

# European Fund Industry Review: 2023

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This report analyses the assets under management and the fund flows in the European Fund industry over the course of the year 2023 in an attempt to identify underlying trends and developments.



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# Executive Summary

- The promoters of mutual funds (+€40.5 bn) and the promoters of ETFs (+€154.9 bn) enjoyed inflows over the course of 2023.
- The inflows into ETFs for 2023 were the second highest inflows for ETFs in Europe in history.
- Long-term products enjoyed overall inflows over the course of 2023 (+€22.7 bn).
- Actively managed long-term products (-€173.5 bn) faced massive outflows for the year 2023.
- Mixed-assets funds (-€100.3 bn) posted the highest estimated outflows on record for 2023.
- Money market products enjoyed the highest estimated net inflows (+€172.6 bn) for 2023.
- Money Market EUR was the best-selling Lipper Classification for the year 2023 (+€107.7 bn).
- BlackRock was the best-selling fund promoter in Europe for the year 2023 (+€107.8 bn).
- The overall number of funds in the Europe increased by 341 products.

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# European Fund Industry Review, 2023

It's fair to say that 2023 was a challenging year for portfolio managers around the globe since the markets were driven by a number of different factors and unpredictable incidents. Each of these could have caused a major market downturn on their own. First of all, there were a lot of geopolitical tensions around the globe beside the still ongoing war in Ukraine, which showed that democratic states might be more vulnerable than one may think. The concerns of investors, especially in Europe, increased toward the end of 2023 since the actions taken by the Houthi rebels in the Red Sea have the power to disrupt the still vulnerable delivery chains in Europe and other parts of the world.

Also, there were economic factors which burdened the expectations of investors, such as China's failure to meet the growth expectations of investors when its economy was reopened after the end of the country's zero-COVID strategy. Talking about China, the credit crisis in the Chinese real estate sector later in the year was another factor that could have caused a market downturn if it wasn't handled well by the Chinese government. Nevertheless, investors are still cautious about investments in China.

After the meltdown in the bond segment during the interest hiking cycle over the course of 2022, investors hoped that the measures taken by central banks would bring down inflation and lead to falling interest rates. This assumption went against the hawkish statements of central banks around the globe for the first 10 months of 2023. The relatively high interest rates raised fears that some major economies such as the U.S. would face a hard landing. In addition to this, some investors might have recalled bad memories when the Silicon Valley Bank and two other regional banks were closed in early March 2023. These feelings might have become worse when Credit Suisse struggled later in the month and was finally taken over by UBS by governmental order.

Nevertheless, investors hope that central banks—especially the U.S. Federal Reserve—have reached the last phase of their fight against high and further increasing inflation rates given their rather dovish statements during/after the respective central bank meetings in December. With regard to this, some investors already expected that there might be room for decreasing interest rates early next year, which might be reflected by the estimated inflows in bond ETFs. Despite the dovish statements by the central banks, these estimates might be under scrutiny since inflation in the major economies seems to be more sticky than expected and central banks are held responsible to reach their inflation targets. This could mean that the expected rate cuts start later than investors expect.

In addition, there were some concerns about the possibility of a recession in the U.S. and other major economies around the globe. These fears have been raised by long-term inverted yield curves, which are seen as an early indicator for a possible recession. The normalization of the inverted yield curves might be another short-term challenge for the bond markets.

On the other hand, the spectacular performance of the so-called Magnificent Seven (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) drove the U.S. markets up. The stellar performance of these stocks might have reminded some investors of the performance of some stocks before the burst of the so-called "dot.com bubble." As a result, many investors might have been caught between fear and greed when looking at the U.S. equity markets.

That said, some major equity indices reach new all-time high values at the end of year 2023 despite all the headwinds over the course of the year.

With regard to the above, it is no surprise that the year 2023 was a challenging year for the European fund industry. The promoters of mutual funds (-€33.0 bn) faced outflows for the year, while the promoters of ETFs in Europe (+€154.9 bn) enjoyed inflows over the course of the year. The outflows for actively managed funds were driven by mixed-assets and alternatives products, while money market and bond products were the main drivers for the inflows in actively managed products.

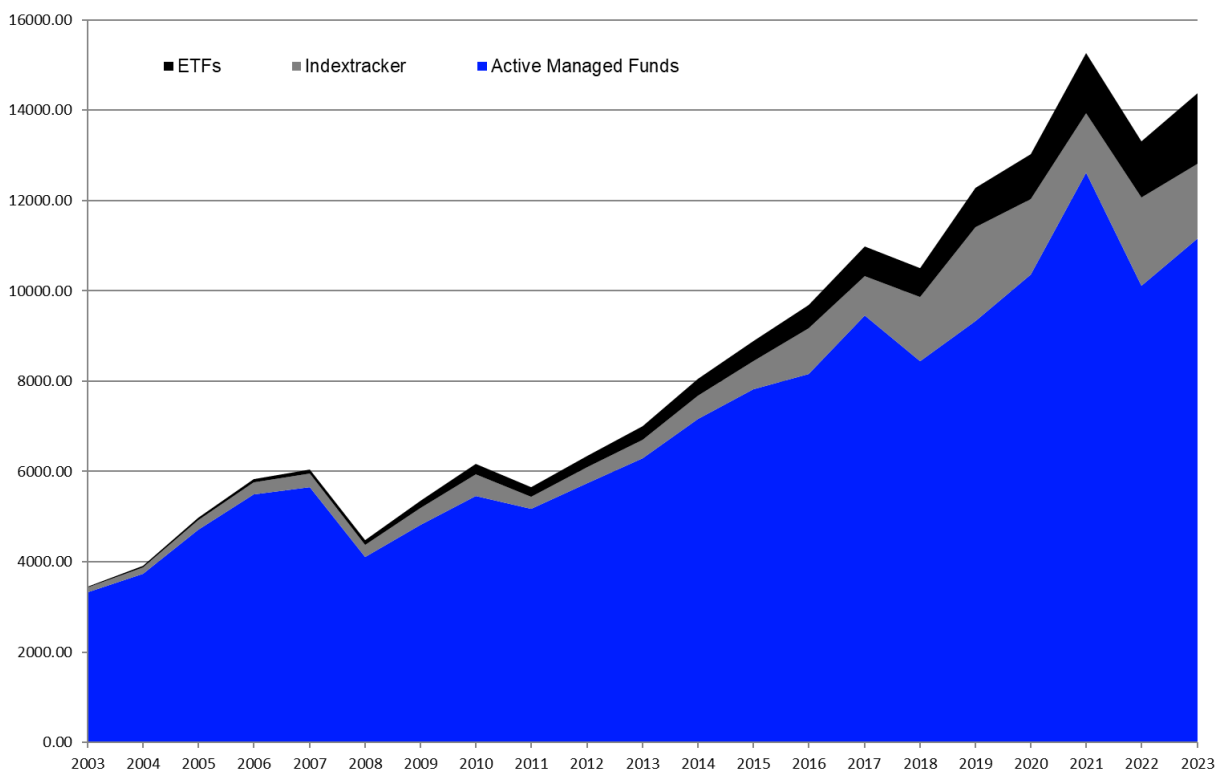
Within the current market environment, it is not surprising that European investors bought further into money market products since the Eurozone and other major economies have an inverted yield curve. This means that money market products offer a higher yield than medium or long-term bonds. More generally, long-term funds (+€22.7 bn) and money market products (+€172.6 bn) enjoyed inflows for the year. These flow numbers might indicate that European investors are further readjusting their portfolios to the current market environment.

# Assets Under Management in the European Fund Industry

Within an environment in which bond markets stabilized after the massive drawdowns of 2022 and equity markets were moving in the directions of new all-time highs, it is no surprise that assets under management in the European fund industry increased.

In more detail, the assets under management in the European fund industry increased from €13,313.1 bn as of December 31, 2022, to €14,371.1 bn at the end of December 2023.

**Graph 1: Assets Under Management in the European Fund Industry, January 1, 2003 - December 31, 2023**



Source: LSEG Lipper

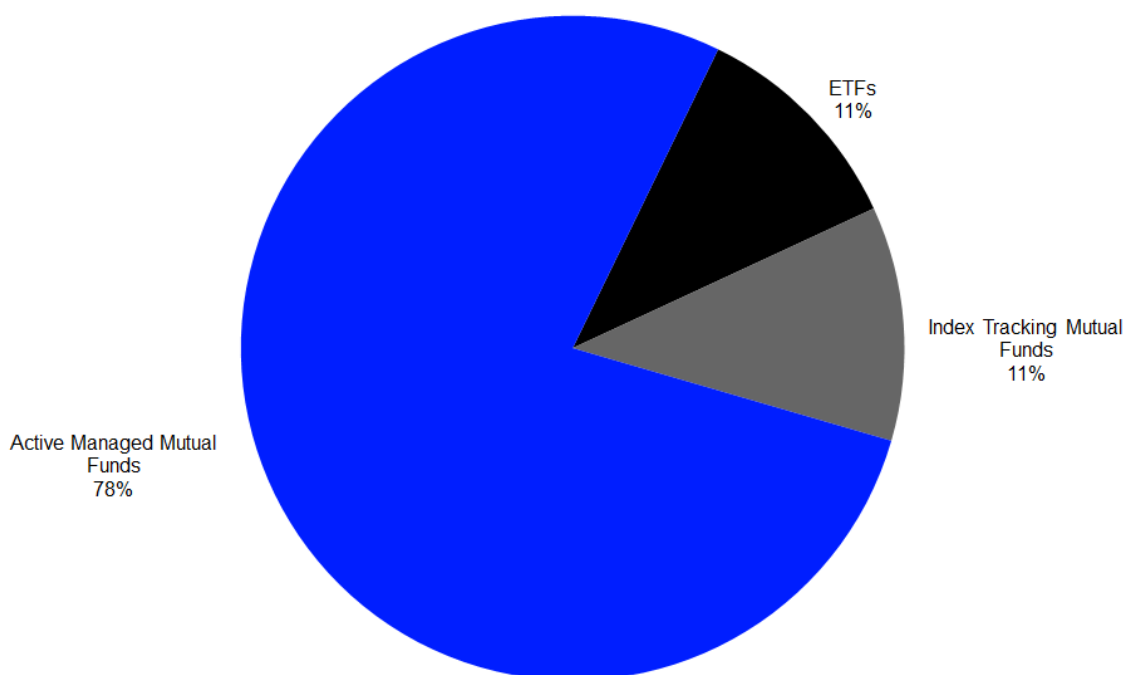
The increase in assets under management of €1,058.0 bn was mainly driven by the performance of the underlying markets (+€862.3 bn), while estimated net sales contributed +€195.4 bn to the overall growth.

## Assets Under Management by Product Type

The majority of assets under management in the European fund industry were held by actively managed mutual funds (€11,169.6 bn), followed by index tracking mutual funds (€1,638.0 bn) and exchange traded funds (ETFs) (€1,563.5 bn). It is noteworthy that the assets under management in ETFs reached a new all-time high at the end of 2023.

The gap in assets under management between index tracking mutual funds and ETFs further decreased over the course of 2023 since ETFs witnessed much higher inflows (+€154.9 bn over the course of the year than index tracking mutual funds (+€52.8 bn).

**Graph 2: Market Share, Assets Under Management in the European Fund Industry by Product Type, December 31, 2023**



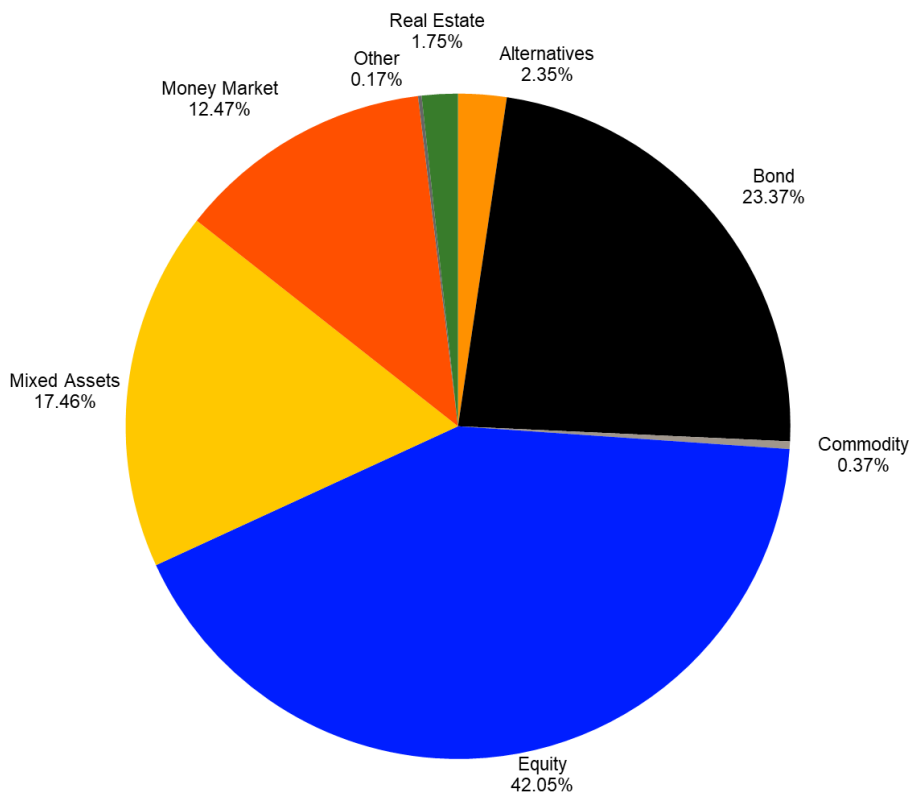
Source: LSEG Lipper

The preference of European investors for ETFs compared to index tracking mutual funds started to become obvious in 2021. Please see graph 10 on page 14 for more details and possible reasons for this trend.

