

Morningstar Direct™ Asset Flows Commentary: Europe

Investors did not lose faith in equities in May. SEK short-term bond, agricultural commodities, USD government bond, and water funds showed the highest organic growth.

Valerio Baselli, EMEA Editorial Research Team

Key Takeaways

- ▶ Long-term funds experienced EUR 15.8 billion of net outflows, the worst monthly result in terms of flows since March 2020. Money market funds shed EUR 10.5 billion.
- ▶ With EUR 16.5 billion of net outflows, fixed-income funds suffered the most, followed by commodities products.
- ▶ Equity funds managed to stay in positive territory with EUR 2.9 billion of new net subscriptions. The same holds true for allocation funds, which attracted EUR 987 million in May.
- ▶ Long-term funds classified as Article 8 shed EUR 4.5 billion, while Article 9 products attracted EUR 8.5 billion in the month.
- ▶ USD government-bond funds saw the highest net inflows at the Morningstar Category level, gaining EUR 6.5 billion in May. Among the laggards, RMB bond funds experienced the largest net redemptions (EUR 5 billion).
- ▶ In terms of monthly organic growth, SEK short-term bond, agricultural commodities, USD government bond, and water funds showed the highest rates.
- ▶ BNP Paribas topped the list of the asset-gatherers by branding name, followed by iShares and UBS.
- ▶ Aviva, BlackRock, and Lantern Structured Asset Management suffered the biggest redemptions.
- ▶ Focused SICAV US Treasury Bond USD was the top seller of the month (monetary products excluded), while Aviva Investors Sterling Government Liquidity Fund experienced the largest net outflows.
- ▶ Assets in long-term funds domiciled in Europe declined to EUR 11,254 billion at the end of May 2022, down from EUR 11,469 billion as of 30 April.

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 (%)
	May 2022	Mar 2022	1 Mo	YTD	1 Year	1 Year
Allocation	1,723	13.61	987	32,166	122,311	7.25
Alternative	197	1.56	(328)	4,193	15,434	7.61
Commodities	152	1.20	(1,635)	6,949	7,860	6.32
Convertibles	54	0.42	(1,231)	(3,991)	(3,140)	(4.83)
Equity	5,571	44.02	2,866	41,196	201,591	3.64
Fixed Income	3,262	25.78	(16,489)	(57,515)	108,383	3.22
Property	192	1.52	601	4,284	10,060	5.35
Miscellaneous	98	0.77	(588)	(2,877)	(2,520)	(2.21)
Unclassified	4	0.03	53	391	1,118	38.79
All Long-Term	11,254	88.92	(15,764)	24,796	461,097	4.08
Money Market	1,403	11.08	(10,500)	(99,627)	(25,402)	(1.83)
Total	12,657	100	(26,265)	(74,831)	435,695	

Source: Morningstar Direct.

Soaring inflation, along with growing recession fears and great uncertainty surrounding the war in Ukraine, is turning investors' sentiment sour. Long-term Europe-domiciled funds shed EUR 15.8 billion in May, the worst monthly result in terms of flows since March 2020. This owed primarily to strong redemptions from fixed-income products.

At the same time, investors poured EUR 2.9 billion in equity funds last month, a modest result if compared with the average of the last two years but one that allowed the global category group to stay in positive territory. Global large-cap blend, water, and ecology funds were the main beneficiaries, as well as income-equity funds.

