
US Fund Flows

March 2024



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Summary: March 2024

Key Takeaways

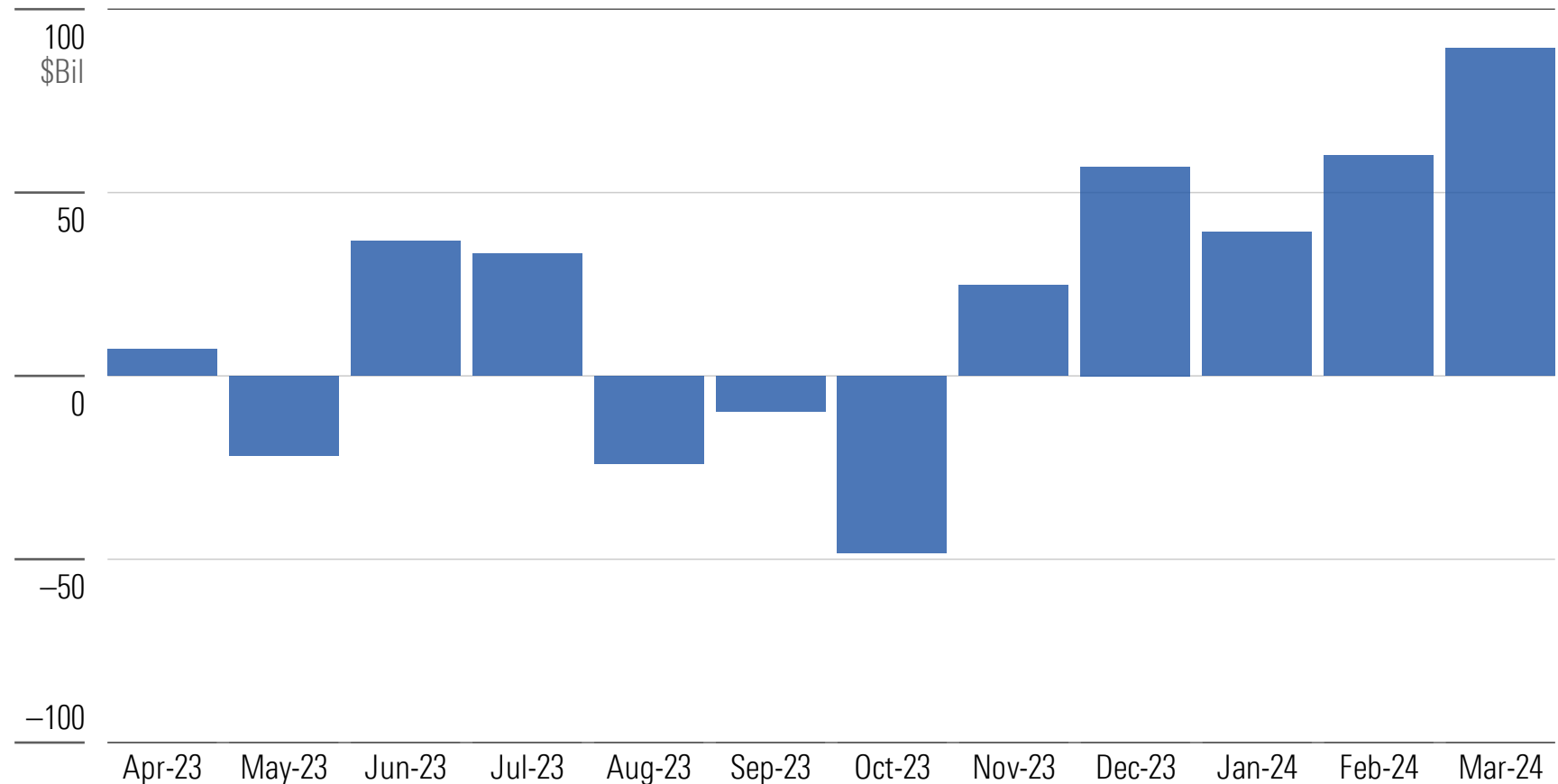
- ▶ Long-term¹ US mutual funds and exchange-traded funds gathered \$89 billion of inflows in March 2024, their most since August 2021.
- ▶ US equity funds collected \$32 billion, led by flows into passive strategies.
- ▶ Demand for international-equity funds remained weak in March.
- ▶ Tech funds' resurgence helped propel the sector-equity category group to a quarterly inflow following a stretch of outflows.
- ▶ Taxable-bond funds notched their best quarter since 2021 behind a rush into intermediate-core and core-plus funds and steadier short-term bond funds.
- ▶ High-yield municipal-bond funds gathered \$4 billion in the first quarter, helping the broader municipal-bond cohort to its best quarter since 2021's final frame.
- ▶ Spot bitcoin ETFs raked in \$27 billion in their debut quarter, closing it with \$35 billion in assets.
- ▶ Nontraditional-equities funds hauled in \$7 billion during the quarter, powered this time by another J.P. Morgan covered-call product.
- ▶ Despite overall inflows, just 46% of fund families finished the quarter in the black.

¹ Long-term funds exclude money market funds.

Fund Flows Take a Step Up in March

Investors plowed about \$89 billion into US mutual funds and ETFs in March, the highest total since August 2021. For the first quarter, US funds gathered \$189 billion, also the most since 2021. Demand was broad-based in March as all but two of the 10 category groups enjoyed inflows.