## Assets Under Management by Asset Type

In more detail, equity products (€6,043.8 bn) held the largest amount of assets, followed by bond products (€3,358.7 bn), mixed-assets products (€2,509.2 bn), money market products (€1,792.4 bn), alternatives products (€338.1 bn), real estate products (€251.5 bn), “other” products (€24.7 bn), and commodities products (€52.9 bn).

**Graph 3: Market Share, Assets Under Management in the European Fund Industry by Asset Type, December 31, 2023**

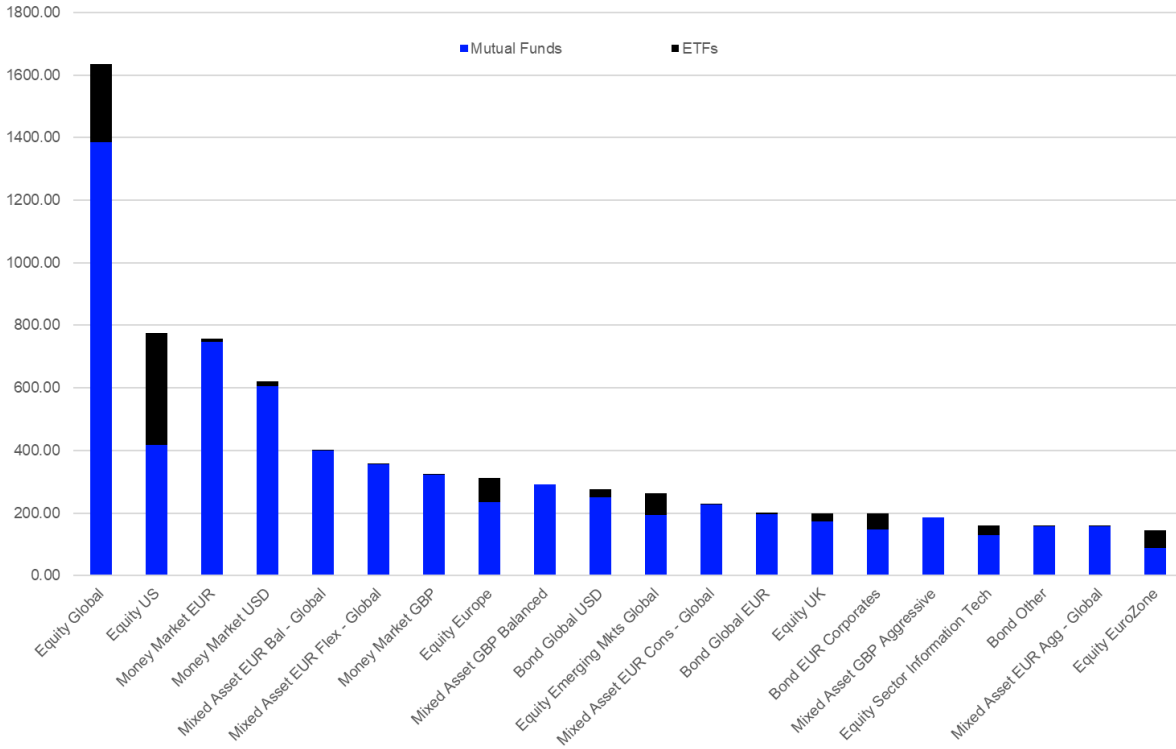


Source: LSEG Lipper

## Assets Under Management – The Largest 20 Lipper Global Classifications

Equity Global (€1,635.1 bn) was the largest Lipper Global Classification in the European fund industry at the end of December 2023, followed by Equity U.S. (€774.4 bn), Money Market EUR (€757.5 bn), Money Market USD (€620.9 bn), and Mixed Asset EUR Balanced – Global (€399.7 bn).

**Graph 4: The 20 Largest Lipper Global Classifications in the European Fund Industry by Assets Under Management, December 31, 2023**



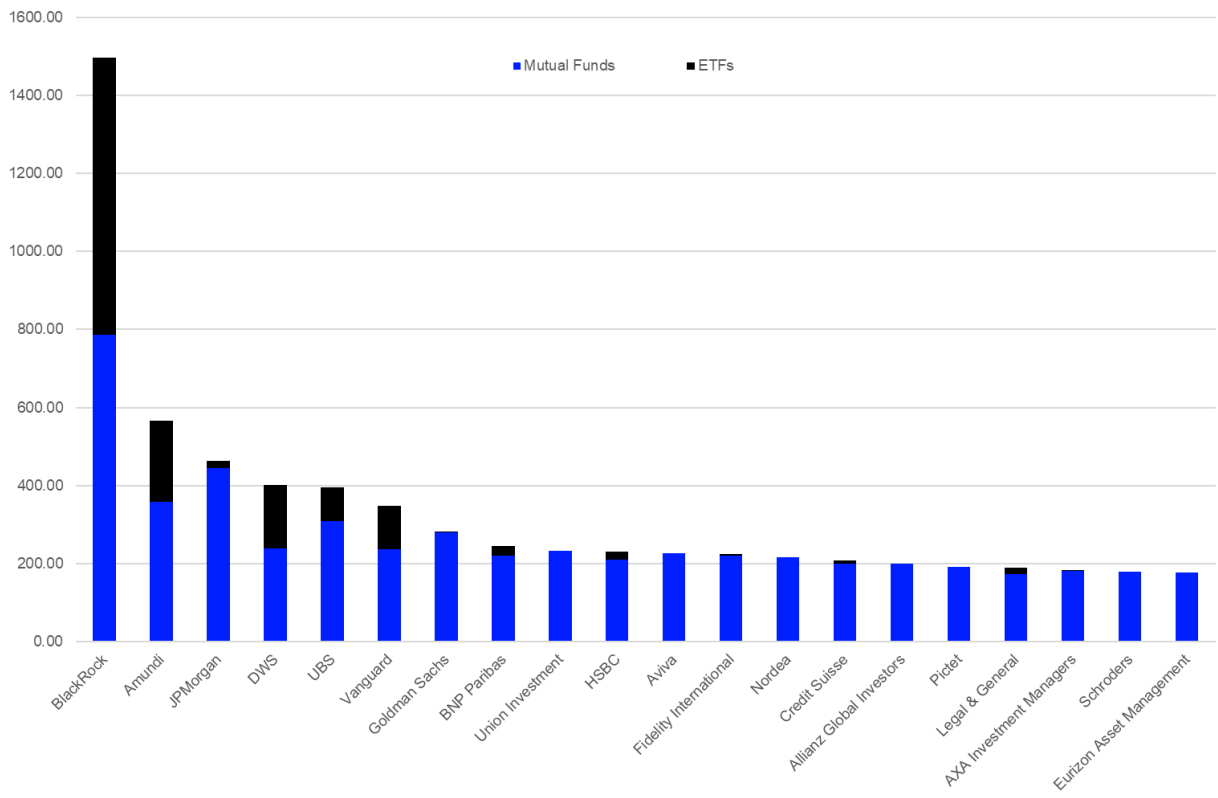
Source: LSEG Lipper

## Assets Under Management – The Largest 20 Fund Promoters

BlackRock (€1,496.3 bn) is by far the largest fund promoter in Europe. The market leader is followed by Amundi (€566.7 bn), JPMorgan (€401.8 bn), DWS Group (€401.8 bn), and UBS (€396.0 bn).

Since BlackRock held more assets under management than the following three fund promoters combined at the end of 2023, there is no competition for the leading position in Europe. But given the, in some cases, narrow margins between the different asset managers on the table of the largest fund promoters in Europe, there is a healthy competition between the other fund promoters.

**Graph 5: The 20 Largest Fund Promoter in the European Fund Industry by Assets Under Management, December 31, 2023**

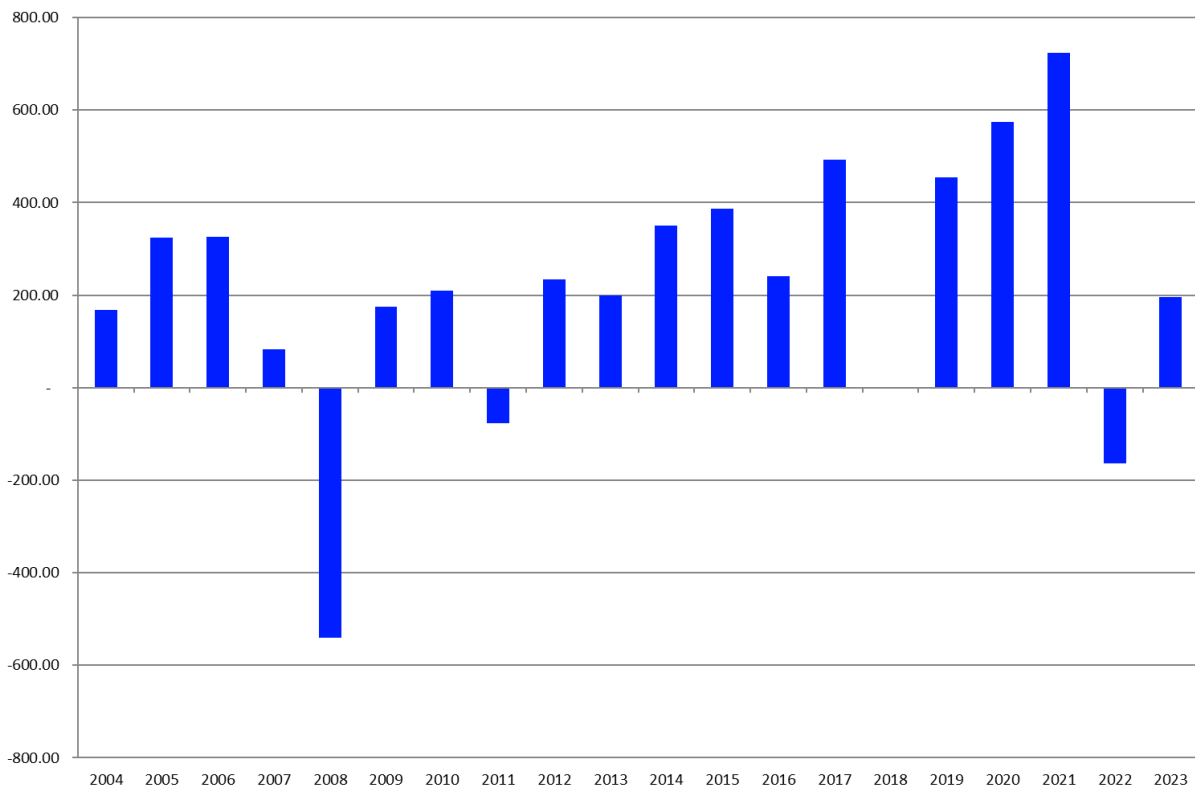


Source: LSEG Lipper

# European Fund Flow Trends 2023

After facing estimated overall net outflows of €164.2 bn for the year 2022, the European fund industry enjoyed inflows of €195.4 bn over the course of 2023.

