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# Global Fund Flows

First Half of 2023



Syl Flood

Senior Editorial Director

[Sylvester.Flood@morningstar.com](mailto:Sylvester.Flood@morningstar.com)

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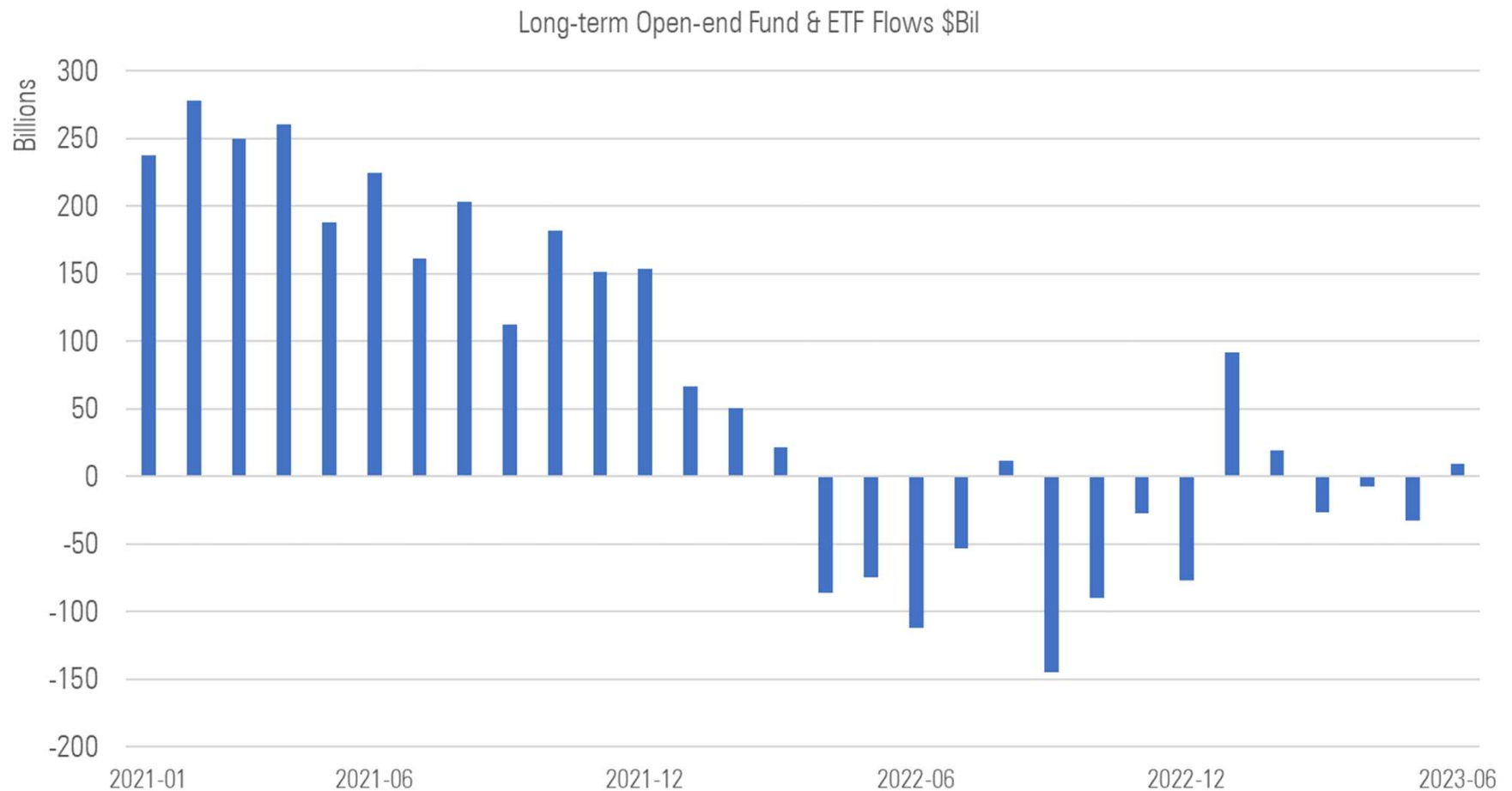
## H1 Key Takeaways: Fixed-Income and ETFs Dominate Flows

