

Morningstar Direct™ Asset Flows Commentary: Europe

Fixed-Income Funds Record Their Highest Monthly Net Inflows in Five Years.

Antje Schiffler, EMEA Editorial Research Team

Key Takeaways

- ▶ Europe-domiciled long-term funds experienced EUR 48.4 billion of net inflows in July 2024 and EUR 188.7 billion in the first seven months of the year.
- ▶ Equity funds attracted EUR 10.1 billion of net inflows in the month. This was entirely attributable to passive equity strategies (EUR 12.5 billion), while active strategies recorded net outflows.
- ▶ Fixed-income strategies picked up momentum and raked in EUR 42.6 billion of net inflows in July, marking the strongest month since June 2019.
- ▶ Allocation funds continued their 14-month-long losing streak and shed EUR 2.9 billion. Meanwhile, alternative funds attracted EUR 236 million in net inflows.
- ▶ Article 8 funds recorded their best result since January 2023 and gathered EUR 20.5 billion. Article 9 funds, on the other hand, continued to bleed and shed EUR 797 million in July. This marks the 10th consecutive month of net redemptions for these funds.
- ▶ Global large-cap blend equity was again the top-selling Morningstar Category in the month, gaining EUR 13.9 billion, followed by Asia bond – local currency.
- ▶ On the other end of the spectrum, Japan large-cap blend equity strategies lost the most money (EUR 3.3 billion), followed by eurozone large-cap equity (EUR 1.9 billion).
- ▶ M&G topped the rankings of asset-gatherers, followed by iShares. BlackRock and Eurizon were the biggest laggards of the month.
- ▶ M&G (Lux) Asian local currency bond fund had inflows of EUR 6.8 billion in July, while BlackRock Japan Equity 1 fund saw EUR 3.2 billion walk out the door.
- ▶ Money market funds had EUR 32.6 billion in net inflows.
- ▶ Assets in long-term funds domiciled in Europe increased to EUR 11.980 trillion by month's end from EUR 11.904 trillion at the end of June.

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 (%)
	July 2024	July 2024				1 Year
Allocation	1,575	11.36	(2,917)	(43,627)	(85,220)	(5.21)
Alternative	146	1.06	236	(6,195)	(19,905)	(10.67)
Commodities	134	0.97	(49)	(4,798)	(12,107)	(9.52)
Convertibles	36	0.26	(289)	(3,457)	(6,849)	(15.84)
Equity	6,350	45.82	10,079	44,251	38,560	0.67
Fixed Income	3,493	25.21	42,568	210,117	255,541	7.95
Property	158	1.14	(1,409)	(6,544)	(11,256)	(6.04)
Miscellaneous	90	0.65	70	(1,380)	(1,977)	(2.27)
Unclassified	16	0.11	103	370	(3,144)	(20.17)
All Long-Term	11,997	86.57	48,393	188,738	153,643	
Money Market	1,862	13.43	32,609	101,267	257,612	16.18
Total	13,858	100	81,003	290,004	411,255	

Source: Morningstar Direct

Investors poured EUR 48.4 billion into long-term Europe-domiciled funds in July, making it the best month in terms of flows since January 2023 amid continued appetite for fixed-income strategies.

Global equity markets were still enjoying tailwinds in July before August’s market tumult arrived. The US equity market experienced a notable shift away from large-cap technology stocks and a rotation to small-cap stocks, and overall it ticked up 1.5% in USD, according to the Morningstar US Market PR Index. Meanwhile, the European market excluding UK had a more muted performance, while the UK market benefited from strong economic growth and service sector data. Asian markets were mixed: The Japanese market saw the beginnings of underperformance caused by the unwinding of the yen carry trade that led to the sharp market selloff in early August.

