
Morningstar Direct™ Asset Flows Q3 2021

Funds Domiciled in Taiwan

Morningstar Editorial Research

November 3, 2021

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Key Takeaways

- ▶ Funds domiciled in Taiwan experienced their worst quarterly net outflow in 19 quarters. The market saw a net redemption of TWD 52.2 billion in the third quarter of 2021, Morningstar Direct data showed. Excluding the outflow from money market funds, the market saw a redemption of TWD 14.4 billion over the period, versus the TWD 209.4 billion inflow posted in the second quarter of 2021.
- ▶ This quarter’s major engine for inflows was allocation, overtaking the equity and fixed income categories, a trend in line with the global markets. Allocation funds were the only group that posted a net subscription for the past six quarters, garnering TWD 124.0 billion in total. Conversely, investors pulled TWD 45.5 billion out of fixed income funds.
- ▶ By Morningstar Category, the Other Bond and the TWD Moderate Allocation category saw significant inflow. Taiwan equity continued to take in more assets. Meanwhile, investors continued to redeem their money market funds— primarily denominated in new Taiwan dollars.
- ▶ Chinatrust, ranking sixth by market share, was the top asset-gatherer in the third quarter, thanks to its senior bond, China equity, and Vietnam equity ETF products. The market’s largest player, Yuanta Financial suffered the most redemption as investors pulled TWD 21.3 billion from the funds over the same period.
- ▶ Yuanta/P-shares Taiwan Dividend Plus ETF and CTBC Blmbrg Bcly Bkg Sr 10+ Year Bd ETF were among the strategies that gathered the most assets. Yuanta/P-shares Taiwan Top 50 ETF and Capital ICE Intl15+ Yr US EM ExtnSovETF had the largest quarterly net outflow.
- ▶ Overall, investors in Taiwan have an aggregate allocation of TWD 132.1 billion into strategies that take into account sustainability issues. Flows into sustainable assets significantly slowed to a TWD 6.0 billion net inflow in the third quarter.

Exhibit 1 Overview of Funds Domiciled in Taiwan

Name	Net Assets (TWD bil)	Market Share %	Estimated Net Flow (TWD bil)		Org Growth Rate %	
	Sept-21	Sept-21	1 Mo	YTD	1 Yr	1 Yr
Equity	1,289.1	21	(12.4)	201.6	194.0	37
Fixed Income	1,929.0	41	54.2	3.7	(52.6)	0
Allocation	378.7	8	8.1	88.9	96.0	-88
Alternative	0.4	0	(0.0)	0.3	(0.0)	22
Commodities	13.6	0	(2.6)	(22.3)	(24.3)	-3
Miscellaneous	209.4	4	(13.1)	15.4	(10.5)	-4
All Long Term	3,820.3	81	34.1	287.5	202.5	6
Money Market	925.1	19	(74.3)	(101.9)	(47.7)	-5
Total	4,745.3	100	(40.2)	185.7	154.8	4

Source: Morningstar Direct. Data as of Sept 30 2021.

Taiwan-domiciled funds collectively recorded a net inflow of TWD 185.7 billion year to date through June. Excluding the outflow from money market funds, the market withdrew TWD 14.4 billion from funds over the same period, compared to the TWD 209.4 billion inflows posted in the previous quarter.

