

DANMARKS NATIONALBANK

30 OCTOBER 2020

INVESTMENT FUNDS, 3RD QUARTER 2020

Passive investments funds are growing

Since January 2018, total assets in passively managed equity funds have almost doubled from kr. 43 billion to kr. 85 billion. Most of this change is driven by new investments amounting to kr. 36 billion, while the value of the investment increased by kr. 5 billion.

Passive funds accounted for 19 per cent of the market for equity funds in September 2020, compared to 11 per cent in January 2018.

Stable wealth in actively managed equity funds

Actively managed equity funds still dominate the market for equity funds. The total wealth in September 2020 was kr. 355 billion, however, it has only increased by 3 per cent since January 2018.

The reason for the low growth is primarily decreasing asset value, while investors have purchased actively managed equity funds for kr. 27 billion since January 2018.

Passively managed funds at lower costs

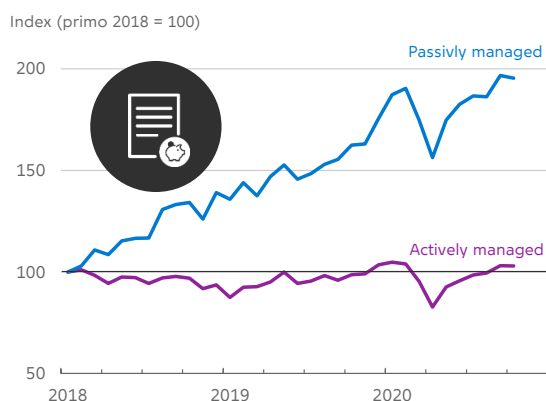
Passively managed equity funds allocate their investments in order to mimic the return of a specific benchmark index. Over half of the wealth is placed in funds with MSCI USA or MSCI WORLD as benchmark indices. In addition, newer and less liquid indices are used as benchmarks e.g. ESG-based indices - where investments are selected on the basis of ethical and sustainable attributes. Compared to actively managed equity funds that allocate their investments in order to beat and obtain a higher return than a certain benchmark, the costs of passively managed funds are lower.

In addition to equity funds, the market also contains mixed and pure bond funds. For both these funds, the majority of the wealth in is actively managed. Since 2018, especially the wealth in mixed funds has increased by 44 per cent, primarily as a result of investors' purchases.

Great interest in Exchange Traded Funds

An often lower cost alternative to passive funds are Exchange Traded Funds, ETF's, which are a portfolio of shares that are traded at foreign exchanges under the same market conditions as individual shares. The private Danish investors have a total wealth of kr. 39 billion placed in foreign funds, of which 32 per cent are in ETFs.

Largest growth in passively managed equity funds



Note: Accumulated growth of wealth placed in passively and actively managed funds, respectively. Data only cover the Danish UCTS, i.e. the part of the sector which is regulated by the order "Bekendtgørelse af lov om investeringsforeninger mv."

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