European Fund Industry Review 2024

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This report analyzes fund flows in the European fund industry in an attempt to identify underlying trends and developments.

LSEG DATA & ANALYTICS

Executive Summary

- The assets under management within the European fund industry grew from €14,371.1 bn as of December 31, 2023, to €15,527.9 bn at the end of December 2024

- Equity funds held the highest assets under management (€7,080.1 bn) at the end of December 2024.

- The promoters of mutual funds (+€363.9 bn), and ETFs (+€256.4 bn) enjoyed estimated net inflows over the course of the year 2024.

- Long-term products (+€345.9 bn) enjoyed inflows over the course of 2024

- Bond products (+€295.3 bn) was the best-selling asset type for the year 2024.

- Money Market EUR (+€162.2 bn) was the best-selling Lipper Classification for the year 2024.

- BlackRock was the best-selling fund promoter in Europe for the year 2024 (+€142.6 bn).

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2024 was a year with, generally speaking, strong inflows for the European fund industry.

While most equity markets were on the rise despite the high valuations of the market leaders over the course of the month, some bond segments faced impacts from rising rates as yield curves have somewhat started to normalize. This might also be the reason why investors are somewhat nervous and reacting quickly on any news that may impact the current market environment negatively. That said, the election of Donald Trump as the next U.S. president had a positive impact on the U.S. equity market and the U.S. dollar.

That said, investors are not only focusing on economic news, as the increasing geopolitical tensions in the Middle East—especially the developments around the Red Sea—are seen as a risk for the general economic growth in Western countries since these tensions have the potential to drive up the price of oil. In addition, a number of shipping companies these days avoid the passage of the Suez channel. It is, therefore, to be expected that prolonged delivery times will cause some tensions for the still vulnerable delivery chains.

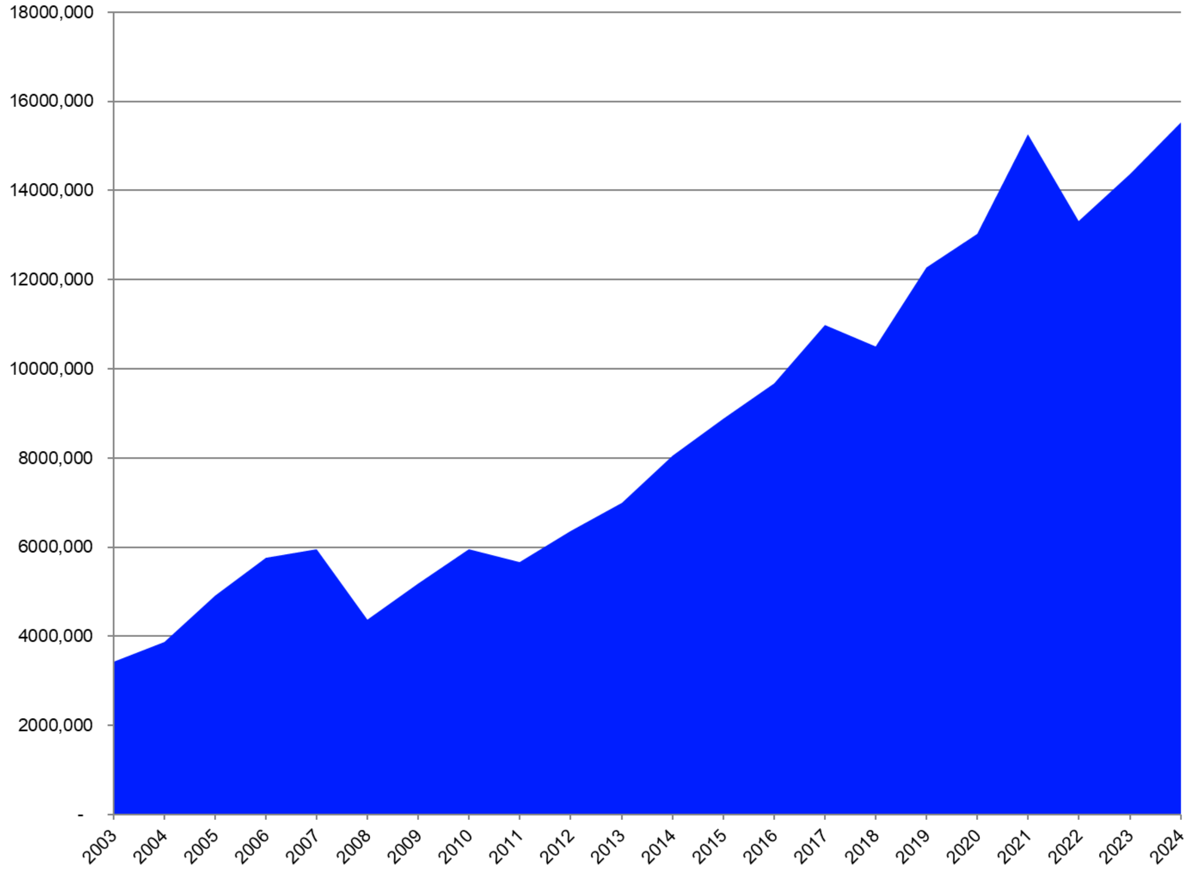
Market sentiment was also further driven by the expectations of investors for future central bank decisions. Since the different regions of the world are showing different growth patterns, investors expect less activity from the U.S. Federal Reserve, while they expect much more interest rate cuts from the European Central Bank. As a result, such different central bank activity may lead to a stronger U.S. dollar compared to the euro and other leading currencies. With regard to this, any statement from the Fed and other central banks may have the power to move the bond market in one or the other direction. In addition, fears of increasing debt in the U.S. might be the driver for further increasing interest rates on the long end of the yield curve, which hold back inflows into medium- and long-term bond ETFs, while the still inverted yield curves might be the drivers for the inflows into money market ETFs.