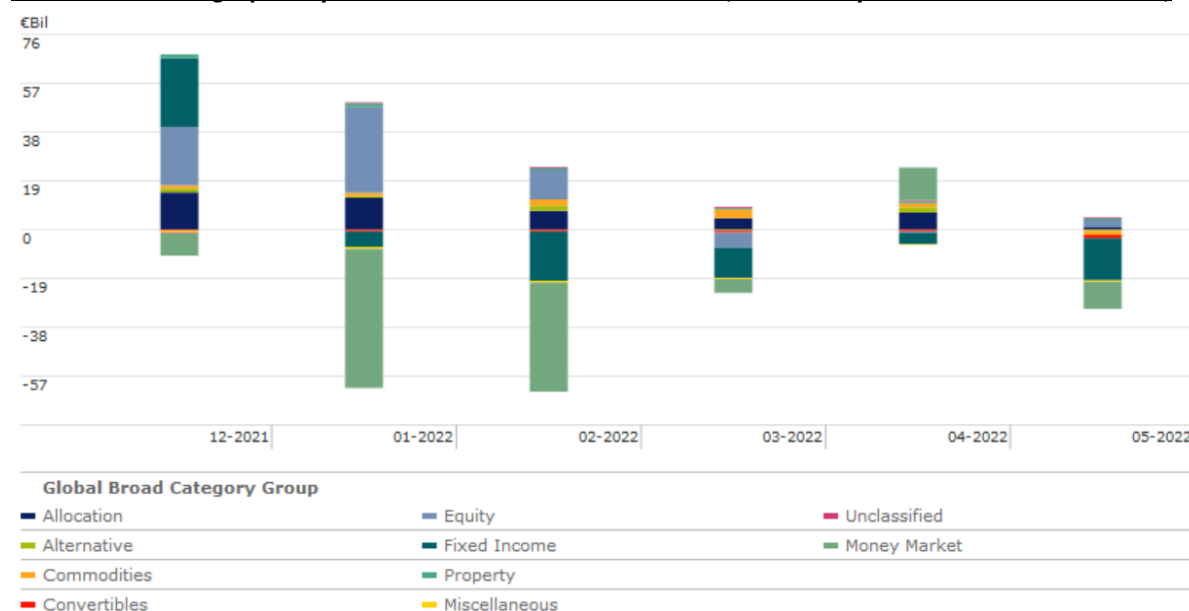
On the other hand, with EUR 16.5 billion of net outflows, bond funds experienced the fifth-consecutive negative month—and the second-worst monthly result since the outbreak of the pandemic. The majority of these withdrawals came from funds exposed to Chinese bonds in renminbi, GBP government bonds, and EUR ultra-short-term bonds. On the other side of the spectrum, funds of government bonds issued in US dollars were the most popular category within the fixed-income universe. EUR government-bond funds follow, with EUR 2.7 billion taken in during May, the best month for the category since June 2019. As has been the case since the beginning of the year, redemptions are entirely attributable to active strategies.

Commodities funds had a negative month (EUR 1.6 billion of net outflows), a result mainly attributable to precious-metal products—most of them are exchange-traded commodities on gold—and funds exposed to a broad basket of commodities, which lost EUR 949 million and EUR 456 million in net redemptions, respectively.

With EUR 987million collected in May, allocation funds managed to stay in positive territory, although last month marked the weakest in terms of flows since August 2020. Flexible-allocation funds in euros that invest globally were the main beneficiaries, with EUR 1.2 billion taken in. Alternative funds shed EUR 328 million. At the same time, money market funds had EUR 10.5 billion of net outflows.

Finally, assets in long-term funds domiciled in Europe declined to EUR 11,254 billion at the end of May 2022, down from EUR 11,469 billion as of 30 April.

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 6.7 billion in May versus EUR 22.6 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 around EUR 1 billion. Equity index funds attracted EUR 3.4 billion, while passive bond funds were able to pull in EUR 5.6 billion. Actively managed bond funds experienced the fifth-consecutive month of net redemptions, with EUR 22 billion walking out the door (the worst monthly result since March 2020).

The market share of long-term index funds rose to 23.09% as of May 2022 from 21.03% in May 2021. When including money market funds, which are the domain of active managers, the market share of index funds stood at 20.53%, up from 18.72% 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	998	32,123	1,720	(11)	43	3
Alternative	532	4,419	194	(860)	(225)	3
Commodities	(246)	1,358	32	(1,389)	5,591	120
Equity	(542)	(12,042)	3,716	3,408	53,238	1,855
Fixed Income	(22,091)	(81,566)	2,663	5,601	24,051	599

Source: Morningstar Direct. Data in euros, as of 31 May 2022.