- ▶ Global funds and exchange-traded funds<sup>1</sup> had \$54 billion of inflows in the first half of 2023, but only **one** category group, fixed income, had inflows. Its \$236 billion flow more than made up for all other groups.
- ▶ ETFs enjoyed their 113<sup>th</sup> straight month of inflows in June. Open-end funds had inflows for this month but had outflows in 16 of the previous 17 months.
- ▶ Indexed strategies now represent 39% of assets globally, or \$16.2 trillion.
- ▶ Actively managed ETFs are steadily gaining acceptance. They grew at a **14%** organic rate in the first half of the year, while passive ETFs grew at **3%**.
- ▶ Among the largest fund groups, J.P. Morgan posted the highest organic growth rate (5.6%) by far, while iShares (\$66 billion) beat out Vanguard (\$59 billion) in absolute terms.
- ▶ American asset managers dominate global asset management. The top 10 alone manage 57% of the world's fund and ETF assets.
- ▶ Sustainable funds had \$51.2 billion of inflows, while nonsustainable (and unclassified) funds had \$2.4 billion of inflows. Assets in sustainable funds reached \$2.8 trillion, or 6.6% of long-term assets.
- ▶ Two actively managed equity funds from J.P. Morgan and Pimco Income broke into the top 15 in year-to-date inflows, disrupting a league table that has been dominated by passive strategies for years.

<sup>1</sup> Long-term funds excludes money market funds.

## Global Net Flows Flatten in the First Half of 2023

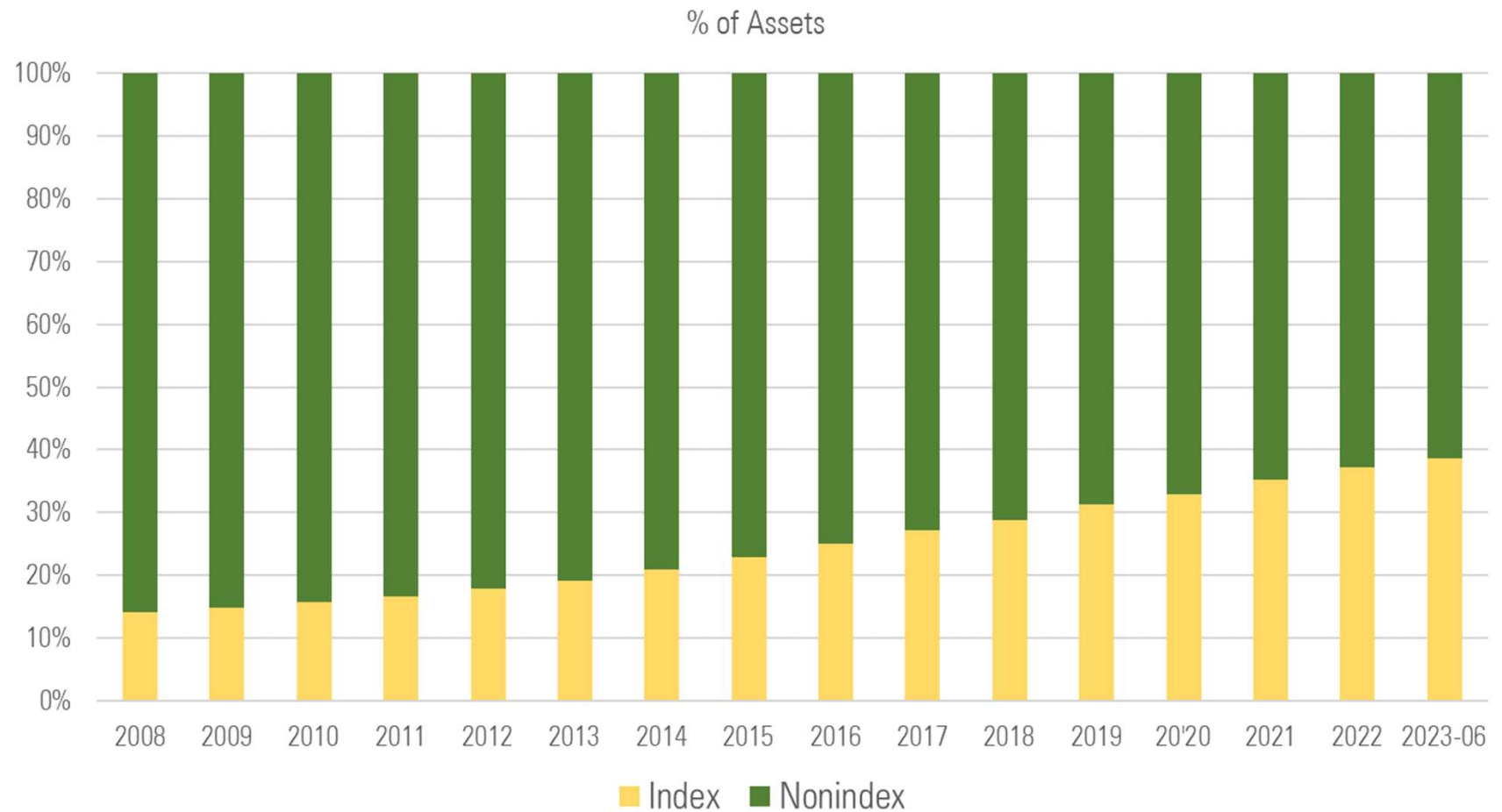
Long-term fund and ETF net flows have converged on zero for the year after a moderately robust January. All category groups had outflows except for fixed income, which had \$236 billion of inflows. The U.S. accounted for \$150 billion of that amount, and continental Europe for \$70 billion.



