

## CHAPTER ONE

# Worldwide Regulated Open-End Funds

Investors around the world have historically demonstrated strong demand for regulated open-end funds (referred to in this chapter as regulated funds). In the past decade, worldwide net sales of regulated funds have totaled \$23.4 trillion, and fund providers have expanded the vast array of choices, offering investors nearly 148,700 regulated funds. Demand for regulated funds remained strong in 2025. Sustained inflows into bond and money market funds—along with strong stock market performance—contributed to a 19% increase in total net assets. By year-end 2025, regulated funds managed \$88.0 trillion in total net assets worldwide.

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## What Are Regulated Funds?

The International Investment Funds Association (IIFA) defines regulated funds as collective investment pools that are substantively regulated, open-end investment funds.\* Open-end funds are generally defined as those that issue new fund shares (or units) and redeem existing shares (or units) on demand. Such funds are typically regulated with respect to disclosure, the form of organization (for example, as either corporations or trusts), custody of fund assets, minimum capital, valuation of fund assets, and restrictions on fund investments (such as limits on leverage, types of eligible investments, and diversification of portfolio investments).

In the United States, however, regulated funds include not only open-end funds, consisting of mutual funds and exchange-traded funds (ETFs), but also unit investment trusts and closed-end funds.† In Europe, regulated funds include Undertakings for Collective Investment in Transferable Securities (UCITS)—ETFs, money market funds, and other categories of similarly regulated funds—and alternative investment funds, commonly known as AIFs.

In many countries, regulated funds may also include institutional funds, which are restricted to being sold to a limited number of non-retail investors; funds that offer guarantees or protection of principal via a legally binding guarantee of income or capital; and open-end real estate funds investing directly in real estate to a substantive degree.

At year-end 2025, fund providers globally offered 148,692 regulated funds (Figure 1.1). Europe had the largest number of regulated funds with 41% of the total, while equity funds were the largest type of regulated funds (33%).

**FIGURE 1.1**  
**Number of Worldwide Regulated Open-End Funds**  
 Percentage of funds by region or type of fund, year-end 2025



<sup>1</sup> Other funds include guaranteed/protected funds, real estate funds, and other funds.

Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds. Data for Malta are for 2025:Q3.

Source: International Investment Funds Association

\* The primary data source for worldwide regulated funds is the IIFA. In 2025, the IIFA collected data on worldwide regulated funds from 44 jurisdictions. For information on individual jurisdictions, see the statistical data tables available online at [www.icifactbook.org/26-fb-data-tables.html](http://www.icifactbook.org/26-fb-data-tables.html). For more details about the IIFA data collection, see Worldwide Definitions of Terms and Classifications at [www.ici.org/node/57115](http://www.ici.org/node/57115).

† Data for unit investment trusts and closed-end funds are not included in this chapter; these funds are discussed in chapter 2 and chapter 5, respectively.

## Worldwide Total Net Assets of Regulated Funds

Worldwide total net assets of regulated funds increased in 2025, continuing the positive growth observed in the previous two years (Figure 1.2).<sup>\*</sup> A confluence of macroeconomic and geopolitical factors affected worldwide capital markets in 2025, which contributed to a 19% increase in the value of the underlying assets held by regulated funds. Among the factors affecting financial markets in 2025:

- » **Economic growth and moderating inflation:** Global economic growth experienced a modest deceleration in 2025, compared with the previous year. Slower economic growth in the United States was balanced by an increase in economic growth in other jurisdictions, such as the European Union. Meanwhile, inflation continued to ease gradually in many regions.
- » **Monetary policy and interest rates:** Financial markets were significantly affected by expectations regarding the timing and pace of monetary policy easing. Amid moderating inflation and weakening labor markets, most major central banks cut their policy rates in 2025. In the United States, the Federal Reserve maintained a cautious stance, holding policy rates steady in the first half of 2025 before beginning to lower interest rates later in the year.
- » **Trade policy uncertainty:** Concerns about trade and tariff-related uncertainties caused substantial volatility in April, which caused many businesses to postpone investment decisions, US consumer confidence to drop, and some investment flows to temporarily shift away from the United States to other regions. While this created some volatility in the markets, the global economy managed to remain steady and resilient throughout the year.