■ Monthly Long-Term US Fund Flows

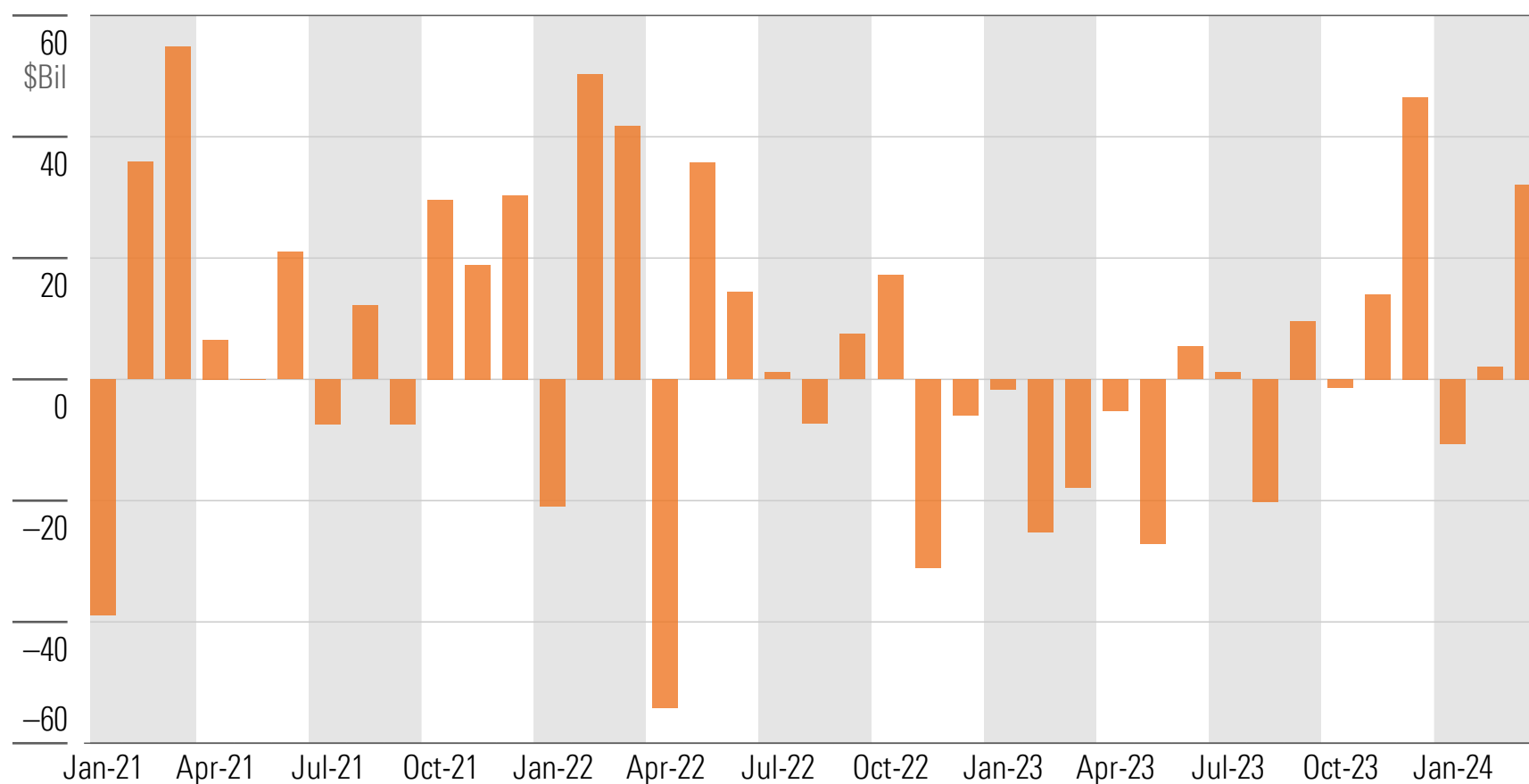


Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

US Equity Funds Put Up a Strong Month in March

Investors plowed \$32 billion into US equity funds in March, the second-highest total since May 2022. As usual, index funds led the way with a \$46 billion intake. Active US equity funds shed about \$14 billion. Six of the nine categories in the group enjoyed inflows, including \$1.2 billion to large-growth funds — their first monthly inflow since 2022.

■ US Equity Monthly Net Flow

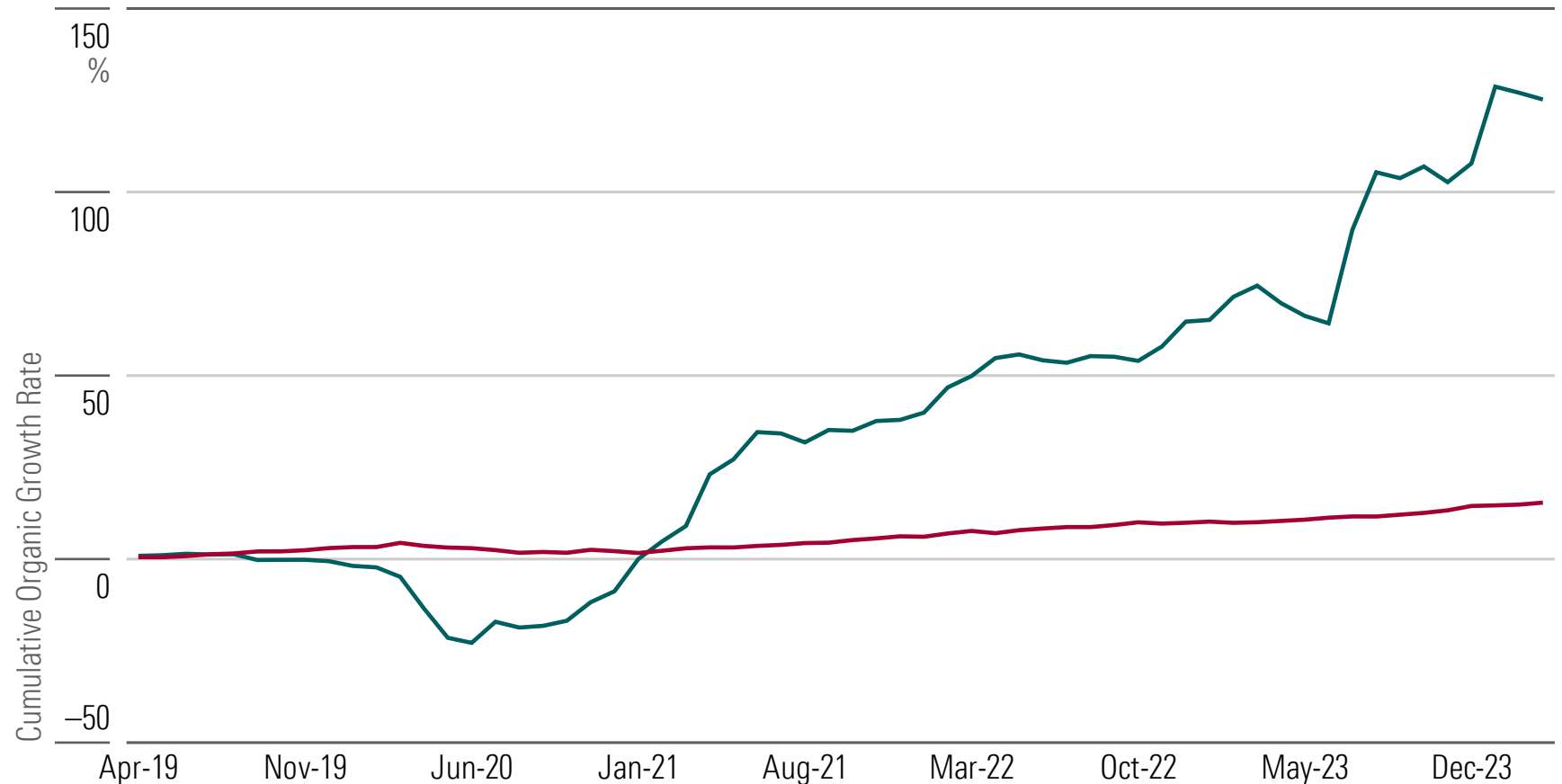


Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Betting on Breadth

Investors have embraced a contrarian approach. The Invesco S&P 500 Equal Weight ETF has enjoyed strong inflows since the summer of 2020. Over the trailing five-year period ended March 2024, it collected cumulative inflows worth 125% of its beginning asset base, much greater than for passive large-blend funds, though that cohort's size makes it difficult to compare on a relative basis.