Source: Morningstar Direct Asset Flows. Data as of June 30, 2023.

# Indexed Strategies Reach 39% of Global Assets

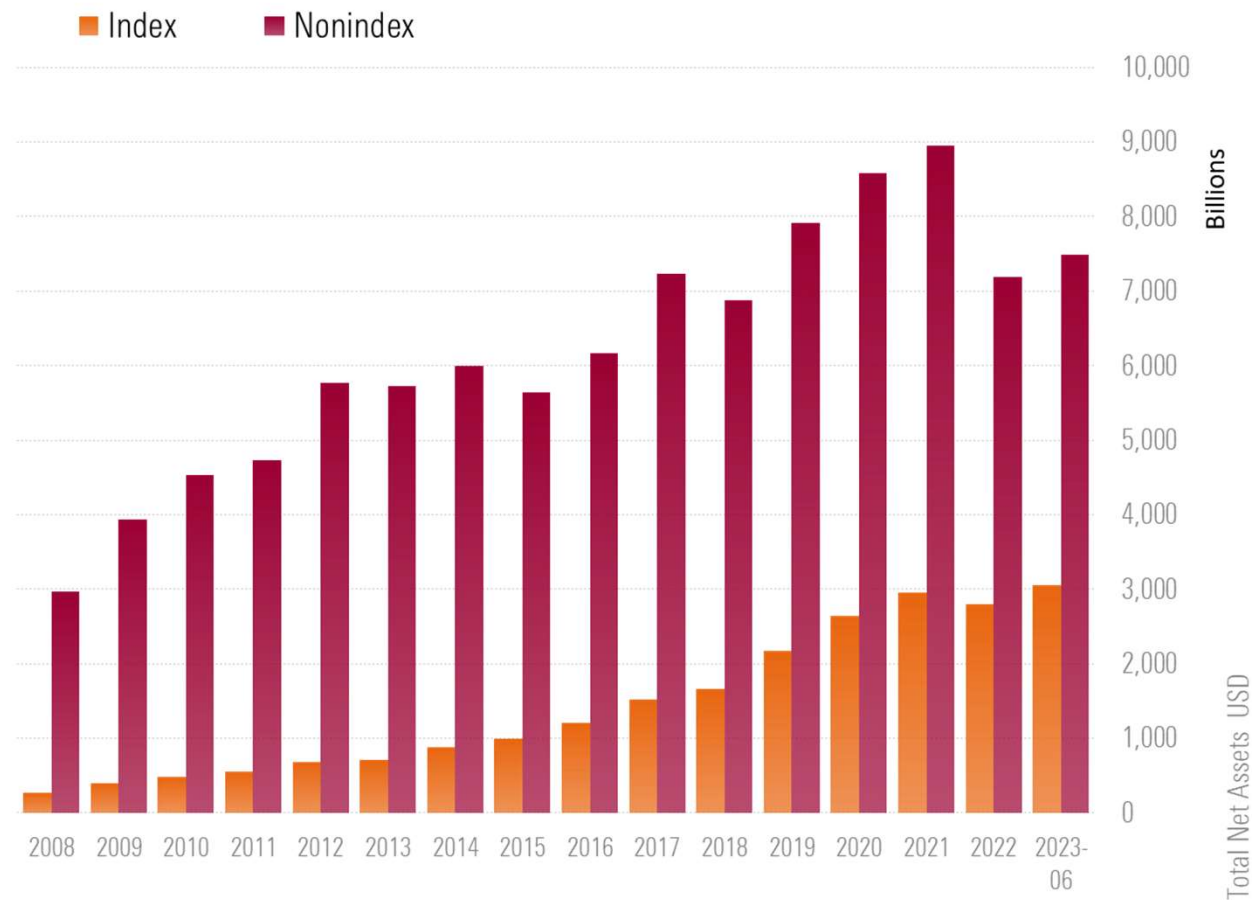
Investors' preference for passive vehicles has increased to 39% today from 31% at the end of 2019.



