

Cash Flow and Carey



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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The S&P MidCap 400 Index is a capitalization-weighted index that tracks the mid-range sector of the U.S. stock market. The S&P SmallCap 600 Index is a capitalization-weighted index that tracks U.S. companies with a small market capitalization. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI World (ex U.S.) Index is a free-float weighted index designed to measure the equity market performance of developed markets. The Bloomberg Municipal Long Bond Index cover the USD-denominated long-term tax exempt bond market, including local general obligation, revenue, insured, and prefunded bonds. The Bloomberg U.S. Aggregate Bond Index measures the investment grade, U.S. dollar-denominated, fixed rate taxable bond market. The Bloomberg Global Aggregate Bond Index measures global investment grade debt in local currency markets.

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Passive vs. Active Fund Flows

Estimated Net Flows to Mutual Funds and ETFs in \$Billions

(12-month flows through 9/30/25)

Category	Active	Passive
U.S. Equity	(347)	396
Sector Equity	(21)	26
International Equity	(102)	122
Allocation	(71)	1
Taxable Bond	224	269
Municipal Bond	38	16
Alternative	21	54
Commodities	1	41
Nontraditional Equity	69	4
Miscellaneous	10	(10)
All Long Term	(177)	918

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

View from the Observation Deck

Investors directing capital into U.S. mutual funds and exchange traded funds (ETFs) continued to favor passive investing over active management during the 12-month period ended 9/30/25.

Passive mutual funds and ETFs reported estimated net inflows totaling \$918 billion, while active funds reported estimated net outflows totaling \$177 billion over the trailing 12-months ended 9/30/25. The top three active categories by trailing 12-month net inflows were: Taxable Bonds (+\$224 billion), Nontraditional Equity (+\$69 billion), and Municipal Bonds (+\$38 billion). For comparison, the top three passive categories were U.S. Equity (+\$396 billion), Taxable Bond (+\$269 billion), and International Equity (+\$122 billion).

Equity mutual funds and ETFs saw much lower inflows than their fixed income counterparts over the trailing 12-month period ended 9/30/25.

Combined, active and passive equities experienced inflows of \$77 billion over the trailing 12-months (not in table). For comparison, the active and passive Taxable and Municipal Bond categories reported net inflows totaling \$547 billion over the same time frame. The S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indices posted total returns of 17.56%, 6.10%, and 3.61%, respectively, over the 12-months ended 9/30/25, according to data from Bloomberg. With respect to foreign equities, the MSCI Emerging Net Total Return and MSCI Daily Total Return Net World (ex U.S.) Indices posted total returns of 17.32% and 16.03%, respectively, over the same time frame. For comparison, the Bloomberg Municipal Long Bond, Bloomberg Global-Aggregate Bond, and Bloomberg U.S. Aggregate Indices saw total returns of -1.34%, 2.40%, and 2.88% respectively, over the period.

Takeaway

Passive mutual funds and ETFs saw inflows of \$918 billion compared to outflows of \$177 billion for active funds over the trailing 12-month period ended 9/30/25. U.S. Equities produced the largest disparity between active and passive flows, with active shedding \$347 billion compared to inflows of \$396 billion for passive funds. Net inflows among active and passive equity ETFs totaled just \$77 billion over the past 12-months, compared to net inflows of \$547 billion for active and passive fixed income ETFs over the same time frame. From a monthly perspective, inflows into commodities-focused funds totaled \$9.9 billion in September 2025, the most since April 2020. Municipal bond flows experienced a similar outcome, with net inflows of \$8.9 billion in September, the most since August 2021.