**Graph 6: Estimated Annual Fund Flows, January 2004 - December 2023 (Euro Billions)**



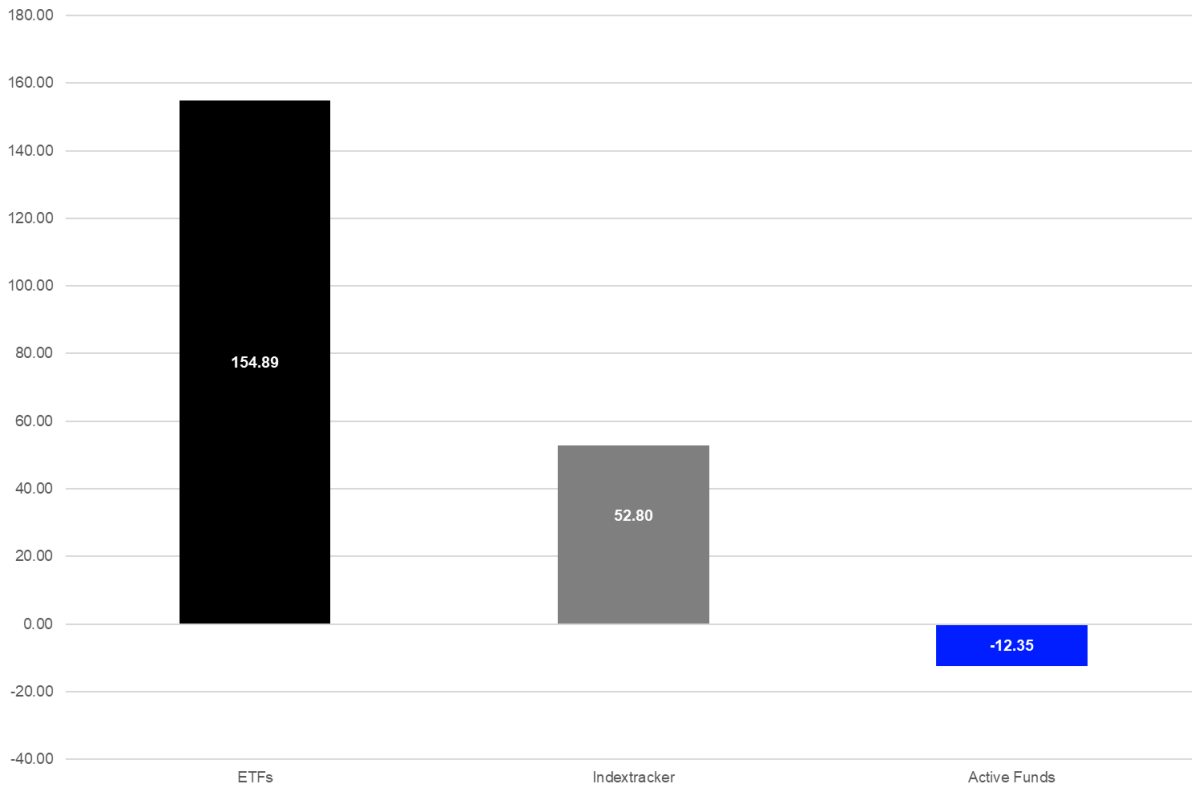
Source: LSEG Lipper

Even as the overall flow pattern for 2023 looks healthy for European fund industry overall, the underlying fund flow data show trends which may become a concern for some fund promoters or market segments.

## Fund Flows by Product Types

The first fund flow trend becomes visible when we split up the overall fund flows by product type. While actively managed mutual funds (-€12.4 bn) faced estimated net outflows, index tracking mutual funds (+€52.8 bn) and ETFs (-€154.9 bn) enjoyed estimated inflows over the course of 2023.

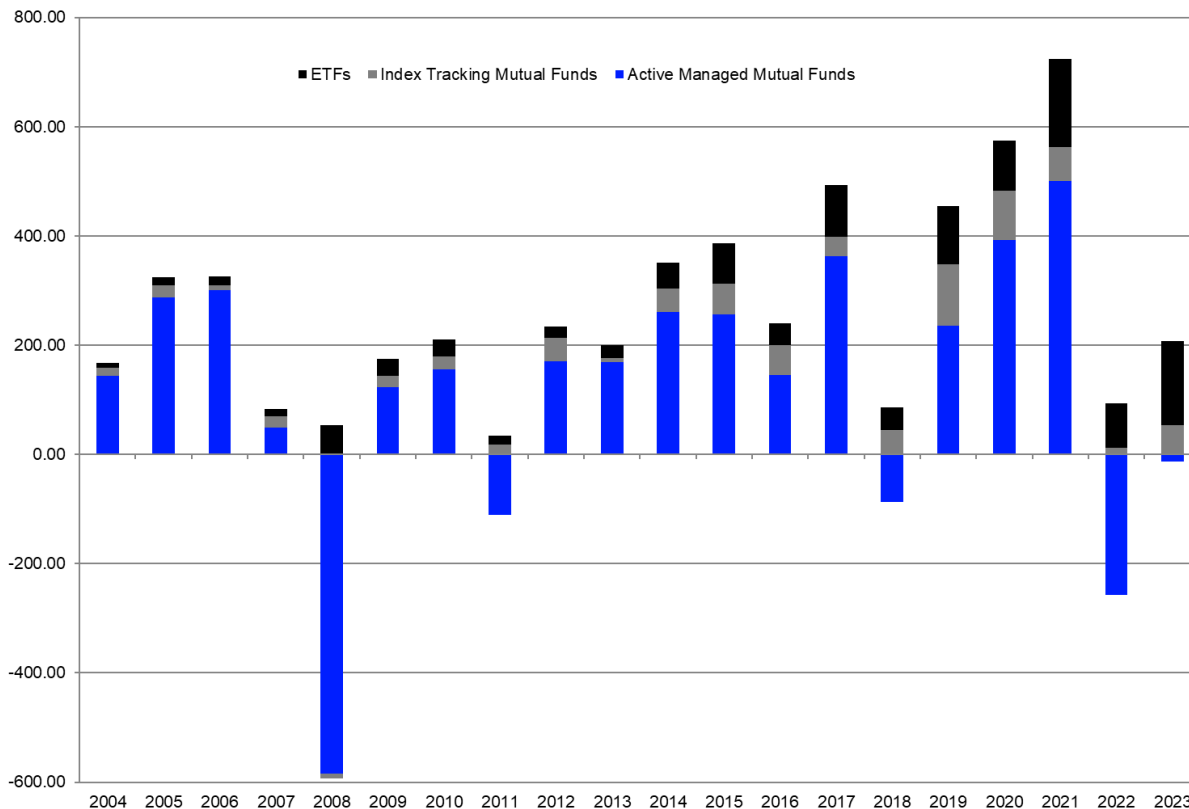
**Graph 7: Estimated Net Flows by Management Approach and Product Type (January 1 – December 31, 2023)**



Source: LSEG Lipper

As graph 8 shows, the inflows into ETFs within the unstable market environment of the year 2023 repeat a trend we witnessed also over other rough market periods such as the financial crisis, the euro crisis, or the market turmoil during the fourth quarter of 2018 where ETFs enjoyed inflows while actively managed mutual funds faced massive outflows.

**Graph 8: Estimated Annual Fund Flows by Product Type, January 2004 - December 2023 (Euro Billions)**



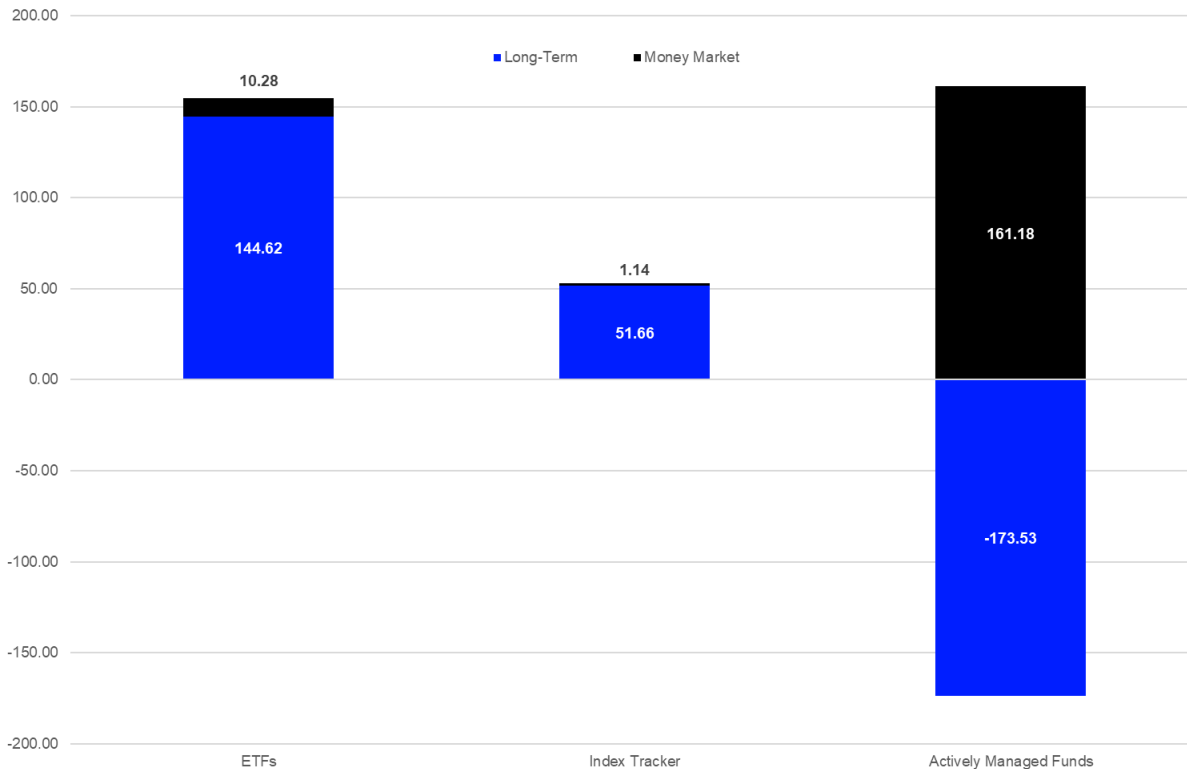
Source: LSEG Lipper

The outflows of €12.4 bn from actively managed funds over the course of 2023 may look somewhat moderate at first glance. But since these numbers do include money market products, the picture may change if the flows get split up between long-term products and money market products.

## 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. Taking into account that long-term products such as bond, equity, mixed-assets funds, etc., are much more profitable for the fund promoters than money market products, 2023 might be considered as a bad year for active fund managers as actively managed long-term mutual funds faced outflows (-€173.5 bn).

**Graph 9: Estimated Net Flows by Management Approach and Product Type (January 1 – December 31, 2023)**



Source: LSEG Lipper

In more detail, ETFs have witnessed inflows of €154.9 bn over the course of 2023. These flows marked the second highest inflows into ETFs in history and fell only shy of the record inflows of the year 2021 (+€161.4 bn). Therefore, 2023 will be considered as a very good year for the European ETF industry.

Conversely, actively managed long-term mutual funds faced outflows (-€173.5 bn). That said, the inflows into money market products (+€161.2 bn) brought the overall outflows from actively managed funds down (-€12.4 bn).

Some market observers may speculate that European investors are selling actively managed products and buying back passive products, especially for classifications with roughly matching numbers for the outflows from actively managed funds and the inflows into ETFs. 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.

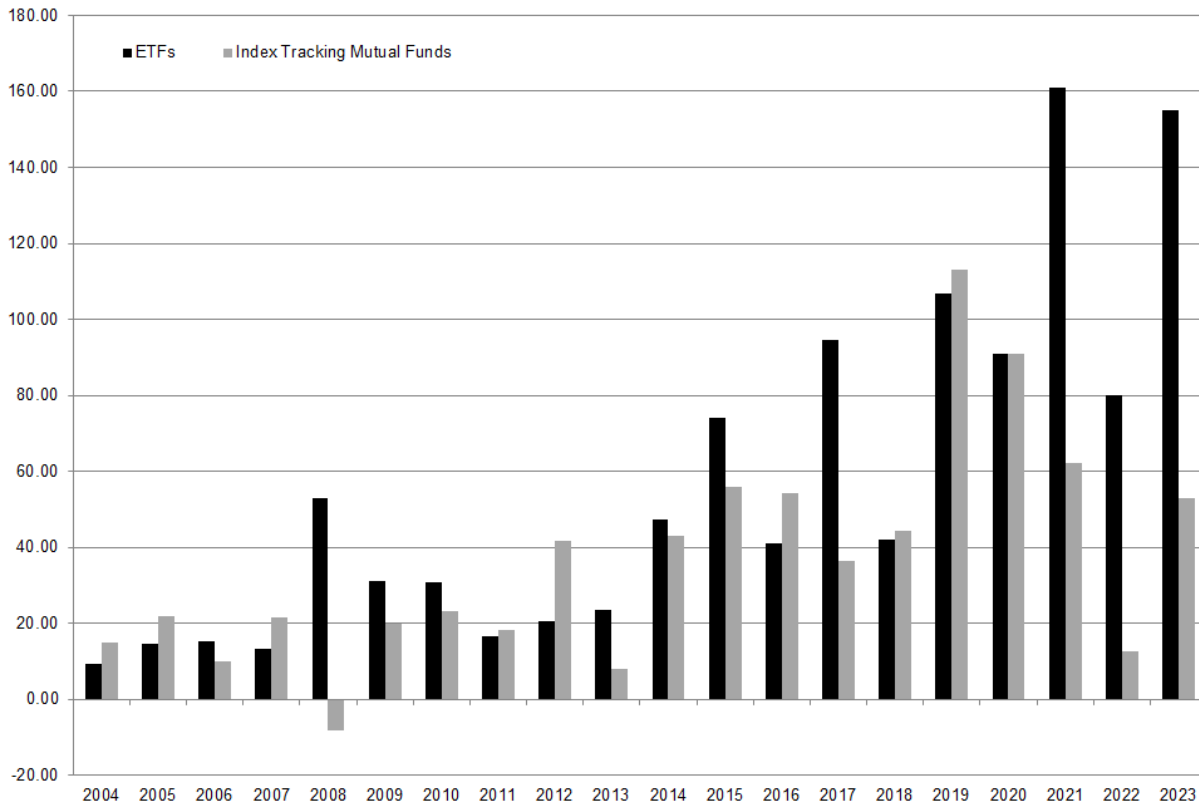
In addition, one needs to bear in mind that the flows in money market products are impacted by a combination of asset allocation decisions of portfolio managers and corporate actions such as cash dividends or cash payments since money market funds are also used by corporations as replacements for cash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

Given the inverted yield curves, it can be assumed that a number of investors use money market products as a replacement for cash accounts 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 been normalized. Please read the money market products section (page 22 ff.) for more details on the underlying trends in the money market segment.

