

Cash Flow and Carey



Robert Carey, CFA
Chief Market Strategist



Peter Leonteos
Market Strategist

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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 MSC/ Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSC/ 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 3/31/25)

Category	Active	Passive
U.S. Equity	(314.6)	480.6
Sector Equity	(27.9)	7.6
International Equity	(89.8)	80.7
Allocation	(88.8)	0.7
Taxable Bond	206.4	252.8
Municipal Bond	35.6	11.5
Alternative	11.5	27.8
Commodities	0.7	17.4
Nontraditional Equity	56.9	4.4
Miscellaneous	16.2	(1.5)
All Long Term	(193.8)	882.2

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) favored passive investing versus active management over the 12-month period ended 3/31/25.

Passive mutual funds and ETFs reported estimated net inflows totaling \$882.2 billion for the 12-month period ended 3/31/25, while active funds reported estimated net outflows totaling \$193.8 billion over the same period. The top three active categories by trailing 12-month net inflows were: Taxable Bonds (\$206.4 billion), Nontraditional Equity (\$56.9 billion), and Municipal Bonds (\$35.6 billion). For comparison, the top three passive categories were U.S. Equity (\$480.6 billion), Taxable Bond (\$252.8 billion), and International Equity (\$80.7 billion).

Equity mutual funds and ETFs saw much lower inflows than their fixed income counterparts over the trailing 12-month period ended 3/31/25.

Combined, the active and passive equity categories experienced inflows of \$109.8 billion over the trailing 12-months (not in table). For comparison, the active and passive Taxable and Municipal Bond categories reported net inflows totaling \$506.3 billion over the same time frame. The S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indices posted total returns of 8.23%, -2.73%, and -3.43%, respectively, over the 12-months ended 3/31/25, 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 8.39% and 5.41%, respectively, over the same time frame. For comparison, the Bloomberg Municipal Long Bond, Bloomberg U.S. Aggregate, and Bloomberg Global-Aggregate Bond Indices saw total returns of 0.67%, 4.88%, and 3.04%, respectively, over the period.

Takeaway

Passive mutual funds and ETFs saw inflows of \$882.2 billion compared to outflows of \$193.8 billion for active funds over the trailing 12-month period ended 3/31/25. U.S. Equities experienced the largest disparity, with active shedding \$314.6 billion compared to inflows of \$480.6 billion for passive funds. Fixed income ETFs saw significantly higher inflows than their equity counterparts. As we see it, deteriorating economic conditions and continued tariff disruption explains this behavior. Net inflows into active and passive equity ETFs totaled just \$109.8 billion over the past 12-months, whereas fixed income saw combined net inflows of \$506.3 billion over the same time frame.