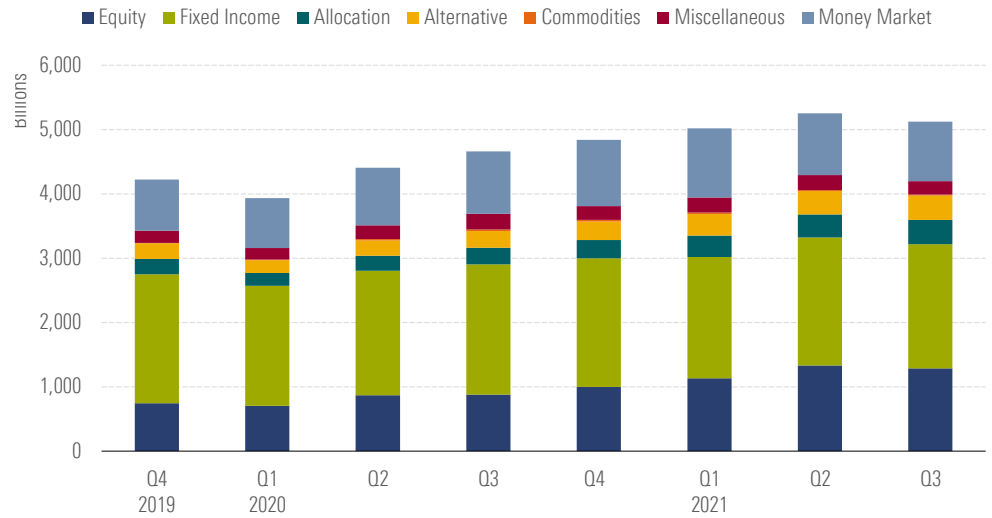
Allocation attracted an additional TWD 31.1 billion in assets, becoming the market driver in the quarter. Over the past year, the organic growth of allocation funds was the fastest, growing at 37.2% in the past 12 months.

Equity funds lost steam in the third quarter, as the group gathered only TWD 19.1 billion, far less than the TWD 121.3 billion inflow recorded in the second quarter. This is due to a high base effect from some popular categories, like Taiwan Large-Cap Equity and Sector Equity Technology, absorbing TWD 72.6 billion and TWD 25.4 billion, respectively, in the prior quarter.

Fixed income funds saw an outflow of TWD 45.5 billion, but it remains the largest asset class in the Taiwan fund market, having TWD 1.9 trillion under management.

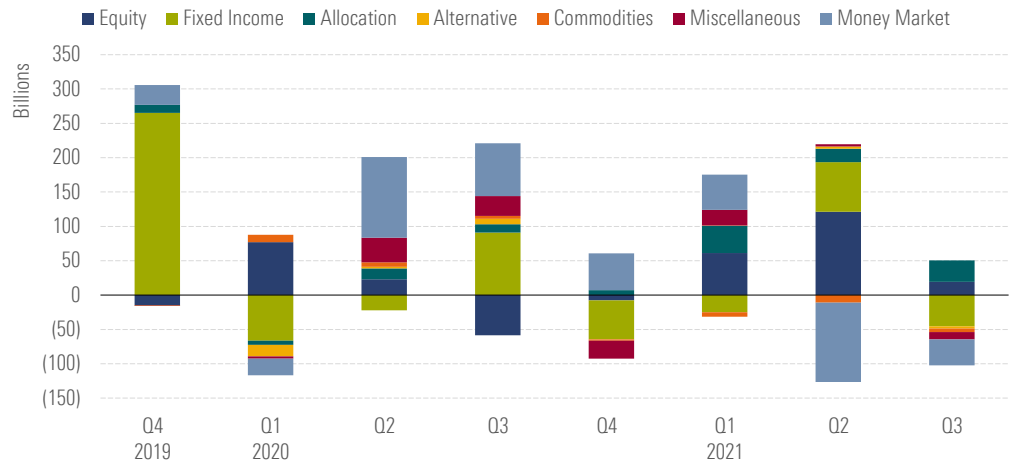
The downsizing of money market products – an instrument that is typically used for short-term cash management – continued. This quarter's withdrawal totaled TWD 37.83 billion.

Exhibit 2 Total Net Assets by Global Broad Category Group (Open-End Funds and ETFs)



Source: Morningstar Direct. Data as of Sept 30, 2021.

Exhibit 3 Flows by Global Broad Category Group (Open-End Funds and ETFs)



Source: Morningstar Direct. Data as of Sept 30, 2021.