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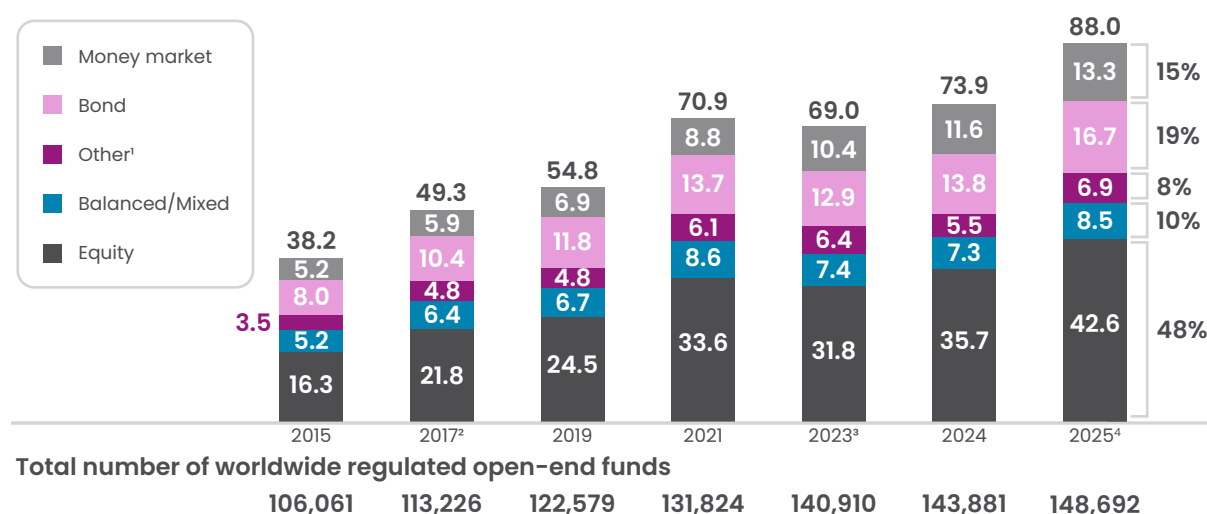
<sup>\*</sup> In this chapter, unless otherwise noted, data for total net assets and net sales are denominated in US dollars.

With stock markets rising around the globe in 2025 (17% in the United States, 36% in Europe, and 29% in the Asia-Pacific region\*), worldwide total net assets of equity funds, which invest primarily in publicly traded stocks, increased by 19% to \$42.6 trillion at year-end 2025. Bond funds—which invest primarily in fixed-income securities—saw their total net assets increase 21% over the same period, somewhat reflecting total returns (capital gains and interest income) in bond markets. In 2025, the total return on bonds was 7% in the United States, 1% in Europe, and 1% in the Asia-Pacific region.† Net assets of money market funds, which are regulated funds restricted to holding short-term, high-quality debt instruments, rose by 15%.

**FIGURE 1.2**

**Total Net Assets of Worldwide Regulated Open-End Funds Increased to \$88.0 Trillion in 2025**

Trillions of US dollars by type of fund, year-end



<sup>1</sup> Other funds include guaranteed/protected funds, real estate funds, and other funds.

<sup>2</sup> Data for Russia are for 2017:Q3.

<sup>3</sup> Data for New Zealand are for 2023:Q2.

<sup>4</sup> Data for Malta are for 2025:Q3.

Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds.

