invest globally were again the main beneficiaries, with EUR 2.6 billion collected in the month. Alternative funds managed to stay in positive territory for the 13th consecutive month, taking in EUR 1.3 billion.

Finally, over concerns about higher inflation and falling purchasing power, investors offloaded EUR 43.3 billion from money market funds, making February the fourth worst month on record for the asset class. (Morningstar started collecting data on fund flows in Europe in 2007.)

Because of market depreciation, assets in long-term funds domiciled in Europe decreased to EUR 11,639 billion at the end of February from EUR 11,951 billion as of 31 Jan.

Global Broad Category Group Net Flows in the Past 6 Months (ETFs and Open-End Funds, EUR Billion)



Active Versus Passive

Long-term index funds posted inflows of EUR 9.8 billion in February versus EUR 6.5 billion of net outflows from actively managed funds. (The table below only includes the main broad category groups.) On the active side, allocation funds enjoyed the highest demand, pulling in EUR 7.9 billion. Equity index funds attracted EUR 4.6 billion. Actively managed bond funds experienced the worst month in terms of flows since March 2020, with EUR 19.8 billion walking out the door.

The market share of long-term index funds rose to 22.26% as of February 2022 from 20.24% in February 2021. When including money market funds, which are the domain of active managers, the market share of index funds stood at 19.87%, up from 17.89% 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	7,898	17,772	1,787	1	(21)	4
Alternative	1,093	1,828	197	206	113	3
Commodities	727	777	29	1,356	2,579	114
Equity	4,638	8,656	3,873	6,652	38,534	1,848
Fixed Income	(19,825)	(28,313)	2,806	1,133	4,801	603

Source: Morningstar Direct. Data in euros, as of 28 Feb 2022.

The Sustainable Wave

Investors continued to pour money into “dark green” funds (investment funds that fall within the scope of Article 9 of the Sustainable Finance Disclosure Regulation). On the other hand, funds considered to be Article 8 (“light green” funds) shed EUR 4.4 billion in February.

It's been almost a year since the European Union introduced its SFDR, requiring for the first time that asset-management companies provide information about their investments' environmental, social, and governance risks as well as their impact on society and the planet. With all that's going on – Russia's invasion of Ukraine has provoked a lot of discussion about sustainable investing, highlighting the growing influence of sustainability concepts on investing in general – it is important to keep in mind that SFDR classification is about disclosing relevant ESG information, but it doesn't constitute an ESG label, and additional analyses and metrics are required to assess funds' ESG credentials.

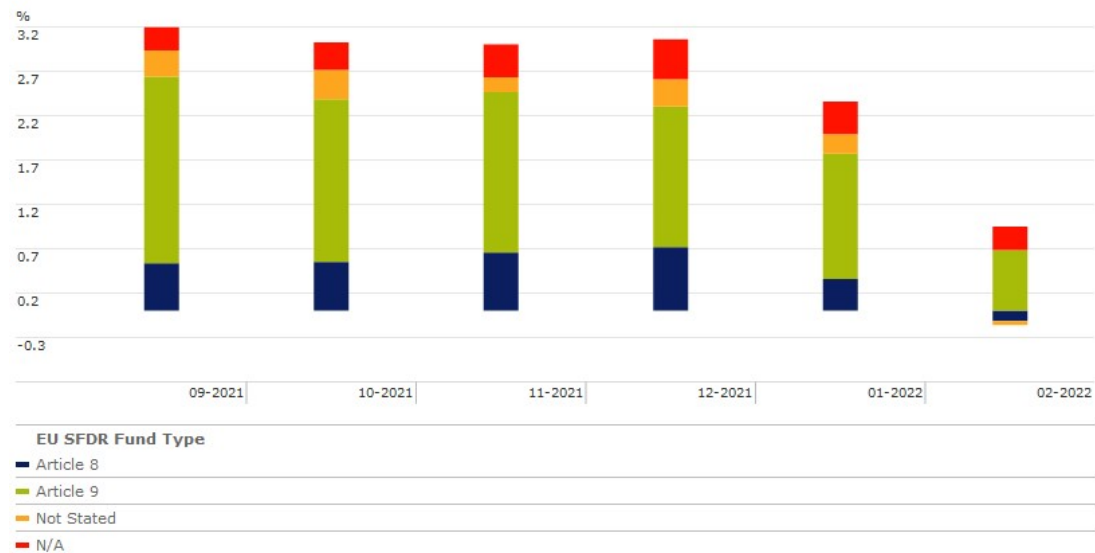
Flows by EU SFDR Fund Type: Active Versus Passive

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	(7,732)	2,727	3,414	6,281	3,325	7,354	327	482
Article 9	2,842	4,907	371	751	297	5,078	78	113
Not Stated	(7,343)	(16,540)	3,533	14,780	4,958	25,648	1,389	1,568
N/A	5,682	8,825	1,717	5,424	1,215	7,977	793	968

Source: Morningstar Direct. Data in euros, as of 28 Feb 2022. Money market funds excluded.

