

Morningstar Direct™ Asset Flows Commentary: Europe

No major asset class was spared from outflows in September. Equity funds had their worst quarter in terms of organic growth rate since fourth-quarter 2011.

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Key Takeaways

- ▶ Europe-domiciled long-term funds experienced EUR 66 billion of net outflows in September 2022, the worst monthly result in terms of flows since March 2020. Money market funds shed EUR 30 billion.
- ▶ Equity and fixed-income funds suffered equally, with EUR 27 billion of net outflows each. In the equity space, both active and passive strategies shared the spoils. Passive bond funds were able to stay in positive territory.
- ▶ Equity funds had a negative 1.12% organic growth rate in the quarter, the worst quarterly result since fourth-quarter 2011. (They had a negative 0.98% organic growth rate in first-quarter 2020.)
- ▶ Long-term funds classified as Article 8 shed EUR 25 billion, while Article 9 products attracted EUR 5.5 billion in the month. This latter group was able to post a positive organic growth rate in the third quarter (3.31%), while the former had a negative 0.70% organic growth rate in the same period.
- ▶ USD government-bond funds saw the highest net inflows at the Morningstar Category level, gaining EUR 4.5 billion in September. Among the laggards, global emerging-markets bond funds experienced the largest net redemptions (EUR 4.5 billion).
- ▶ Mercer Global Investments topped the list of asset-gatherers by branding name, followed by CaixaBank and Swedbank.
- ▶ BlackRock, Insight Investment Management, and Amundi suffered the biggest redemptions.
- ▶ iShares MSCI USA ESG Enhanced ETF was the top seller of the month (monetary products excluded); UBS FS MSCI ACWI SF ETF experienced the largest net outflows.
- ▶ Assets in long-term funds domiciled in Europe declined to EUR 10.272 trillion at the end of September 2022, down from EUR 10.960 trillion as of 31 August.

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 (%)
	Sept 2022	Sept 2022				1 Year
Allocation	1,579	13.51	(6,621)	17,905	59,919	3.43
Alternative	196	1.67	(2,872)	(1,851)	3,264	1.52
Commodities	133	1.13	(2,704)	(6,348)	(5,360)	(4.39)
Convertibles	47	0.40	(917)	(7,461)	(7,532)	(11.45)
Equity	4,990	42.69	(26,766)	(36,538)	26,144	0.45
Fixed Income	3,036	25.98	(26,750)	(103,531)	(43,918)	(1.25)
Property	202	1.73	64	4,427	7,177	3.67
Miscellaneous	88	0.75	468	(1,358)	(1,300)	(1.14)
Unclassified	3	0.02	(37)	96	67	2.41
All Long-Term	10,272	87.89	(66,135)	(134,659)	38,460	0.33
Money Market	1,415	12.11	(30,555)	(119,895)	(28,609)	(2.04)
Total	11,687	100	(96,689)	(254,553)	9,851	

Source: Morningstar Direct.

Long-term Europe-domiciled fund flows were back in deep red in September, marking the worst monthly result since the outbreak of the COVID-19 pandemic (March 2020) and the fifth-consecutive month of net outflows. Indeed, market volatility, inflationary fears, the energy crises, and the ever more concrete possibility of a recession kept investors' sentiment depressed.

Equity funds shed almost EUR 27 billion in September, the biggest monthly outflows over the last two and a half years on absolute and relative terms. Global emerging-markets equity strategies were the ones that suffered the most, with EUR 3.5 billion of net redemptions, followed by global large-cap blend equity and global large-cap growth equity funds (EUR 3.2 billion and EUR 2.7 billion of net outflows, respectively).

Equity funds show a negative 1.12% organic growth rate in the third quarter of the year, the worst quarterly result since the fourth quarter of 2011. In the first quarter of 2020, indeed, equity funds had a negative 0.98% organic growth rate.

After having experienced their first positive month of the year in terms of flows in August, fixed-income funds also lost EUR 27 billion in September, their second-worst monthly result since March 2020. The majority of these outflows targeted funds exposed to global emerging-markets bonds issued in US dollars, ultra-short-term bonds issued in euros, and global flexible bonds.