Source: International Investment Funds Association

Total net assets of worldwide regulated funds also vary by geographic region (Figure 1.3). At year-end 2025, the majority of worldwide total net assets in regulated funds continued to be held in the United States (51%) and Europe (32%). Strong regulatory frameworks in both jurisdictions have contributed to their success. In recent decades, US-regulated funds have been bolstered by their availability as investment options in tax-advantaged accounts, such as 401(k) plans. Meanwhile, the UCITS framework has many provisions that allow for the pooling of assets. These include passporting (i.e., a UCITS established in one country can be sold cross-border into one or more other European countries), the availability of UCITS in countries outside of Europe, and allowing different share classes to be denominated in a range of different currencies or adapted to different tax structures.

\* As measured by the FT Wilshire 5000 Total Return Index, the MSCI Daily Total Return Gross Europe Index, and the MSCI Daily Total Return Gross AC Asia-Pacific Index, which are all expressed in US dollars.

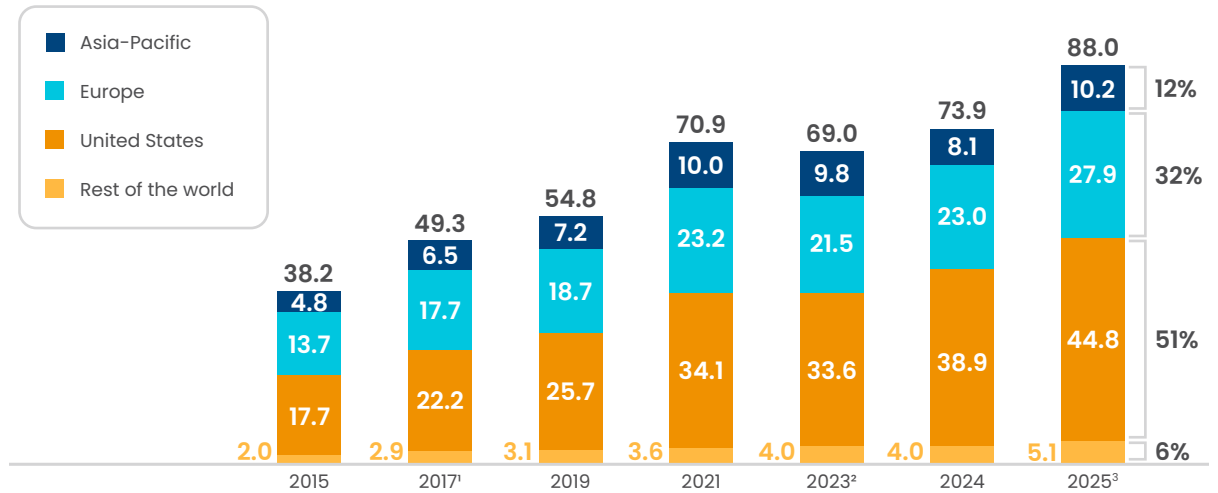
† As measured by the S&P 500 Aggregate Bond Index (expressed in US dollars), ICE BofA Pan-Europe Broad Market Total Return Index (expressed in euros), and the Bloomberg Asian-Pacific Aggregate Total Return Index (expressed in Japanese yen), all of which cover investment grade securities.

Regulated funds in the Asia-Pacific region held another 12% of worldwide total net assets. Given the size of the population, the rapidly increasing economic development and wealth in many countries, and efforts to promote individual account-based saving and investing, the region’s regulated fund market has potential for continued growth.

**FIGURE 1.3**

**The United States Has the Largest Share of Total Net Assets of Worldwide Regulated Open-End Funds**

Trillions of US dollars by region, year-end



<sup>1</sup> Data for Russia are for 2017:Q3.

<sup>2</sup> Data for New Zealand are for 2023:Q2.

<sup>3</sup> Data for Malta are for 2025:Q3.

Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds.