— Invesco S&P 500 Equal Weight ETF — Passive Large Blend

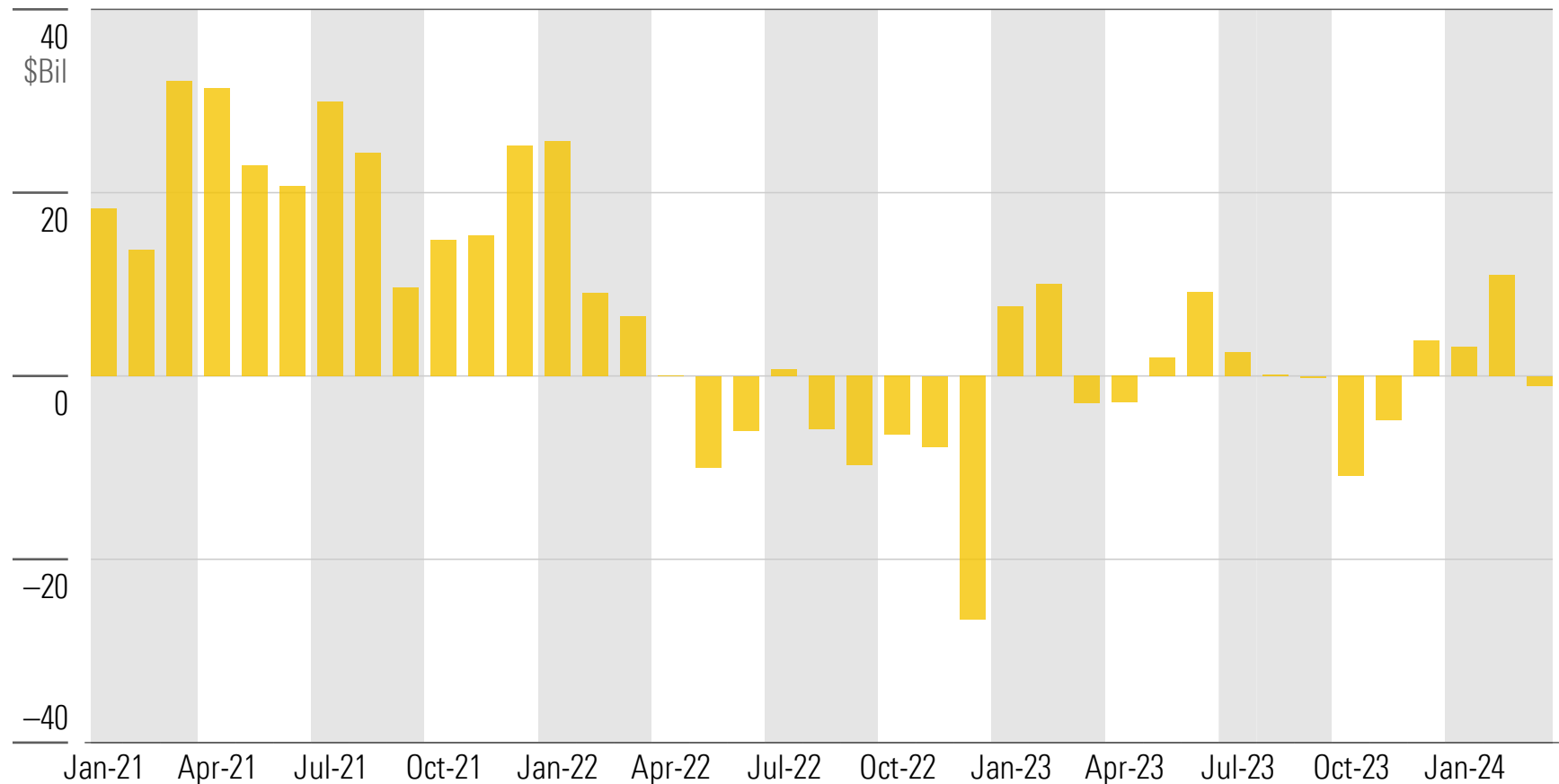


Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Foreign-Stock Flows Still Frozen in Winter

International-equity funds haven't been loved in a while. Demand has waned since Russia's 2022 invasion of Ukraine. Escalating tensions with China and war in the Middle East likely haven't helped either. Outside of niche categories such as India equity and Japan stock and bellwether foreign large-blend index funds, momentum is ice cold.

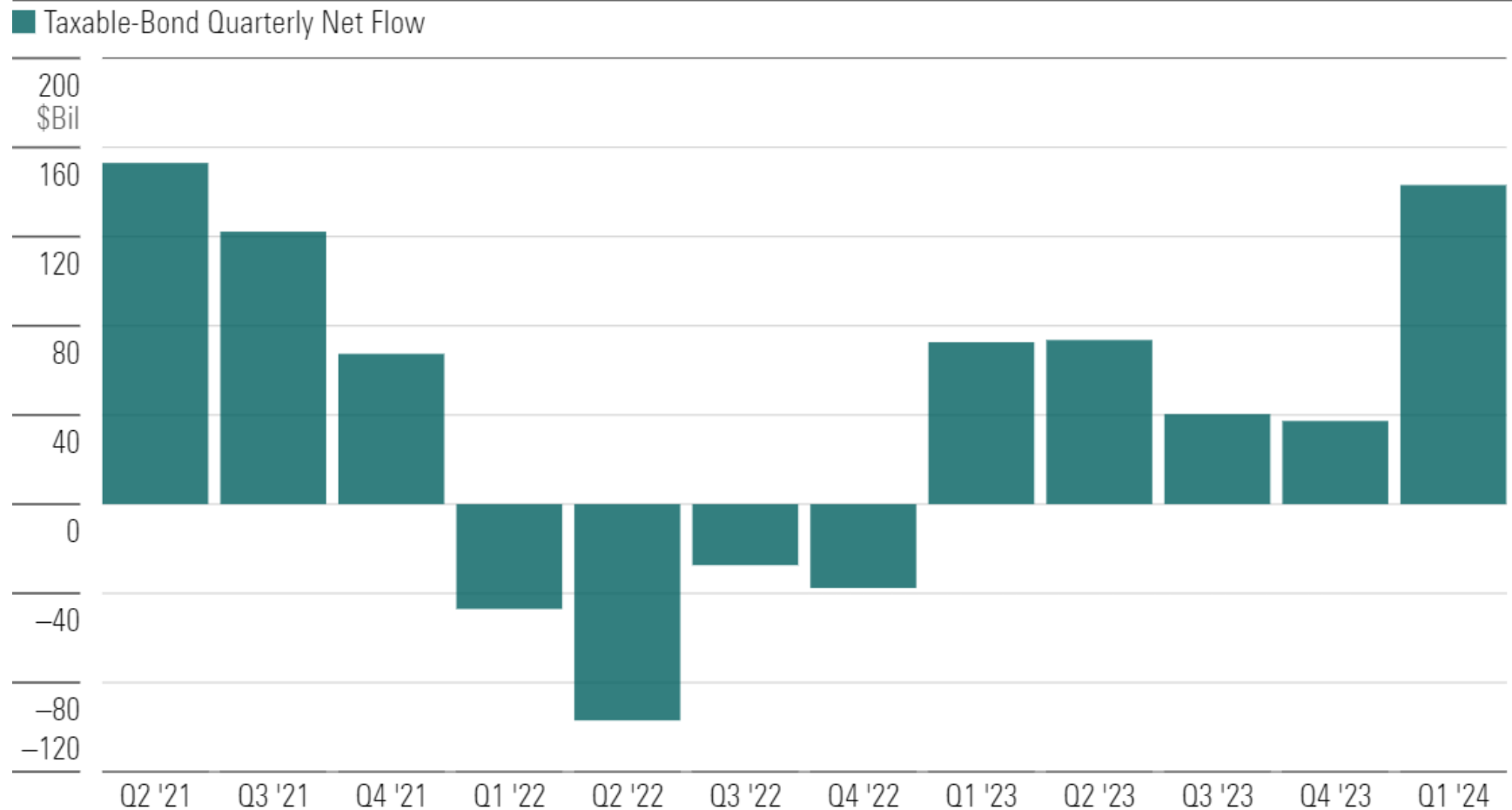
■ International-Equity Monthly Net Flow



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Taxable-Bond Funds Cap Off Stellar Quarter