Source: Morningstar Direct Asset Flows. Data as of June 30, 2023.

## Passive Comes Hunting for Fixed-Income Assets

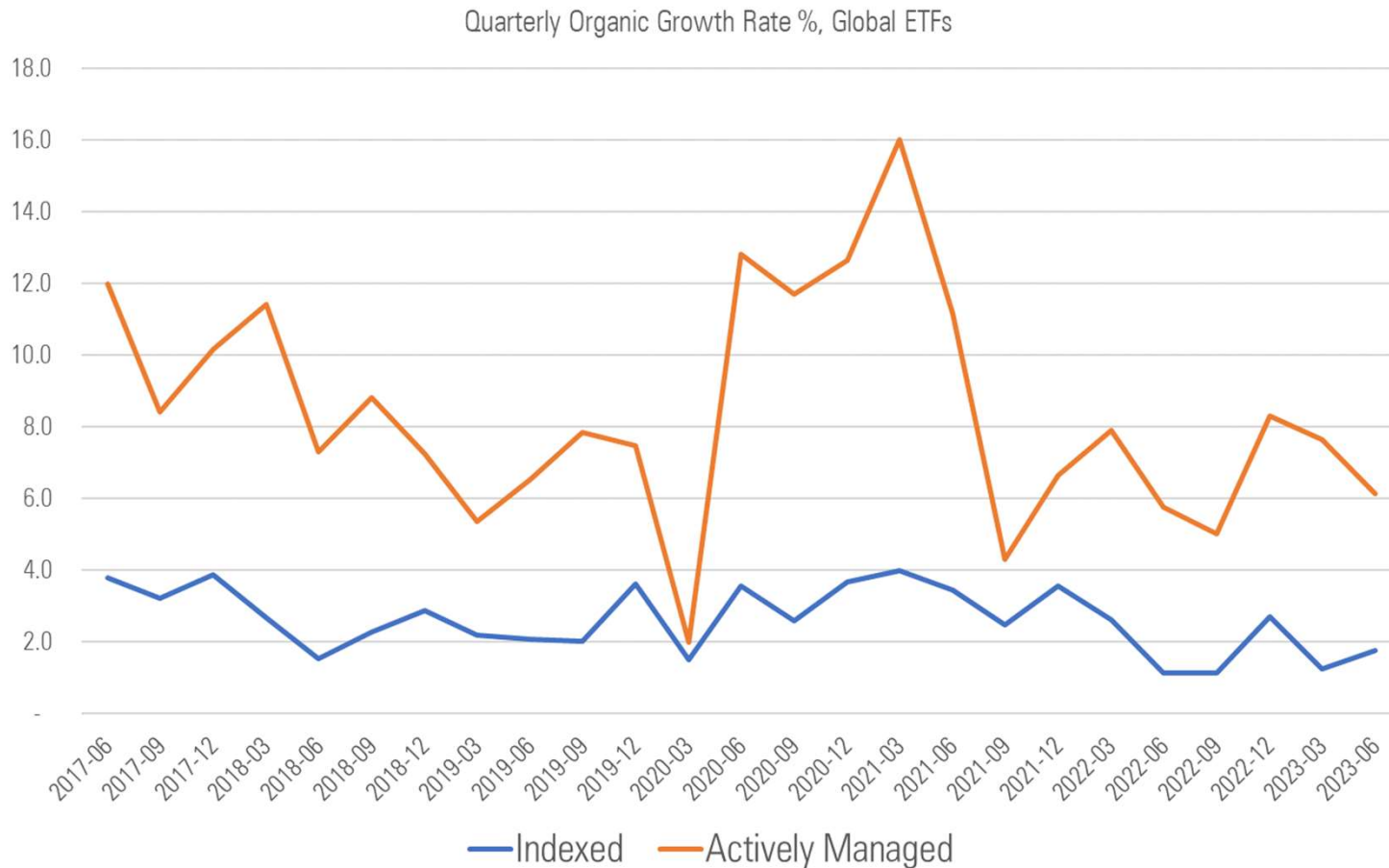
Passive fixed-income strategies have grown to 29% of global fixed-income assets at the end of June from 9% at the end of 2008. Over that span, passive strategies have captured \$2.8 trillion in flows — \$1.8 trillion in ETFs — while their actively managed counterparts have taken in \$3 trillion.