That said, inverted yield curves and especially long-term inverted yield curves are seen as an early indicator for a possible recession. However, there are no signs for a recession in the U.S. and most other major economies visible yet. But even as it looks like the yield curves are slowly normalizing, this does not mean that there is no recession possible in the major economies around the globe. This is especially true as some major economies lack economic growth and may need lower interest rates as stimulus. Despite these headwinds, the positive effects of lower interest rates seem to be more important for investors than the current state of some economies.

Assets Under Management

Within this environment the assets under management within the European fund industry grew from €14,371.1 bn as of December 31, 2023, to €15,527.9 bn at the end of December 2024. At a closer look, the increase in assets under management of €1,156.8 bn for 2024 was driven by estimated net inflows, which contributed €620.2 bn to the growth of assets under management, while the performance of the underlying markets added €536.6 bn to the assets under management.

Graph 1: Assets Under Management in the European Fund Industry (in bn EUR)

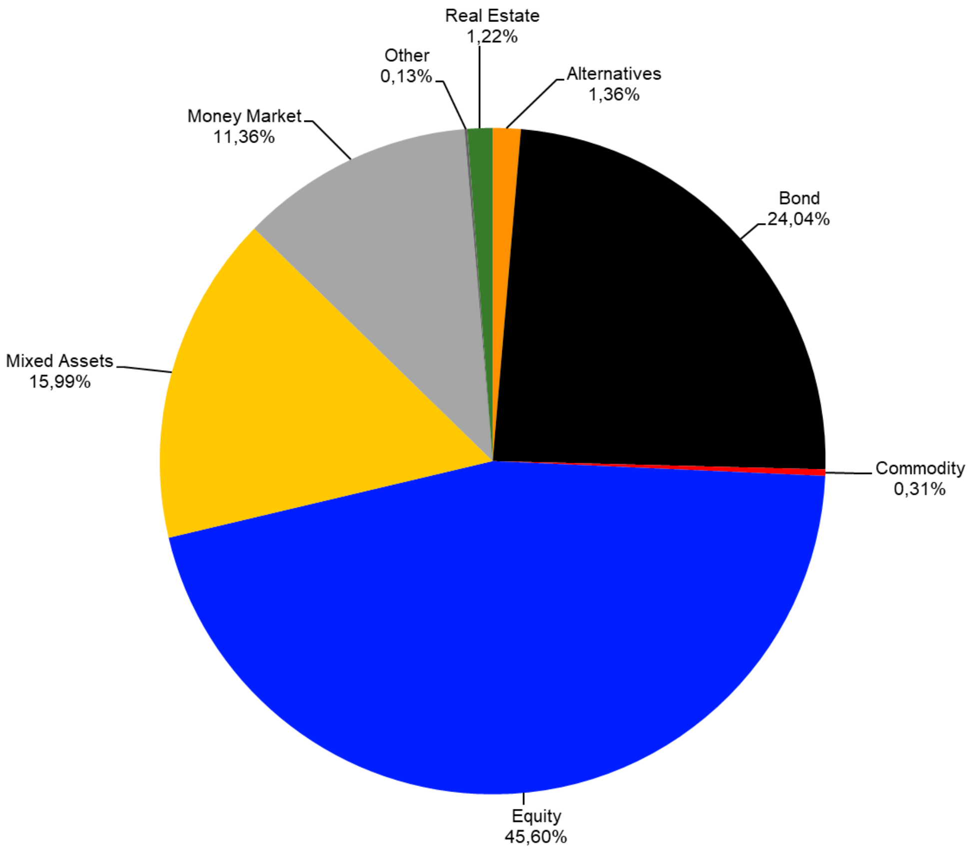


Source: LSG Lipper

Assets Under Management by Asset Type (December 31, 2024)

Equity funds held the highest assets under management (€7,080.1 bn) at the end of December 2024. They were followed by bond funds (€3,733.0 bn), mixed-assets funds (€2,482.7 bn), money market funds (€1,763.7 bn), alternatives funds (€210.5 bn), real estate funds (€188.8 bn), commodities funds (€48.7 bn), and “other” funds (€20.5 bn).

