

DANMARKS NATIONALBANK

30 OCTOBER 2018

INVESTMENT FUNDS, 3RD QUARTER 2018

Increase in passive investment funds

In the first three quarters of the year, net investments in passive equity funds totalled kr. 13.9 billion. In comparison, investments in active equity funds amounted to kr. 1.3 billion. At the same time, positive value adjustments increased the holdings of the passive funds by nearly kr. 1 billion, while the value of active funds' investments decreased by nearly kr. 13 billion.

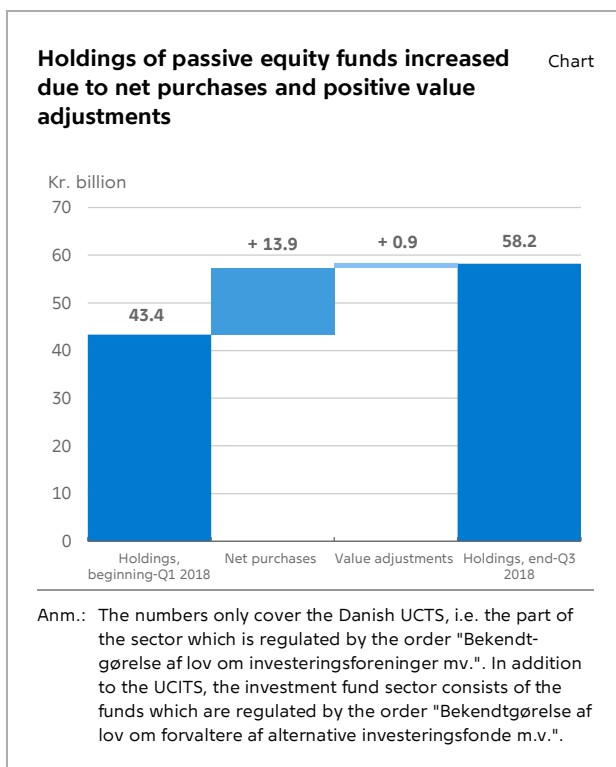
Historically, the passive funds have only made up a small part of the Danish investment fund market and

with total holdings of kr. 58 billion at the end of the third quarter of 2018, the passive funds still only represent around 15 per cent of the market. In comparison, passive equity funds represent 45 per cent of the market in USA and 33 per cent in Europe.¹

Passive equity funds allocate their investments in order to replicate the return of a certain benchmark, for example a stock index such as the C25 or the S&P 500. On the other hand, the active funds allocate and adjust their investments in order to beat a benchmark. For this reason, passive funds are usually cheaper. According to the Danish Financial Supervisory Authority, passive funds' total costs were on average 0.8 per cent of their total holdings in 2017, while the costs of active funds were almost 1.2 per cent of the holdings.²

Passive investment funds are mainly equity funds, however, fixed-income and mixed funds exist as well. However, almost the entire holding of these types of funds is placed in active funds.

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¹ See [Morningstar, 2017 Global Asset Flows Report](#)

² See [Finanstilsynet, Markedsudvikling 2017, Investeringsfonde](#)