Source: Morningstar Direct Asset Flows. Data as of June 30, 2023.

## Actively Managed ETFs Continue to Gain Ground

Nonindexed ETFs grew at a 6% organic growth rate in the first half and represent 5% of ETF assets globally. The U.S. dominates the category, with 78% of AUM residing there. Actively managed ETFs in Asia grew at a 78% rate in the first half of the year (albeit from a small base), the highest rate of any region by far.



Source: Morningstar Direct Asset Flows. Data as of June 30, 2023.

## iShares Gains Ground on Vanguard, J.P. Morgan Shines

J.P. Morgan raked in \$40 billion globally in the first half of the year, second only to Vanguard and iShares in absolute terms. The firm's organic growth rate of 5.6% was far above its peers. Other active-management shops struggled.

### Largest Asset Managers

Branding Name	Estimated Net Flow \$Bil			YTD Organic Growth Rate %	Total Net Assets \$Bil	Morningstar Medalist Rating - Parent Pillar
	YTD	24 Mo	36 Mo			
Vanguard	59	313	661	0.89	7,336	High
iShares	66	446	714	2.28	3,204	Above Avg.
Fidelity	8	50	157	0.37	2,439	Above Avg.
American Funds	-24	-80	-76	(1.29)	2,040	High
State Street	18	108	162	1.63	1,223	Above Avg.
Invesco	-2	-1	27	(0.21)	825	Average
JPMorgan	40	59	153	5.60	791	Above Avg.
BlackRock	-5	-18	91	(0.71)	779	Above Avg.
T. Rowe Price	-30	-112	-130	(4.67)	691	High
Franklin Templeton	-18	-95	-119	(3.11)	604	Average

Source: Morningstar Direct Asset Flows. Data as of June 30, 2023.

