

Passive vs. Active Fund Flows

Estimated Net Flows to Mutual Funds and ETFs in \$Millions (12-month flows through 12/31/21)

| Category | Active | Passive |
|-----------------------|-----------|----------|
| U.S. Equity | (194,851) | 345,730 |
| Sector Equity | (152) | 97,753 |
| International Equity | 46,821 | 215,327 |
| Allocation | (2,921) | 1,360 |
| Taxable Bond | 256,690 | 274,828 |
| Municipal Bond | 88,706 | 17,574 |
| Alternative | 33,197 | 213 |
| Commodities | 8,502 | (10,145) |
| Nontraditional Equity | 9,778 | 5,783 |
| Miscellaneous | 4,143 | 10,010 |
| All Long Term | 249,913 | 958,433 |

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 12/31/21. This has been the case for the past several years.
2. Passive mutual funds and ETFs reported estimated net inflows totaling \$958.43 billion, compared to estimated net inflows totaling \$249.91 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, U.S. Equity and Municipal Bond categories at \$531.52 billion, \$262.15 billion, \$150.88 billion and \$106.28 billion, respectively.
4. The active categories garnering the most interest from investors by far over the past 12 months via net inflows were Taxable Bond, Municipal Bond, International Equity and Alternative.
5. Despite the huge returns generated by U.S. Equities in 2021, the \$150.88 billion in net inflows to U.S. Equity funds came in well below the \$262.15 billion that flowed into International Equity funds.
6. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 Indices posted total returns of 28.71%, 24.76% and 26.82% respectively, for the 12-month period ended 12/31/21, according to Bloomberg. With respect to foreign equities, the MSCI Daily TR Net World (ex U.S.) and MSCI Emerging Net TR Indices posted total returns of 12.62% and -2.54%, respectively.
7. The U.S. Dollar Index (DXY) rose by 6.37% in 2021, according to Bloomberg. The index reflects the general international value of the dollar relative to a basket of major world currencies. The index being up that much means the dollar provided some meaningful drag on the performance of unhedged foreign securities held by U.S. investors.
8. [Click here](#) to see where 12-month fund flows stood a year ago (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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