Graph 2: Assets Under Management - Market Share by Asset Type



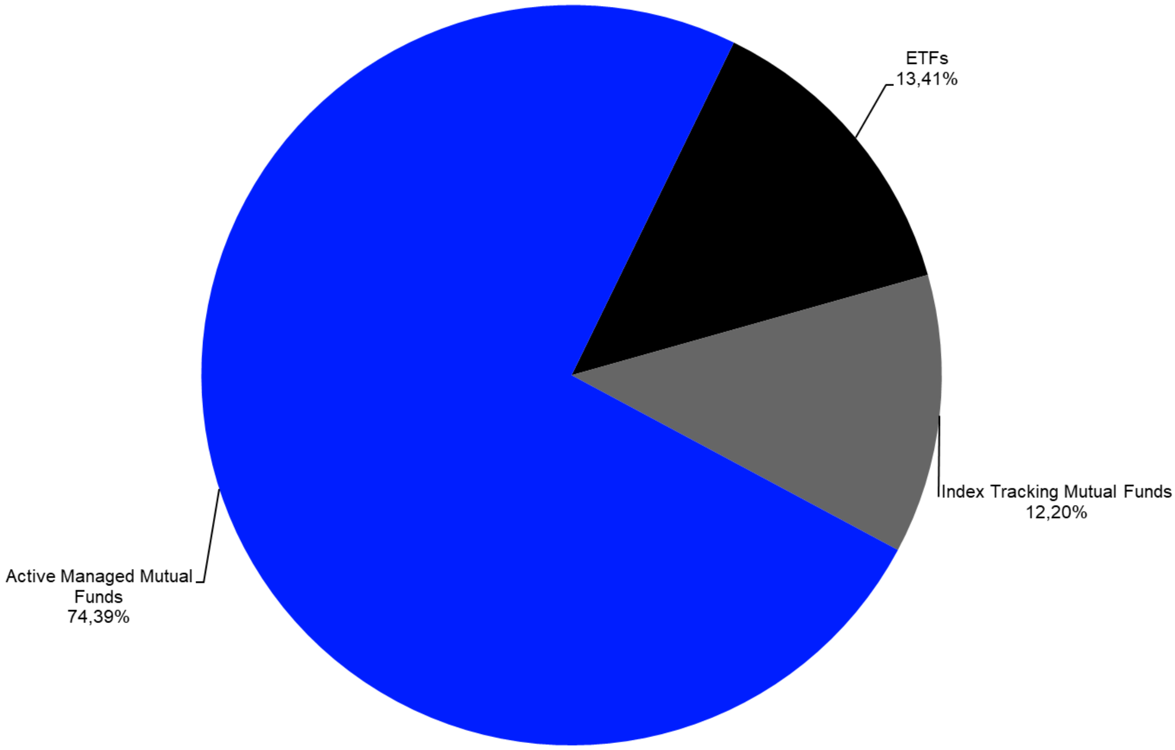
Source: LSEG Lipper

The positions of the single asset types on the league table are quite stable, while the respective market share is fluctuating, mainly driven by the performance of the underlying markets.

Assets Under Management by Product Type (December 31, 2024)

Since ETFs are gaining market share in the European fund industry, there is an ongoing discussion on a possible clash of actively managed products versus their passive peers. With regard to this, it makes sense to evaluate the market share of the respective products to see how much the assets under management is invested in active products and how much is invested in passive products. Since ETFs are not the only passive products, we also include index tracking mutual funds in this analysis. In contrast with some market comments, actively managed mutual funds still hold the vast majority (€11,551.9 bn) of the assets under management in the European fund industry. They were followed by ETFs (€2,081.8 bn) and index tracking mutual funds (€1,894.2 bn).

Graph 3: Assets Under Management – Market Share by Management Approach (December 31, 2024)



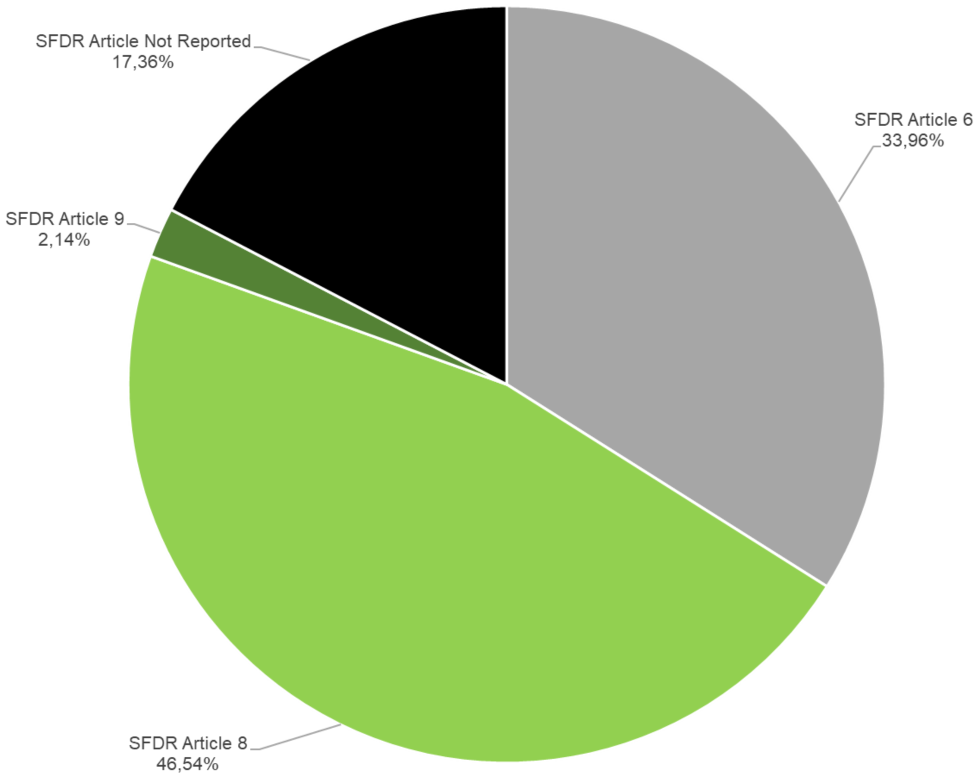
Source: LSEG Lipper

As one can see from the chart and numbers above, actively managed mutual funds are still accounting for the vast majority of the assets under management in the European fund industry. This means that the industry is far away from the spot where passive products are dominating the assets under management in Europe. That said, passive products do enjoy a higher growth rate than their active peers, which means their market share is constantly on the rise. As a result, passive products may hold higher assets under management than actively managed products at some point in time if actively managed products can’t revert the trend.

Assets Under Management by SFDR Article (December 31, 2024)

Products (mutual funds and ETFs) assigned to article 8 of the Sustainable Finance Disclosure Regulation (SFDR) held the highest assets under management (€7,227.1 bn) at the end of December 2024. They were followed by products assigned to article 6 (€5,273.3 bn) products with no assignment to an SFDR article (€2,695.4 bn) and products assigned to article 9 of the SFDR (€332.1 bn).

