Market Commentary Blog

Cash Flow *and Carey*

Robert Carey, CFA
Chief Market Strategist

Peter Leonteos
Market Strategist

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Passive vs. Active Fund Flows

Estimated Net Flows to Mutual Funds and ETFs in $Billions

(12-month flows through 6/30/25)

Category	Active	Passive
U.S. Equity	(325)	457
Sector Equity	(27)	4
International Equity	(107)	98
Allocation	(81)	0
Taxable Bond	183	250
Municipal Bond	36	15
Alternative	13	39
Commodities	1	26
Nontraditional Equity	64	4
Miscellaneous	12	6
All Long Term	(230)	899

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 6/30/25.

Passive mutual funds and ETFs reported estimated net inflows totaling $899 billion, while active funds reported estimated net outflows totaling $230 billion over the trailing 12-months ended 6/30/25. The top three active categories by trailing 12-month net inflows were: Taxable Bonds (+$183 billion), Nontraditional Equity (+$64 billion), and Municipal Bonds (+$36 billion). For comparison, the top three passive categories were U.S. Equity (+$457 billion), Taxable Bond (+$250 billion), and International Equity (+$98 billion).

Equity mutual funds and ETFs saw much lower inflows than their fixed income counterparts over the trailing 12-month period ended 6/30/25.

Combined, active and passive equities experienced inflows of $87 billion over the trailing 12-months (not in table). For comparison, the active and passive Taxable and Municipal Bond categories reported net inflows totaling $484 billion over the same time frame. The S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indices posted total returns of 15.14%, 7.50%, and 4.55%, respectively, over the 12-months ended 6/30/25, 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 15.29% and 18.70%, 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 -2.10%, 6.08%, and 8.91%, respectively, over the period.

Takeaway

Passive mutual funds and ETFs saw inflows of $899 billion compared to outflows of $230 billion for active funds over the trailing 12-month period ended 6/30/25. Once again, U.S. Equities experienced the largest disparity, with active shedding $325 billion compared to inflows of $457 billion for passive funds. Fixed income ETFs saw significantly higher inflows than their equity counterparts. Net inflows into active and passive equity ETFs totaled just $87 billion over the past 12-months, whereas fixed income saw combined net inflows of $484 billion over the same time frame. Morningstar reported that U.S. equity funds shed $36 billion in June 2025, marking the category's worst monthly outflow in over three years. This is notable, especially given that the S&P 500 Index closed at a record high on 6/30/25. Recent weakness in the relative value of the U.S. dollar, which declined by 10.70% against a basket of its peers in the first half of 2025, may explain the international and emerging market total returns noted above. Investors appear to be taking notice, with the international equity category seeing inflows of $15 billion in June 2025 alone.