

Duties of Trustees in a Shrinking Asset Environment

In August 2019, investments in passive funds surpassed those in traditional actively managed funds for the first time. According to Morningstar, assets in index-tracking US equity funds grew to about \$4.27 trillion, compared with almost \$4.25 trillion in funds managed by active managers. As investors have increased investments in passive funds, by close to \$90 billion year over year through August 2019, active funds have continued to see outflows, to the tune of almost \$125 billion in the same period. Trustees of actively managed funds have had a ringside seat to this seismic shift. The shift has presented a new set of challenges to trustees, as they consider reverse economies of scale, fund closures, mergers, and other consequences of the shift from active to passive.

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