The Sustainable Wave

Investors continued to pour money—EUR 8.5 billion—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 4.5 billion in May, with Europe large-cap equity and fixed-income funds suffering the most.

From an organic growth perspective, Article 9 funds show a 1.8% organic growth rate in May and the highest rate for the year to date (4.17%); meanwhile, products falling into the Article 8 group have negative organic growth rates: negative 0.11% in May and negative 0.36% for the year to date. At the same time, funds not considered to be Article 8 or Article 9 had average organic growth rates ranging from negative 0.30% to negative 0.24% last month and from negative 0.08% to 0.92% between January and May.

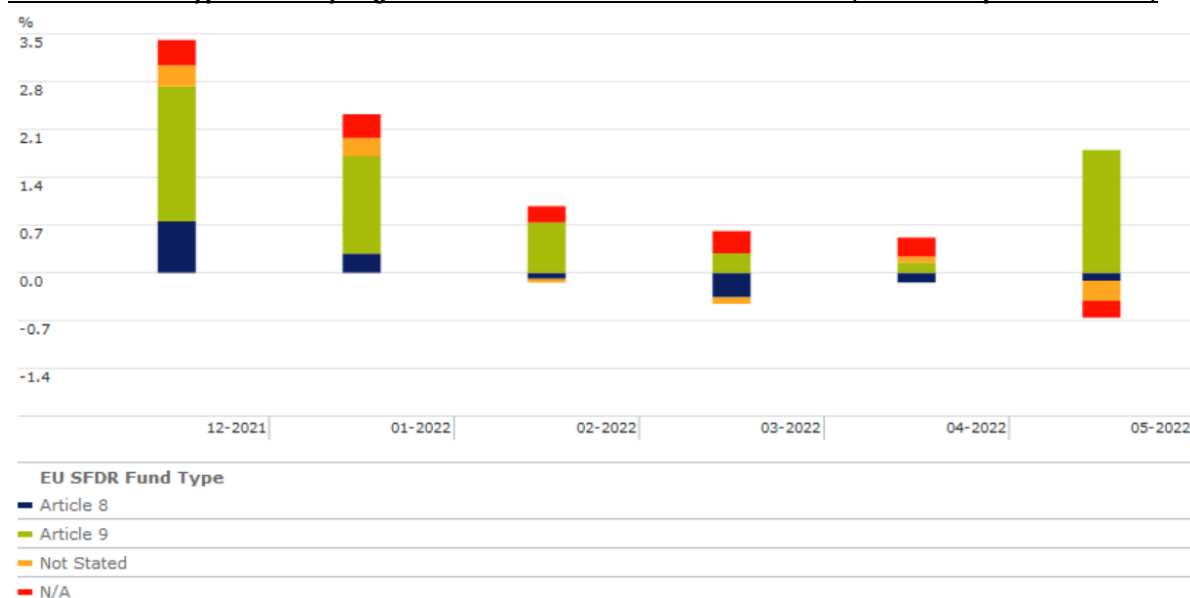
Flows by EU SFDR Fund Type: Active Versus Passive

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	(6,739)	(28,831)	3,612	6,937	2,124	12,347	358	572
Article 9	6,976	14,792	362	840	1,514	6,875	103	156
Not Stated	(17,659)	(56,450)	3,189	14,289	3,787	52,612	1,362	1,580
N/A	(5,008)	12,958	1,481	5,030	(718)	10,162	771	910

Source: Morningstar Direct. Data in euros, as of 31 May 2022. Money market funds excluded.

Note: Based on SFDR data collected from prospectuses on around 96% 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 Six Months (ETFs and Open-End Funds)



Source: Morningstar Direct.