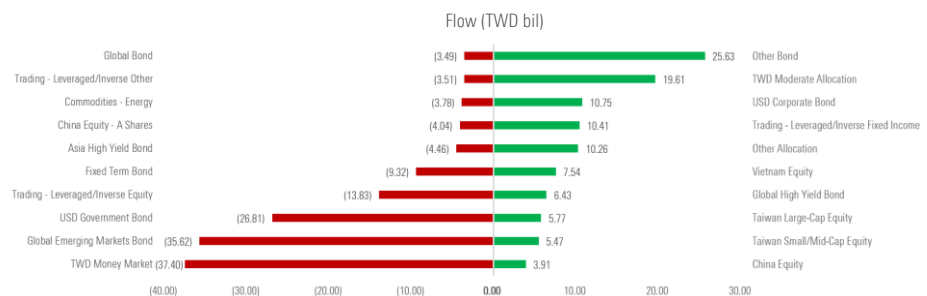
Flows By Morningstar Category

Inflows into allocation funds were undisturbed, despite a downtrend recorded in the broader Taiwanese fund market. Allocation was the only group that drew net subscriptions for the past six quarters, garnering TWD 124.0 billion in total. Among all allocation categories, TWD Moderate Allocation gained the most assets in the past quarter. The category returned 16.3% on average year-to-date and has TWD 218.8 billion under management as of the end of September 2021.

The dividend payout and a relatively conservative investment style of some fixed income funds are among the reasons that make it a favorite vehicle among Taiwan investors. In terms of flow, the category went through a mixed flow situation between July and September 2021. USD Corporate Bond and Global High Yield Bond took in TWD 10.8 billion and TWD 6.4 billion, respectively. On the flipside, five out of the bottom ten invested with a fixed income strategy. Global Emerging Markets Bond posted an outflow of TWD 35.6 billion, becoming the second-biggest outflow after TWD Money Market fund in the quarter. Bond categories that suffered relatively large outflows were USD Government Bond, Fixed Term Bond, Asia High Yield Bnd and Global Bond.

Although inflows into equity funds slowed drastically quarter-on-quarter, investors in Taiwan continued to eye the home market for their equity allocations, benefiting categories like Taiwan Large-Cap Equity and Taiwan Small/Mid-Cap Equity, which rank the eighth and ninth in the quarterly flow chart.

Exhibit 4 Investors Eye Funds with Taiwan and Tech Exposure



Source: Morningstar Direct. Data as of Sept 30 2021.

Exhibit 5 Average Returns, Size and Flows for Top and Bottom Five Categories

	YTD Avg Return (%)		Fund Size 9/2021 (TWD bil)	Estimated Fund Flows (TWD bil)			
	Open-End Fund	ETF		Q4/2020	Q1/2021	Q2/2021	Q3/2021
The Leaders							
Other Bond	2.96	(2.02)	400.36	(13.13)	(12.05)	(3.36)	25.63
TWD Moderate Allocation	16.29		218.77	5.79	38.34	11.00	19.61
USD Corporate Bond	1.49	(2.50)	416.25	(28.16)	(0.31)	15.74	10.75
Trading - Leveraged/Inverse Fixed Income		(5.74)	20.16	4.26	13.21	(9.09)	10.41
Other Allocation	8.79		23.92	2.49	1.43	(0.98)	10.26
The Laggards							
TWD Money Market	0.21		920.05	54.20	51.40	(114.43)	(37.40)
Global Emerging Markets Bond	0.91	(3.63)	236.56	(23.83)	4.21	12.62	(35.62)
USD Government Bond		(7.25)	120.36	(7.17)	11.34	14.76	(26.81)
Trading - Leveraged/Inverse Equity		(9.49)	132.09	(29.68)	15.08	10.24	(13.83)
Fixed Term Bond	3.77		320.20	4.63	(8.48)	(2.41)	(9.32)

Source: Morningstar Direct. Data as of Sept 30 2021.