Note: Based on SFDR data collected from prospectuses on around 88% 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 this report, 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 6 Months (ETFs and Open-End Funds)



Source: Morningstar Direct.

Morningstar Categories: The Leaders

With EUR 7.2 billion of net inflows, global large-cap blend equity funds were the most sought-after products in February. It was basically a one-sided story, with all flows attracted by actively managed funds. LF ACCESS Global Equity Fund was the main beneficiary within the category with EUR 1.3 billion of net inflows (it is distributed exclusively in the United Kingdom).

Global emerging-markets equity funds had another strong month with EUR 3 billion of net inflows, the third-best month on record for such category in term of flows. iShares MSCI EM SRI ETF was the top seller, with 300 million of new net sales last month.

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 (%)
	February 2022				1 Year
Global Large-Cap Blend Equity	1,050	7,190	22,658	110,110	13.37
US Large-Cap Blend Equity	581	3,523	8,037	33,225	7.41
Global Emerging Markets Equity	362	3,060	8,708	14,837	3.92
EUR Moderate Allocation - Global	272	2,573	5,654	34,012	15.15
EUR Government Bond	115	2,379	3,752	7,728	6.78

Source: Morningstar Direct.

Morningstar Categories: The Laggards

EUR corporate bond was the most unpopular fund category in February, with redemptions of EUR 5.7 billion. This was the largest monthly net outflow for this category since March 2020 and the second-worst month ever in terms of flows. The category's main detractor was iShares Core € Corporate Bond ETF, with EUR 1 billion walking out the door.

Japan large-cap equity funds experienced the biggest monthly outflows on record if we exclude March 2020. Investors pulled EUR 3.3 billion out of these funds last month. UBS FS MSCI Japan ETF shed EUR 856 million in the month.

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

Name	Net Assets		Estimated Net Flow (EUR Mil.)		Org Growth
	(EUR Bil.)				Rate (%)
	February 2022	1 Mo	YTD	1 Year	1 Year
EUR Corporate Bond	200	(5,745)	(5,470)	1,187	0.56
Japan Large-Cap Equity	118	(3,315)	(3,002)	4,980	4.36
US Large-Cap Growth Equity	131	(2,772)	(4,683)	(7,631)	(5.82)
EUR High Yield Bond	60	(2,354)	(2,818)	(1,751)	(2.77)
Global Flexible Bond - USD Hedged	126	(2,220)	(3,874)	4,341	3.51

Source: Morningstar Direct.

Fund Providers: The Leaders

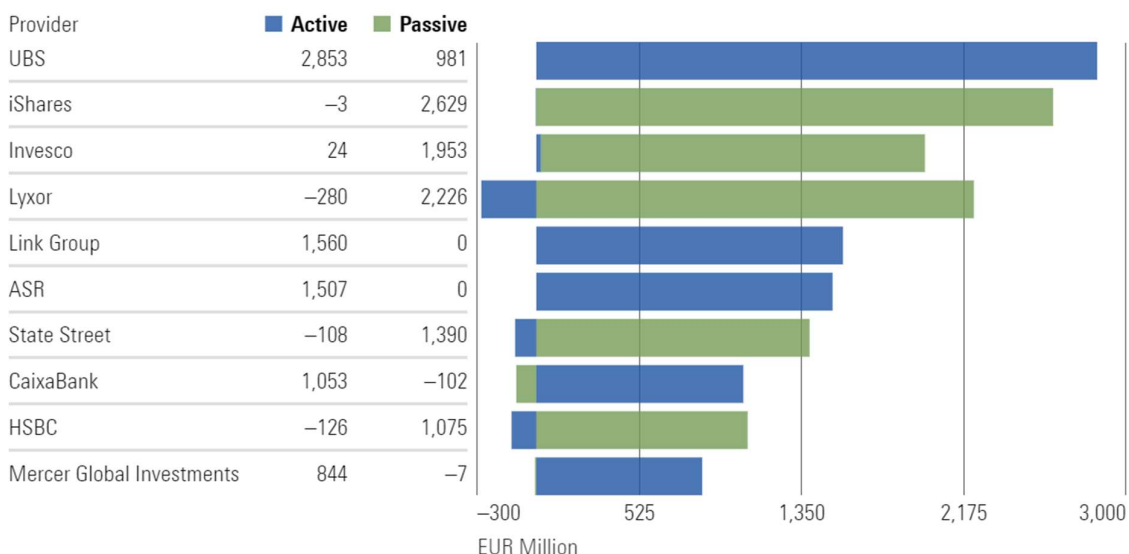
Within the long-term fund market, UBS topped the list of fund houses, raking in EUR 3.8 billion in February, thanks mainly to its USD diversified bond and eurozone large-cap equity products. EUR 981 million targeted passive products. The runner-up was iShares with EUR 2.46 billion of net inflows. The top-seller of BlackRock's ETFs provider was iShares Core S&P 500 ETF, with EUR 1.15 billion of net new sales in the month.