Source: International Investment Funds Association

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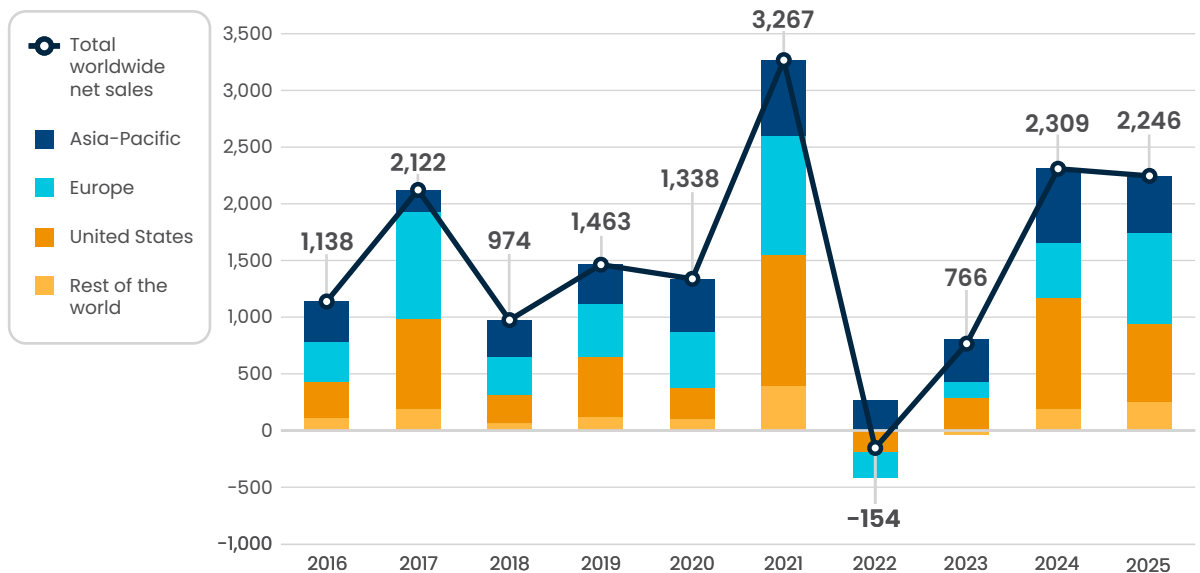
## Worldwide Net Sales of Regulated Long-Term Funds

Worldwide demand for regulated long-term funds (equity, bond, balanced/mixed, and other) was strong in 2025 with net sales of \$2.2 trillion (Figure 1.4). Though inflows remained robust when compared with 2024, different regions experienced substantial changes in demand in 2025. Net inflows decreased in the United States from \$976 billion in 2024 to \$680 billion in 2025. Inflows into the Asia-Pacific also decreased in 2025. By contrast, demand in Europe increased, with net sales rising from \$487 billion in 2024 to \$808 billion in 2025.

**FIGURE 1.4**

### Worldwide Net Sales of Regulated Open-End Long-Term Funds Remained Robust in 2025

Billions of US dollars by region, annual



Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds. Long-term funds include equity funds, balanced/mixed funds, bond funds, and other funds (guaranteed/protected, real estate, and other funds), but exclude money market funds.