Morningstar Categories: The Leaders

With EUR 6.5 billion of net inflows, USD government-bond funds were the most sought-after products in May, the highest monthly result with regard to flows since August 2019. Focused SICAV US Treasury Bond USD was the top seller within the category, with EUR 3.25 billion cashed in. 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.

The sector equity water funds category had by far its strongest month ever in terms of flows, with EUR 3.2 billion on new net subscriptions. Another "thematic" category follows: Ecology funds attracted EUR 2.9 billion in May. These funds invest principally in companies whose products or services actively promote a cleaner environment. Most invest in a range of companies, including alternative energy, pollution control, water treatment, and energy efficiency companies. BNP Paribas Global Environment Fund was the top seller of the month with EUR 2.8 billion cashed in.

Finally, with the bond world in turmoil, the hunger for yields is growing: Investors continued to buy global equity-income funds last month. The category was able to attract EUR 12 billion for the year to date, collecting more in the first five months of 2022 than in the previous seven years combined.

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 (%)
	May 2022	1 Mo	YTD	1 Year	1 Year
USD Government Bond	66	6,510	12,814	18,850	41.52
Global Large-Cap Blend Equity	1,051	4,901	40,173	100,928	10.90
Sector Equity Water	30	3,172	3,429	6,506	24.21
Sector Equity Ecology	106	2,933	12,013	30,525	38.06
Global Equity Income	126	2,766	12,480	14,899	14.64

Source: Morningstar Direct.

Morningstar Categories: The Laggards

The one investing in Chinese bonds issued in renminbi was the most unpopular fund category last month, with redemptions of EUR 5 billion, the largest monthly net outflows for this category on record. The category's main detractor was iShares China CNY Bond ETF, with EUR 2.6 billion of outflows.

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 (%)
	May 2022	1 Mo	YTD	1 Year	1 Year
RMB Bond - Onshore	22	(5,092)	(8,955)	(2,488)	(11.48)
GBP Government Bond	53	(4,094)	(1,694)	483	0.83
EUR Ultra Short-Term Bond	124	(3,610)	(2,423)	11,060	9.32
Global Large-Cap Growth Equity	287	(2,847)	(11,546)	10,981	3.67
EUR Diversified Bond - Short Term	93	(2,418)	(8,530)	(3,347)	(3.42)

Source: Morningstar Direct.

Fund Providers: The Leaders

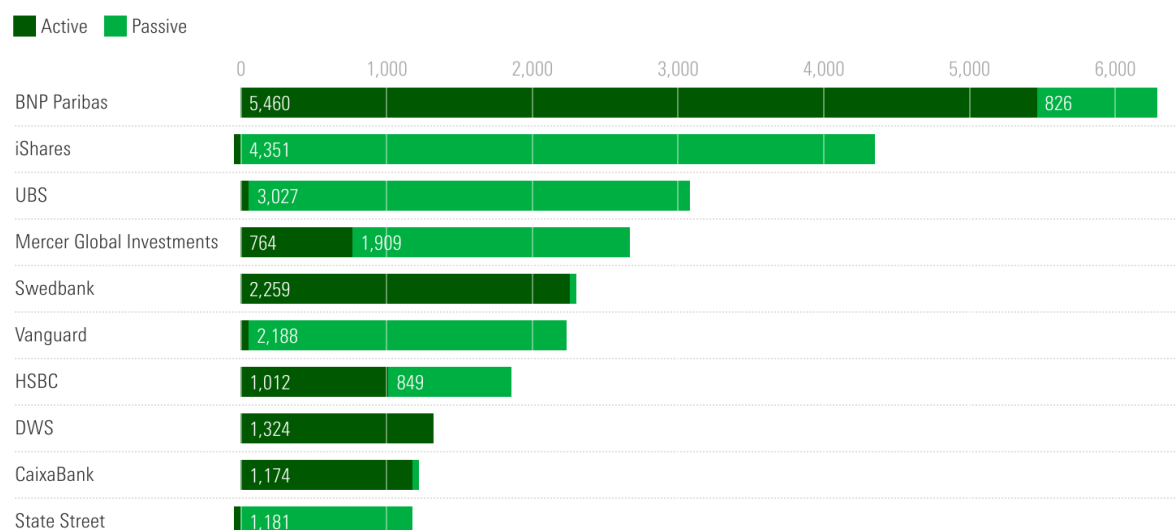
Within the long-term fund market, BNP Paribas topped the list of fund houses, raking in EUR 6.3 billion.