Graph 4: Assets Under Management – Market Share by SFDR Article (December 31, 2024)



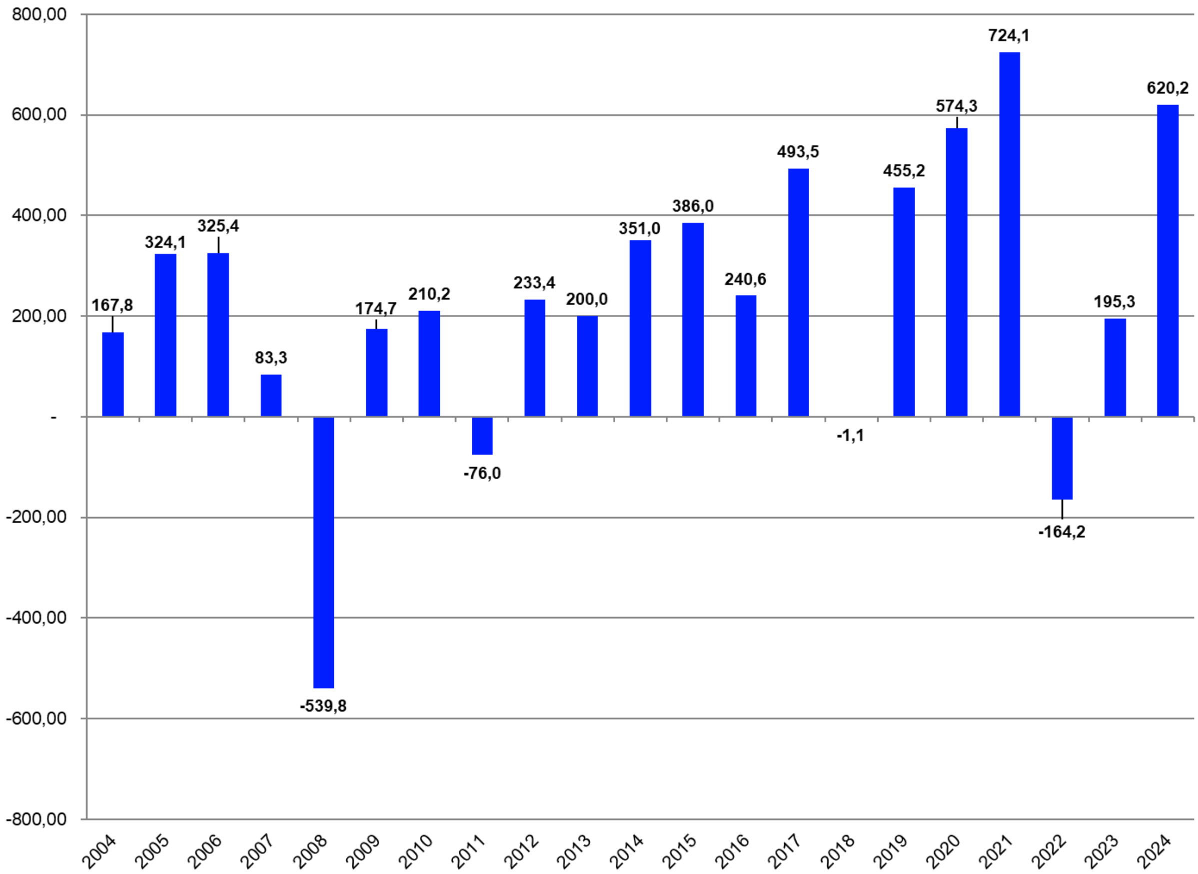
Source: LSEG Lipper

Estimated Net Flows – 2024

The European fund industry enjoyed healthy inflows of €620.2 bn over the course of the year 2024. In fact, these estimated net flows were the second highest inflows in history for the European fund industry.

In more detail, mutual funds (+€363.9 bn) and ETFs (+€256.4 bn) enjoyed inflows over the course of the year. The flows into ETFs over the course of 2024 marked a new all-time high for annual inflows into ETFs in Europe.

Graph 5: Annual Estimated Net Flows – January 1, 2004 – December 31, 2024 (Euro Bilions)



Source: LSEG Lipper

These inflows within a positive but still somewhat uncertain market environment are not considered unusual and might be a sign that European investors are somewhat in risk-on mode.