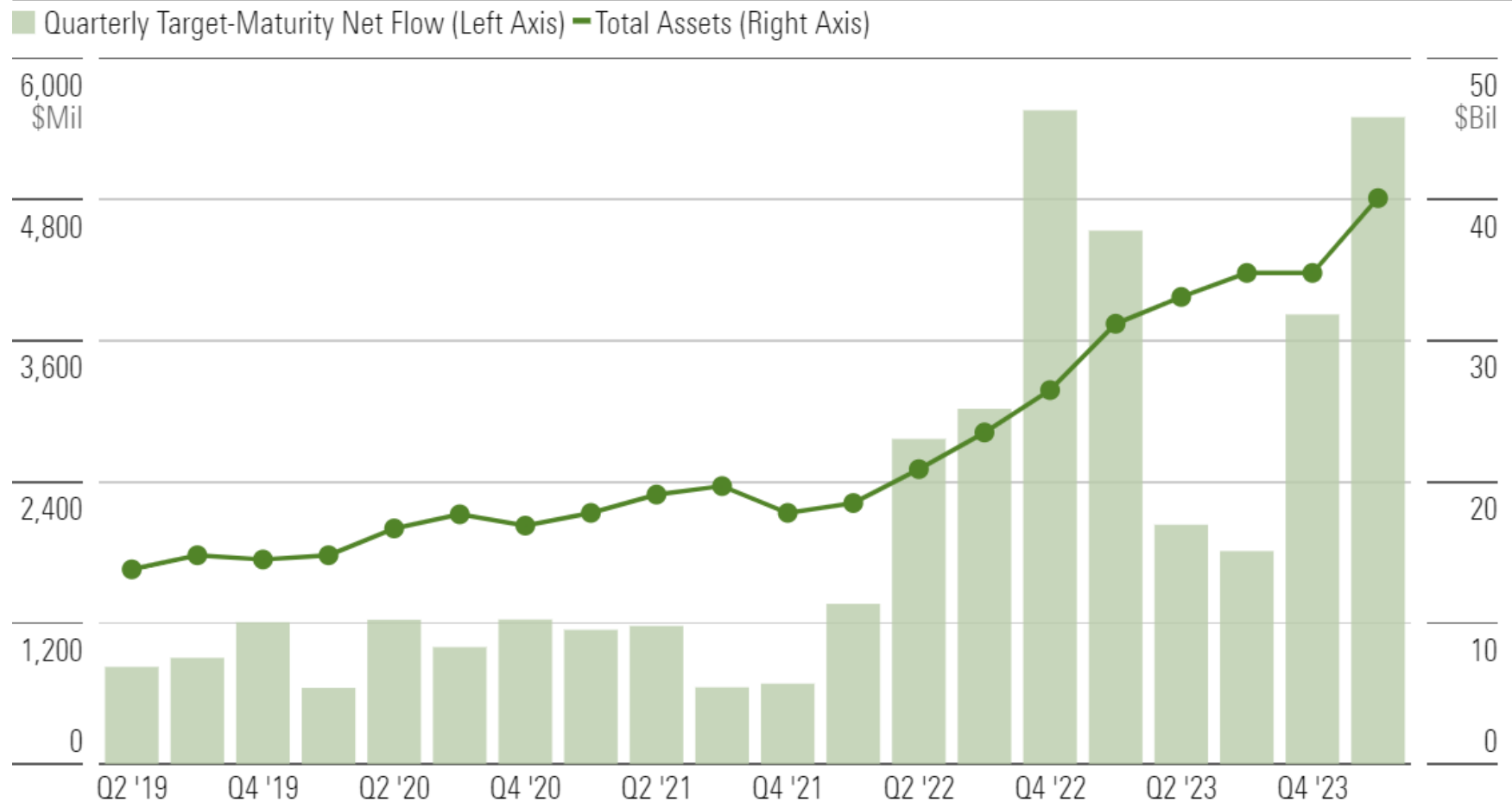
Taxable-bond funds added \$44 billion in March to push their first-quarter haul to \$143 billion — their best since 2021's fourth quarter. The intermediate-core and core-plus categories led the way with about \$73 billion in combined net flows. Short-term bond funds righted the ship with nearly \$2 billion of inflows after their \$62 billion exodus in 2023 hurt the broader cohort.



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

The Arrow Is Pointing Up for Target-Maturity Funds

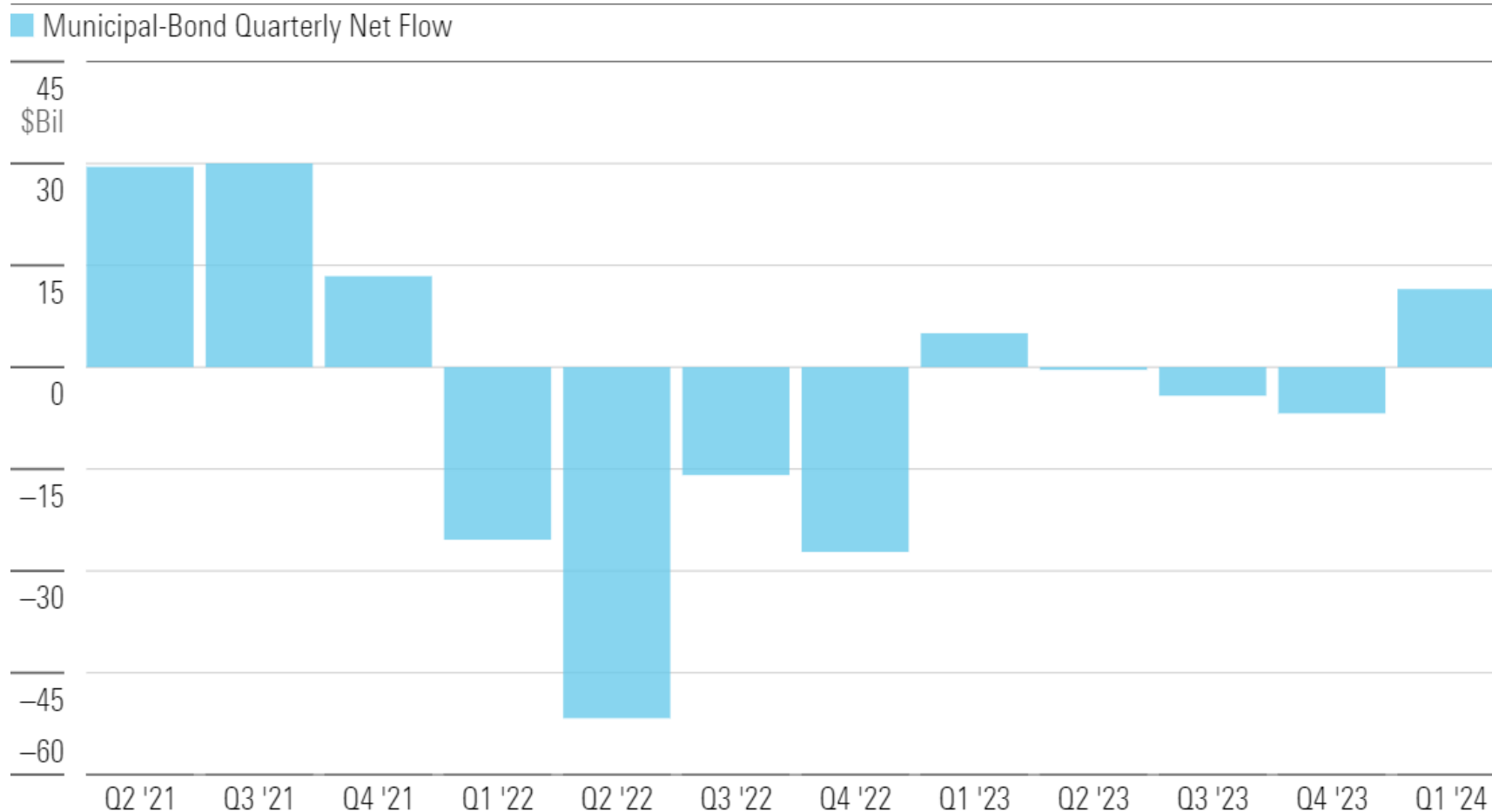
Target-maturity funds led all taxable-bond categories with a 15.4% organic growth rate in the first quarter. Investors use these products to build bond ladders with less credit concern and complexity than individual bonds. These funds pulled in at least \$1 billion in each of the past nine quarters, doubling their total assets over that span.



