



Interview on market flows and 2026 outlook with **Philip Kalus**, Managing Director at Acolin

Q: Based on your data and market observations, how would you characterise fund flow dynamics in 2024 and 2025, particularly for sustainable and ESG-labelled strategies?

A: In spite of no shortage of investor concerns, ranging from geopolitics to AI valuations, etc., European fund flows provided not only a resilient, but also a very strong picture in 2025. Total inflows reached EUR 613 billion, making it the third best year since 2015, while assets under management rose by 11% percent from EUR 12.9 trillion to EUR 14.3 trillion.*

ETFs reached new records in AuM after 39 consecutive months of net inflows. However, in spite of omnipresent ETF talk and record numbers, active fund flows, more than doubling their 2024 net sales number to EUR 313 billion in 2025, actually beat their passive counterparts (EUR 300 billion, including EUR 278 billion in ETF net sales) last year. This marks a significant turning point.

The investment environment is changing. Fund selector appetite for active strategies experienced a significant increase in searches by European fund selectors. Supported by an increasingly unstable and volatile investment environment, this trend accelerated throughout 2025, and we expect it to manifest itself in 2026 flow numbers.

In terms of sustainable and ESG funds, in spite of political headwind in the US and asset managers having increasingly shied away from ESG-related campaigns, global sustainable assets closed 2025 again on a record level. Europe still represents the world's largest ESG fund market by a very large margin, with a market share of 86%, followed by the US with 9%.

Yet, ESG, SFDR or sustainable fund flows showed a very heterogeneous picture in 2025 and were also contorted by some large UK institutional investors redeeming from funds and reallocating into bespoke mandates. It is also vital to remember that sustainable flows are not evenly distributed across the universe, they are captured by a reduced number of large, very "ESG credible" products.

Q: Have you observed any significant changes in how investors allocate capital within sustainable funds, for example, between active and passive strategies, ETFs and mutual funds, or different SFDR categories?

A: Regulation is driving structural change across Europe's sustainable investment market, with rising compliance pressure and investor demand also constrained by geopolitical uncertainty. Nonetheless, don't assume sustainable investment is off the table. It isn't. Not at all.

In fact, for many European professional fund buyers, ESG assessments are deeply embedded in due diligence. It is not driven by SFDR classifications, but by the credibility, coherence and consistency of ESG integration at the holding and portfolio level. Depth varies by region and investor account. Among institutional investment consultants, credible ESG integration remains a baseline requirement, not a differentiator.

ESG in Europe remains dominated by active funds. In terms of classifications, Article 8, albeit very heterogeneous in itself, has consolidated its role as the default category. Compared with 2024, investors appeared more focused on environmental risks than social ones in 2025.