Europe-domiciled bond funds faced total outflows of EUR 104 billion for the year to date, pushing 2022 toward being the worst calendar year for bond funds since 2008, and potentially ever. Hefty interest-rate increases by central banks to tame inflation are sparking fears of a recession (the yield on 10-year Treasuries surged over 4% in October, the highest in 14 years). Meanwhile, the combination of high debt levels and a rise in interest rates has reduced investors' confidence in companies and governments' ability to pay back debt.

Finally, assets in long-term funds domiciled in Europe declined to EUR 10.272 trillion at the end of September 2022, down from EUR 10.960 trillion as of 31 August.

Global Broad Category Group Net Flows YTD (ETFs and Open-End Funds, EUR Billion)



Source: Morningstar Direct.

Active Versus Passive

Long-term index funds posted outflows of EUR 6.4 billion in September versus EUR 60 billion of net redemptions from actively managed funds. (The table below only includes the main broad category groups.) All main asset classes suffered redemptions from both sides, with the exception of bond funds, which managed to attract new subscriptions to passive products. Conversely, active equity funds shed EUR 21 billion, while passive equity funds saw EUR 6 billion walk out the door.

The market share of long-term index funds rose to 23.32% as of September 2022 from 21.46% in September 2021. When including money market funds, which are the domain of active managers, the market share of index funds stood at 20.51%, up from 19.17% 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	(6,602)	17,892	1,576	(19)	14	3
Alternative	(2,660)	(736)	193	(213)	(1,114)	2
Commodities	(589)	(1,652)	27	(2,115)	(4,695)	105
Equity	(20,755)	(76,831)	3,307	(6,011)	40,293	1,683
Fixed Income	(28,834)	(142,067)	2,449	2,084	38,536	587

Source: Morningstar Direct. Data in euros as of 30 Sept 2022.

The Sustainable Wave

Despite the risk-off environment, funds falling within the scope of Article 9 of the Sustainable Finance Disclosure Regulation continue to prove incredibly resilient. Investors poured EUR 5.5 billion into these "dark green" strategies in September. On the other hand, funds considered to be Article 8 ("light green") shed more than EUR 25 billion.

From an organic growth perspective, Article 9 funds showed a 3.31% organic growth rate in the third quarter. Meanwhile, products falling into the Article 8 group had a negative 0.70% organic growth rate in the same period. Between July and September, funds not considered to be Article 8 or Article 9 had average organic growth rates ranging from negative 0.99% to negative 1.59%.

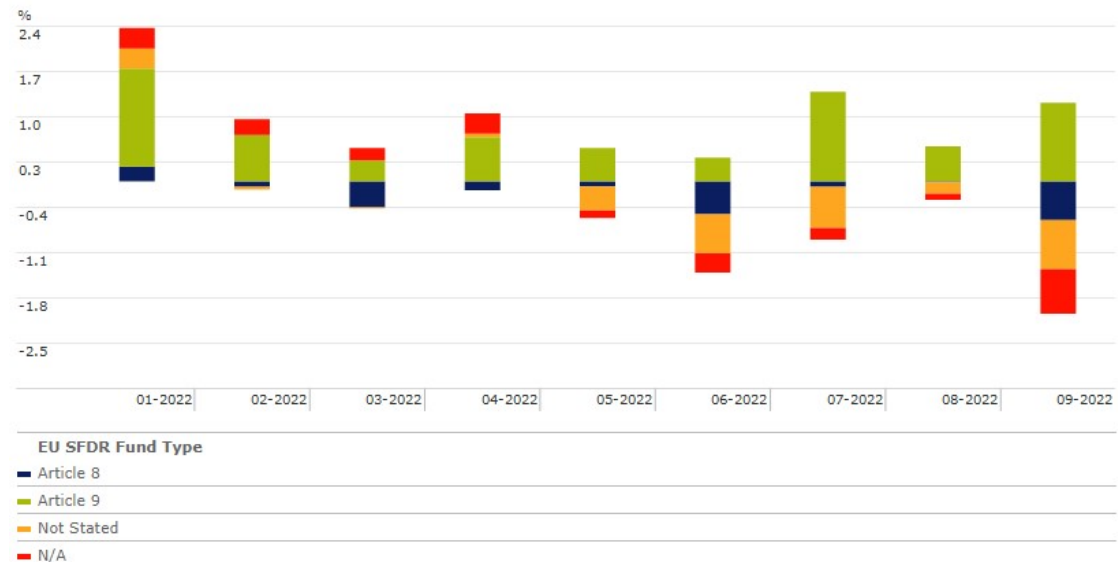
Flows by EU SFDR Fund Type: Active Versus Passive