Source: International Investment Funds Association

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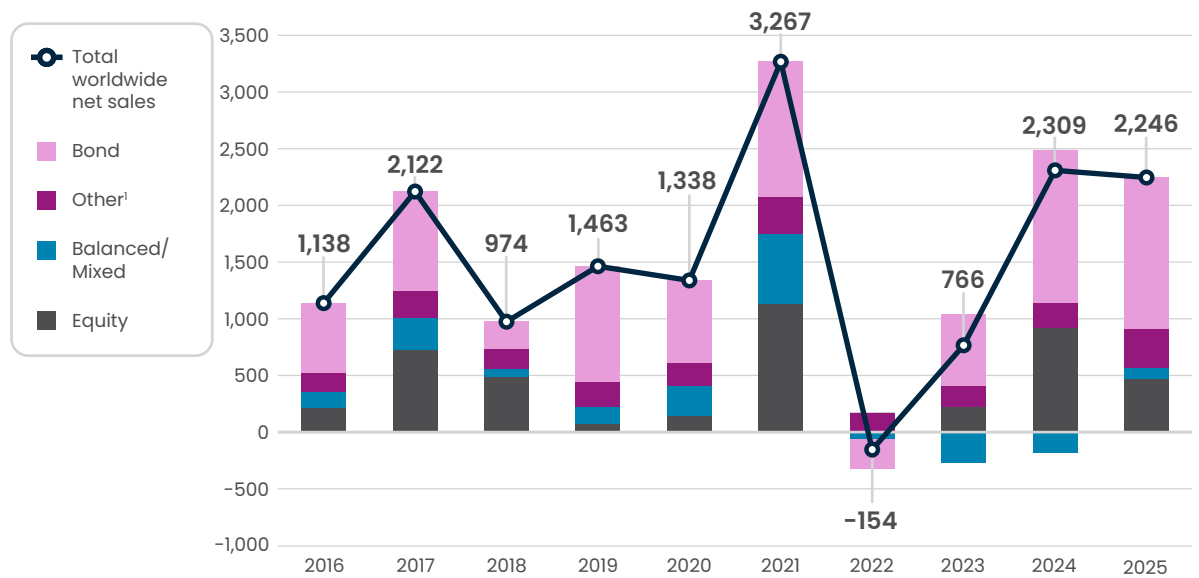
Worldwide net sales of balanced/mixed and other funds increased in 2025, but this was offset by a decline in equity fund net sales, falling from \$915 billion in 2024 to \$464 billion in 2025 (Figure 1.5).

The decline was primarily driven by the United States, where inflows of \$364 billion into equity funds in 2024 became outflows of \$90 billion in 2025. Portfolio rebalancing was likely an important driver for this change. Given the sheer strength of the stock markets in 2025, funds following asset allocation strategies would have needed to sell equity funds and buy bond funds to maintain their target allocations.

Net inflows into bond funds remained strong in 2025 at \$1.3 trillion (Figure 1.5). Investor expectations that central banks would continue lowering benchmark interest rates likely drove this demand. Monetary policy is important because when interest rates fall, bond prices rise, and vice versa. As such, fixed-income investors stand to gain from a reduction in interest rates. Historically, net flows of bond funds have been related to bond returns (see Figure 3.5). Hence, in a falling rate environment, investors may move more assets into bond funds.

**FIGURE 1.5**  
**Worldwide Net Sales of Regulated Long-Term Open-End Funds Were Primarily From Inflows Into Bond Funds**

Billions of US dollars by type of fund, annual



<sup>1</sup> Other funds include guaranteed/protected funds, real estate funds, and other funds.  
 Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds.  
 Source: International Investment Funds Association

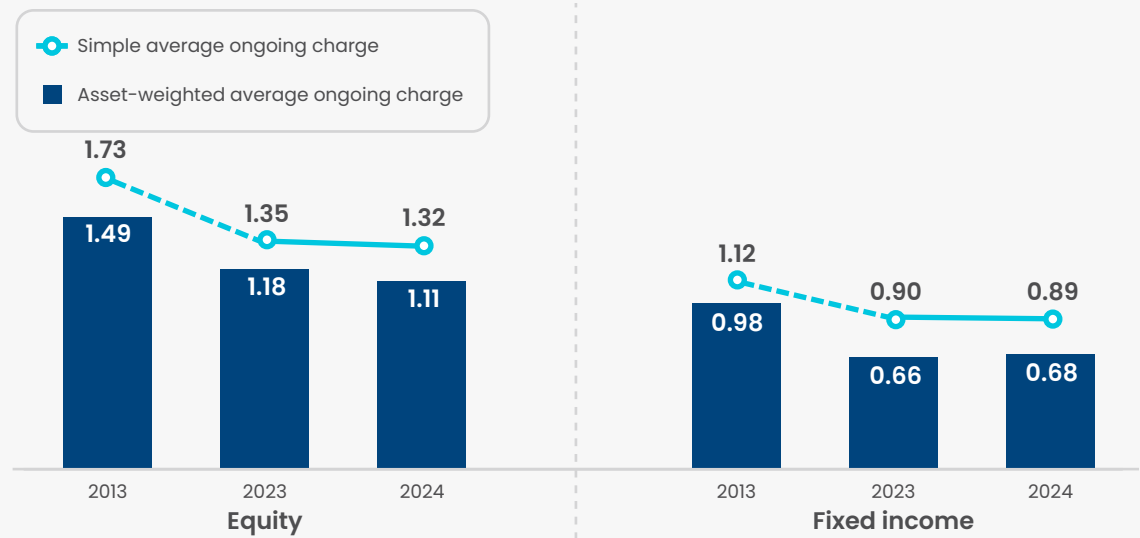
## Ongoing Charges for UCITS in the European Union