The flows into ETFs (+€154.9 bn) over the course of 2023 were outpacing the flows into passive index mutual funds (+€52.8 bn) by a large margin. This means European investors preferred ETFs over index tracking mutual funds for the third consecutive year.

On one hand, this trend might be caused by the market environment over the last three years, but given the fact that index tracking mutual funds and ETFs had similar inflows when investors faced the outbreak of the COVID-19 pandemic over the course of the year 2020, there must be additional reasons for this trend.

**Graph 10: Estimated Annual Fund Flows in ETFs and Index Tracking Mutual Funds, January 2004 - December 2023 (Euro Billions)**



Source: LSEG Lipper

From my point of view, one of the additional reasons for the higher flows in ETFs compared to index tracking mutual funds is the retail adoption of ETFs, a trend which took off when retail investors started to launch ETF saving plans with neobrokerage platforms during the COVID-19 pandemic. These platforms were, especially in Germany, very successful in winning new clients with their easy to access apps. These apps enable retail investors to instantly buy or sell ETFs within their portfolios and offer, in Germany, free-of-charge ETF saving plans.

In addition, an increasing number of funds of funds are using ETFs for various reasons. One reason that sticks out is the fact that funds of funds are using ETFs to bring their total expense ratios (TER) down. This is especially true for funds of funds which are used in unit-linked insurance products, since the TER is contributing to the overall costs of the insurance contract, which must be disclosed to customers. This means a lower TER may lead to overall lower costs for the customer, which can be a competitive advantage for the respective insurance company.

## Asset Type Flows

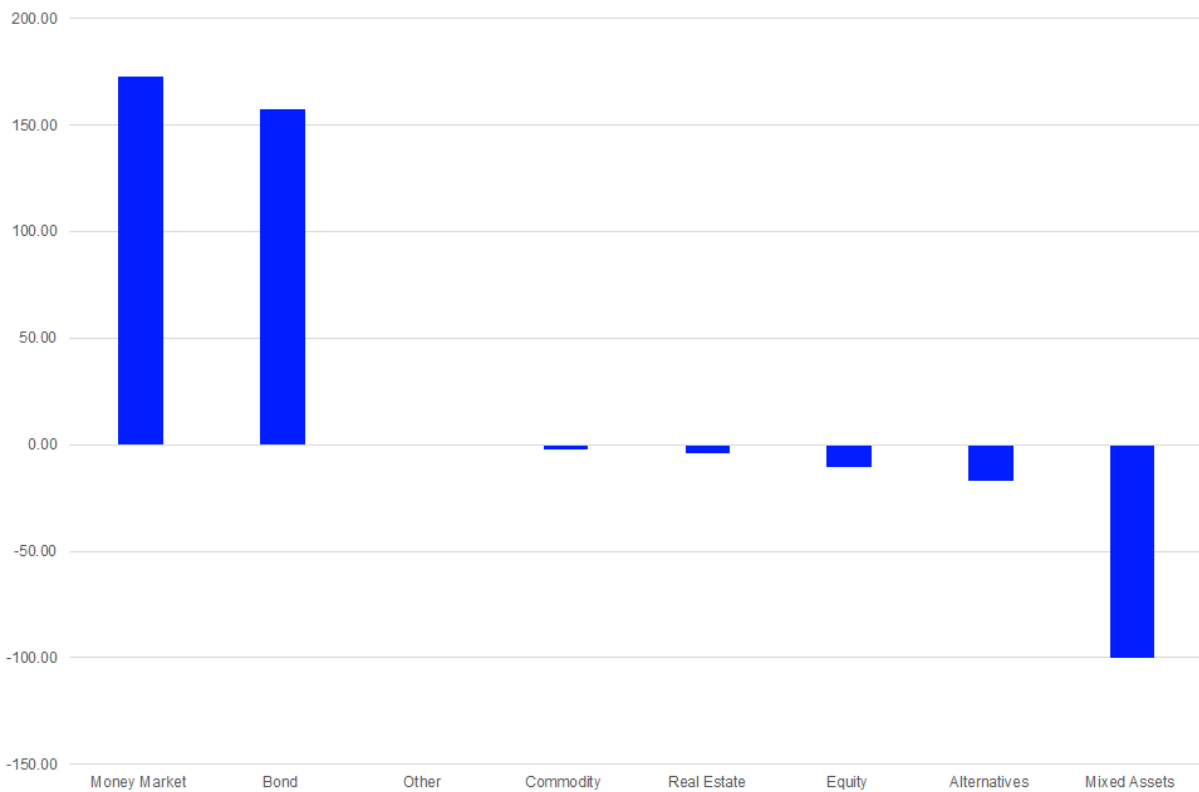
Mutual funds (active and index tracker) (+€40.5 bn) and ETFs enjoyed inflows of €154.9 bn over the course of the year 2023. The inflows into ETFs within the still somewhat uncertain market environment repeat a trend we saw over other periods with uncertain or rough market conditions. These periods include the financial crisis, the euro crisis, and the second half of 2018—where ETFs enjoyed inflows while mutual funds faced massive outflows. Nevertheless, this flow pattern is unusual in a market environment with equity and bond indices trending upward.

With regards to the inverted yield curves for the Eurozone and other major economies in the world, it is no surprise that European investors favored money market products over the course of the year. In addition, the strong inflows into bond products might be seen as a sign that European investors may anticipate the ending of the interest hiking cycle of central banks around the globe, led by the U.S. Federal Reserve.

Overall, long-term investment products (+€22.7 bn) and money market funds (+€172.6 bn) enjoyed inflows for the year.

Taking a closer look, money market funds (+€172.6 bn) were the asset type with the highest estimated net inflows overall for 2023. It is followed by bond funds (+€157.7 bn). On the other hand, “other” funds (-€0.5 bn), commodities funds (-€2.3 bn), real estate funds (-€3.8 bn), equity funds (-€10.8 bn), alternatives funds (-€17.3 bn), and mixed-assets funds (-€100.3 bn) faced outflows for the year.

**Graph 11: Estimated Net Sales by Asset and Product Type, January 1 – December 31, 2023 (Euro Billions)**



Source: LSEG Lipper

A more detailed view of the fund flows in Europe shows that the flow pattern for ETFs was somewhat different compared to the flow pattern for mutual funds. One reason for this can be seen in the low usage of ETFs for investments in money market and mixed-assets funds. As a result, ETFs do play only a minor role for the best- and worst-selling asset type.

The vast majority of the flows in money market (+€172.6 bn) came from mutual funds (+€162.3 bn), while ETFs contributed (+€10.3 bn) to the overall flows. The same is true with regard to the estimated net inflows overall for bond funds (+€157.7 bn), where mutual funds enjoyed inflows of €104.1 bn, while ETFs gathered €53.6 bn.

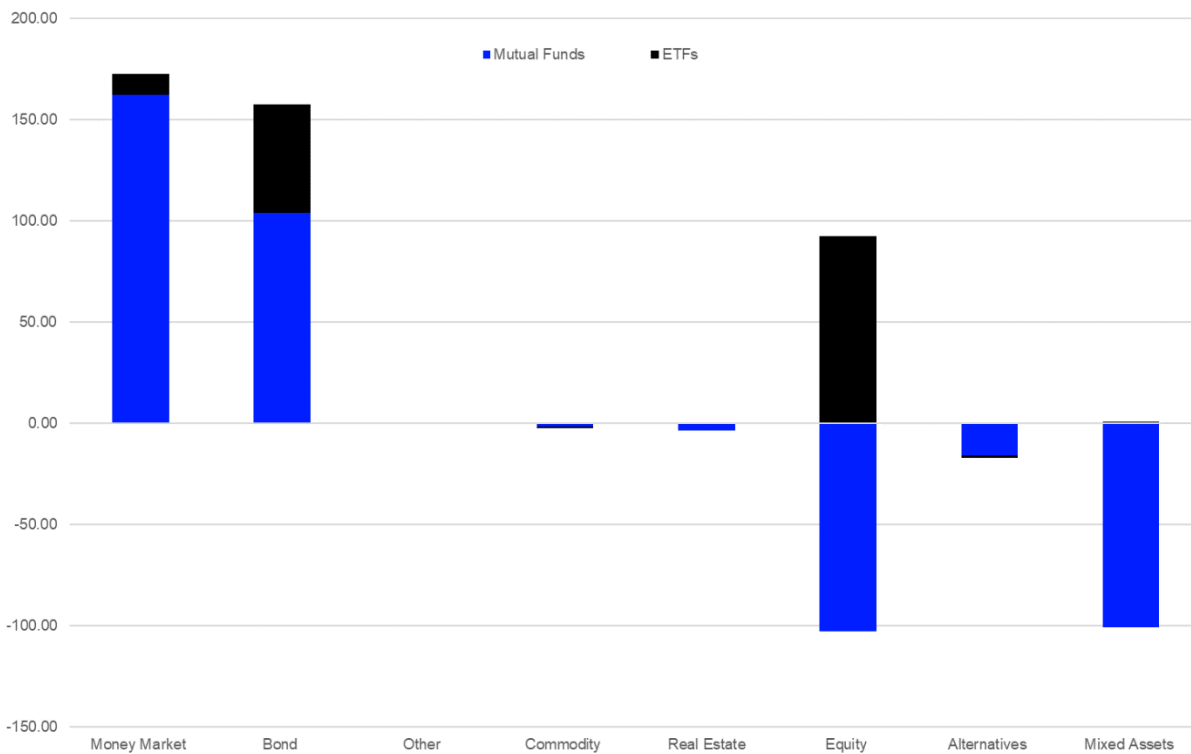
Since there are no ETFs for the asset types “other” (-€0.5 bn) and real estate (-€3.8 bn), all flows in these asset types are from mutual funds. The outflows from commodities funds (-€2.3 bn) were mainly driven by mutual funds (-€1.7 bn), while ETFs accounted for outflows of €0.7 bn.

The most interesting flow pattern can be observed for equity funds (-€10.8 bn) since ETFs enjoyed inflows of €92.3 bn, while mutual funds faced outflows (-€103.0 bn).

The majority of the outflows from alternatives (-€17.3 bn) can be attributed to mutual funds (-€16.1 bn), while ETFs posted outflows of (-€1.2 bn).

Since mixed-assets funds (-€100.3 bn) are seen as a natural habitat for active managers, it is no surprise that ETFs play only a minor role for the flows in this segment. Given the overall flow pattern, it is also not surprising that mutual funds (-€100.9 bn) faced outflows for the year, while ETFs (+€0.6 bn) enjoyed shy inflows.