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

Name	Net Assets	Estimated Net Flow (EUR Mil)			Org Growth
	(EUR Bil)				Rate (%)
	May 2022	1 Mo	YTD	1 Year	1 Year
BNP Paribas	152	6,287	5,189	12,907	8.39
iShares	610	4,303	28,746	64,551	12.12
UBS	351	3,083	5,576	20,614	5.90
Mercer Global Investments	107	2,673	6,356	11,926	11.25
Swedbank	118	2,299	(732)	(929)	(0.75)
Vanguard	256	2,240	8,327	18,948	8.13
HSBC	104	1,861	4,185	8,512	8.88
DWS	182	1,324	4,537	9,049	5.20
CaixaBank	56	1,226	4,943	8,103	16.29
State Street	90	1,135	5,545	8,459	9.14

Source: Morningstar Direct.

Monthly Flows by Fund Providers: The Leaders



Source: Morningstar Direct. Data as of 31 May 2022 (EUR Mil.) ETFs Included. Money Market Funds Excluded.



Fund Providers: The Laggards

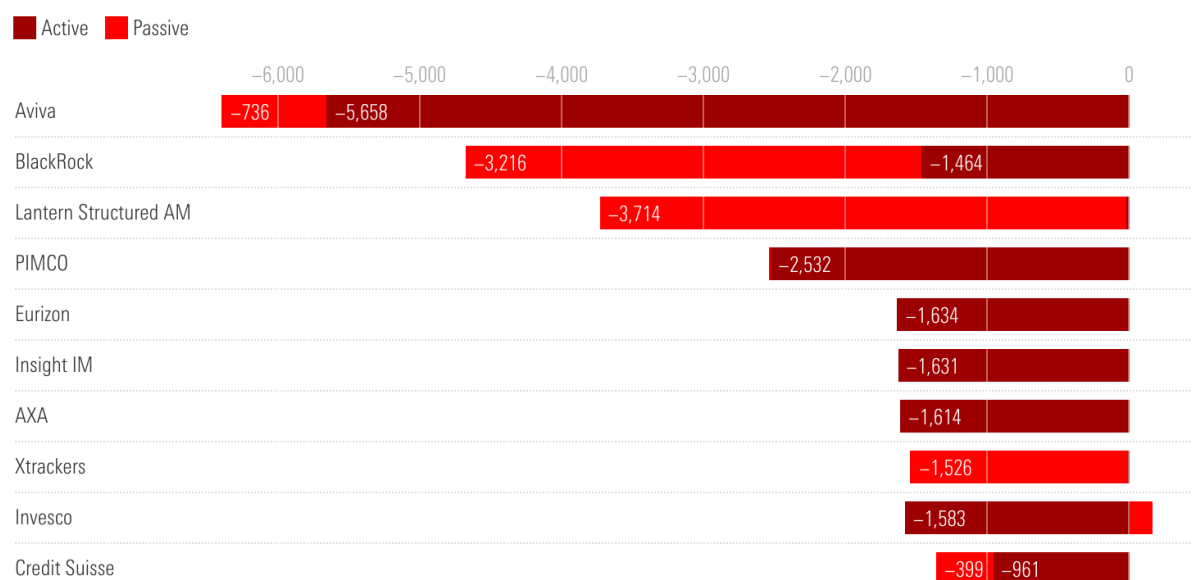
Among the fund houses, Aviva suffered the largest net outflows in May, with EUR 5.4 billion pulled out. Redemptions hit its sterling fixed-income products the hardest.