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Municipal-Bond Flows Round Back Into Form

Municipal-bond funds absorbed more than \$11 billion in the first quarter. That marks their best since 2021's final frame and a stark turnaround from 2023, when they shed \$6 billion on the year. The high-yield category hauled in \$4 billion in a breakout quarter, and short-term funds saw much milder outflows than last year.

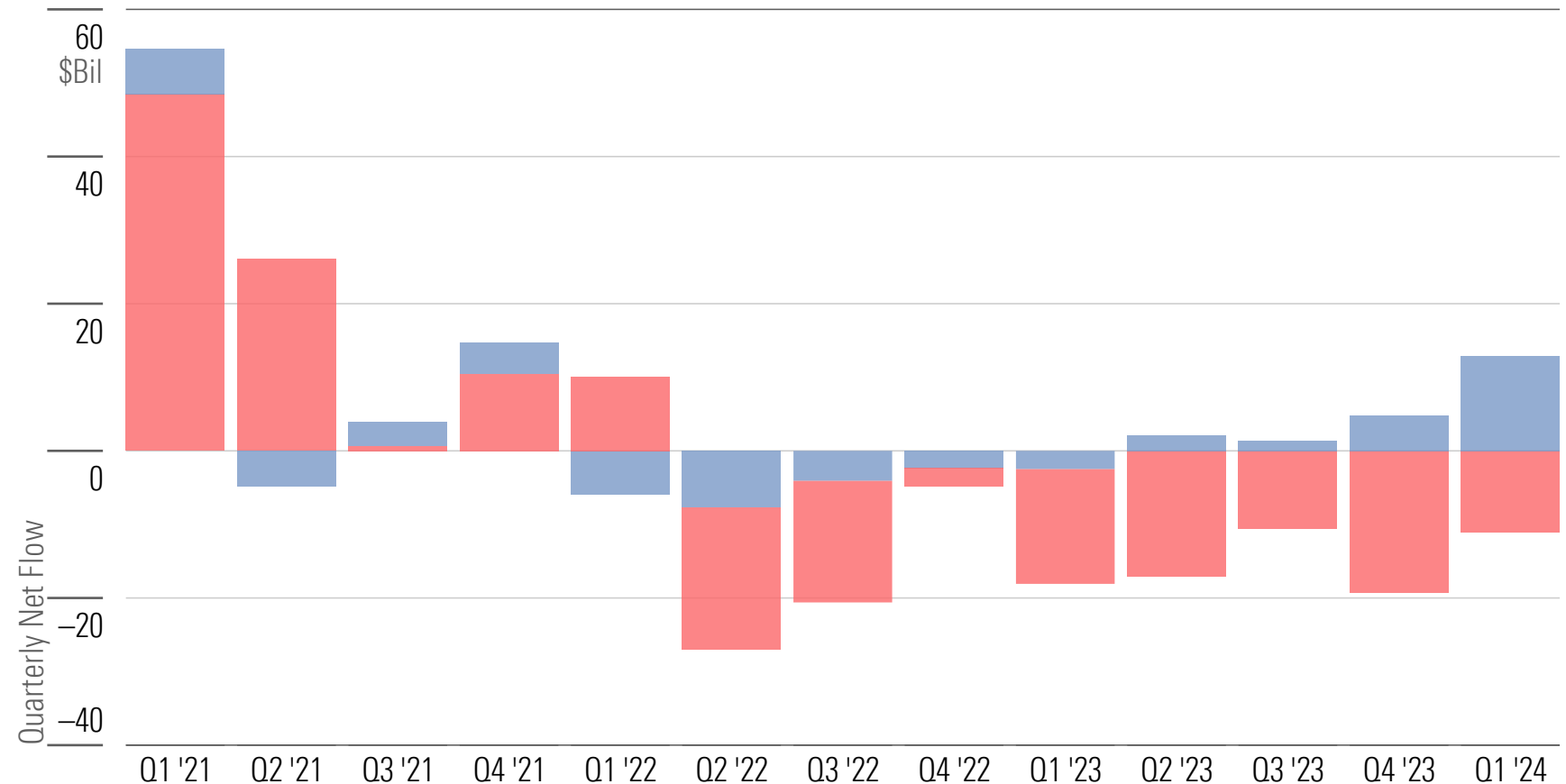


Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Tech Continues to Carry Sector-Equity Flows

It's been a rollercoaster run for sector-equity funds. They enjoyed strong demand in 2020 and 2021 but then came crashing down to earth. The cohort suffered net outflows in seven consecutive quarters at one point, but that ended in 2024's first quarter. Tech funds' resurgence was a big reason why. They collected \$4.3 billion in March and \$12.9 billion in the first quarter.

■ Technology ■ Sector Equity ex Technology



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Bitcoin ETFs Show Staying Power

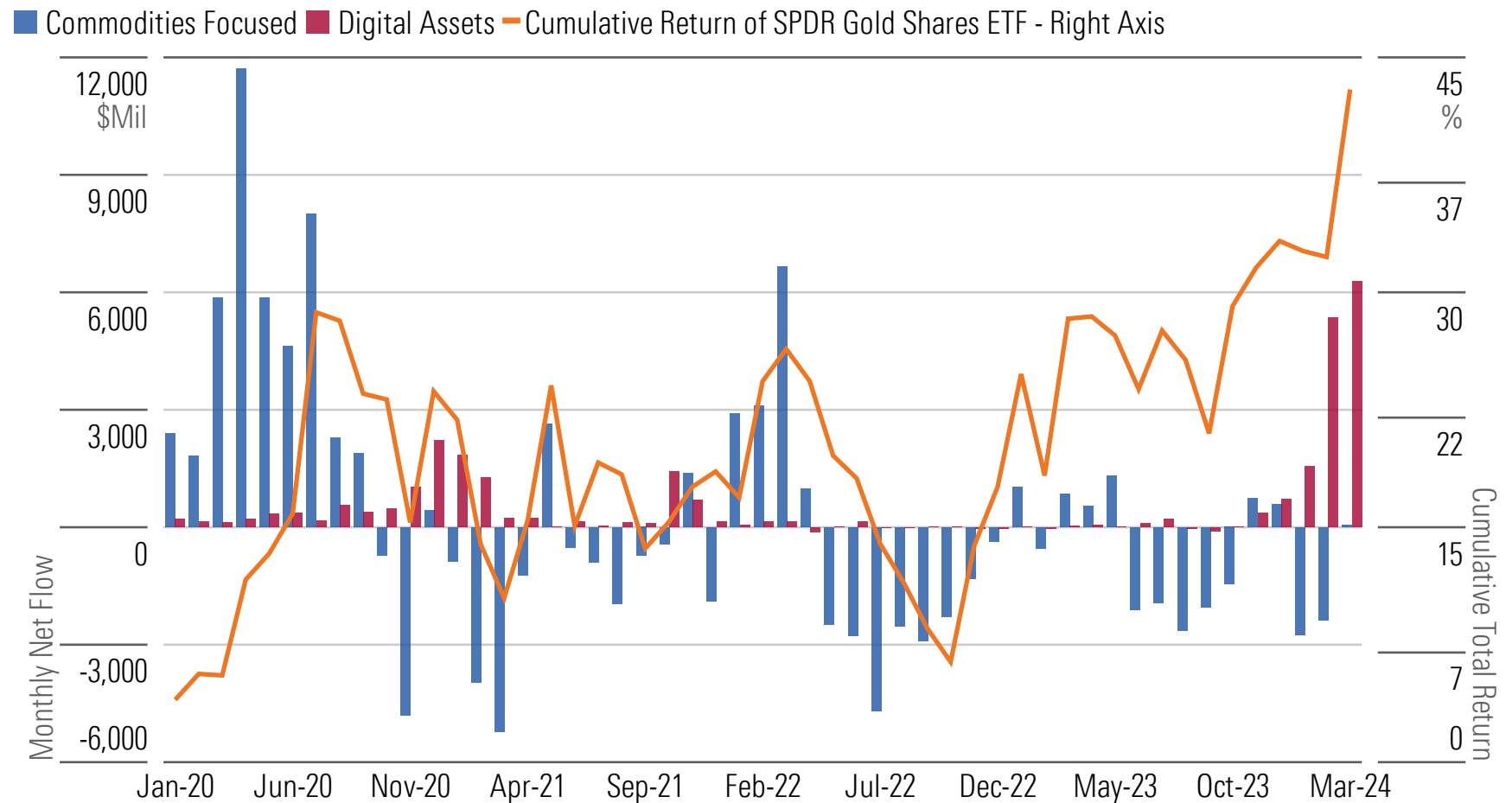
The “new nine” spot bitcoin ETFs have made a splash. Since launching in January, they raked in nearly \$27 billion and swelled to \$35 billion in assets. iShares’ offering represents about half of that, making it the early winner of the bitcoin-ETF arms race. The loser? Grayscale Bitcoin Trust, the incumbent whose hold on the market evaporated when new competition went online.