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	(26,299)	(93,086)	3,596	7,659	984	22,298	348	647
Article 9	793	14,870	323	890	4,698	18,320	102	166
Not Stated	(21,918)	(114,169)	2,630	12,990	(9,240)	21,814	1,225	1,595
N/A	(12,412)	(15,072)	1,315	4,969	(2,847)	9,666	717	970

Source: Morningstar Direct. Data in euros, as of 30 Sept 2022. 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 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 YTD (ETFs and Open-End Funds)



Source: Morningstar Direct.

Morningstar Categories: The Leaders

Despite the heavy outflows that hit the fixed-income space, USD government-bond funds topped the list of the most sought-after among Morningstar Categories, followed by fixed-term bond products (which have a specified liquidation date).

Funds exposed to Treasuries, which market players perceive as safe-haven assets, saw a 6.15% organic growth rate in September amid the uncertain macroeconomic environment. UBS' Focused SICAV - US Treasury Bond USD was the top seller within the category, with EUR 2.6 billion of net new sales.

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 (%)	
		September 2022	1 Mo	YTD	1 Year
USD Government Bond	77	4,511	22,536	26,867	54.74
Fixed Term Bond	68	2,564	7,169	4,487	5.93
US Large-Cap Blend Equity	549	2,174	12,186	22,192	4.02
USD Diversified Bond	44	913	1,955	3,507	8.24
Sweden Equity	58	907	1,031	1,520	1.94

Source: Morningstar Direct.

Morningstar Categories: The Laggards

Overall, investors fled from emerging markets. Global emerging-markets bond funds topped the list of laggards among Morningstar Categories, followed by global emerging-markets equity funds. iShares JP Morgan \$ EM Bond ETF and iShares Emerging Markets Index Fund were the main detractors of such categories, shedding EUR 694 million and EUR 754 million, respectively.

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

Name	Net Assets			Org Growth	
	(EUR Bil)	Estimated Net Flow (EUR Mil)		Rate (%)	
	September 2022	1 Mo	YTD	1 Year	1 Year
Global Emerging Markets Bond	128	(4,485)	(10,717)	(11,610)	(6.70)
Global Emerging Markets Equity	304	(3,501)	1,290	2,963	0.78
Other Bond	221	(3,208)	(6,860)	2,242	0.85
Global Large-Cap Blend Equity	974	(3,175)	41,643	65,718	6.50
Global Large-Cap Growth Equity	259	(2,749)	(20,178)	(13,322)	(3.98)

Source: Morningstar Direct.

