

Global Mutual Fund Market Assessment, By Scheme Type [Debt-Oriented, Equity-Oriented, Money Market, ETFs, Others], By Type [Open-Ended, Close-Ended], By Distribution Channel [Banks, Financial Advisors, Direct Sellers, Others], By Investor Type [Individual, Institutional], By Region, Opportunities and Forecast, 2018-2032F

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Report description:

Global mutual fund market is projected to witness a CAGR of 7.88% during the forecast period 2025-2032, growing from USD 607.79 billion in 2024 to USD 1115.01 billion in 2032. The worldwide mutual fund industry has witnessed strong growth in recent years, fueled by increasing investor awareness, burgeoning disposable incomes, and greater use of online investment platforms. Mutual funds have emerged as a favorite investment product for both institutional and retail investors because they are diversified, professionally managed, and offer regulatory protection. The growth of the market has also been aided by the worldwide thrust towards financial inclusion and increasing fintech platform penetration, which has made entry into mutual funds easier, particularly in the emerging world. Mutually funded investments continue to be the most popular investment option in retirement planning within developed markets such as Europe and the United States, boosted by tax incentives sponsored by the government and retirement programs sponsored by employers. In the emerging markets of India, China, and Southeast Asia, expanding middle-class populations, improving financial literacy, and government efforts to encourage participation in capital markets have all made vital contributions towards the investments in mutual funds.

Thematic and sector-specific funds, targeting industries such as technology, Environmental, Social, Governance (ESG), healthcare, and infrastructure are winning investor attention because they offer higher-than-average returns and alignment with broad long-term global trends. Moreover, the emergence of passive investing via index and exchange-traded funds (ETFs) has brought a cost-effective substitute for investors, which in turn has strengthened market growth. With favorable regulatory environments, rising cross-border investments, and ongoing product development, the worldwide mutual fund industry is ready to maintain its

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bullish trend in the next few years.

For example, according to a Motilal Oswal Asset Management Company report, the Indian mutual fund industry saw net inflows of about USD 301 million (INR 25,000 crore) in the last quarter. This growth was mainly driven by equity-oriented schemes, which attracted USD 1.41 billion (INR 117,000 crore), while debt funds experienced outflows of USD 1.33 billion (INR 110,000 crore).

Technological Advancements in Fintech and Robo-Advisory

One of the most transformative drivers in the global mutual fund market is the rapid advancement in financial technology (fintech), particularly the rise of robo-advisory platforms. These innovations have redefined how individuals invest by offering algorithm-based, automated portfolio management services that are efficient, low-cost, and tailored to user preferences. Robo-advisors eliminate the need for traditional financial intermediaries, lowering the barriers to entry for first-time and retail investors. They use artificial intelligence (AI), machine learning (ML), and behavioral finance algorithms to analyze individual risk appetites, optimize asset allocation, and automatically rebalance portfolios, bringing a highly personalized investment experience at scale.

These technologies also contribute to greater transparency and faster decision-making, with mobile and web-based platforms allowing real-time monitoring, performance tracking, and digital onboarding. This evolution is particularly beneficial for millennials and Gen Z investors who prefer digital-first services and want to make informed, independent financial decisions.

For instance, in March 2024, Revolut Group Holdings Ltd, a global fintech company, launched its own Robo-Advisor service in Singapore. This new product allows customers to automate their investments through diversified portfolios tailored to their unique needs. By assessing individual risk tolerances and financial goals, the Robo-Advisor automatically invests and continually manages portfolios, including periodic rebalancing to maintain target allocations. With a minimum investment amount of USD 100, this service aims to make investment management more accessible to a broader audience.

Shift Towards International Diversification

In recent years, investors have increasingly sought diversification beyond domestic markets, leading to a surge in international mutual fund investments. This trend is driven by the desire to mitigate risks associated with market concentration and to capitalize on growth opportunities in emerging economies.

A recent article in Barron's highlights that after 15 years of U.S. market dominance, investors are now shifting focus to international assets due to changing economic and geopolitical trends. Factors such as rising valuations, high debt, and market concentration in the U.S. are prompting diversification. Strategists recommend reallocating 15-20% of portfolios to foreign stocks and bonds, particularly in regions like Europe, India, and Australia, which are benefiting from increased fiscal spending and less market saturation.

Additionally, the weakening U.S. dollar and rising U.S. bond yields further support the appeal of overseas investments. Countries with resilient domestic economies or strategic importance, such as India and Brazil, present fresh opportunities. Funds and ETFs targeting European and emerging markets are gaining traction, while U.S. assets face pressure from budgetary concerns and shifting global trade dynamics. This transition reflects a broader economic realignment as nations aim for self-sufficiency and reduced reliance on U.S.-led globalization, potentially reshaping global investment strategies for years to come.

Growing Preference for Passive Investment Instruments

One of the key changes taking place in markets around the world is the rapidly increasing shift away from active investment styles towards passive ones. Behind this shift is the growing awareness among investors of the cost-effectiveness and performance consistency delivered by index-tracking funds and ETFs. Traditional active fund managers are coming under great stress as more investors appreciate that actively managed funds generally do not beat their benchmarks consistently after costs. The reduced cost ratios for passive funds, often between 0.03% and 0.20% versus 0.50% to 1.50% for active funds, render them especially appealing in the prevailing climate of increased cost sensitivity.