Fund	March Net Flow (\$Mil)	Q1 Net Flow (\$Mil)	Net Assets (\$Mil)
iShares Bitcoin Trust	6,750	13,980	17,736
Fidelity Wise Origin Bitcoin Fund	2,768	7,558	10,175
ARK 21Shares Bitcoin ETF	744	2,330	3,132
Bitwise Bitcoin ETF	477	1,600	2,175
Valkyrie Bitcoin Fund	320	455	537
VanEck Bitcoin Trust ETF	309	436	596
Franklin Bitcoin ETF	161	278	343
Invesco Galaxy Bitcoin ETF	(21)	227	418
WisdomTree Bitcoin Fund	24	61	81
All New Bitcoin ETFs	11,531	26,925	35,193
Grayscale Bitcoin Trust (BTC)	(6,385)	(14,805)	23,748

Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Digital Gold?

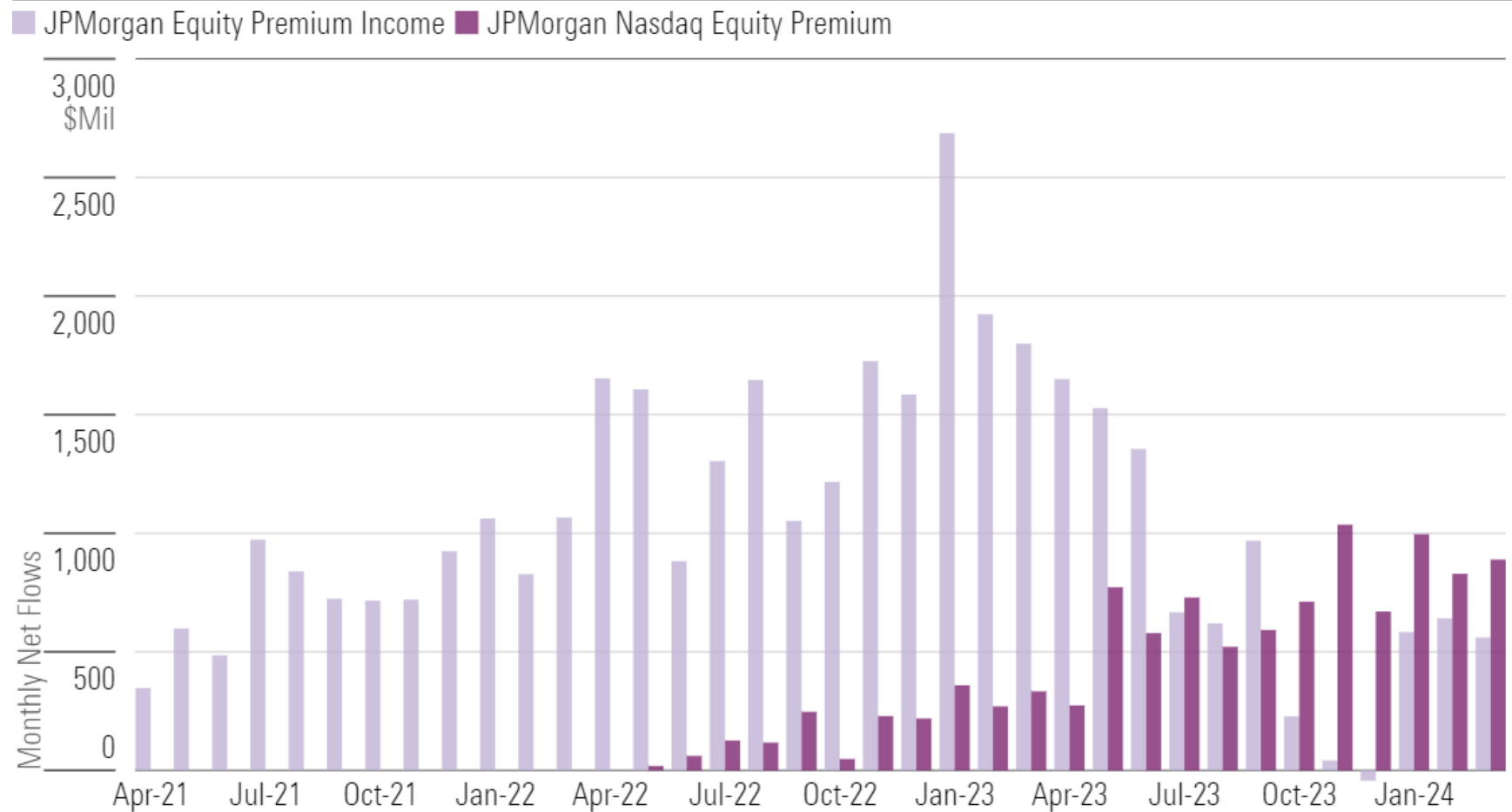
Fund flows into the commodities-focused category, which houses precious-metals funds, typically ebb and flow along with the price of gold. However, the relationship has broken down since 2024 following the SEC's approval of spot bitcoin ETFs in January. The hype may have lured away traditional gold investors despite the metal hitting all-time highs.



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

A New Covered-Call Fund Grabs the Baton

After closing 2023 on a lethargic note, the nontraditional-equity category group stormed into 2024 with \$7 billion of first-quarter flows. JPMorgan Equity Premium Income dominated this area in the early 2020s, but a new covered-call product has taken charge: JPMorgan Nasdaq Equity Premium Income. It collected nearly \$3 billion in the first quarter and \$5 billion over the past six months.

