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JPMorgan to convert $7bn in mutual funds to ETFs

Conversions underscore manager's increasing focus on exchange traded funds

Across the US industry, there was $172bn in converted ETF assets as of February 14, compared with $40bn at the end of 2022 © AFP via Getty Images

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JPMorgan plans to convert four mutual funds totalling $7.2bn in assets to exchange traded funds, regulatory filings show.

The fund conversions underscore JPMorgan's increasing focus on ETFs as the asset manager does less in the mutual fund space, said Alyssa Stankiewicz, associate director for parent research at Morningstar.

"This isn't to say that they're doing away entirely with the mutual fund structure," Stankiewicz said. "However, they are being prudent when it comes to determining the best vehicle type for the existing line-up and new offerings."

JPMorgan declined to comment.

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The group will convert the $5.7bn JPMorgan Mortgage-Backed Securities Fund, $1.1bn JPMorgan Unconstrained Debt Fund, $177.8mn JPMorgan International Hedged Equity Fund and $166.6mn JPMorgan US Applied Data Science Value Fund, it said on Tuesday.

JPMorgan converted eight mutual funds to ETFs between April 2022 and July 2023, Morningstar Direct data shows.

All of the ETFs recorded net inflows in the year ended January 31, according to the Chicago-based fund tracker. Combined, the ETFs posted nearly $850mn in net inflows over the 12-month period.

The last open-end mutual fund the group launched — excluding new vintages of the SmartRetirement series — was its Preferred Income and Securities fund, which rolled out nearly three years ago, Stankiewicz said. The fund now has $1.2bn in assets, its website shows.

JPMorgan had aggressively expanded into the ETF space and had gained significant market share in the highly competitive sector, said Aniket Ullal, head of ETF research at CFRA Research.

JPMorgan had 64 ETFs listed in the US with nearly $200bn in assets as of February 14, Ullal said.

The ETFs pulled in $45bn during the year ended January 31, Morningstar Direct data shows.

The group's mutual funds had $516bn in assets under management as of January 31, up from $435bn a year earlier, according to Morningstar data. JPMorgan's mutual funds posted $10.2bn in net inflows during the year ended that date.

About 40 fund shops have converted mutual funds to ETFs in recent years, Morningstar data shows. Fidelity, for example, refashioned 12 mutual funds as ETFs in 2023. And in 2021, Dimensional Fund Advisors switched over seven mutual funds.

Across the US industry, there was $172bn in converted ETF assets as of February 14, compared with $40bn at the end of 2022, Ullal said.

Overall, ETFs gathered $1.1tn in net inflows during the year ended January 31, while mutual funds leaked $428bn, according to Morningstar data.

A major upside to converting mutual funds to ETFs is that the ETF inherits the fund's established record and existing assets, which can attract investors seeking proven performance and stability, said Neena Mishra, director of ETF research at Zacks Investment Research.

"Given investors' growing preference for ETFs, many providers are converting their mutual funds into ETFs," Mishra said. "DFA and JPMorgan have been at the forefront of this trend, which is likely to continue."

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