Passive vs. Active Fund Flows

Estimated Net Flows to Mutual Funds and ETFs in $Millions

(12-month flows through 3/31/22)

Category	Active	Passive
U.S. Equity	(201,499)	370,446
Sector Equity	(18,788)	64,083
International Equity	40,365	200,606
Allocation	(2,945)	115
Taxable Bond	72,469	214,422
Municipal Bond	32,733	16,362
Alternative	40,115	(114)
Commodities	7,895	14,374
Nontraditional Equity	12,384	7,531
Miscellaneous	2,491	14,254
All Long Term	(14,779)	902,079

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 3/31/22. This has been the case for the past several years.
2. Passive mutual funds and ETFs reported estimated net inflows totaling $902.08 billion, compared to estimated net outflows totaling $14.78 billion for those actively managed.
3. The largest amount of total net inflows (active + passive) in the period belonged to the Taxable Bond, International Equity, U.S. Equity and Municipal Bond categories at $286.89 billion, $240.97 billion, $168.95 billion and $49.10 billion, respectively.
4. The active categories garnering the most interest from investors by far over the past 12 months via net inflows were Taxable Bond, International Equity, Alternative and Municipal Bond.
5. Despite the superior total return generated by the S&P 500 Index for the 12-month period ended 3/31/22, the $168.95 billion in net inflows to U.S. Equity funds came in well below the $240.97 billion that flowed into International Equity funds over the same period.
6. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 Indices posted total returns of 15.65%, 4.59% and 1.23% respectively, for the 12-month period ended 3/31/22, 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 3.04% and -11.37%, respectively.
7. The U.S. Dollar Index (DXY) rose by 5.45% for the 12-month period ended 3/31/22, 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 some meaningful drag on the performance of unhedged foreign securities held by U.S. investors, in our opinion.