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

Name	Net Assets		Estimated Net Flow (EUR Mil.)		Org Growth
	(EUR Bil.)				Rate (%)
	February 2022	1 Mo	YTD	1 Year	1 Year
UBS	378	3,834	2,998	25,669	7.44
iShares	603	2,626	11,945	67,206	13.84
Invesco	144	1,977	3,174	5,349	4.10
Lyxor	112	1,946	3,473	11,905	13.31
Link Group	73	1,560	1,491	(1,875)	(2.75)
ASR	22	1,507	1,717	6,180	35.77
State Street	89	1,283	2,931	8,050	9.43
CaixaBank	55	951	2,149	5,778	12.04
HSBC	103	949	1,196	11,156	12.85
Mercer Global Investments	114	837	1,934	11,182	11.42

Source: Morningstar Direct.

Flows by Fund Providers: The Leaders (Long-Term Funds, Active and Passive)



Source: Morningstar Direct. Data as of February 28, 2022.

Fund Providers: The Laggards

Among the fund houses, Pimco suffered the largest net outflows in February with EUR 2.3 billion pulled out. Redemptions hit its global flexible bond products the hardest, with EUR 1.2 billion in net outflows. Pimco Global Investment Grade Fund shed EUR 897 million.

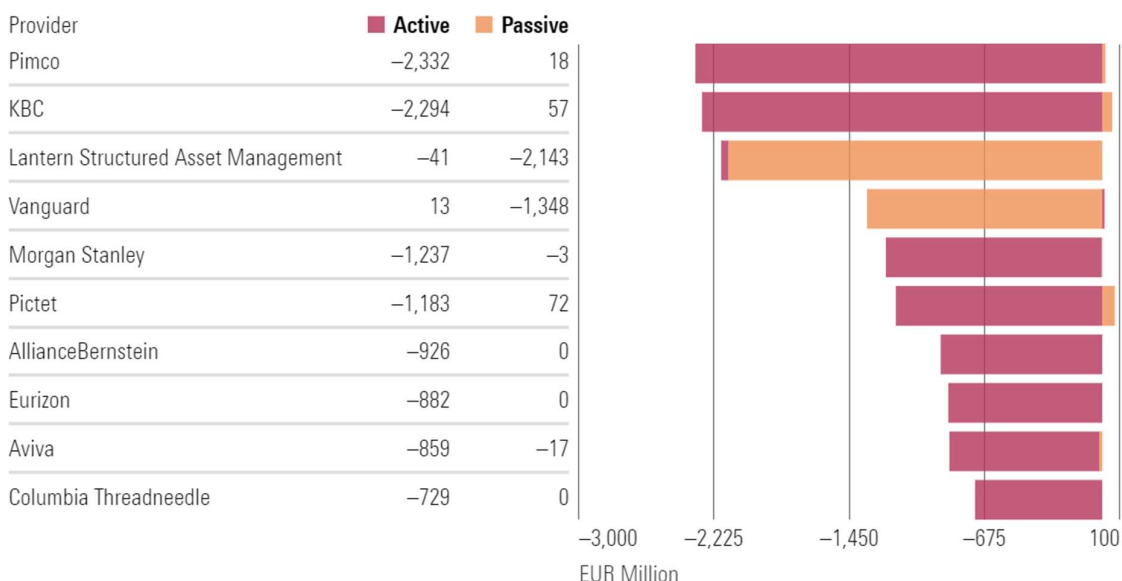
KBC suffered the next-highest net outflows, shedding EUR 2.2 billion. This was the largest monthly net outflows since March 2020. KBC Bonds Corporates Euro Fund was the main detractor, with EUR 977 million walking out the door.