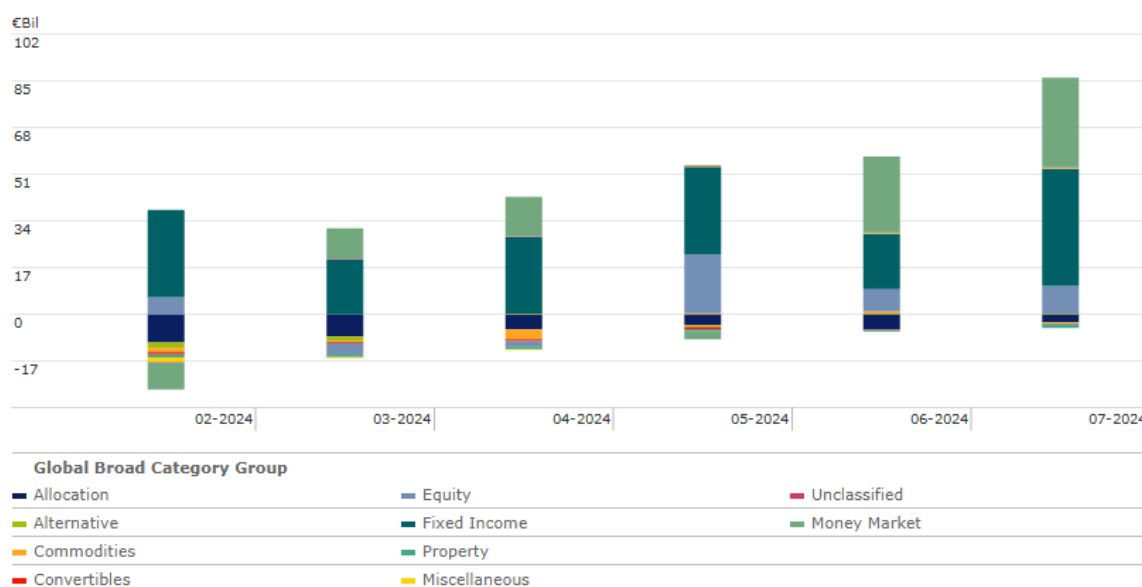
In this context, investors showed a positive, but mixed interest in equity funds: Japanese large-cap equities were the category with the largest redemptions; some investors appear to have seen August’s rout in Japanese stocks coming. On the other end of the spectrum, global large-cap blend equity once more was the category that saw the largest net inflows last month. Overall, equity funds took in EUR 10.1 billion, which was a one-sided story: Passive strategies gained EUR 12.5 billion, while active equity strategies shed EUR 2.5 billion.

Bond funds attracted a solid EUR 42.6 billion in net inflows in July, which made it the strongest month in flow terms since June 2019. The primary driver was Asian bonds in local currency, which garnered EUR 6.8 billion. Inflows were mostly seen into active strategies: EUR 32.7 billion versus EUR 9.9 billion into passive funds.

Allocation strategies marked their 14th month of negative net flows, with EUR 2.9 billion walking out the door, bringing total losses this year up to EUR 43.6 billion. Alternatives, meanwhile, returned to modest positive territory after spending much of 2022, 2023, and 2024 in negative territory. On the other hand, commodities funds recorded EUR 49 million in net outflows.

Finally, money market funds had EUR 32.6 billion of net new subscriptions, after collecting EUR 28.8 billion in June.

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 22.5 billion in July versus the EUR 24.8 billion garnered by actively managed funds. (The table below only includes the main broad category groups.)

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	(3,085)	(42,459)	1,569	169	(1,167)	5
Alternative	(20)	(6,104)	144	255	(92)	3
Commodities	1,606	1,549	23	(1,655)	(6,347)	111
Equity	(2,456)	(61,295)	3,789	12,535	105,546	2,561
Fixed Income	32,680	161,484	2,707	9,888	48,633	786

Source: Morningstar Direct. Data in euros as of July 31, 2024.

The Sustainable-Investing Wave

Funds falling within the scope of Article 8 of the Sustainable Finance Disclosure Regulation had net inflows of EUR 20.5 billion in July. This is the best result since January 2023. At the same time, funds falling under Article 9 ("dark green" strategies) continued to bleed. Article 9 funds saw their 10th consecutive month of outflows, shedding EUR 797 million.

From an organic growth perspective, Article 8 funds showed a 0.37% organic growth rate over the past 12 months. On the other hand, products in the Article 9 group saw a negative 4.59% organic growth rate over the same period. Funds not considered to be Article 8 or Article 9 according to the SFDR had average organic growth rates ranging from 0.49% to 4.58%.