**Graph 12: Estimated Net Sales by Asset and Product Type, January 1 – December 31, 2023 (Euro Billions)**



Source: LSEG Lipper

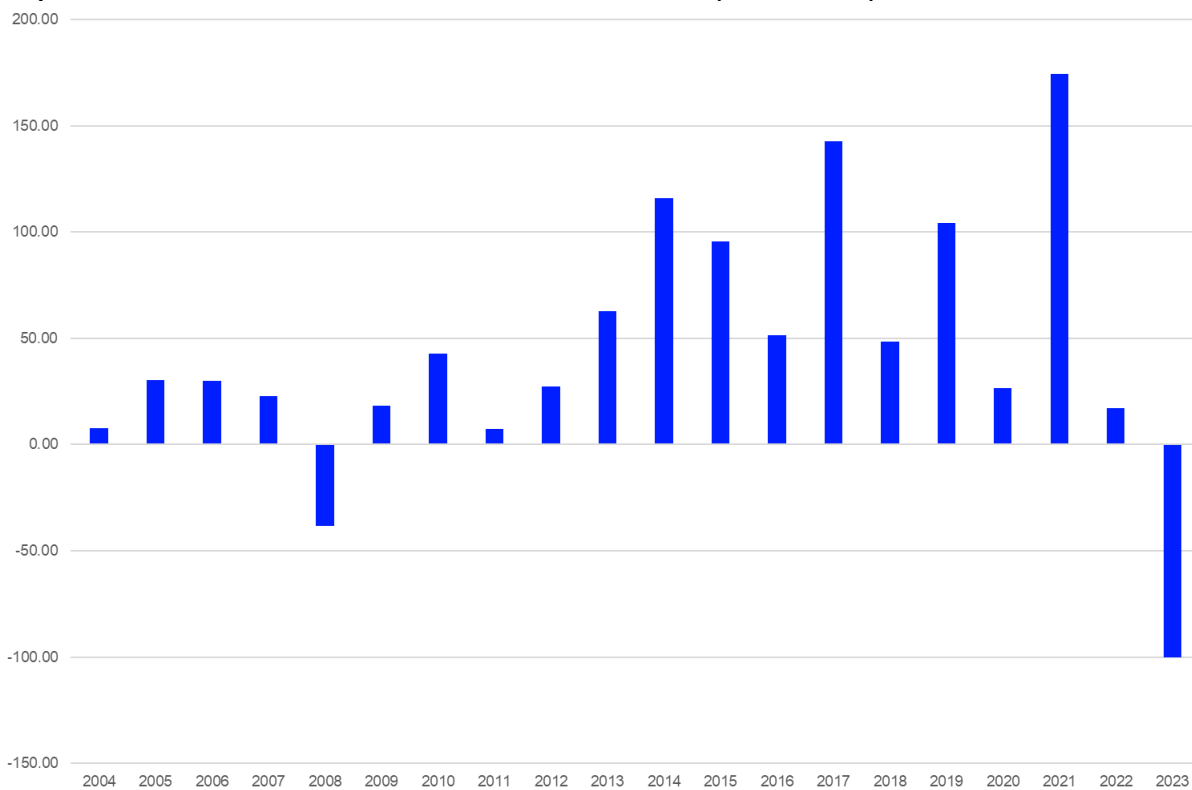
Since the outflows from mixed-assets funds were the highest outflows from these products on record, it is worthwhile to analyse these flows in more detail. The same is true for the flows in the money market segment since the overall money market flows are driven by different trends.

## Flow Trends in Mixed-Assets Funds

Since the outflows of €100.3 bn for the year 2023 marked the highest outflows from mixed-assets funds on record, it is worthwhile to analyze the underlying trends in this segment of the European fund industry, as we may witness a new era for mixed-assets funds.

Since ETFs play only a very minor role in the segment of mixed-assets funds, we won't analyze the flows by product type.

**Graph 13: Estimated Annual Net Flows in Mixed-Assets Funds (Euro Billions)**



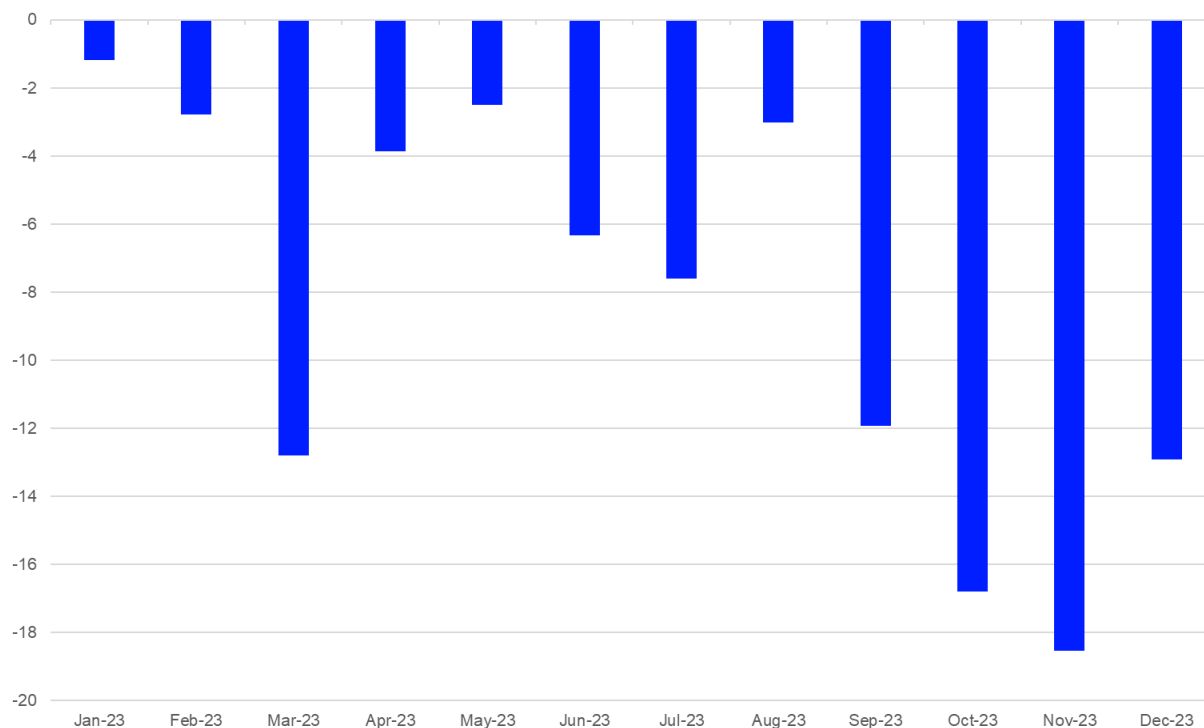
Source: LSEG Lipper

Mixed-assets funds have been a focus of European investors since after the credit crisis in 2008. This was because some mixed-assets products were able to post positive returns during the market turmoil of the credit crisis, as well as during the euro crisis in 2011. With the falling interest rates, an increasing number of investors started to look at mixed-assets as replacements for their bond investments since the risk/return profile of some especially conservative mixed-assets funds are somewhat similar to the risk/return profile of aggregate bond funds. With the increasing interest rates over the course of 2022, and at the same time falling equity markets, the majority of mixed-assets funds posted negative returns for the year. As a result, some investors were disappointed with the results of the mixed-assets funds in their portfolio and sold the respective products.

With increasing hope that central banks around the globe have reached the end of their interest rate hiking cycles, investors began to reconsider bonds as an attractive asset type and started to buy back into bonds. Given the level of interest rates achieved, the attractiveness of (conservative) mixed-assets funds has declined sharply, leading to further sales.

With regard to this, it is not surprising that mixed-assets funds witnessed outflows in all months of 2023.

**Graph 14: Estimated Monthly Net Flows in Mixed-Assets Funds (Euro Billions)**



Source: LSEG Lipper

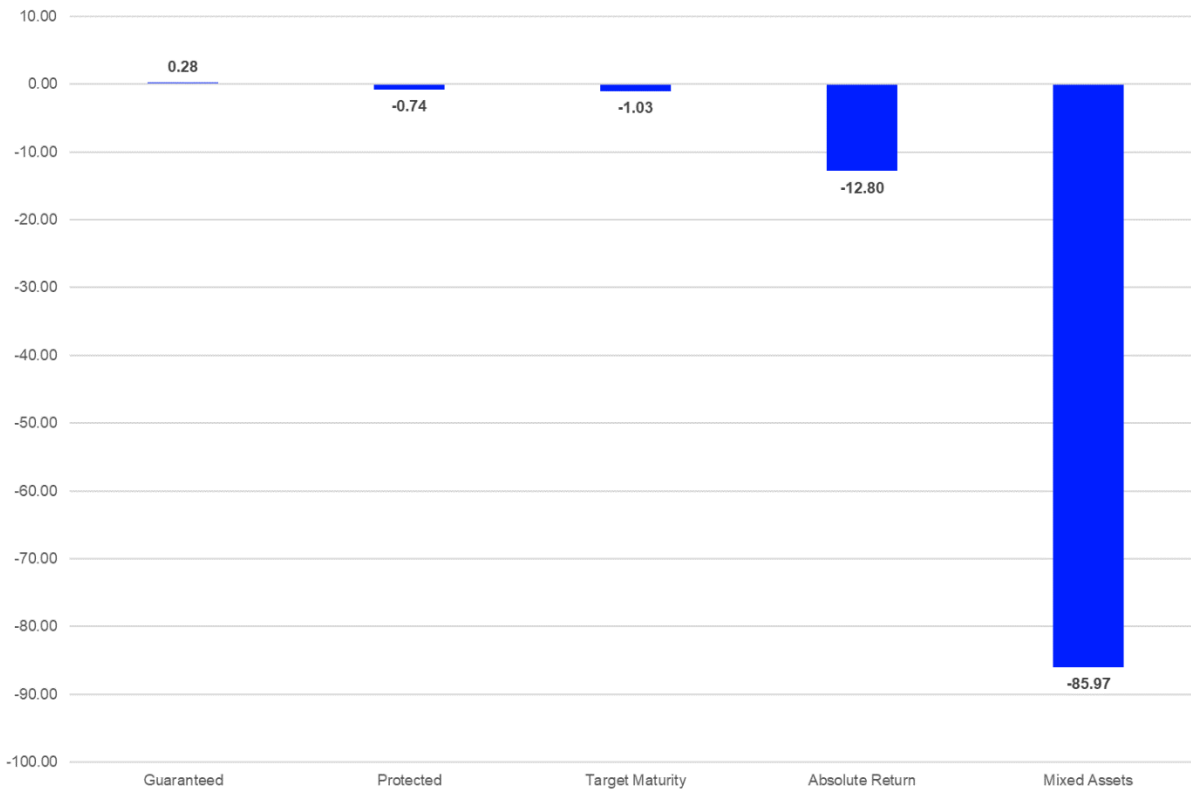
The changing market environment for bonds and the current fund flows trend may indicate that mixed-assets may face a longer period with outflows.

## Mixed-Assets Fund Flows by Product Type

Since mixed-assets funds follow a variety of different investment objectives, Lipper classifies these funds in 71 different Lipper Global Classifications and five product types (absolute return, guaranteed, (plain vanilla) mixed-assets, protected, and target maturity funds).

In line with expectations, (plain vanilla) mixed-assets funds are the most important product type and account for the majority of the outflows (-€86.0 bn) from mixed-assets funds over the course of 2023. It was followed by absolute return products (-€12.8 bn), target maturity products (-€1.0 bn), and protected products (-€0.7 bn). Guaranteed funds were the only product type in the mixed-assets segment which posted inflows (+€0.3 bn) over the course of 2023.