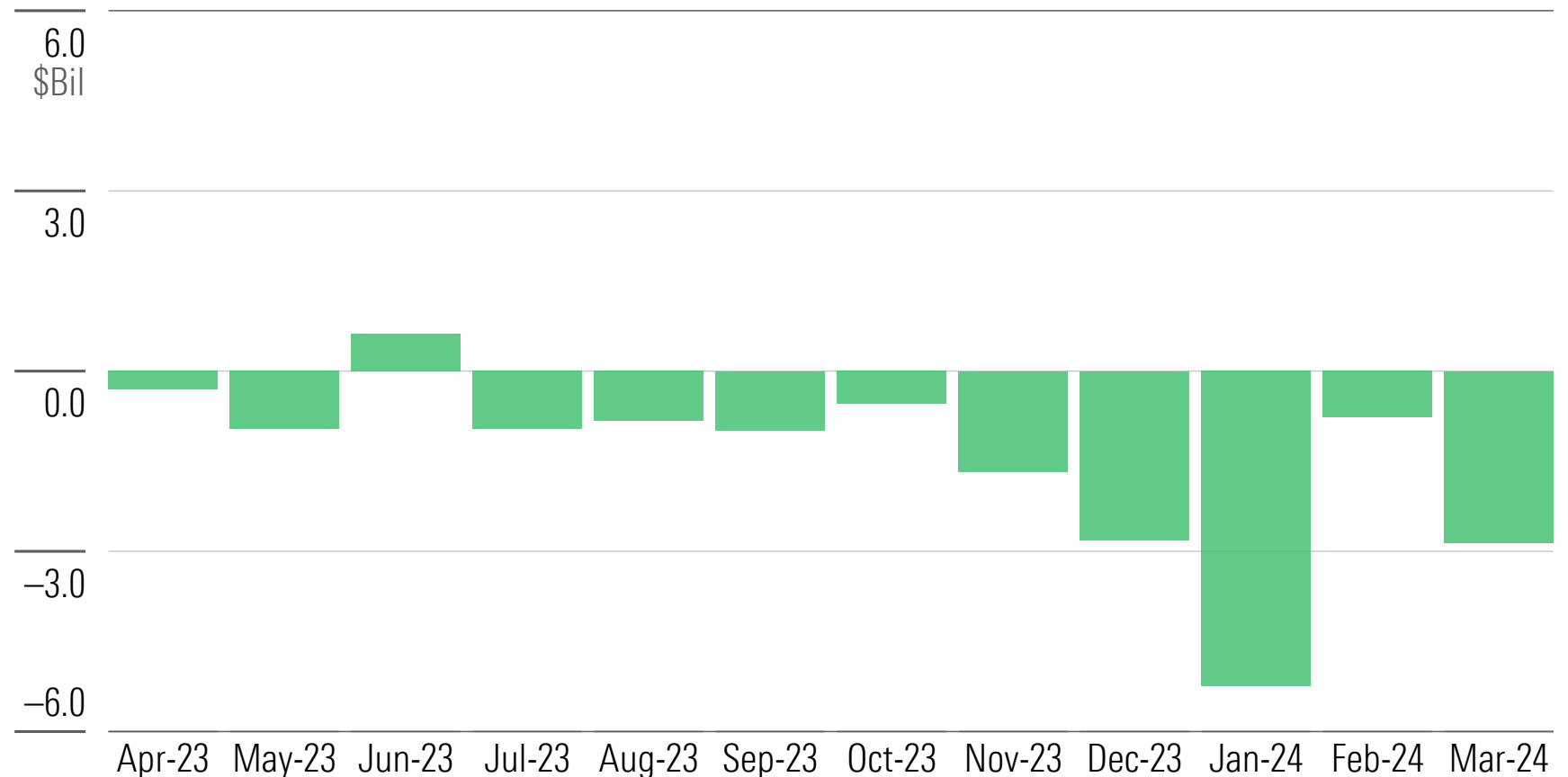


Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Momentum Remains Sluggish for Sustainable Funds

Sustainable funds shed roughly \$2.8 billion in March, their ninth consecutive month of outflows. Sustainable equity funds hold the bulk of the cohort's assets and were responsible for \$2.3 billion of March's outflow total. Sustainable taxable-bond funds took in a modest \$230 million in March, but that's well below their peak take rate in 2021.

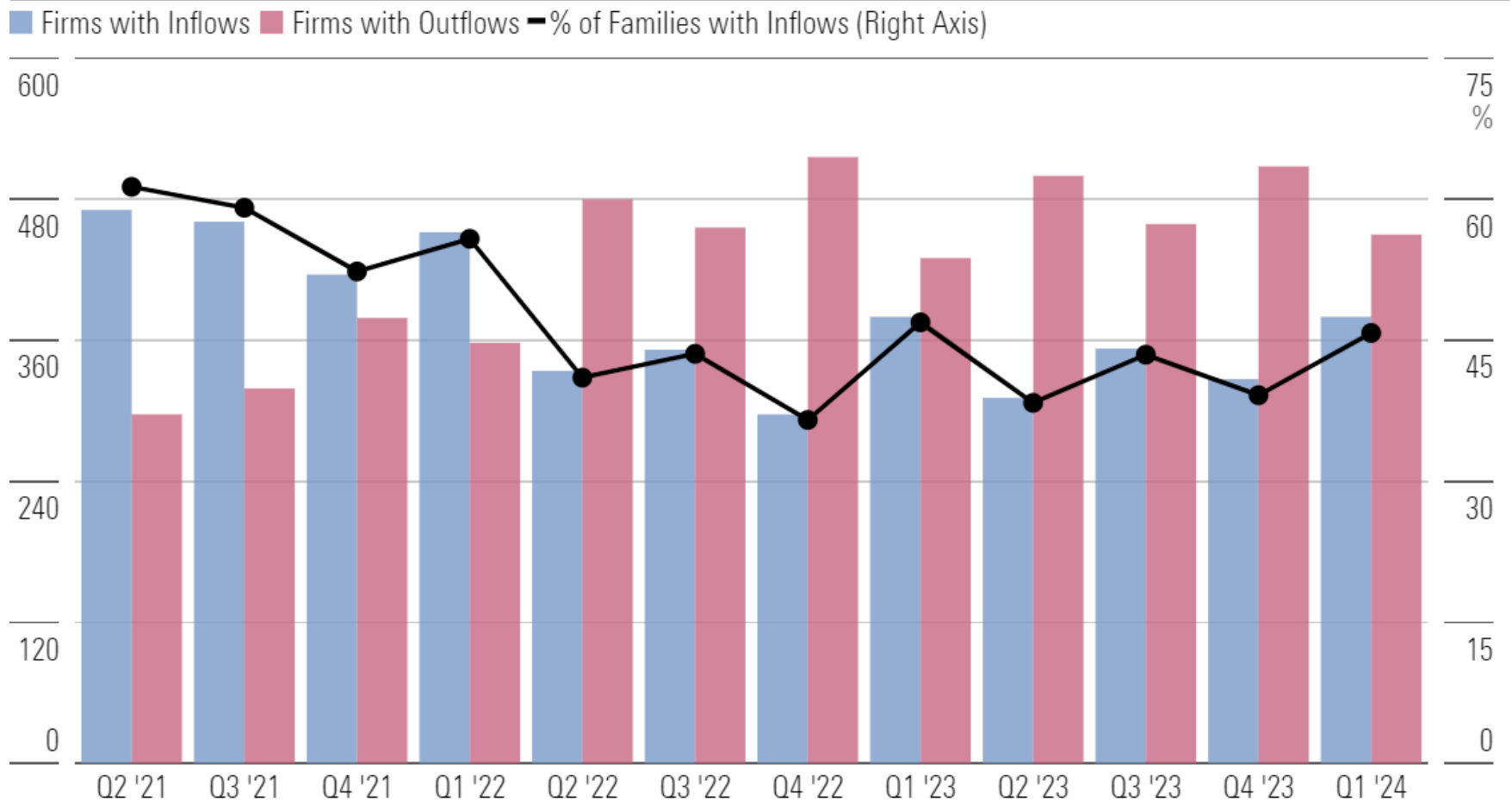
■ Sustainable Funds Net Flow



Source: Morningstar Direct Asset Flows. Comprises funds deemed to have sustainability mandates by Morningstar based on prospectus language. Data as of March 31, 2024.