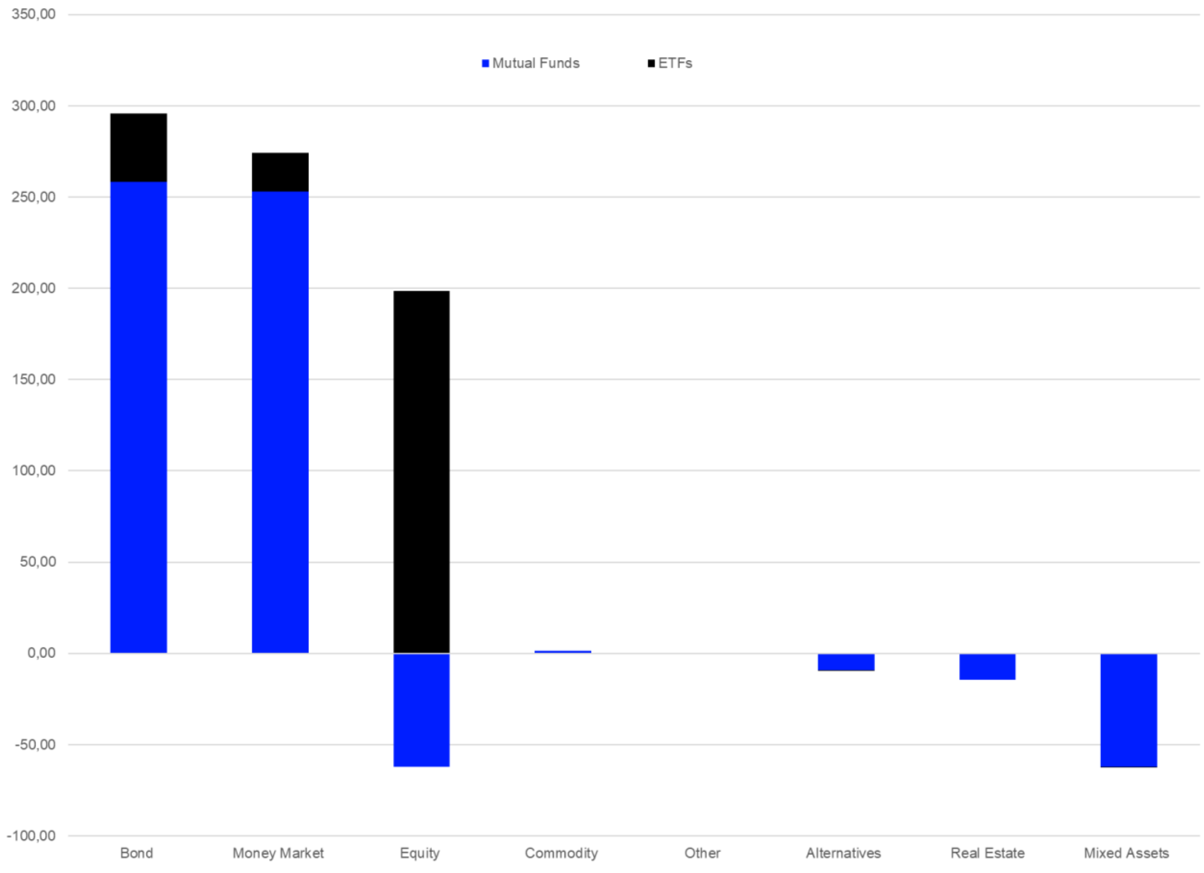
Asset Type Flows, 2024

With regard to the still somewhat inverted yield curves for the Eurozone and other major economies in the world, it is somewhat surprising that European investors favored bond products over the course of the year. That said, the inflows into bonds might be seen as a sign that European investors adjusted their portfolios to the new environment with regard to the interest rate policies of central banks around the globe since the major central banks have further lowered their interest rates despite somewhat divided economic data in the respective regions/countries.

Overall, long-term investment products (+€345.9 bn) and money market funds (+€274.4 bn) enjoyed inflows for the year so far. That said, the estimated net flows for equities were dominated by the inflows into ETFs, while the inflows into bond and money market funds were dominated by mutual funds.

Taking a closer look, bond funds (+€295.9 bn) were the asset type with the highest estimated net inflows overall for 2024. It is followed by money market funds (+€274.4 bn), equity funds (+€136.3 bn), and commodities funds (+€0.8 bn). On the other side of the table, “other” funds (-€0.1 bn), alternatives funds (-€9.7 bn), real estate funds (-€14.7 bn), and mixed-assets funds (-€66.7 bn) faced outflows for the year so far.

Graph 6: Estimated Net Sales by Asset and Product Type, January 1 – December 31, 2024 (Euro Billions)



Source: LSEG Lipper

The high outflows from mixed-assets funds might be caused by investors who used fixed-income funds to achieve their income goals during the low interest rate environment, switching their market exposure back to bonds given the current interest rate environment.