It has been further driven by the increasing range of advanced passive products that track not only broad market indexes but also individual sectors, factors, and ESG themes.

For instance, in 2023, Charles Schwab Corporation reported that its Schwab S&P 500 Index Fund (SWPPX) saw record inflows of USD 42 billion, making it one of the fastest-growing index funds in the industry. This surge was driven by retail investors and financial advisors increasingly favoring low-cost, broad-market exposure over actively managed alternatives.

Equity-Oriented Fund Schemes Dominate the Market

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Equity funds form the largest segment and are actively responsible for driving the growth of the market. In comparison to the others, equity markets provide investors with greater leverage and greater investment returns compared to fixed-income or any other markets. Bond markets are ultimately less motivated as the equity or stock markets can provide greater gains in terms of capital, owing to which it can gain a good share of the audience, which also encourages them to consider stronger strategic plans prior to proceeding further in terms of greater investments. Therefore, this segment has the best chance of enhancing the mutual fund assets' market share.

One instance of mutual fund support by the government can be observed in India by means of regulation and encouragement of Gilt Mutual Funds. The Securities and Exchange Board of India, also known as SEBI, requires gilt funds to invest a minimum of 80% of their assets in government securities, which are bonds issued by the central or state government. These funds are low-risk since they are government-backed, giving the investors a secure investment avenue and promoting greater participation in mutual funds. Through the establishment of this regulatory environment, protection of such investments, and stimulation of the availability and growth of mutual funds among retail and institutional investors, the Indian government has promoted the growth and accessibility of mutual funds.

North America Leads the Global Mutual Fund Market

North America mutual fund assets market is underpinned by an entrenched financial system, the high sophistication of investors, and a broad selection of mutual fund products. The United States forms a large part of this market, supported by a broad coverage of domestic and international funds. The presence of big fund houses and investment and retirement planning culture through mutual funds are the reasons for the success of the region. The technological developments and regulatory environments in North America also favor the growth of the market.

The European mutual fund assets market has a representative investor base that is diverse and a high proportion of both foreign and local funds. Its high market share is supported by the occurrence of economic stability, the maturity of the financial market, and increasing popularity of sustainable and ESG-oriented funds. The European market is also supported by the presence of various global financial centers and a regulatory system that encourages investor protection and transparency.

For instance, Invesco Ltd., a mutual fund company based in Georgia, North America and IndusInd International Holdings Limited (IIHL), Mauritius based Investment Holding Company with various investments in banking and financial assets, announced they have entered into a definitive agreement to create a joint venture (JV), and IIHL to purchase a 60% stake in Invesco Asset Management India Limited (IAMI). IAMI is the Indian subsidiary of Invesco Ltd., a prominent independent global investment management company with assets under management of over USD 1.6 trillion.

Impact of the U.S. Tariffs on Global Mutual Fund Market

□□ U.S. tariffs on foreign equities and financial instruments directly raise the expense ratios of globally diversified mutual funds, particularly those with significant exposure to tariff-affected markets like China or emerging economies. Asset managers must absorb higher compliance costs or pass them on to investors, reducing net returns. For example, funds holding Chinese ADRs faced increased operational costs due to U.S.-China trade restrictions in 2023.

□□ Tariff announcements and trade policy shifts create sudden market fluctuations, forcing fund managers to frequently rebalance portfolios to mitigate risks. Emerging market funds are particularly vulnerable, as tariffs can trigger capital outflows and currency depreciation in targeted economies. For instance, U.S. tariffs on Chinese tech stocks in 2023 led to a 12% drop in some Asia-focused ETFs.

□□ Tariffs disproportionately impact certain sectors (e.g., technology, manufacturing, or commodities), creating winners and losers within fund portfolios. Funds heavily invested in tariff-hit industries (e.g., semiconductor or clean energy ETFs) may underperform, while those favoring protected sectors (e.g., US domestic manufacturing) could see gains.

Key Players Landscape and Outlook

Large industry participants in the worldwide mutual fund industry compete on several fronts. Charging lower management fees and operational expenses is one of the foremost strategies, as investors increasingly favor funds with competitive costs. Durable, better-than-average long-term fund performance is also important, as well-performing funds can attract a greater proportion of new money. They further distinguish themselves by offering a wide variety of investment products, including active and passive

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funds, ETFs, and groundbreaking financial solutions tailored to meet the needs of varied investors. Brand recognition and international scale both come into play, with bigger, established firms using their size to help fuel distribution, cost savings, and investor confidence. Investing in technology is also a significant consideration, facilitating improved portfolio management, online access, and customized financial planning, which enhances their competitive standing. Moreover, huge and cost-effective distribution systems—frequently developed through alliances with financial advisors and retirement plans, enable these firms to gain access to more investors. Lastly, the power of responsive regulatory adaptation makes the large industry leaders more effective in expanding into new markets and developing new products.

For instance, in April 2025, BNP Paribas S.A., a significant player in the mutual fund industry through its joint venture with Bank of Baroda, and IBM announce the renewal and strengthening of the bank's partnership with IBM Cloud for 10 years, aimed at further bolstering its resilience, accelerating its cloud-native strategy, and supporting the development of generative artificial intelligence. This multi-year partnership is part of the bank's ongoing technology investments and multicloud strategy to support business growth, benefiting customers and employees.

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