

# 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 3/31/26)

Category	Active	Passive
U.S. Equity	(401)	317
Sector Equity	(9)	79
International Equity	(78)	225
Allocation	(59)	2
Taxable Bond	265	365
Municipal Bond	59	24
Alternative	20	0
Commodities	1,258	46
Nontraditional Equity	68	1
Miscellaneous	19	17
All Long Term	1,142	1,075

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

### View from the Observation Deck

**In a sharp turn of events, investors directing capital into U.S. mutual funds and exchange traded funds (ETFs) favored active management over passive investing during the 12-month period ended 3/31/26.**

Active mutual funds and ETFs reported estimated net inflows totaling \$1,142 billion, compared to net inflows of \$1,075 billion for passive funds over the trailing 12 months (TTM) ended 3/31/26. Net inflows into actively managed commodities surged amidst a rapidly deteriorating geopolitical landscape. TTM net flows into the category increased from \$1 billion in Q4'25 to \$1,258 billion in Q1'26.

**Equity mutual funds and ETFs saw significantly lower inflows than their fixed income counterparts over the trailing 12-month period ended 3/31/26.**

Combined, active and passive equities experienced inflows of \$145 billion over the trailing 12 months (not in table). For comparison, the active and passive Taxable and Municipal Bond categories reported net inflows of \$713 billion over the same time frame. The S&P 500, S&P MidCap 400, and S&P SmallCap 600 Indices produced total returns of 17.8%, 17.3%, and 20.6%, respectively, over the period. For comparison, the Bloomberg Global-Aggregate Bond, Bloomberg U.S. Aggregate, and Bloomberg Municipal Long Bond Indices saw total returns of 4.3%, 4.4%, and 3.2%, respectively.

**Foreign and emerging market equities continue to outpace their domestic peers over the trailing 12 months.**

Regarding foreign equities, the MSCI Emerging Net Total Return and MSCI Daily Total Return Net World (ex U.S.) Indices posted total returns of 29.6% and 23.0%, respectively, between Q1'25 and Q1'26.

### Takeaway

Active mutual funds and ETFs saw combined inflows of \$1,142 billion compared to inflows of \$1,075 billion for passive funds over the past 12 months. Commodities produced the largest disparity between active and passive flows, with active attracting \$1,258 billion compared to inflows of \$46 billion for passive funds. That said, declining precious metal prices and recent strength in the U.S. dollar has put pressure on the category. Morningstar reported that commodities suffered record monthly net outflows of \$11 billion in March 2026. Recent geopolitical strife and building economic headwinds sent investors in search of safe haven assets, despite compelling performance from their equity counterparts. Combined net inflows among active and passive equity funds totaled just \$145 billion compared to combined net inflows of \$713 billion for active and passive fixed income funds over the TTM period ended Q1'26. International equity performance remains strong, but domestic mid and small cap stocks have taken the lead in 2026, increasing by 2.5% and 3.6%, respectively, year-to-date through 3/31. By comparison, the MSCI Net World (ex U.S.) declined 0.9% year-to-date through 3/31.