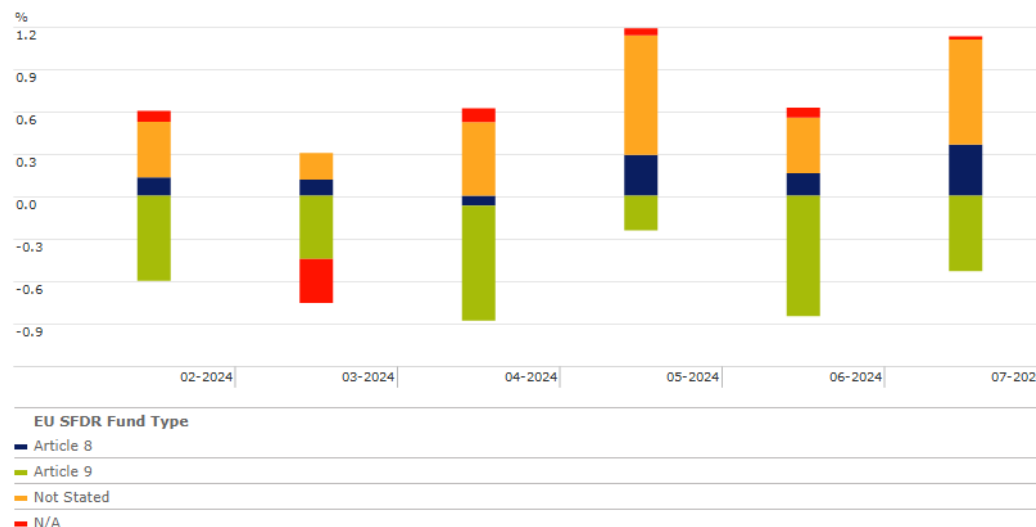
Flows by EU SFDR Fund Type: Active Versus Passive

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	16,675	32,524	4,763	9,911	3,931	27,506	721	960
Article 9	(972)	(11,718)	276	887	(797)	(713)	52	104
Not Stated	12,064	27,129	2,100	9,765	16,566	108,034	1,735	1,528
N/A	(1,100)	(6,884)	1,357	3,932	1,664	11,768	978	932

Source: Morningstar Direct. Data in euros as of July 31, 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 Month (ETFs and Open-End Funds)



Source: Morningstar Direct.

Morningstar Categories: The Leaders

Global large-cap blend equity funds were by far the top sellers in July. This was followed by Asia bonds – local currency, as two M&G Asian bond funds were the top two sellers in July. US large-cap blend equity funds also continued to be popular with European investors. This category posted the highest inflows since March 2023.

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 (%)
		July 2024	1 Mo	YTD	1 Year
Global Large-Cap Blend Equity	1,381	13,860	92,186	129,320	10.91
Asia Bond - Local Currency	8	6,762	6,722	7,983	116.28
US Large-Cap Blend Equity	872	4,940	34,308	66,871	10.02
EUR Ultra Short-Term Bond	116	4,795	18,822	24,520	27.77
Other Bond	225	3,621	13,839	11,892	5.13

Source: Morningstar Direct.

Morningstar Categories: The Laggards

Investors withdrew money from Japan large-cap blend equity strategies amid fears of the strengthening yen against the dollar. Investors also withdrew money from eurozone large caps.

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 (%)
		July 2024	1 Mo	YTD	1 Year
Japan Large-Cap Equity	162	(3,342)	271	2,243	1.60
Eurozone Large-Cap Equity	164	(1,946)	(4,711)	(5,415)	(3.45)
Global Bond - USD Hedged	73	(1,602)	5,631	10,054	16.15
Other Allocation	79	(1,427)	(9,405)	(12,938)	(13.34)
Property - Direct Europe	124	(1,200)	(4,677)	(8,004)	(5.63)

Source: Morningstar Direct.

Fund Providers: The Leaders

M&G topped the list of asset-gatherers last month, with EUR 9.4 billion of net inflows in July. Two M&G bond funds ranked as number one and two sellers last month and gathered EUR 9 billion in total.

BlackRock's exchange-traded fund provider iShares followed with EUR 7.5 billion in net inflows.

Swedish fund group Ruth Asset Management came in third as large outflows due to a liquidation in June were offset by corresponding inflows into a new fund in July.