**Graph 15: Estimated Net Flows in Mixed-Assets Funds by Product Type – January 1 – December 31, 2023 (Euro Billions)**



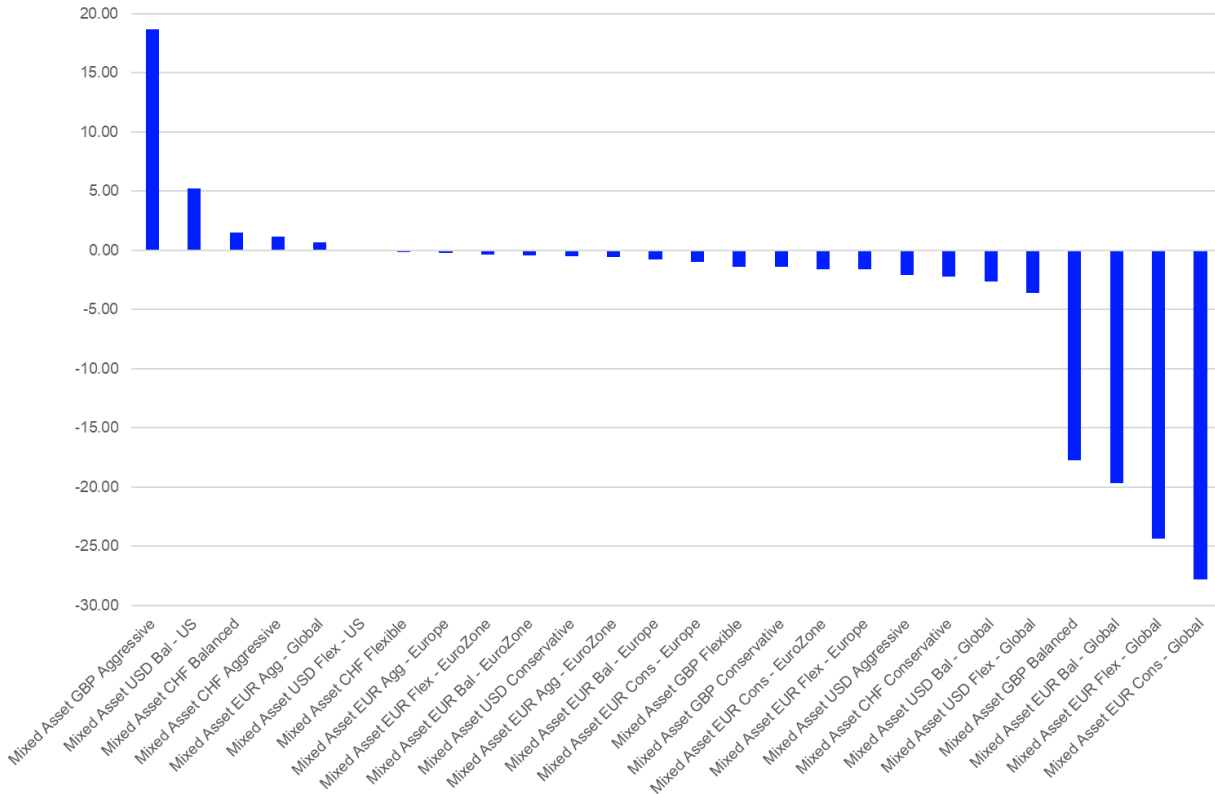
Source: LSEG Lipper

It is not surprising that guaranteed mixed-assets funds enjoyed inflows over the course of 2023 since guaranteed products are mainly retail products which are used by advisors as one-stop products if their customers are looking for investments with a conservative or moderate risk profile. This is especially true when the respective fund promoter of such products is linked to a captive distribution channel.

## Mixed-Assets Fund Flows by Lipper Global Classification

Contrary to the general fund flow trend Mixed Asset GBP Aggressive (+€18.7 bn), Mixed Asset USD Balanced – US (+€5.2 bn), Mixed Asset CHF Balanced (+€1.5 bn), Mixed Asset CHF Aggressive (+€1.2 bn), and Mixed Asset EUR Aggressive – Global (+€0.7 bn) enjoyed inflows. At the other end of the spectrum, Mixed Asset EUR Conservative – Global (-€27.8 bn) suffered the highest net outflows in the mixed-assets segment, bettered by Mixed Asset EUR Flexible – Global (-€24.4 bn), Mixed Asset EUR Balanced – Global (-€19.7 bn), Mixed Asset GBP Balanced (-€17.7 bn), and Mixed Asset USD Flexible – Global (-€3.6 bn).

**Graph 16: Estimated Net Flows in Most Important Mixed-Assets Classification – January 1 – December 31, 2023 (Euro Billions)**



Source: LSEG Lipper

The strong inflows in Mixed Asset GBP Aggressive are somewhat surprising given the overall fund flow trend in mixed-assets funds. That said, it looks like U.K. investors had shifted money from Mixed Asset GBP Balanced into Mixed Asset GBP Aggressive. Unfortunately, such an assumption can't be proven by fund flows data, but since some institutional investors—especially in the pensions segment—may had a higher free risk budget when the U.K. bond market normalized after the LDI crisis in Q4 2022, this assumption seems to be reasonable. As for this, one may conclude that these flows are rather driven by a specific market event than the overall market environment and fund flow trends.

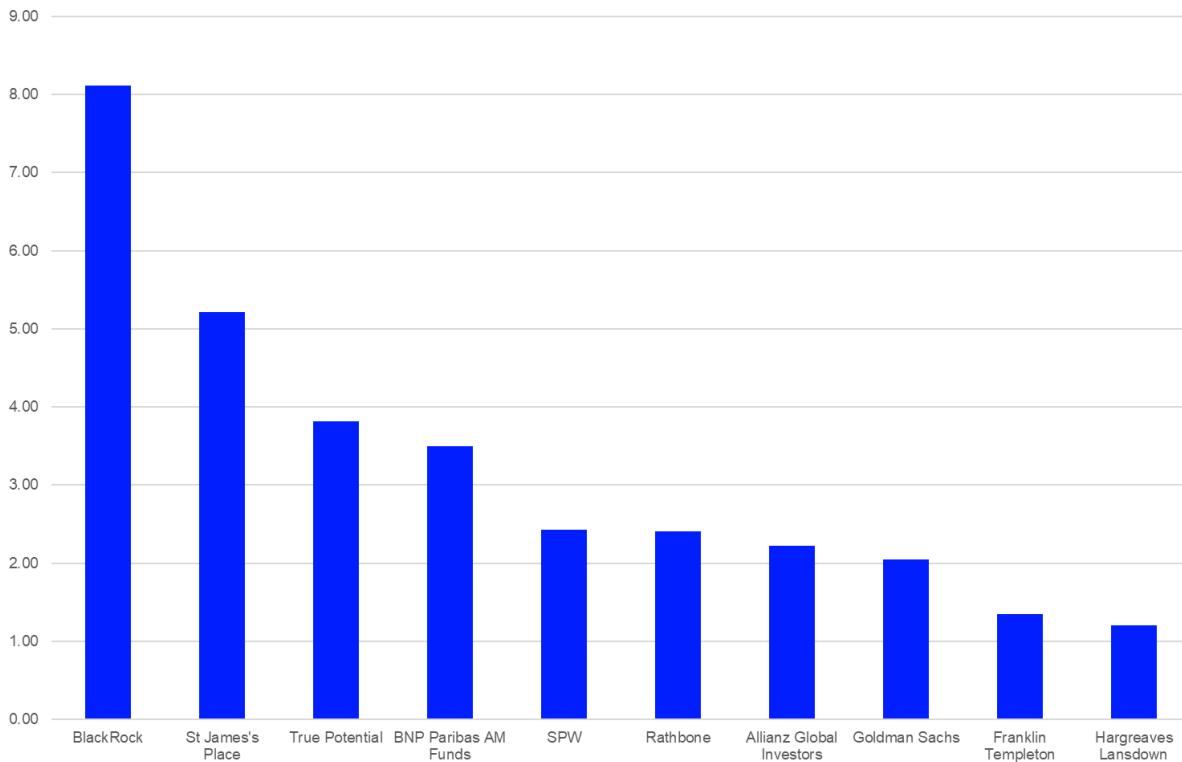
## Mixed-Assets Fund Flows by Promoter

According to the Lipper database there were 277 fund promoters in which witnessed inflows of more than €10.000,- over the course of 2023, while 554 fund promoters faced outflows over the same time period. As for the overall fund flow trend, it is not surprising that the majority of promoters who offer mixed-assets funds faced outflows over the course of 2023.

In more detail, BlackRock—the largest asset manager in Europe—enjoyed the highest inflows in mixed-assets funds (+€8.1 bn), followed by St. James Place (+€5.2 bn), True Potential (+€3.8 bn), BNP Paribas AM Funds (+€3.5 bn), and SPW (+€2.4 bn).

These numbers may somewhat confirm the assumptions made before about the use of mixed-assets products by financial advisors and subadvised pension products. Nevertheless, all assumptions made based on the overall fund flow numbers can't be verified by data, as it is not disclosed which investor buys or sells a respective product.

**Graph 17: The 20 Best-Selling Promoter of Mixed Asset Funds in Europe – January 1 – December 31, 2023 (Euro Billions)**



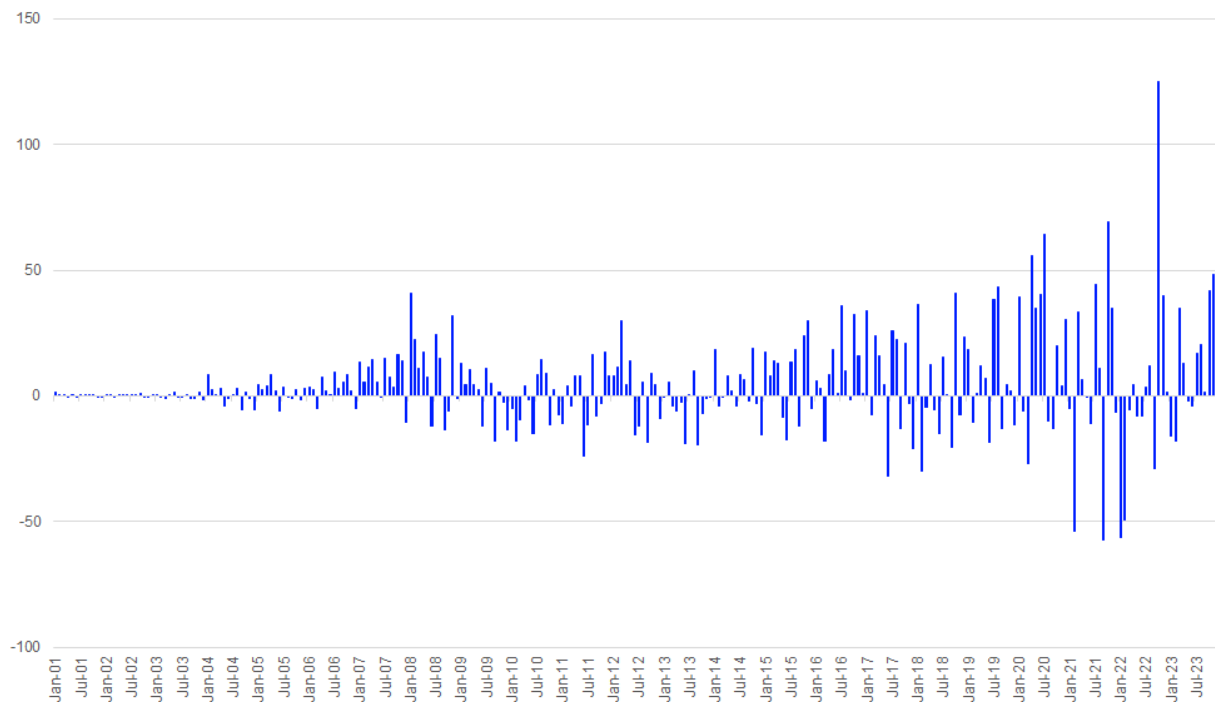
Source: LSEG Lipper

## Flow Trends in Money Market Funds

Since money market funds were the best-selling asset type for the year 2023 and hold a market share of 12.47% of the overall assets under management in the European fund management industry, it is worthwhile to briefly review the trends in this market segment. As ETFs play only a minor role in the money market segment, we don't review the flows by product type.

In a market environment with increasing interest rates and inverted yield curves, it is no surprise that money market funds were the asset type with the highest inflows over the course of 2023. This is because the inverted yield curves mean that money market products offer a better yield than medium- or even long-term bond products. Nevertheless, bond funds were the second best-selling asset type over the course of 2023 in Europe despite these market conditions.

**Graph 18: Estimated Monthly Net Flows in Money Market Products (Euro Billions)**



Source: LSEG Lipper

As graph 13 shows, money market products had only three months with estimated net outflows over the course of 2023. This means in turn that money market products enjoyed inflows for the other nine months.

Graph 13 also shows a spike in money market flows for October 2022. This spike in fund flows was triggered by the turmoil in the U.K. government bond segment and the resulting impact on pension funds using LDI strategies after the announcement of the so-called “mini-budget” by the former U.K. prime minister. The announcement drove the interest rates for U.K. government bonds up which caused their prices to fall. As a result, the managers of pension funds received margin calls and needed cash to fulfill their obligations from the instruments used for the LDI strategies. The additional collateral was invested in money market products. In fact, the flows into money market products after the margin calls in October 2022 (+€125.1 bn) were the highest monthly inflows in money market products in history.