Fund Providers: The Leaders

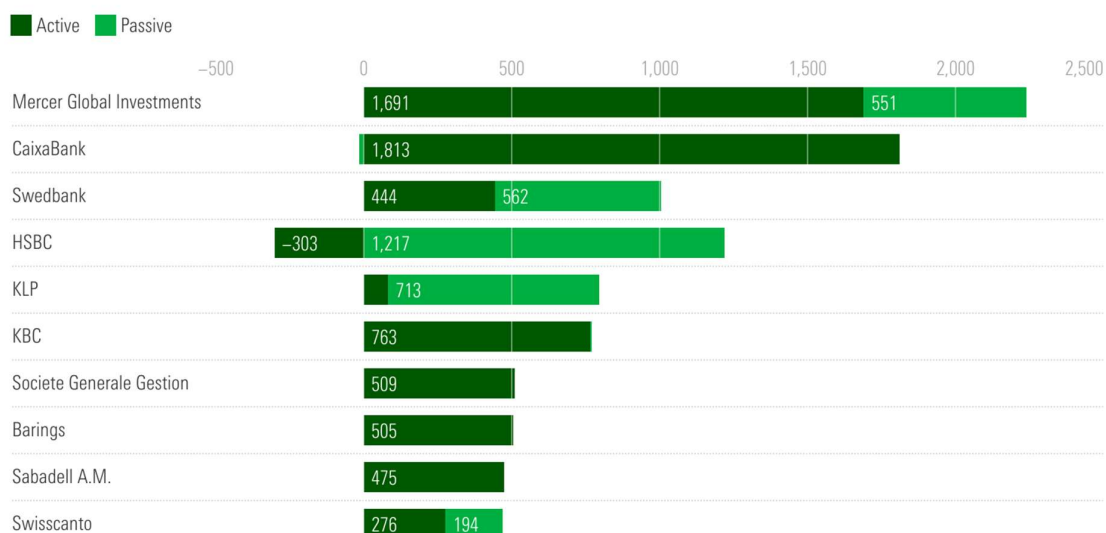
Mercer Global Investments topped the list of asset-gatherers, showered with EUR 2.2 billion in September, followed by CaixaBank and Swedbank.

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

Name	Net Assets			Org Growth	
	(EUR Bil)	Estimated Net Flow (EUR Mil)		Rate (%)	
	September 2022	1 Mo	YTD	1 Year	1 Year
Mercer Global Investments	94	2,242	9,067	11,358	10.12
CaixaBank	57	1,799	7,723	8,958	17.17
Swedbank	107	1,006	1,210	1,100	0.85
HSBC	98	914	5,922	7,337	7.19
KLP	19	795	(2,219)	(1,969)	(8.56)
KBC	78	769	(4,199)	(2,329)	(2.55)
Societe Generale Gestion	8	509	(392)	(458)	(4.96)
Barings	27	505	(982)	122	0.37
Sabadell A.M.	10	475	542	331	2.99
Swisscanto	121	470	6,715	8,359	7.17

Source: Morningstar Direct.

Monthly Flows by Fund Providers: The Leaders



Source: Morningstar Direct. Data as of September 30, 2022 (EUR Mil.) ETFs Included. Money Market Funds Excluded.



Fund Providers: The Laggards

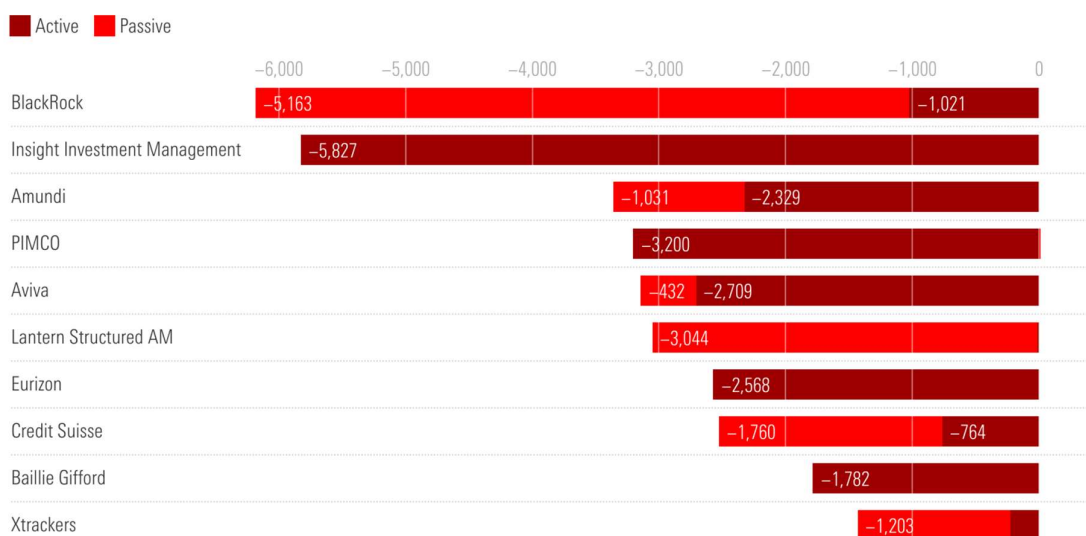
BlackRock lost more than EUR 6 billion in September. Insight Investment Management and Amundi followed.