The UCITS Directive has become a global success story since its adoption in 1985, with net assets of €13.9 trillion in EU-domiciled UCITS at year-end 2025. Investors in Europe and other jurisdictions worldwide hold investments in these funds.

Like regulated fund investors in other countries, UCITS investors incur ongoing charges that cover the provision of services, including portfolio management, administration, compliance costs, accounting services, legal costs, and payments to distributors. The total cost of these charges is disclosed to investors through either the total expense ratio (TER), often found in a UCITS' annual report and other marketing documents, or the ongoing charges figure (OCF), found in the Key Information Document (KID).

On an asset-weighted basis, the average ongoing charge of equity funds fell sharply from 1.18% in 2023 to 1.11% in 2024 (Figure 1.6). Meanwhile, the average ongoing charge for bond funds rose from 0.66% in 2023 to 0.68% in 2024. However, since 2013, asset-weighted average ongoing charges for equity and fixed-income UCITS have declined 26% and 31%, respectively. Additionally, the asset-weighted average ongoing charges for equity and fixed-income funds were below their respective simple averages, which indicates that investors tend to concentrate their assets in lower-cost funds.

**FIGURE 1.6**  
**Investors in UCITS Pay Below-Average Ongoing Charges**  
 Percent



Note: Data exclude UCITS ETFs.

Source: Investment Company Institute calculations of Morningstar Direct data. See *ICI Research Perspective*, "Ongoing Charges for UCITS in the European Union, 2024."

## Worldwide Net Sales of Money Market Funds

Worldwide net sales of money market funds declined somewhat in 2025 but still attracted \$1.3 trillion in net inflows (Figure 1.7). Investors across all geographical regions continued to demonstrate demand for money market funds, with the \$901 billion in inflows in the United States accounting for more than two-thirds of total net inflows. Investor demand for money market funds in the Asia-Pacific Region and Europe was \$217 billion and \$169 billion in 2025, respectively.

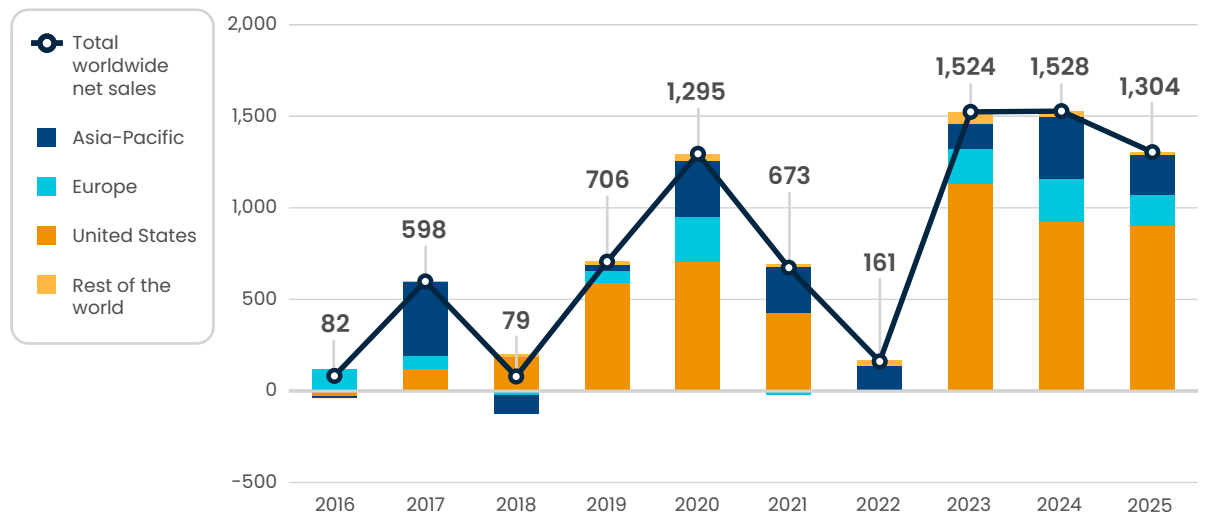
Investors use money market funds because they are professionally managed, tightly regulated vehicles with holdings limited to high-quality, short-term debt instruments. As such, they are highly liquid, attractive, cash-like alternatives to bank deposits. Generally, demand for money market funds is dependent upon their yields and interest rate risk exposure relative to other high-quality fixed-income securities.

