Passive vs. Active Fund Flows

Estimated Net Flows to Mutual Funds and ETFs in $Millions

(12-month flows through 9/30/22)

Category	Active	Passive
U.S. Equity	(195,915)	345,177
Sector Equity	(26,866)	(1,332)
International Equity	(38,309)	109,820
Allocation	(46,087)	(1,493)
Taxable Bond	(278,729)	165,662
Municipal Bond	(95,263)	17,425
Alternative	40,007	394
Commodities	5,837	(3,223)
Nontraditional Equity	18,551	6,698
Miscellaneous	1,327	26,057
All Long Term	(615,447)	665,185

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) continued to favor passive investing over active management on a massive scale for the 12-month period ended 9/30/22. This has been the case for the past several years.
2. Passive mutual funds and ETFs reported estimated net inflows totaling $665.19 billion for the 12-month period ended 9/30/22, down from net inflows totaling $879.22 billion over the same period a year ago. Active funds reported estimated net outflows totaling $615.45 billion, compared to net inflows totaling $295.90 billion over the same period a year ago.
3. Bond fund flows changed dramatically relative to where they stood a year ago. Taxable and municipal bond funds reported net outflows totaling $190.91 billion for the 12-month period ended 9/30/22, compared to net inflows totaling $770.98 billion over the same period a year ago.
4. The largest amount of total net inflows (active + passive) in the period featured in the table belonged to the U.S. Equity, International Equity and Alternative categories at $149.26 billion, $71.51 billion and $40.40 billion, respectively.
5. The active categories garnering the most interest from investors by far over the past 12 months via net inflows were Alternative, Nontraditional Equity and Commodities (see table above).
6. Despite the declines in the major global stock indices for the 12-month period ended 9/30/22, investors funneled more capital into equities than any other category.
7. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 Indices posted total returns of -15.47%, -15.25% and -18.83% respectively, for the 12-month period ended 9/30/22, according to Bloomberg. With respect to foreign equities, the MSCI Daily TR Net World (ex U.S.) and MSCI Emerging Net TR Indices posted total returns of -23.91% and -28.11%, respectively.
8. The U.S. Dollar Index (DXY) rose by 18.99% for the 12-month period ended 9/30/22, according to Bloomberg. The index reflects the general international value of the dollar relative to a basket of major world currencies. The index being up that much means the dollar provided significant drag on the performance of unhedged foreign securities held by U.S. investors, in our opinion.