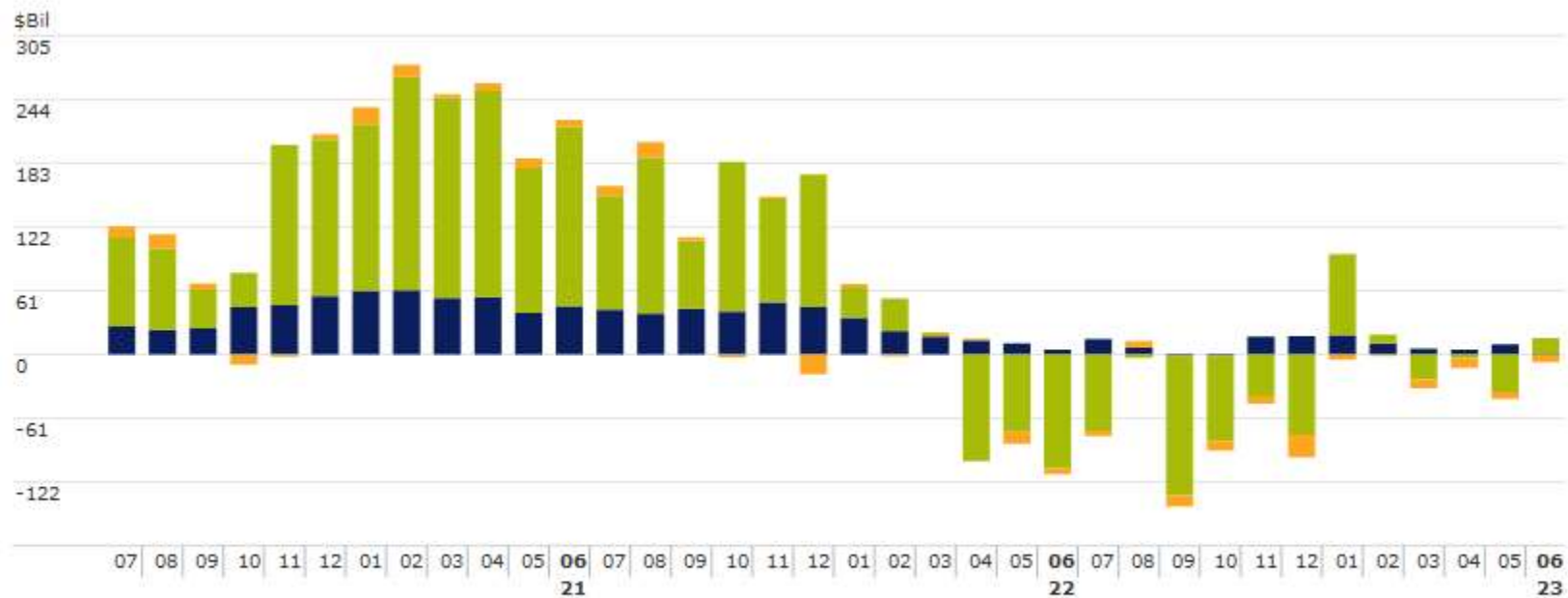


# Sustainable Investing Marches On...

Despite — or perhaps because of — the backlash against ESG investing, investors have put more money into sustainable funds than nonsustainable funds for the year to date. The former tallied \$51 billion, while the latter lapped up just \$2 billion. Sustainable flows have remained robust in Europe but were negative in the U.S. in the first half of 2023.

## Sustainable Fund by Prospectus

Market: Worldwide OE & ETF ex MM ex FoF ex Feeder    Currency: USD    Eff Date: 2023-06-30    Include Obsolete: Yes