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

Name	Net Assets	Estimated Net Flow (EUR Mil.)		Org Growth	
	(EUR Bil.)			Rate (%)	
	February 2022	1 Mo	YTD	1 Year	1 Year
Pimco	189	(2,314)	(4,404)	(1,815)	(0.94)
KBC	91	(2,237)	237	3,245	3.87
Lantern Structured AM	9	(2,184)	1,148	(2,252)	(23.25)
Vanguard	255	(1,336)	1,138	20,327	9.60
Morgan Stanley	85	(1,240)	(3,077)	(3,806)	(4.03)
Pictet	154	(1,112)	2,114	11,507	12.59
AllianceBernstein	80	(926)	(2,131)	(959)	(1.21)
Eurizon	184	(882)	(1,980)	2,407	1.32
Aviva	159	(876)	(852)	(1,783)	(1.17)
Columbia Threadneedle	53	(729)	(1,122)	(4,262)	(8.08)

Source: Morningstar Direct.

Flows by Fund Providers: The Laggards (Long-Term Funds, Active and Passive)



Source: Morningstar Direct. Data as of February 28, 2022.

Largest Inflows and Outflows by Fund

SPDR Bloomberg SASB U.S. Corporate ESG UCITS ETF was the top seller of the month (monetary products excluded), raking in EUR 1.4 billion in February. The runner-up was BlackRock's ACS Climate Transition World Equity Fund, earning EUR 1.37 billion of net inflows.

On the other hand, UBS SF MSCI ACWI UCITS ETF suffered the biggest outflows in February, with net redemptions of EUR 2.8 billion. iShares Core € Corporate Bond UCITS ETF experienced the next-highest outflows at EUR 1 billion.

Funds With the Largest Net Inflows

Name	Estimated Net Flow (EUR Mil.)			Org Growth Rate (%)	Net Assets (EUR Mil.)
	1 Mo	YTD	1 Year	1 Year	Feb 2022
SPDR Bloomberg SASB U.S. Corp ESG ETF	1,414	1,418	1,539	33.84	6,274
ACS Climate Transition World Equity Fund	1,376	3,846	5,245	162.73	9,070
Invesco S&P 500 ETF	1,360	1,331	4,361	50.43	15,237
LF ACCESS Global Equity Fund - Macquarie	1,331	1,331	1,331	n.a.	1,331
Focused High Grade Long Term Bond USD	1,227	47	1,734	107.18	3,337
Baillie Gifford Multi Asset Growth Fund	1,165	(1,095)	(1,004)	(37.63)	2,719
iShares Core S&P 500 ETF	1,152	1,716	6,587	18.55	51,077
ASR Duurzaam Wereldwijd Aandelen Fonds	1,059	1,059	1,059	n.a.	1,059
Allianz Income and Growth	940	2,551	12,112	47.23	37,160
Focused SICAV High Grade Lg Trm Bd EUR	907	(32)	956	138.14	1,618

Source: Morningstar Direct.

Funds With the Largest Net Outflows

Name	Estimated Net Flow (EUR Mil.)			Org Growth Rate (%)	Net Assets (EUR Mil.)
	1 Mo	YTD	1 Year	1 Year	Feb 2022
UBS FS MSCI ACWI SF	(2,808)	192	(3,099)	(56.27)	3,134
iShares Core € Corp Bond ETF	(1,018)	(1,085)	(1,244)	(11.49)	9,084
Blackrock ACS US Equity Tracker Fund	(953)	(1,994)	(3,083)	(17.51)	18,187
Vanguard FTSE Dev Wld II Com Cntrl	(933)	(904)	(713)	(36.89)	1,464
Pimco GIS Global Investment Grd Crdt Fd	(897)	(1,295)	(7,580)	(35.53)	13,030
KBC Bonds Corporates Euro	(877)	(869)	(914)	(73.40)	285
UBS (Lux) FS MSCI Japan	(856)	(915)	360	20.79	2,147
KBC Bonds Strategic Euro Corporate Bonds	(855)	(853)	(1,097)	(67.88)	483
Vanguard FTSE UK All Share Index UT	(733)	(881)	(608)	(4.40)	16,009
Pimco GIS Diversified Income Fund	(691)	(1,136)	(2,770)	(17.76)	12,504

Source: Morningstar Direct.

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

Data Notes

The figures in this report were compiled on 18 March 2022. Approximately 31,300 Europe-domiciled open-end funds and ETFs 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.

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.

Please note that 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.