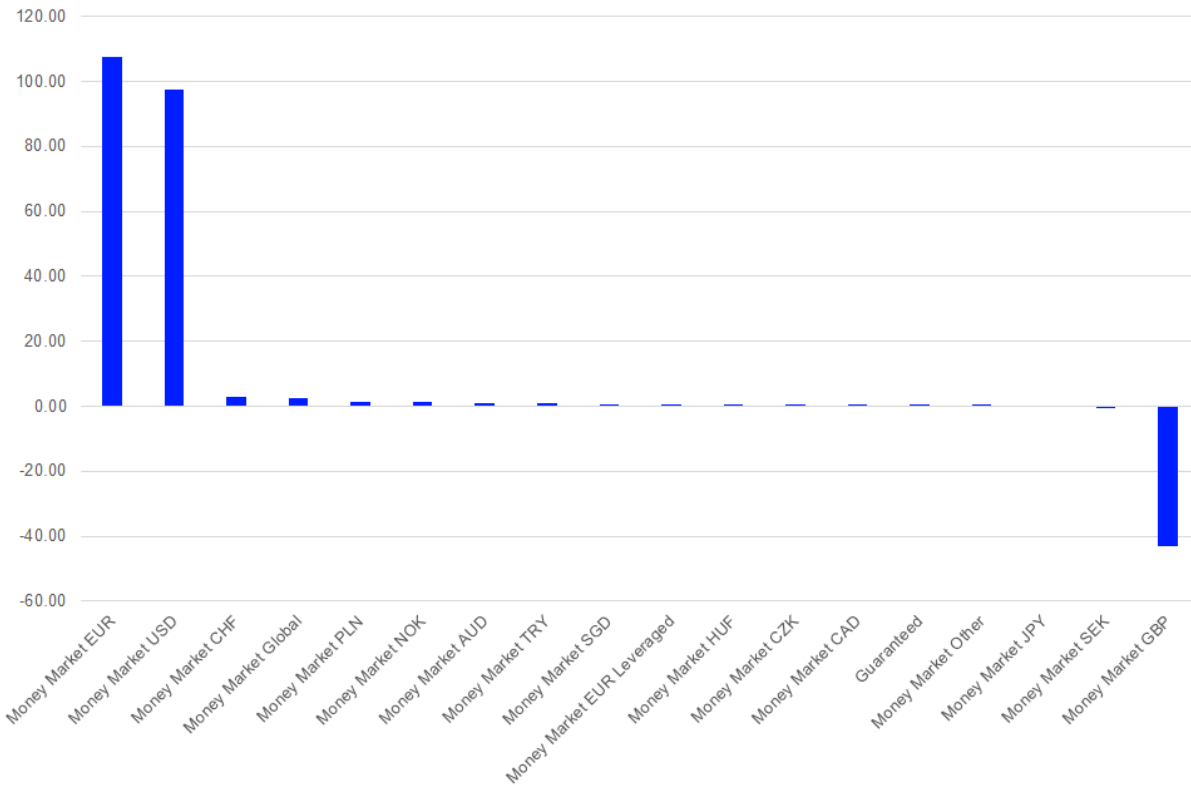
## Money Market Fund Flows by Lipper Global Classification

In the aftermath of the LDI crisis it was no surprise to see that Money Market GBP (-€43.2 bn) had the highest outflows from money market flows. In fact, Money Market GBP was the Lipper Global Classification with the highest outflows overall. These outflows were caused by the normalization of the market environment, which eased up the pressure on the asset managers of LDI strategies to hold low risk assets. As a result, the respective asset managers could start to decrease their positions in money market GBP and invest the respective cash in riskier assets, as their available risk budgets were increasing.

More generally, Money Market EUR (-€107.7 bn) was the best seller within the money market segment, as well as for the European fund industry overall for 2023. The classification was followed by Money Market USD (+€97.6 bn) and Money Market CHF (+€2.8 bn). At the other end of the spectrum, Money Market GBP (-€43.2 bn) suffered the highest net outflows in the money market segment and overall, bettered by Money Market SEK (-€0.7 bn) and Money Market JPY Leveraged (-€0.2 bn).

These flow numbers show that the flows in money market products in Europe are concentrated in funds which invest in the major currencies, even as there are a lot of money market funds available to European investors which are based on other European or global currencies.

**Graph 19: Estimated Net Flows in Money Market Products by LGC – January 1 – December 31, 2023 (Euro Billions)**

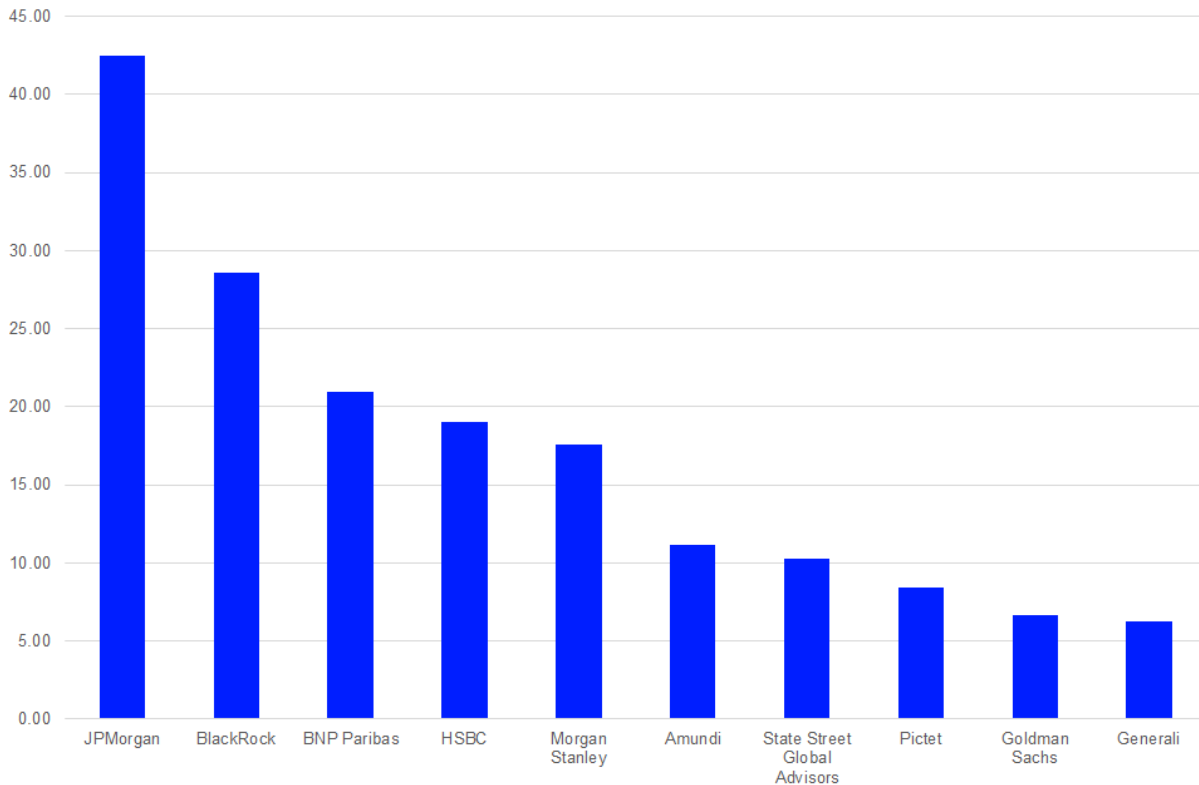


Source: LSEG Lipper

## Money Market Fund Flows by Promoter

JPMorgan (+€42.5 bn) was the best-selling fund promoter for money market funds in Europe over the course of 2023. It was followed by BlackRock (+€28.6 bn), BNP Paribas (+€20.9 bn), HSBC (+€19.0 bn), and Morgan Stanley (+€17.6 bn).

**Graph 20: The 20 Best-Selling Promoter of Money Market Funds in Europe – January 1 – December 31, 2023 (Euro Billions)**



Source: LSEG Lipper

By looking at the fund flows, 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.

Several market observers see the high amount of money invested in money market funds over the course of 2023 as money which is somewhat benched by investors and will be reinvested in long-term products in the near future.

My view on this topic is somewhat different since I assume that a high percentage of the inflows is money from retail investors who want to capture the high returns from money market funds instead of holding the respective cash in a cash account at a bank. These accounts do in general pay significant lower interest rates as currently achievable with money market funds. This means this money will be used for other purposes than investing in the future, hence will not be invested in long-term products in the future.

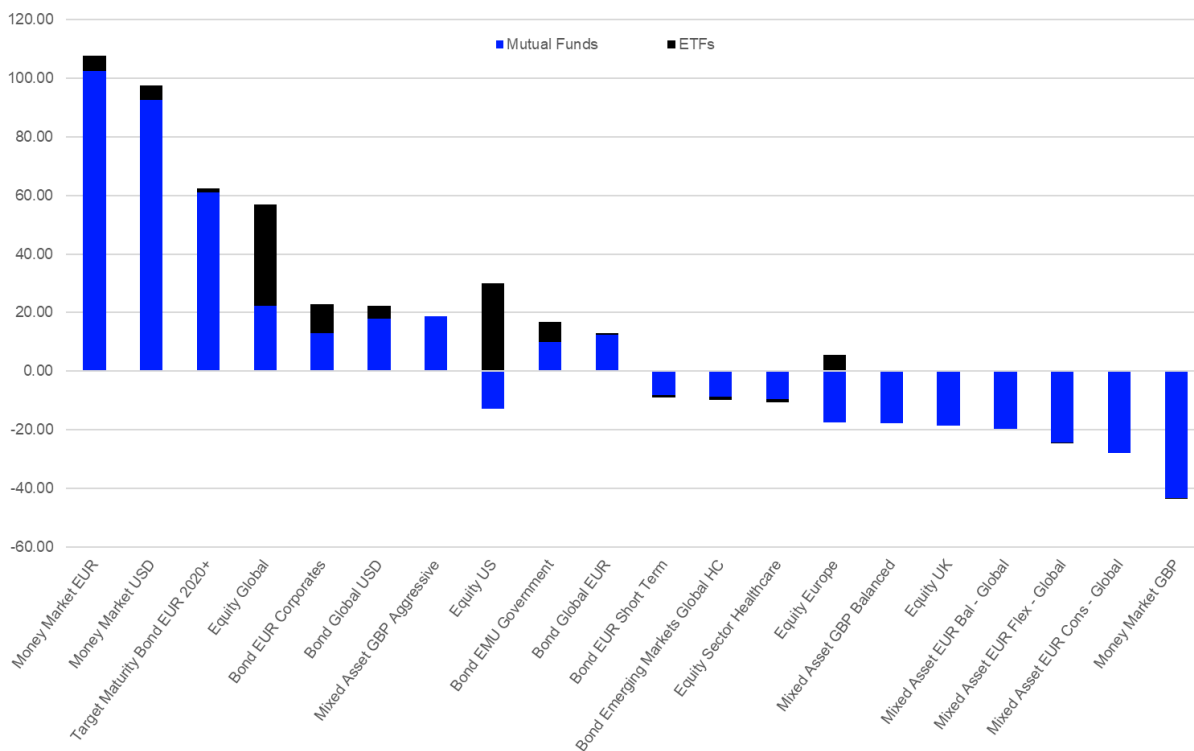
## Fund Flows by Lipper Global Classifications, 2023

A closer look at the best- and worst-selling Lipper Global Classifications for 2023 shows that European investors are somewhat in a mixed mood with regard to their risk appetite since money market products dominated 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 2023, while money market products enjoyed the highest 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 mixed-assets classifications dominated the other side of the table.

Money Market EUR (+€107.7 bn) was the best-selling Lipper global classification for the year. It was followed by Money Market USD (+€97.6 bn), Target Maturity Bond EUR 2020+ (+€59.8 bn), Equity Global (+€56.8 bn), and Bond EUR Corporates (+€22.9 bn).

**Graph 21: Ten Best- and Worst-Selling Lipper Global Classifications by Estimated Net Sales, January 1 – December 31, 2023 (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 may end their interest rate hiking cycles. Money Market GBP (-€43.2 bn) faced the highest outflows for the year. It was bettered by Mixed Asset EUR Conservative – Global (-€27.8 bn), Mixed Asset EUR Flexible – Global (-€24.4 bn), Mixed Asset EUR Balanced - Global (-€19.7 bn), and Equity U.K. (-€18.3 bn).