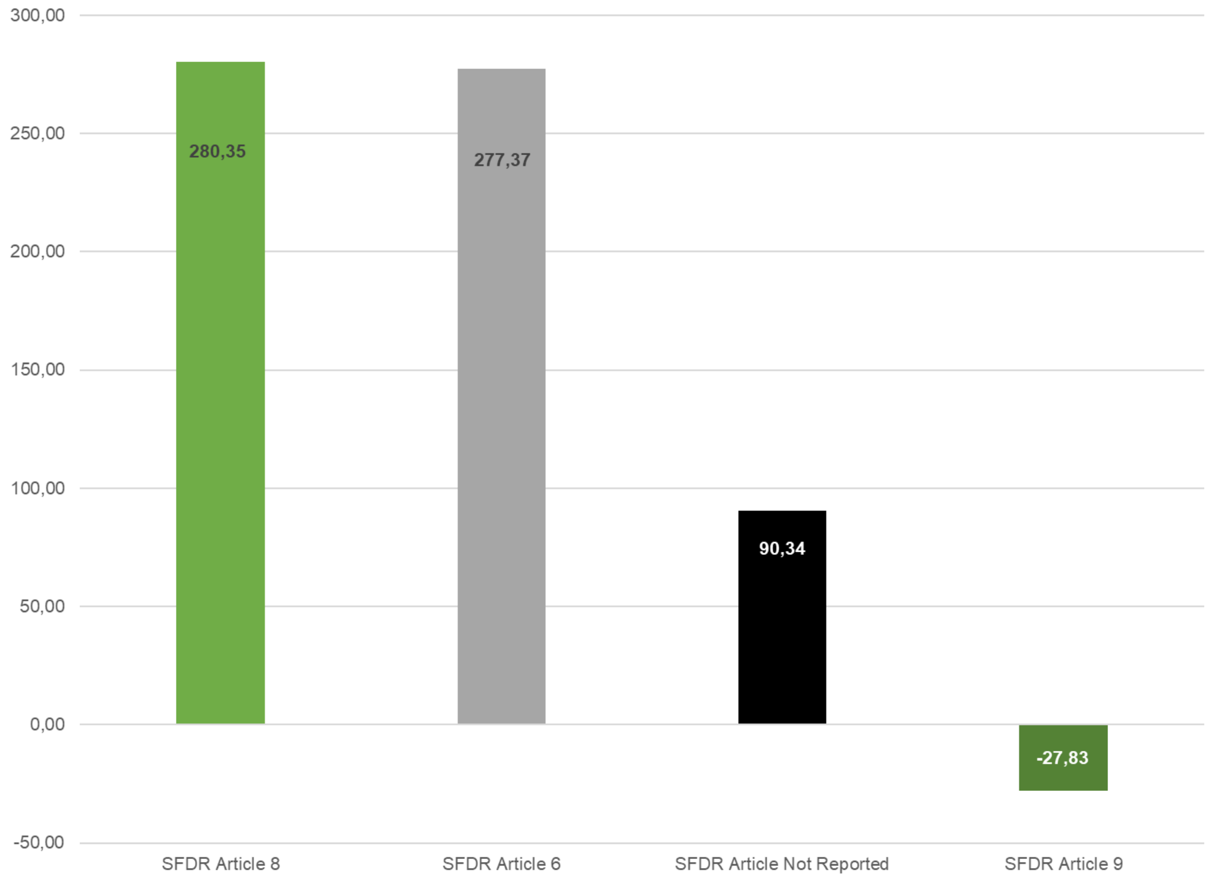
In addition, one needs to bear in mind that the flows in money market products are impacted by a combination of asset allocation decisions of portfolio managers and corporate actions such as cash dividends or cash payments since money market funds are also used by corporations as replacements for cash accounts.

Given the still somewhat inverted yield curves, it can be assumed that a number of investors use money market products as a replacement for cash accounts, and in some cases even bonds, since money market products offer a comparably high yield within the current interest rate environment. Therefore, it can be expected that the inflows in money market products may revert once the yield curves have normalized.

Fund Flows by SFDR Article

Despite the headwinds in some jurisdictions around the globe, sustainable investments are still an important topic in Europe. With regard to this, it was not surprising that products (mutual funds and ETFs) assigned to article 8 of the Sustainable Finance Disclosure Regulation (SFDR) enjoyed the highest inflows (+€280.4 bn) for the year 2024, closely followed by products assigned to article 6 (+€277.4 bn) and products with no SFDR assignment (+€90.3 bn).

Graph 7: Estimated Net Flows 2024 by SFDR Article (Euro Billions)