In the United States, money market funds continued to see inflows in 2025 because of sustained demand from both retail and institutional investors. High market yields—relative to the past 16 years—and the low interest-rate risk offered by money market funds continued to drive this demand. These reasons are also likely the key drivers for inflows into money market funds in both Europe and the Asia-Pacific region.

**FIGURE 1.7**

### Worldwide Net Sales of Money Market Funds Were Strong in 2025

Billions of US dollars by region, annual



Source: International Investment Funds Association

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Ongoing Charges for UCITS in the European Union, 2024

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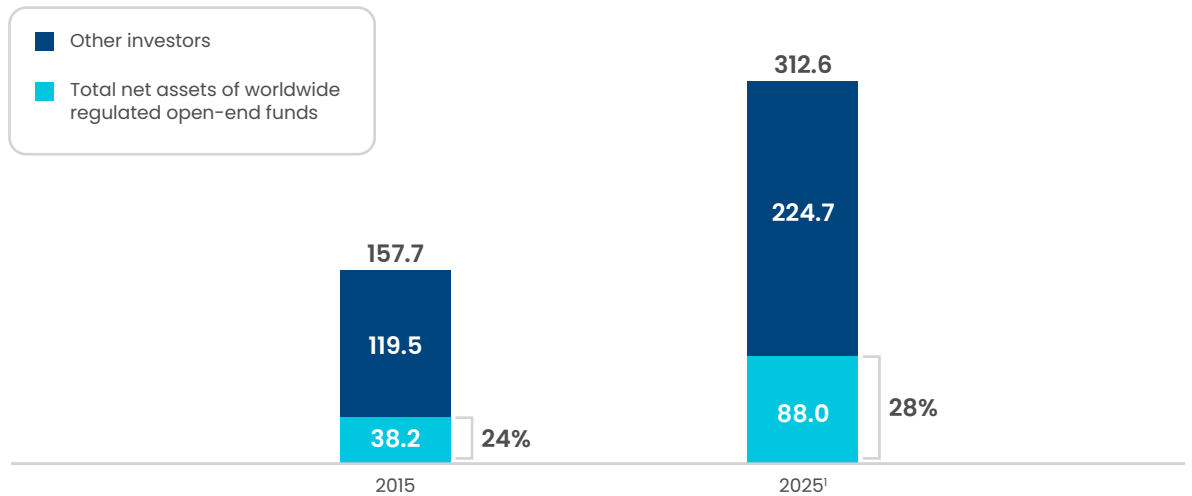
# Size of Worldwide Regulated Funds in Global Capital Markets

Regulated funds continue to be an important conduit for allocating capital globally, helping finance businesses, governments, and household activities. As of year-end 2025, worldwide capital markets, as measured by the value of equity and debt securities outstanding, totaled \$312.6 trillion, of which regulated funds' net assets were 28%, or \$88.0 trillion (Figure 1.8).