Flows by Fund Providers

Chinatrust, ranking sixth by market share, was the top asset-gatherer in the third quarter, thanks to its senior bond, China equity, and Vietnam equity ETF products. Fidelity's Taiwan-domiciled fund business is unlike its sprawling global presence. This nascent business segment currently manages TWD 10.7 billion. The robust flows recorded in the third quarter came from two new launches. In their inception quarter, the Fidelity Medical Innovation MA Income and the Fidelity Future Connectivity MA Income gathered TWD 1.8 billion and TWD 1.4 billion, respectively. Including the two allocation funds, Fidelity brought their total number of Taiwan-domiciled funds to eight.

Exhibit 6 Top and Bottom Firms by Third-Quarter Flows

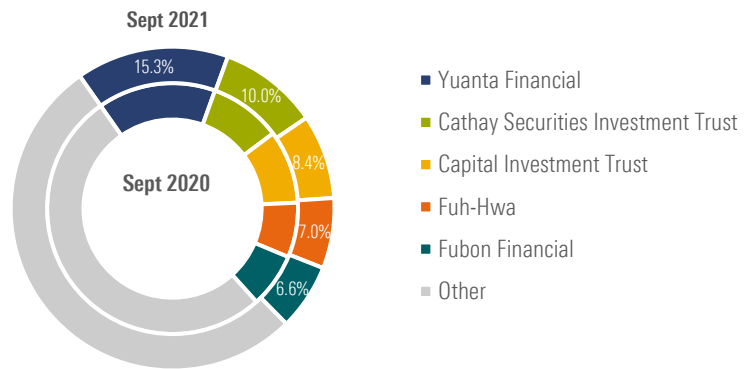
	Fund Size 9/2021 (TWD bil)	Estimated Fund Flows (TWD bil)			
		Q4/2020	Q1/2021	Q2/2021	Q3/2021
The Leaders					
Chinatrust	291.37	0.54	4.57	12.47	22.42
Fubon Financial	313.65	(22.07)	12.78	8.31	16.78
AllianceBernstein	115.56	0.70	23.71	2.80	13.13
Uni-President Asset Management	100.57	0.46	3.09	(6.36)	5.55
Fidelity	10.67	0.62	(0.06)	(0.23)	2.79
The Laggards					
Yuanta Financial	725.38	(33.88)	4.98	62.49	(21.29)
Fuh-Hwa	333.96	(5.52)	12.38	5.95	(14.32)
Shin Kong Financial Holding	70.96	4.33	9.49	(6.93)	(9.07)
PineBridge	147.83	5.79	(13.67)	6.80	(8.41)
Hua Nan Investment Trust	40.28	5.34	2.44	(4.07)	(6.50)

Source: Morningstar Direct. Data as of Sept 30 2021.

Turning to the laggards, Taiwan's Yuanta Financial recorded the largest outflow among all providers as investors pulled TWD 21.3 billion over the period. The outflow from the Yuanta/P-shares Taiwan Top 50 ETF (0050), the largest fund in Taiwan, amounted to TWD 18.9 billion. The firm remained the market leader, sitting on 15.3% of the market's total assets under management.

Redeemers from bond funds contributed to the outflow for Fuh Hwa and PingBridge. Fuh Hwa US Treasury 20+ Year ETF and Fuh Hwa Emerging Market 10+ Yr Bond ETF were the funds that recorded the most outflows within the firm. For Pinebridge, ESG bond and high yield bond strategies (PineBridge Glb ESG Quant Bd, PineBridge Gbl Multi-Strat HY Bd, and PineBridge Asia Pacific Hi Yld Bd) were not immune from investors' withdrawal.

Exhibit 7 Fund Providers by Market Share: Sept 2020 and 2021



Source: Morningstar Direct. Data as of Sept 30 2021.

Flows by Individual Funds

In the open-end fund market, new launches were at the forefront with high trading activities among Taiwanese investors. TCB Global Healthcare Multi-Asset Income, incepted on August 2, raised a total of TWD 6.4 billion. Also newly offered to Taiwanese investors, flows into two ESG-aware strategies, Taishin ESG Global Envrnmt Growth Equity and Manulife Real Asset Income Multi Assets also made to the top by individual fund flows.