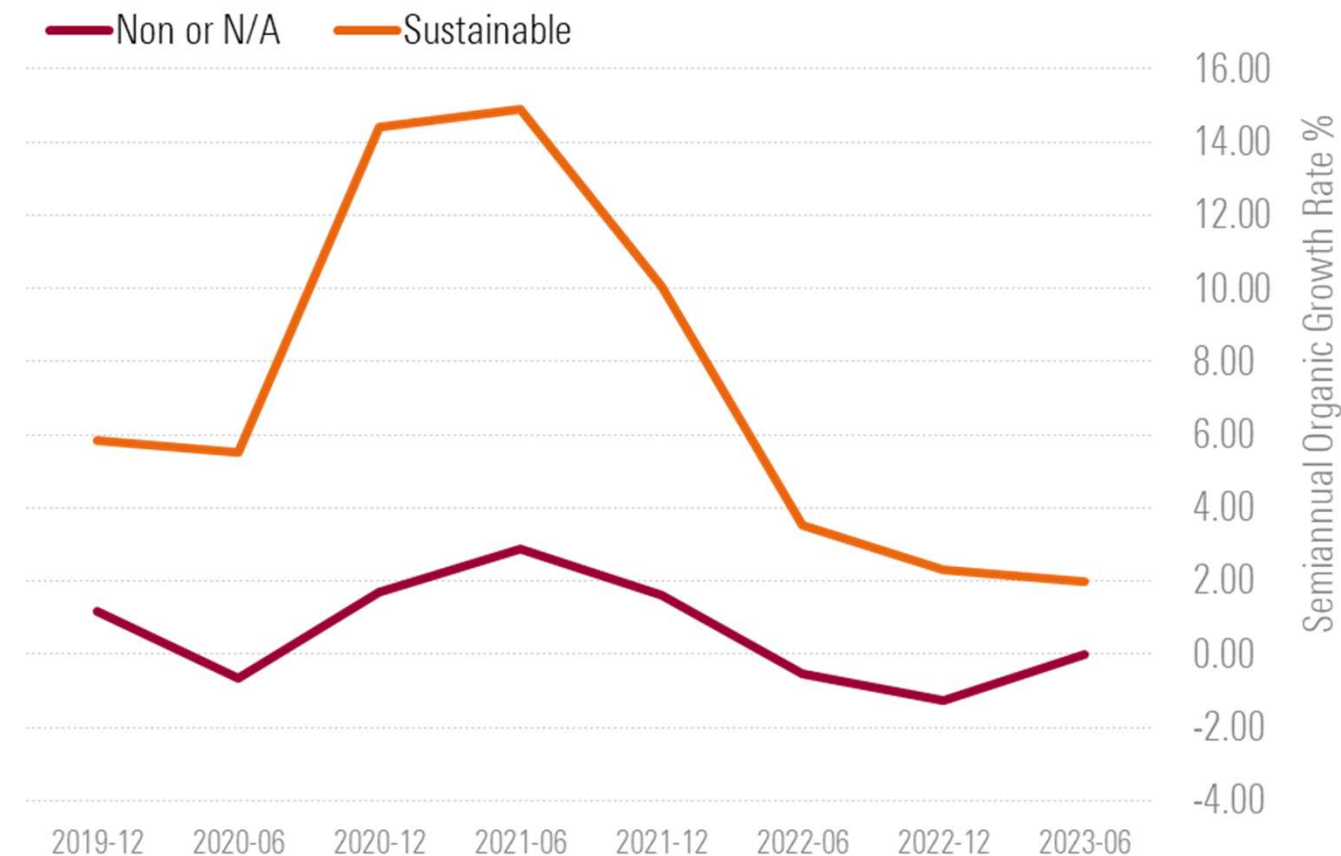
### Sustainable Fund by Prospectus

- Yes
- No
- N/A

Source: Morningstar Direct Asset Flows. Data as of June 30, 2023.

## ...Though Their Growth Rate Is Converging With Nonsustainable Funds'

Organic growth rate is a tool for comparing the progress of two categories of funds that are of different sizes. Sustainable funds enjoyed outsize growth during the pandemic but invited criticism that has dampened their popularity in the U.S. Their worldwide growth rate, however, remains positive.



Source: Morningstar Direct Asset Flows. Data as of June 30, 2023.

## Fund-Level Champs: J.P. Morgan & Pimco Crash the Passive Party

The world's largest index funds dominate the flows league table as usual, but J.P. Morgan, Fidelity, and Pimco stood against the passive tide. JPMorgan's Equity Premium Income—the most successful ETF launch ever—and Bronze-rated (US) Large Cap Growth combined for \$23 billion, while the U.S. and European versions of Pimco Income combined to scoop up \$14 billion.

<b>Fund</b>	<b>Branding Name</b>	<b>Active or Passive</b>	<b>Estimated Net Flow YTD \$Bil</b>	<b>Fund Size \$Bil</b>	<b>Morningstar Medalist Rating*</b>
Vanguard 500 Index Fund	Vanguard	Passive	18	887	Gold
Vanguard Total Bond Market II Index Fund	Vanguard	Passive	17	252	Gold
Vanguard Total Bond Market Index Fund	Vanguard	Passive	14	297	Silver
JPMorgan Large Cap Growth Fund	JPMorgan	Active	13	60	Bronze
Vanguard Total Stock Market Index Fund	Vanguard	Passive	13	1,352	Gold
iShares 20+ Year Treasury Bond ETF	iShares	Passive	12	40	Bronze
SPDR® S&P 500 ETF Trust	State Street	Passive	12	423	Silver
JPMorgan Equity Premium Income ETF	JPMorgan	Active	10	28	N/A
iShares MSCI USA Quality Factor ETF	iShares	Passive	10	32	Silver
Strategic Advisers® Fidelity® Core IncFd	Fidelity	Active	9	66	Bronze
iShares Core US Aggregate Bond ETF	iShares	Passive	9	92	Gold
PIMCO Income Fund	PIMCO	Active	8	124	Gold
Fidelity® 500 Index Fund	Fidelity	Passive	8	421	Gold
PIMCO GIS Income Fund	PIMCO	Active	6	64	Silver
iShares 7-10 Year Treasury Bond ETF	iShares	Passive	6	29	Bronze

Source: Morningstar Direct Asset Flows. Data as of June 30, 2023. \* Of largest share class by assets.