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

Name	Net Assets (EUR Bil.)	Estimated Net Flow (EUR Mil.)			Org Growth Rate (%)
	May 2022	1 Mo	YTD	1 Year	1 Year
Aviva	152	(6,395)	(5,450)	(3,201)	(2.04)
BlackRock	496	(4,680)	(5,069)	16,264	3.35
Lantern Structured Asset Management	9	(3,734)	640	(2,812)	(26.98)
Pimco	173	(2,541)	(15,543)	(14,434)	(7.45)
Eurizon	176	(1,634)	(5,136)	(1,032)	(0.55)
Insight Investment Management	26	(1,631)	(2,564)	2,023	8.37
AXA	91	(1,614)	(3,260)	(1,915)	(2.00)
Xtrackers	142	(1,540)	(280)	7,513	5.65
Invesco	142	(1,420)	3,639	6,600	4.88
Credit Suisse	193	(1,359)	(931)	2,194	1.13

Source: Morningstar Direct.

Monthly Flows by Fund Providers: The Laggards



Source: Morningstar Direct. Data as of 31 May 2022 (EUR Mil.) ETFs Included. Money Market Funds Excluded.



Largest Inflows and Outflows by Fund

Focused SICAV US Treasury Bond USD was the top seller of the month (monetary products excluded), raking in EUR 3.25 billion. The runner-up was BNP Paribas Aqua, earning EUR 3.1 billion of net inflows.

On the other hand, Aviva Investors Sterling Government Liquidity Fund suffered the biggest outflows in May, with net redemptions of EUR 4.7 billion. UBS FS MSCI ACWI SF ETF experienced the next-highest outflows at EUR 3.5 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	May 2022
Focused SICAV US Treasury Bond USD	3,250	3,221	3,948	1,225.10	4,323
BNP Paribas Aqua	3,108	3,058	3,641	118.90	3,539
BNP Paribas Global Environment	2,842	2,727	3,191	102.76	3,235
Swedbank Robur Räntefond Kort Plus	1,828	(194)	162	6.04	4,581
Mercer Passive Global Equity CCF Fund	1,751	1,616	1,498	76.49	1,727
iShares Core S&P 500 ETF	1,534	5,111	10,056	25.82	53,994
Focused High Grade Bond USD	1,330	1,523	1,974	202.57	2,990
iShares \$ Treasury Bd 3-7y ETF	1,127	2,889	3,595	193.94	5,519
Caixabank Deuda Publica Esp Ita 2025 FI	908	908	908	n.a.	908
Nordea 1 - European Stars Equity Fund	827	766	711	90.77	1,475

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	May 2022
Aviva Investors Sterling Govt Lqudty Fd	(4,733)	(3,310)	(1,301)	(24.09)	4,140
UBS FS MSCI ACWI SF ETF	(3,449)	295	(2,749)	(49.05)	3,087
iShares China CNY Bond ETF	(2,624)	(4,923)	(3,982)	(44.75)	6,243
Eurizon Bond Short Term EUR T1	(1,649)	(2,670)	(890)	(12.49)	6,091
Lyxor MSCI World Financials TR ETF	(912)	(607)	(1,099)	(66.06)	651
Aviva Investors Corporate Bond Fund	(873)	(930)	108	2.87	3,268
Lyxor EUR 2-10Y Inflation Expct ETF	(820)	(175)	360	21.42	2,320
iShares Corporate Bond Index Fund (UK)	(809)	(526)	(1,019)	(14.33)	5,585
ILF GBP Liquidity Plus Fund	(774)	(1,536)	(734)	(10.82)	6,138
UniGlobal	(756)	(502)	187	1.87	10,899

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 June 2022. 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.

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.