Moving on to the laggards, the cohort was filled with funds under different categories. KGI Global Trend Fund, an equity fund that capitalizes on the firm's proprietary analysis of the global trend, innovation, barriers, and risks, suffered the worst quarterly outflow of TWD 2.34 billion, after raising TWD 3.4 billion at its launch on May 3 2021. Another global equity fund, Fuh Hwa Global Thematic also saw a quarterly outflow of a similar scale.

Exhibit 8 Top and Bottom Open-End Funds by Third-Quarter Net Flow

Open-End	Fund Size 9/2021 (TWD bil)	Estimated Fund Flows (TWD bil)			
		Q4/2020	Q1/2021	Q2/2021	Q3/2021
TOP 5					
ABITL Income Umb Multi-asset Inc FOF	45.34	(1.52)	1.40	5.00	9.02
TCB Global Healthcare Multi-Asset Income	6.14	Inception Date: August 2 2021			6.36
CTBC Vietnam Equity Fund	17.32	2.49	0.95	1.20	4.98
Taishin ESG Global Envrnmt Growth Equity	4.09	Inception Date: August 4 2021			4.31
Manulife Real Asset Income Multi Assets	3.98	Inception Date: August 17 2021			4.02
BOTTOM 5					
KGI Global Trend Fund	1.38	Inception Date: May 3 2021		3.42	(2.34)
Cathay Asian High Yield Bond Fund	3.15	8.08	(1.55)	(0.68)	(2.03)
Fuh Hwa Global Thematic	9.85	1.20	1.17	(1.21)	(1.98)
Neuberger Berman 5G Equity Fund	8.06	1.25	2.37	0.51	(1.81)
Fubon AI New Trends Multi-Asset Fund	2.75	(0.18)	4.15	(0.67)	(1.58)

Source: Morningstar Direct. Data as of Sept 30 2021.

In the ETF market, Yuanta's products represented the best and worst over the quarter. Yuanta/P-shares Taiwan Dividend Plus ETF (0056) received a TWD 17.2 billion net subscription and investors redeemed TWD 18.9 billion worth of units in its flagship index tracker, Yuanta/P-shares Taiwan Top 50 ETF (0050).

ETFs investing in long-dated US treasury were under selling pressure. Fuh Hwa US Treasury 20+ Year ETF saw a fund withdrawal of TWD 10.0 billion while Yuanta U.S. Treasury 20+ Year Bond ETF reported a net redemption of TWD 8.8 billion.