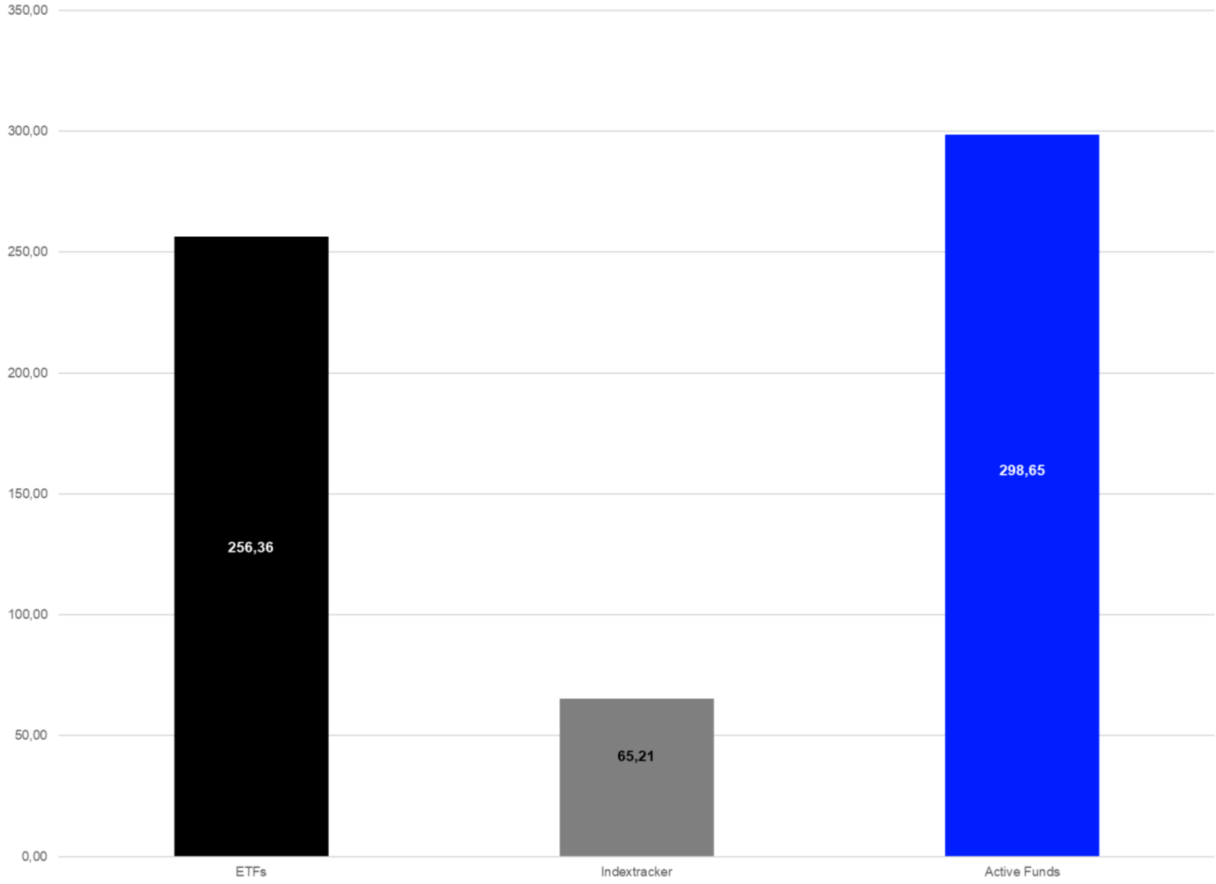
Source: LSEG Lipper

That said, it was surprising to witness products which are assigned to article 9 of the SFDR faced outflows (-€27.8 bn). These outflows might be caused by the fact that companies from sectors which are considered as (dark) green were facing strong headwinds from the general economic and political environment over the course of the year 2024.

Fund Flows Active vs Passive Products

The trend toward passive investment vehicles is widely discussed by market observers and asset managers, so it is worthwhile to highlight this topic, especially as not all passive products are ETFs. In fact, the flows into ETFs (+€256.4 bn) were outpacing the flows into passive index mutual funds (+€65.2 bn) by a large margin. In line with this, actively managed long-term mutual funds had inflows of €47.0 bn for 2024.

Graph 8: Estimated Net Flows by Management Approach and Product Type (January 1 – December 31, 2024)



Source: LSEG Lipper

Some market observers may speculate that European investors are selling actively managed equity products and buying back passive products, especially within the Lipper global classification Equity U.S. Generally speaking, one could agree with this thesis by looking at the high-level numbers, but since this can’t be proven by facts I would not totally agree with this assumption.

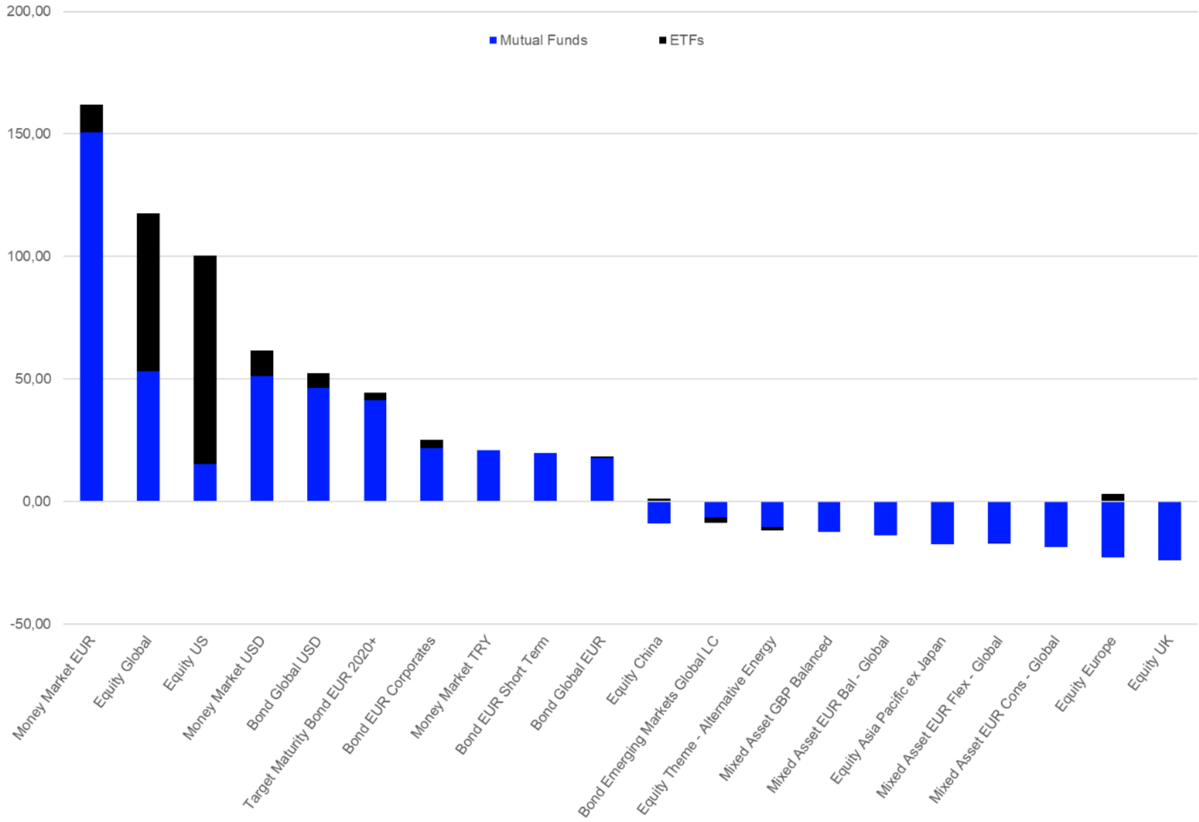
Fund Flows by Lipper Global Classifications, 2024

A closer look at the best and worst Lipper Global Classifications by estimated net sales for 2024 also shows that European investors are somewhat in a mixed mood with regard to their risk appetite since bond and money market classifications are dominating the table of the best-selling Lipper Global Classifications.

As graph 2 shows, mixed-assets products faced the highest outflows over the course of the year 2024, while bond and money market products enjoyed the highest estimated net inflows. Given the overall trend it was not surprising that the table of the best-selling Lipper Global Classifications is dominated by bond and money market classifications, while equity and mixed-assets classifications dominated the other side of the table.