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

Name	Net Assets	Estimated Net Flow (EUR Mil)		Org Growth	
	(EUR Bil)	1 Mo	YTD	1 Year	1 Year
BlackRock	951	(6,184)	13,377	41,116	4.05
Insight Investment Management	14	(5,827)	(12,453)	(10,831)	(39.81)
Amundi	399	(3,360)	8,898	18,191	4.12
PIMCO	159	(3,199)	(23,221)	(25,711)	(12.69)
Aviva	137	(3,140)	(6,421)	(5,335)	(3.30)
Lantern Structured AM	7	(3,053)	(93)	(3,156)	(29.85)
Eurizon	155	(2,568)	(11,590)	(9,303)	(4.97)
Credit Suisse	178	(2,524)	(6,137)	(3,816)	(1.91)
Baillie Gifford	56	(1,782)	(9,248)	(7,514)	(8.42)
Xtrackers	127	(1,432)	(4,166)	(2,986)	(2.09)

Source: Morningstar Direct.

Monthly Flows by Fund Providers: The Laggards



Source: Morningstar Direct. Data as of September 30, 2022 (EUR Mil.) ETFs Included. Money Market Funds Excluded.



Largest Inflows and Outflows by Fund

IShares MSCI USA ESG Enhanced ETF led the list of largest net flows by fund last month, with EUR 4.4 billion.

The biggest laggard last month was UBS FS MSCI ACWI SF ETF, with net redemptions of EUR 2.8 billion.

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 MSCI USA ESG Enhanced ETF	4,381	6,112	6,630	177.09	9,982
Focused SICAV US Treasury Bond USD	2,624	2,363	3,115	1,021.04	3,577
Caixabank Deuda Publica Esp It 2024 FI	2,156	2,156	2,156		2,156
KLP AksjeUSA Indeks USD	1,026	1,024	1,031	240.58	1,445
Focused High Grade Bond USD	937	1,389	1,673	143.50	2,924
Barings US Loan Fund	822	794	796	98.03	822
BlackRock LMF Lvrgrd £ Lng Lblty RlPrflFd	654	803	833	62.88	720
Mercer Multi Asset Growth Fund	629	728	922	9.04	9,924
Pictet CH I-Swiss Equities Tracker	620	879	824	57.40	2,185
SMP Synthetic Idx Lnkd Glt Fd(2038-2057)	582	1,049	974	226.12	597

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)
UBS FS MSCI ACWI SF ETF	(2,801)	426	(2,591)	(44.65)	2,763
Insight High Grade ABS Fund	(2,556)	(3,451)	(2,939)	(40.09)	4,029
Aviva Investors Sterling Govt Lqudty Fd	(2,360)	(3,452)	(2,484)	(38.56)	3,841
Insight Liquid ABS	(1,548)	(3,795)	(3,187)	(54.39)	2,623
ILF GBP Liquidity Plus Fund	(1,345)	(4,747)	(4,424)	(60.83)	2,798
iShares Edge MSCI USA Min Vol ESG ETF	(1,197)	(1,116)	(1,122)	(76.93)	387
iShares MSCI USA Value Factor ESG ETF	(1,099)	(995)	(991)	(82.70)	200
iShares MSCI USA Momentum Factor ESG ETF	(1,098)	(1,148)	(1,163)	(89.13)	9
Towers Watson Global Equity Focus Fund	(1,012)	(2,102)	(2,453)	(24.40)	6,203
Eurizon Bond Short Term EUR T1	(850)	(4,879)	(4,324)	(51.90)	3,816

Source: Morningstar Direct.

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

Data Notes

The figures in this report were compiled on 20 Oct 2022 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.

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.