

Passive vs. Active Fund Flows

Estimated Net Flows to Mutual Funds and ETFs in \$Millions (12-month flows through 6/30/21)

Category	Active	Passive
U.S. Equity	(229,855)	162,886
Sector Equity	12,333	108,055
International Equity	(17,472)	142,176
Allocation	(36,734)	1,126
Taxable Bond	416,785	323,836
Municipal Bond	103,558	16,537
Alternative	18,733	359
Commodities	10,034	1,730
Nontraditional Equity	3,688	2,293
Miscellaneous	(402)	6,486
All Long Term	280,668	765,484

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) continued to favor passive investing over active management on a massive scale for the 12-month period ended 6/30/21. This has been the case for the past several years.
2. Passive mutual funds and ETFs reported estimated net inflows totaling \$765.48 billion, compared to estimated net inflows totaling \$280.67 billion for those actively managed.
3. The largest amount of total net inflows (active + passive) in the period belonged to the Taxable Bond, International Equity, Sector Equity and Municipal Bond categories at \$740.62 billion, \$124.70 billion, \$120.39 billion and \$120.10 billion, respectively.
4. The active categories garnering the most interest from investors over the past 12 months via net inflows were Taxable and Municipal Bonds.
5. The \$66.97 billion in net outflows from U.S. Equity funds is bit perplexing when you consider that the S&P 500, S&P MidCap 400 and S&P SmallCap 600 Indices posted total returns of 40.79%, 53.24% and 67.40%, respectively, for the 12-month period ended 6/30/21, according to Bloomberg.
6. The strong capital flows to International Equity funds were rewarded. The MSCI Daily TR Net World (ex U.S.) and MSCI Emerging Net TR Indices posted total returns of 33.60% and 40.90%, respectively, according to Bloomberg. The U.S. Dollar Index (DXY) declined by 5.08%, according to Bloomberg. The index reflects the general international value of the dollar relative to a basket of major world currencies, and when exhibiting weakness can provide a potential boost to the performance of unhedged foreign securities held by U.S. investors.
7. [Click here](#) to see where 12-month fund flows stood as of 12/31/20. We intend to monitor net flows moving forward.

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 stocks 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. stocks 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 U.S. Dollar Index (DXY) indicates the general international value of the dollar relative to a basket of major world currencies.

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