In more detail, Money Market EUR (+€162.2 bn) was the best-selling Lipper global classification for the year so far. It was followed by Equity Global (+€117.6 bn), Equity U.S. (+€100.3 bn), Money Market USD (+€61.7 bn), and Bond Global USD (+€52.3 bn).

Graph 9: Ten Best- and Worst Lipper Global Classifications by Estimated Net Sales, January 1 – December 31, 2024 (Euro Billions)



Source: LSEG Lipper

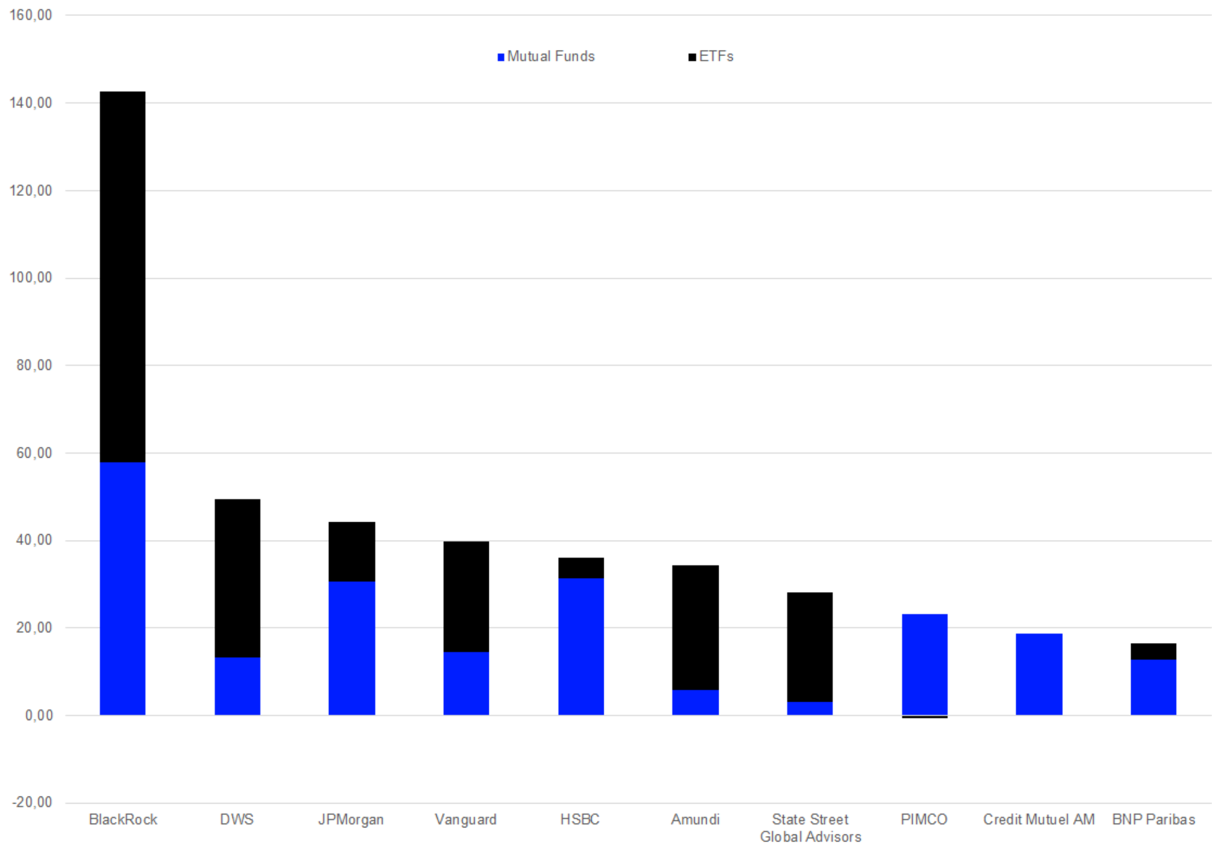
Given the current market environment, it was not surprising to see so many mixed-assets classifications on the opposite side of the table since European investors seem to be readjusting their portfolios to the new environment in the bond markets after the central banks around the globe lowered their interest rates and may continue to do so in the foreseeable future. The same might be somewhat true for equity classifications since investors adapt their portfolios to a new regime of divided economic growth trends in the different major regions/countries around the globe. Equity U.K. (-€23.8 bn) faced the highest outflows for the year. It was bettered by Equity Europe (-€19.9 bn), Mixed Asset EUR Conservative - Global (-€18.6 bn), Mixed Asset EUR Flexible - Global (-€17.1 bn), and Equity Asia Pacific ex Japan (-€17.1 bn).

As mentioned above, it is noteworthy that the estimated flows in money market sectors are not only a reflection of asset allocation decisions of investors since these products are also used by corporates as a replacement for cash accounts. In addition, it is also important to recall that the yield curves in the Eurozone and other parts of the world are still somewhat inverted, which means that money market instruments offer a higher yield than medium- or long-term bonds.

Fund Flows by Promoters, 2024

BlackRock (+€142.6 bn) is the best-selling fund promoter in Europe over the course for the year 2024, ahead of DWS Group (+€49.5 bn), JPMorgan (+€44.3 bn), Vanguard (+€39.7 bn), and HSBC (+€36.2 bn).

Graph 10: Ten Best-Selling Fund Promoters in Europe, January 1 – December 31, 2024 (Euro Billions)



Source: LSEG Lipper

A view of the flow split by products over the year-to-date period gives an even clearer view of the importance of ETFs for the sales success of those promoters who have a respective product offerings since BlackRock, Vanguard, DWS, State Street Global Advisors, Amundi, and Invesco all enjoyed higher inflows into ETFs than into their mutual funds.

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