The share of worldwide capital markets held by regulated funds has grown over the past decade. In 2025, worldwide regulated funds held 28% of worldwide capital markets, compared with 24% in 2015. The remaining 72% were held by a wide range of other investors, such as central banks, sovereign wealth funds, pension plans (both defined benefit and defined contribution), banks, insurance companies, hedge funds and private equity funds, broker-dealers, and households' direct holdings of stocks and bonds.

**FIGURE 1.8**  
**Worldwide Regulated Funds Held 28% of Worldwide Equity and Debt Markets**

Trillions of US dollars, year-end



<sup>1</sup> Data for worldwide debt markets are as of September 30, 2025.

Note: Regulated open-end funds include mutual funds, ETFs, and institutional funds.

Source: Investment Company Institute calculations of data from the International Investment Funds Association, World Federation of Exchanges, and Bank for International Settlements

## Fund Ownership in Market-Based Versus Bank-Based Economies

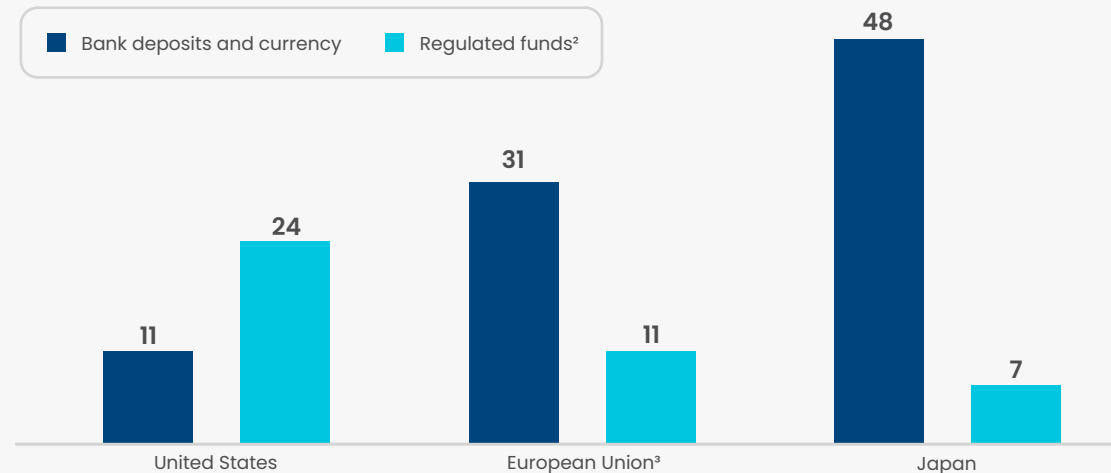
Generally speaking, a jurisdiction's financial system can be described as either market-based or bank-based depending on how its economy deploys savings and raises capital for the production of goods and services. For example, many jurisdictions within the European Union are considered to have bank-based economies, since banks are more often used to mobilize investor savings and allocate capital. Conversely, the United States is usually considered a market-based economy since capital markets are the main conduit for investor savings and deploying capital. The structure of capital allocation in an economy is a factor that can influence the demand for regulated funds because they tend to make up a greater share of household wealth in market-based economies.

In the European Union and Japan, where investors have traditionally allocated savings and capital to banks, households hold more of their financial wealth in bank products. European and Japanese households hold 31% and 48%, respectively, of their financial wealth in banks, with a more modest share in regulated funds (Figure 1.9). By comparison, households in the United States hold a much lower share of their financial wealth in banks and a much larger share in regulated funds.

**FIGURE 1.9**

### US Households Hold More of Their Wealth in Regulated Funds; Bank-Centric Countries Have a Lower Share

Percentage of household<sup>1</sup> financial wealth, year-end 2025



<sup>1</sup> Households include households and nonprofit institutions serving households.

<sup>2</sup> For the United States, regulated funds include total net assets held by mutual funds and ETFs. For the European Union and Japan, regulated funds include investment fund shares as defined by their respective systems of national accounts.

<sup>3</sup> Data are as of 2025:Q3.

Sources: Investment Company Institute, Federal Reserve Board, Eurostat, and Bank of Japan