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

Name	Net Assets	Estimated Net Flow (EUR Mil)			Org Growth
	(EUR Bil)				Rate (%)
	July 2024	1 Mo	YTD	1 Year	1 Year
M&G	98	9,427	9,911	10,734	11.22
iShares	834	7,469	43,298	67,433	9.94
Ruth Asset Management	2	3,591	(211)	(389)	(7.76)
Nordea	228	2,455	4,493	3,148	1.55
Vanguard	353	2,352	18,048	28,300	10.04
Amundi	142	2,093	13,156	13,241	8.37
JPMorgan	481	2,053	6,583	11,276	2.58
UBS	253	1,990	15,804	15,430	7.01
State Street	378	1,949	12,313	6,864	2.03
HSBC	132	1,898	13,036	21,372	22.31

Source: Morningstar Direct.

Fund Providers: The Laggards

BlackRock led the list of outflows last month among fund houses, followed by Eurizon and Aviva.

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

Name	Net Assets	Estimated Net Flow (EUR Mil)			Org Growth
	(EUR Bil)				Rate (%)
	July 2024	1 Mo	YTD	1 Year	1 Year
BlackRock	563	(4,221)	5,776	1,361	0.24
Eurizon	149	(2,992)	(11,686)	(20,574)	(12.88)
Aviva	129	(1,730)	(11,283)	(15,029)	(11.57)
Pictet	146	(1,157)	(5,025)	(10,888)	(7.55)
Sienna Gestion	2	(1,130)	(1,073)	(1,039)	(32.74)
Baillie Gifford	45	(1,081)	(8,490)	(12,594)	(23.03)
Morgan Stanley	73	(995)	(5,063)	(7,953)	(10.73)
Allianz Global Investors	164	(783)	(1,077)	(3,470)	(2.11)
KBC	66	(755)	1,756	3,043	3.31
UBP	18	(727)	186	1,859	11.90

Source: Morningstar Direct.

Largest Inflows and Outflows by Fund

Two Asian bonds funds attracted EUR 9 billion in July, while investors withdrew money from BlackRock's Japan equity fund before August's market rout. Meanwhile, flows into Xtrackers IE physical gold ETC were partially offset by outflows from Xtrackers physical gold ETC (EUR).

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	6,797	7,011	8,582	177.82	6,893
M&G (Lux) Asian Corporate Bond Fund	2,287	2,188	2,382	120.75	2,303
Coutts Global Credit ESG Insights Bd Fd	1,482	1,977	1,977		1,990
Intensity Crafted By Ruth	1,469	1,469	1,469		
Pimco GIS Income Fund	1,311	10,119	13,504	22.55	40,854
Xtrackers IE Physical Gold ETC	1,281	1,145	990	34.25	4,588
iShares \$ Treasury Bond 0-1yr ETF	1,258	3,704	5,193	50.96	15,970
Coutts US and Canada Enh Idx Govt Bd Fd	1,128	1,584	(961)	(20.56)	
iShares S&P 500 Swap ETF	993	2,314	3,034	119.03	6,447
Caixabank Master RF Corto Plazo FI	985	1,747	1,454	88.92	3,155

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)
BlackRock Japan Equity 1 Fund	(3,232)	(4,526)	(3,651)	(20.27)	19,346
Vanguard Global Bd Idx	(1,331)	(514)	(1,023)	(5.44)	18,926
Coutts US ESG Insights Equity Fund	(1,134)	(1,070)	(1,751)	(33.18)	5,070
Xtrackers Physical Gold ETC (EUR)	(985)	(922)	(1,120)	(59.02)	1,217
Caixabank Master RF Deuda Pública 3-7 FI	(957)	(2,122)	(1,604)	(20.22)	6,697
Coutts Actively Managed US Equity Fund	(909)	(919)	(918)	(35.11)	
UBAM Global High Yield Solution	(721)	(301)	971	26.09	4,886
BlackRock LMF Lvrgd £ Lng Lblty RlPrflFd	(693)	(777)	(779)	(80.07)	180
Aviva Investors Global GBP ReturnPI Fd	(672)	215	786	17.30	5,758
Invesco Physical Gold ETC (GBP Hdg)	(602)	(1,159)	(177)	(297.74)	59

Source: Morningstar Direct.

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

Data Notes

The figures in this report were compiled on Aug. 16, 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.