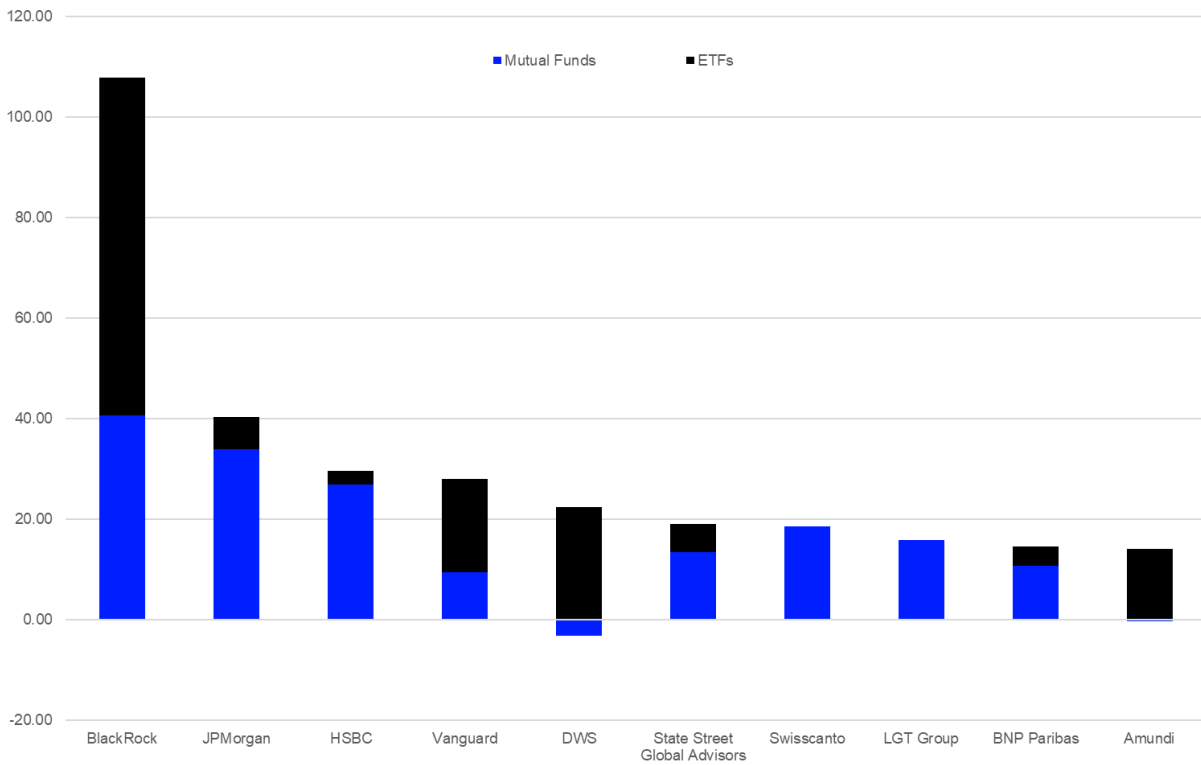
As mentioned above, it is noteworthy that the estimated flows in money market sectors are not only a reflection of asset allocation decisions of investors since these products are also used by corporates as a replacement for cash accounts. In addition, one needs to bear in mind that the outflows from Money Market GBP are the aftermath of the LDI crisis. It is also important to recall that the yield curves in the Eurozone and other parts of the world are currently inverted, which means that money market instruments offer a higher yield than medium- or long-term bonds.

## Fund Flows by Promoters, 2023

The largest fund promoter in Europe, BlackRock, (+€107.8 bn) is also the best-selling fund promoter in Europe over the course of the year, ahead of JPMorgan (+€40.4 bn), HSBC (+€29.6 bn), Vanguard (+€28.1 bn), and DWS (+€19.3 bn). As for the monthly flows, it was not surprising to see that ETFs played a major role for inflows and the respective league table positions of BlackRock, JPMorgan, Vanguard, State Street Global Advisors, DWS, and BNP Paribas.

By looking at these numbers, one needs to bear in mind that the flows in the money market segment over the course of 2023 have a significant impact on the flow numbers and positions in the league table of the best-selling fund promoters in Europe.

**Graph 22: Ten Best-Selling Fund Promoters in Europe, January 1 – December 31, 2023 (Euro Billions)**



Source: LSEG Lipper

# Promoter Activity

## Fund Launches, Liquidations, and Mergers

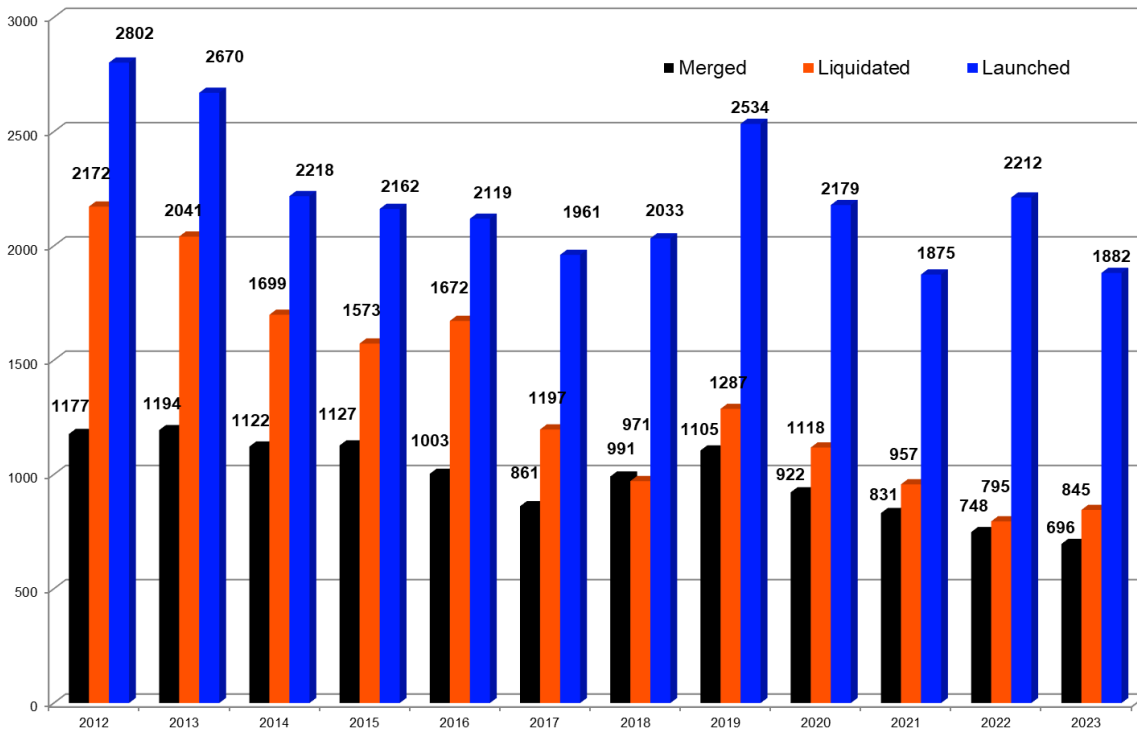
Within the current market environment, one would expect that the promoters of mutual funds and ETFs may hold back product launches and focus on the restructuring of their product ranges by liquidating or merging unprofitable products. Contrary to this expectation, the number of funds in the European fund industry increased over the course of Q1 2023 (+202), Q2 2023 (+115), and Q3 2023 (+44). Only Q4 2023 (-20) showed a reduction in the number of funds. Generally speaking, it looks like the activity of European fund promoters in terms of fund launches, liquidations, and mergers is further in a business-as-usual mode, as 2023 was the sixth year of growth since Lipper began to study these developments in 2012. Nevertheless, compared to previous years the overall number of fund liquidations has gone up, while the number of fund mergers and launches has gone down.

The net increasing number of funds for 2023 occurred in an unstable and hard to predict market environment with estimated net outflows from mutual funds but increasing assets under management. Therefore, it was somewhat surprising that fund promoters showed a generally lower level of activity regarding the maintenance of their existing product ranges. In more detail, the number of fund liquidations (845) and mergers (696) were below the long-term annual average (1,150 and 914, respectively), while the number of fund launches (1,882) was slightly above the long-term four quarter average (1,874). Nevertheless, the growth trend for the overall number of funds available to investors in Europe was not offset by the drop in the number of fund mergers and fund launches, even as we witnessed an increased number of fund liquidations. The overall number of funds increased by 341 for 2023.

One of the reasons for the mergers and liquidations at the fund level were restructurings of the general product offerings. For example, some fund promoters may merge funds with a similar investment objective to strengthen their product ranges. Another trend which we witnessed since 2022 was the launch of equity funds ranges in Ireland and a merger of existing products into these products. The shift from continental European domiciles to Ireland is caused by tax advantages from double taxation agreements between Ireland and the U.S. and possibly other regulatory arbitrage for UCITS products between the two jurisdictions.

Lower profitability because of a lack of assets under management might have been another reason why fund promoters merged or liquidated some funds. At the top-line level, the activity of fund promoters with regard to fund launches and liquidations seemed to be in line with the activity over the other years covered in this report, as we don't witness any excess activity for fund launches, liquidations, or mergers. Since the implementation of new regulations, such as EU Taxonomy or MiFID II does increase the cost for maintaining a fund, we expect that the trend of consolidation of small funds will continue in 2024 and beyond.

**Graph 23: Fund Launches, Liquidations, and Mergers**



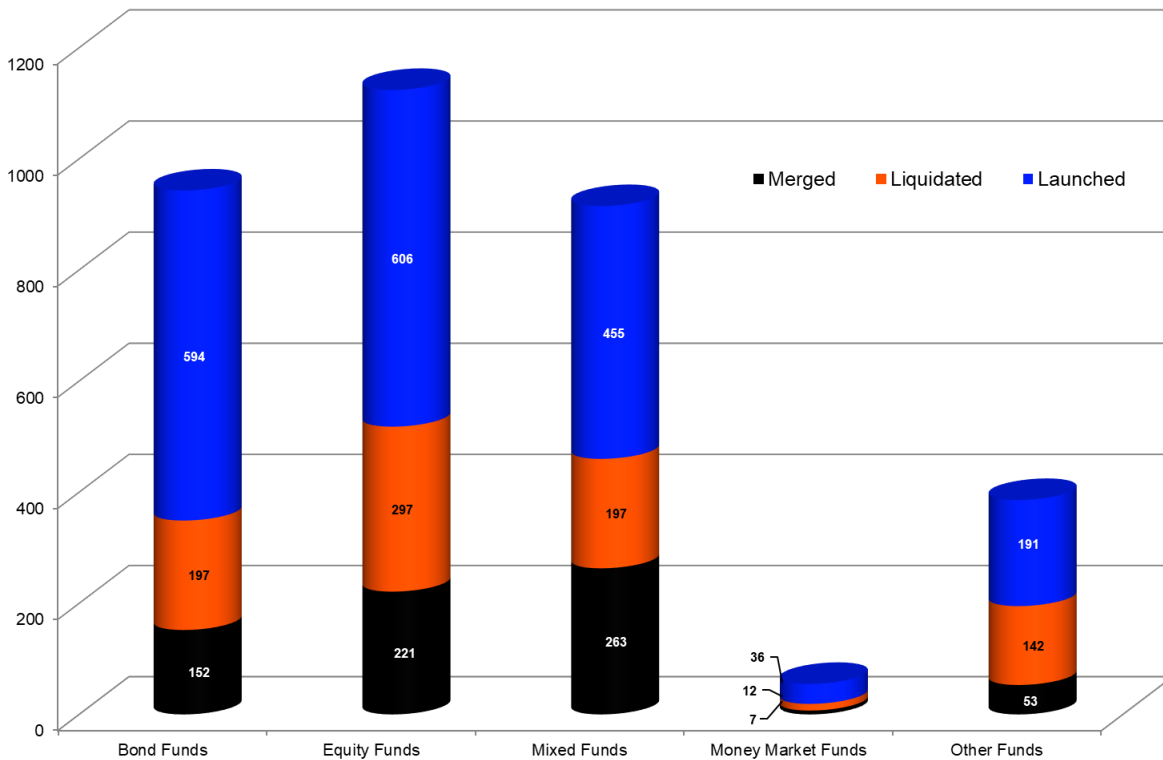
Source: LSEG Lipper

European fund promoters liquidated 845 funds over the course of 2023, while 696 funds were merged into other funds. In contrast, European fund promoters launched 1,882 funds. This means the overall number of primary funds in Europe increased by 341 products over the course of 2023.

A more detailed view shows that equity funds experienced the highest number of liquidations (297) and launches (606) for 2023, while mixed-assets funds witnessed the highest number of mergers (263). These numbers correspond to the figures for the fund promoter activity for 2022. With regard to the broader trends in financial markets and the trends in the European fund industry, it was not surprising equity funds showed the highest number of fund launches and liquidations given that equities is the asset type with the highest number of products within the European fund industry. The underlying trends for the high activity in this sector might be the current market environment and the trends toward passive and/or ESG-related products. Especially the latter is also true for other asset classes.

The decreasing number of new mixed-assets products (-5) and the high number of fund mergers in this segment might be seen as a sign of market saturation and a reaction on the outflows from these products over the course of 2023. That said, even in years with estimated overall net inflows not all mixed-assets funds were able gather inflows since the flows into mixed-assets products were somewhat concentrated. That said, the concentration of fund flows toward a small number of funds may fuel fund launches and mergers since promoters may want launch products with similar investment objectives as the successful funds and support the assets under management of those funds by merging them with other products. This is because this move increases the assets under management of the new products and make them more attractive for investors.

**Graph 24: Fund Launches, Liquidations, and Mergers 2023 by Asset Type**



Source: LSEG Lipper

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