

# 2017 Was Another Banner Year for Passive Fund Flows

## Estimated Net Flows to Mutual Funds and ETFs in \$Millions (12-Month flows through December 31, 2017)

Category	Active	Passive
U.S. Equity	(207,466)	220,373
Sector Equity	(18,417)	44,185
International Equity	35,621	203,784
Allocation	(26,825)	3,256
Taxable Bond	178,767	210,039
Municipal Bond	28,673	5,215
Alternative	1,531	3,285
Commodities	1,124	1,450
All Long Term	(6,991)	691,589

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) favored passive investing over active management on a massive scale in 2017.
2. Passive mutual funds and ETFs reported net inflows totaling \$691.6 billion, compared to net outflows totaling \$7.0 billion for those actively managed (see chart).
3. From 2014-2017, net inflows to passive funds totaled \$2.0 trillion, compared to net outflows totaling \$509.5 billion for active funds (not shown in chart), according to Morningstar.
4. In 2017, the one area of the market where sizable net inflows to active funds matched net inflows to passive funds was bonds (taxable + municipal). Net inflows to active funds totaled \$207.4 billion, compared to \$215.3 billion for passive funds.
5. We intend to monitor net flows moving forward.

*This chart is for illustrative purposes only and not indicative of any actual investment.*

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