

Passive vs. Active Fund Flows

Estimated Net Flows to Mutual Funds and ETFs in \$Millions (12-month flows through 12/31/20)

Category	Active	Passive
U.S. Equity	(250,557)	9,407
Sector Equity	(2,986)	59,305
International Equity	(98,547)	35,298
Allocation	(83,051)	740
Taxable Bond	214,679	226,720
Municipal Bond	43,064	12,297
Alternative	(8,426)	16,848
Commodities	(2,207)	39,835
All Long Term	(188,031)	400,450

Source: Morningstar Direct Asset Flows. Includes liquidated and merged funds.

View from the Observation Deck

1. Investors directing capital into mutual funds and exchange traded funds (ETFs) favored passive investing over active management on a massive scale for the 12-month period ended 12/31/20. This has been the case for the past several years.
2. Passive mutual funds and ETFs reported estimated net inflows totaling \$400.45 billion, compared to estimated net outflows totaling \$188.03 billion for those actively managed.
3. The largest amount of total net inflows (active and passive) in the period belonged to the Taxable Bond, Sector Equity and Municipal Bond categories at \$441.40 billion, \$56.32 billion and \$55.36 billion, respectively.
4. The only active category garnering more interest from investors than their passive counterpart via net inflows was Municipal Bond.
5. In 2020, open-end mutual funds endured a record high \$289 billion of outflows, compared to record high inflows totaling \$502 billion for ETFs, according to Morningstar.
6. Over the past three calendar years (2018-2020), passive mutual funds and ETFs reported combined estimated net inflows totaling \$1.33 trillion, compared to combined estimated net outflows totaling \$550.17 billion for actively managed funds, according to Morningstar.
7. We intend to monitor net flows moving forward.

This chart is for illustrative purposes only and not indicative of any actual investment.

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