

DANMARKS NATIONALBANK

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INVESTMENT FUNDS, 1ST QUARTER 2021

Passive and active global equity sub-funds yield almost the same returns

Since January 2020, active investment funds, investing in global equities, yielded an average return of 16 per cent, while passive funds yielded around 15 per cent.

At the end of March 2021, kr. 736 billion was placed in global equity sub-funds, where 82 per cent of the assets were actively managed and 18 per cent were passively managed. Global equity sub-funds accounted for 66 per cent of total equity sub-funds.

Actively managed investment funds aim to yield a higher return than their benchmark, while the objective of passively managed funds is to track a benchmark. The costs of the passive strategy will typically be lower, since no portfolio manager continuously composes the investments actively.

Largest dispersion in actively managed returns

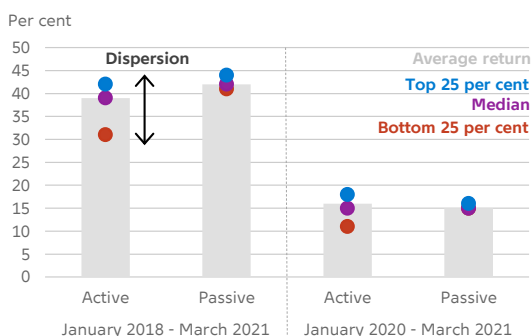
In spite of the corona crisis and large fluctuations in global equity markets in 2020, the returns on actively and passively managed funds have been fairly similar. However, there have been big differences in the returns of actively managed sub-funds, while the dispersion in the returns of passively managed sub-funds was smaller. The top 25 per cent of the active sub-funds yielded returns of 18 per cent or more, while the bottom 25 per cent yielded 11 per cent at most. In comparison, the top 25 per cent of the passive sub-funds yielded 16 per cent or more, while the bottom 25 per cent yielded up to 15 per cent.

Since 2018, passive management has shown less dispersion and a higher average return of 42 per cent, compared to active management, which yielded 39 per cent in return on average.

Passive global equity sub-funds gain ground

Since January 2020, certificates in global equity sub-funds have been purchased for a total of kr. 40 billion, of which kr. 23 billion was placed under passive management and kr. 17 billion was placed under active management.

Small difference between average returns on active and passive sub-funds investing in global equities



Note: Returns before costs in active and passive sub-funds investing in global equities, where a benchmark such as MSCI World is widely used. Data is for Danish UCITS and alternative investment funds (AIFs).

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