Exhibit 9 Top and Bottom ETFs by Third-Quarter Net Flow

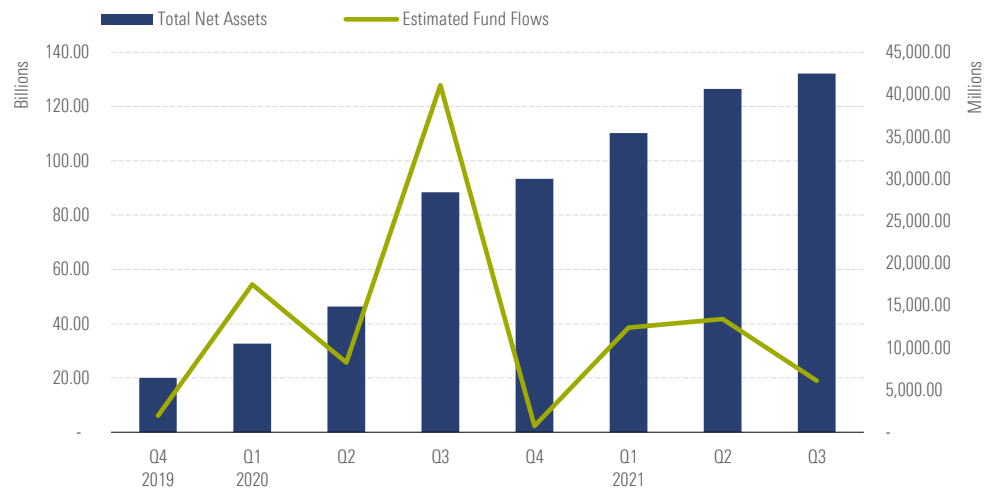
ETF	Fund Size 9/2021 (TWD bil)	Estimated Fund Flows (TWD bil)			
		Q4/2020	Q1/2021	Q2/2021	Q3/2021
TOP 5					
Yuanta/P-shares Taiwan Dividend Plus ETF	91.04	6.81	(10.19)	9.51	17.21
CTBC Blmbrg Bcly Bkg Sr 10+ Year Bd ETF	50.99	(0.67)	(2.58)	2.54	10.08
Yuanta Dily U.S. Trs 20+ Y Bd Bear 1XETF	12.75	4.27	2.08	(3.99)	9.13
Capital BofA Mrll Lyn 15+YrUSTech&ElcETF	43.18	(0.10)	(2.50)	0.81	8.87
Capital BofA Mrll Lyn 15+Yr USTelecmsETF	46.45	1.44	6.87	(2.65)	6.87
BOTTOM 5					
Yuanta/P-shares Taiwan Top 50 ETF	168.33	(3.78)	3.34	54.27	(18.87)
Capital ICE Intl15+ Yr US EM ExtnlSovETF	39.14	(6.88)	5.67	1.50	(11.42)
Shin Kong Chi-Shin Money-Market	27.90	6.51	6.65	(5.60)	(11.18)
Fuh Hwa US Treasury 20+ Year ETF	6.84	(0.07)	11.05	4.42	(10.00)
Yuanta U.S. Treasury 20+ Year Bond ETF	9.67	(1.59)	1.44	(0.64)	(8.84)

Source: Morningstar Direct. Data as of Sept 30 2021.

Sustainable Asset Flows

Overall, investors in Taiwan have an aggregate of TWD 132.1 billion under the management of ESG strategies. Flows into sustainable assets significantly slowed to a TWD 6.0 billion inflow in the third quarter.

Exhibit 10 Sustainable Assets Grow to TWD 130 Billion Despite a Slower Subscription



Source: Morningstar Direct. Data as of Sept 30 2021.

In terms of flow, Cathay Sustainability High Dividend ETF, which runs an AUM of TWD 26.8 billion, came first with a total subscription of TWD 5.6 billion. New products, Taishin ESG Global Environment Growth Equity and Shin Kong Environmental Sustainability Bond came the next, raising respective assets of TWD 4.3 billion and TWD 1.6 billion.

The worst flows in the quarter came from two fixed income products. PineBridge Glb ESG Quant Bd A USD shrank by TWD 2.8 billion. Taishin ESG Emg-Mkt Bond I USD, which ranked the second-worst, saw a total of TWD 1.3 billion exiting the strategy. This outflow followed an outflow of TWD 1.8 billion in a quarter prior to this.

In the first three quarters of 2021, 13 new sustainable funds were introduced, more than an annual sum of 11 in 2020. Between July and September, four new products were offered to the Taiwanese investors for the first time. They are: PineBridge ESG Quant Gbl Eq I (USD), KGI ESG Sustainable Emrg Mkt Bd-TWD I, Shin Kong Envrnmntl Sustnblty Bd (A)USD, and Taishin ESG Global Envrnmt Gro Eq-USD-I – all under active management.

General Disclosure

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*Note

1. Mutual funds and ETFs that are domiciled in Taiwan are included. Flows are based on the data collected by the Securities Investment Trust and Consulting Association. Cross-border vehicles that are registered for sale in Taiwan, such as UCIT structures, are not included in this report.
2. Only surviving investments are counted, and share class with the longest track record is shown.
3. All dollar amount and returns are calculated in Taiwanese dollars, except stated otherwise.
4. The Morningstar Fund Category Definitions can be found [here](#).

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