## American Firms Have Diversified Across Geographies

Every fund group in the top 10 by assets is headquartered in the U.S. Many have succeeded in diversifying across markets, using lower costs to scale their efforts and win over investors. Fidelity has long operated overseas, while BlackRock's iShares has boomed in Europe; 22% of its assets reside on the continent. These 10 firms manage 57% of the world's funds and ETFs by assets.

<b>Branding Names</b> Assets \$Bil	<b>United States</b>	<b>Europe</b>	<b>Cross-Border</b>	<b>Oceania</b>	<b>Canada</b>	<b>Asia</b>	<b>Latin America</b>	<b>Africa</b>	<b>Total AUM</b>	<b># of Regions</b>
Vanguard	6,922	299	0	84	35	0	0.2	-	7,341	5
BlackRock/iShares	2,655	1,008	190	17	38	38	39	-	3,984	7
Fidelity/Fidelity Intl	2,439	71	141	0	112	28	0	-	2,791	6
American/Cap Group	2,706	288	190	0	0	3	31	-	3,218	7
State Street	1,107	71	31	8	0	6	0	-	1,223	5
Invesco	655	99	47	0	17	10	0	-	828	6
JPMorgan	528	44	192	1	0	25	3	0.8	793	7
T. Rowe Price	655	2	21	5	0	8	0	-	691	5
Franklin Templeton	484	26	65	7	11	5	8	-	605	7
PIMCO	349	169	1	10	16	0	0.4	-	545	6
<b>TOTAL</b>	<b>18,499</b>	<b>2,075</b>	<b>878</b>	<b>133</b>	<b>230</b>	<b>123</b>	<b>82</b>	<b>0.8</b>	<b>22,019</b>	

Source: Morningstar Direct Asset Flows. Data as of June 30, 2023.

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# Appendix

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## Data Notes

The figures in this report were compiled on July 17, 2023, and reflect only the funds that had reported net assets by that date. The figures in both the commentary and the extended tables are survivorship-bias-free. This report includes both mutual funds and exchange-traded funds but not funds of funds unless specifically stated. It does not include collective investment trusts or separate accounts.

### Methodology

Morningstar computes flows using the approach that is standard in the industry: Net flow is the estimated 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 for some U.S.-domiciled funds to improve accuracy in this respect. We make ad hoc adjustments for unusual corporate actions such as reverse share splits. When possible, Morningstar offsets outflows caused by transfers to other investment vehicles that share an identical mandate since they are not indicative of a change in investor sentiment.

## Data Universe

The figures in this report are based on 199,000-plus share classes across 72 domiciles. A small number of money market funds comprising only 0.04% of total assets in the report are included, but as a general matter, money markets are not included in the report dataset.

### Global Broad Category Group

Name	<u>Estimated Net Flow (\$Mil)</u>			<u>Total Net Assets (\$Bil)</u>		Share Classes Reported
	1-Mo	QTD	YTD	06-2023	Mkt Sh%	
Allocation	(14,456)	(34,369)	(64,259)	3,969	9.46	28,423
Alternative	(5,402)	(15,691)	(30,124)	507	1.21	6,466
Commodities	(6,013)	(6,088)	(6,182)	306	0.73	1,235
Convertibles	(467)	(2,557)	(6,190)	67	0.16	1,479
Equity	3,433	(69,736)	(83,381)	25,511	60.80	89,080
Fixed Income	27,990	92,712	235,565	10,453	24.91	58,361
Property	(341)	(1,455)	(1,816)	205	0.49	322
Miscellaneous	2,567	1,471	3,049	871	2.08	12,613
Unclassified	2,248	5,314	7,273	50	0.12	1,064
Money Market	(106)	(190)	(306)	18	0.04	82
<b>Total</b>	<b>9,452</b>	<b>(30,590)</b>	<b>53,629</b>	<b>41,959</b>	<b>100.00</b>	<b>199,125</b>

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## Disclosures

22 West Washington Street  
Chicago, IL 60602 USA

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