Not All Fund Families Feel the Love

Despite overall inflows, most fund families found themselves in the red when the book closed on the first quarter. Since most shops manage active funds, the key to driving up the percentage of firms with inflows might be limiting active outflows. Actively managed funds collected \$224 billion in 2021 but shed a combined \$1.4 trillion over the next two years.



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Supplemental Data and Charts

March Flows for the Largest Fund Families

Fund Family	Active (\$Mil)	Passive (\$Mil)	March 2024 (\$Mil)	TTM (\$Mil)	Assets (\$Bil)
Vanguard	(3,426)	28,378	24,952	115,037	7,925
Fidelity Investments	5,640	6,724	12,364	91,315	2,946
iShares	(51)	20,602	20,551	145,388	2,752
American Funds	(4,780)		(4,780)	(71,613)	2,269
SPDR State Street Global Advisors	400	18,619	19,019	84,400	1,312
Invesco	(682)	7,138	6,457	34,179	778
T. Rowe Price	(3,214)	124	(3,089)	(44,052)	720
J.P. Morgan	3,338	1,109	4,447	35,569	615
Dimensional Fund Advisors	1,077	(166)	911	6,732	537
Franklin Templeton Investments	(2,542)	307	(2,235)	(33,125)	530

Source: Morningstar Direct Asset Flows. Data as of March 31, 2024. TTM is trailing 12 months.

US Category Group Flows

US Category Group	March 2024 (\$Mil)	TTM (\$Mil)	TTM OGR (%)	Assets (\$Bil)
US Equity	32,157	46,477	0.40	14,685
Sector Equity	5,154	(36,975)	(3.12)	1,363
International Equity	(1,056)	12,000	0.33	4,113
Allocation	(6,528)	(86,083)	(6.44)	1,421
Taxable Bond	44,198	294,504	5.96	5,332
Municipal Bond	3,727	173	0.02	876
Alternative	6,626	11,422	6.05	256
Commodities	97	(17,148)	(10.15)	162
Nontraditional Equity	2,469	23,720	31.03	107
Miscellaneous	2,605	(4,222)	(4.97)	114
All Long Term	89,450	243,868	1.02	28,428

Source: Morningstar Direct Asset Flows. Data as of March 31, 2024. TTM is trailing 12 months. OGR is organic growth rate.

Active/Passive Flows by US Category Group

US Category Group	Active 1-Mo (\$Mil)	Active TTM (\$Mil)	Active Assets (\$Bil)	Passive 1-Mo (\$Mil)	Passive TTM (\$Mil)	Passive Assets (\$Bil)
US Equity	(13,737)	(276,689)	5,842	45,894	323,167	8,843
Sector Equity	(2,403)	(37,076)	454	7,557	101	909
International Equity	(8,004)	(64,036)	2,192	6,948	76,036	1,921
Allocation	(6,639)	(86,402)	1,414	111	318	6
Taxable Bond	21,453	77,376	3,053	22,745	217,128	2,279
Municipal Bond	2,673	(11,656)	767	1,054	11,829	109
Alternative	5,431	11,334	199	1,195	88	57
Commodities	138	(13,650)	123	(42)	(3,498)	39
Nontraditional Equity	2,193	20,474	91	276	3,245	16
Miscellaneous	1,504	3,414	7	1,102	(7,636)	107
All Long Term	2,609	(376,910)	14,141	86,841	620,778	14,286

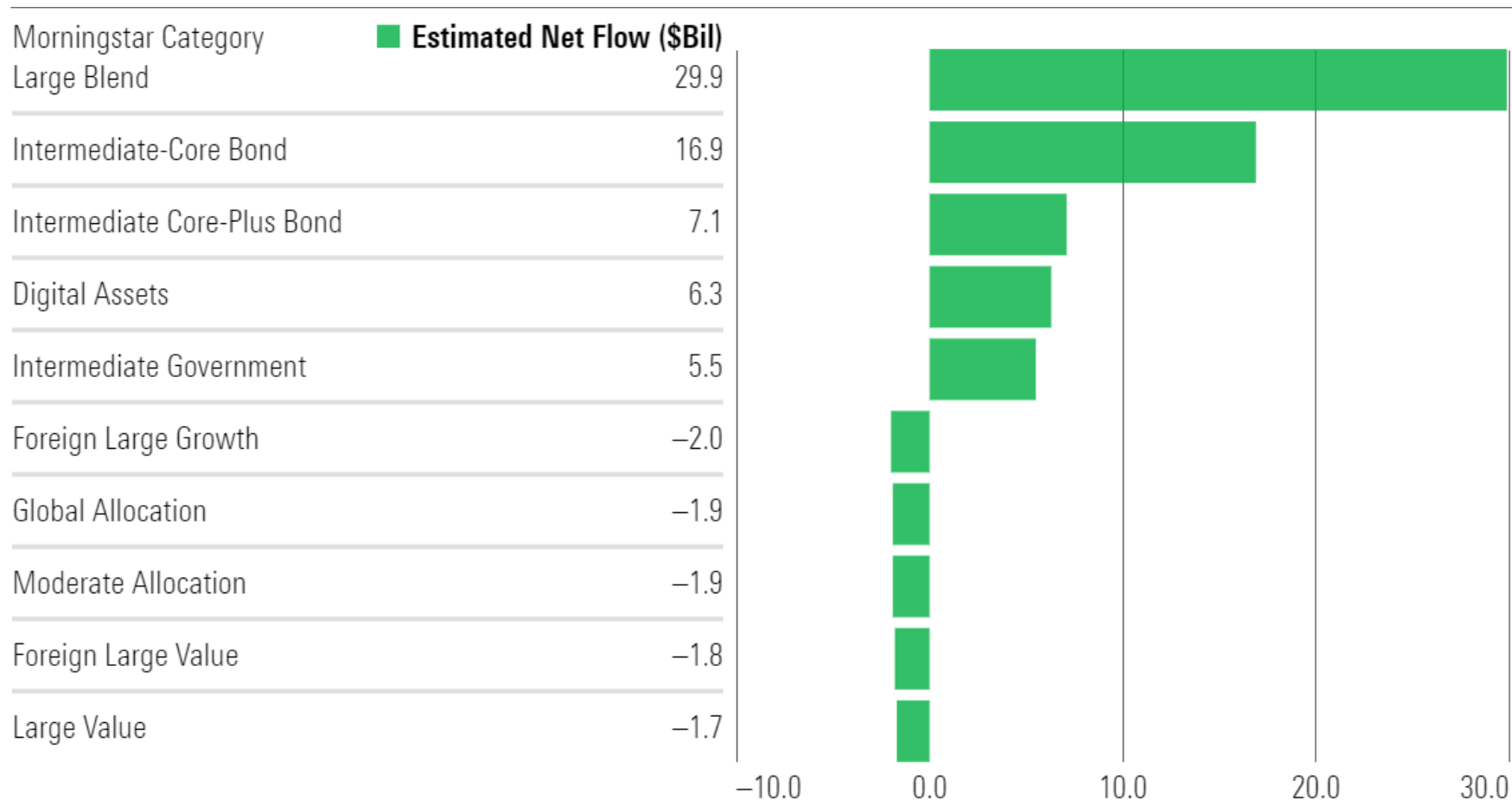
Source: Morningstar Direct Asset Flows. Data as of March 31, 2024. TTM is trailing 12 months.

ETF Flows

ETF Subgroup	March 2024 (\$Bil)	QTD (\$Bil)	1-Year (\$Bil)	3-Year (\$Bil)
Actively Managed	27.2	65.6	155.8	308.7
Passively Managed	73.5	126.8	540.3	1,714.1
Total	100.7	192.4	696.1	2,022.8

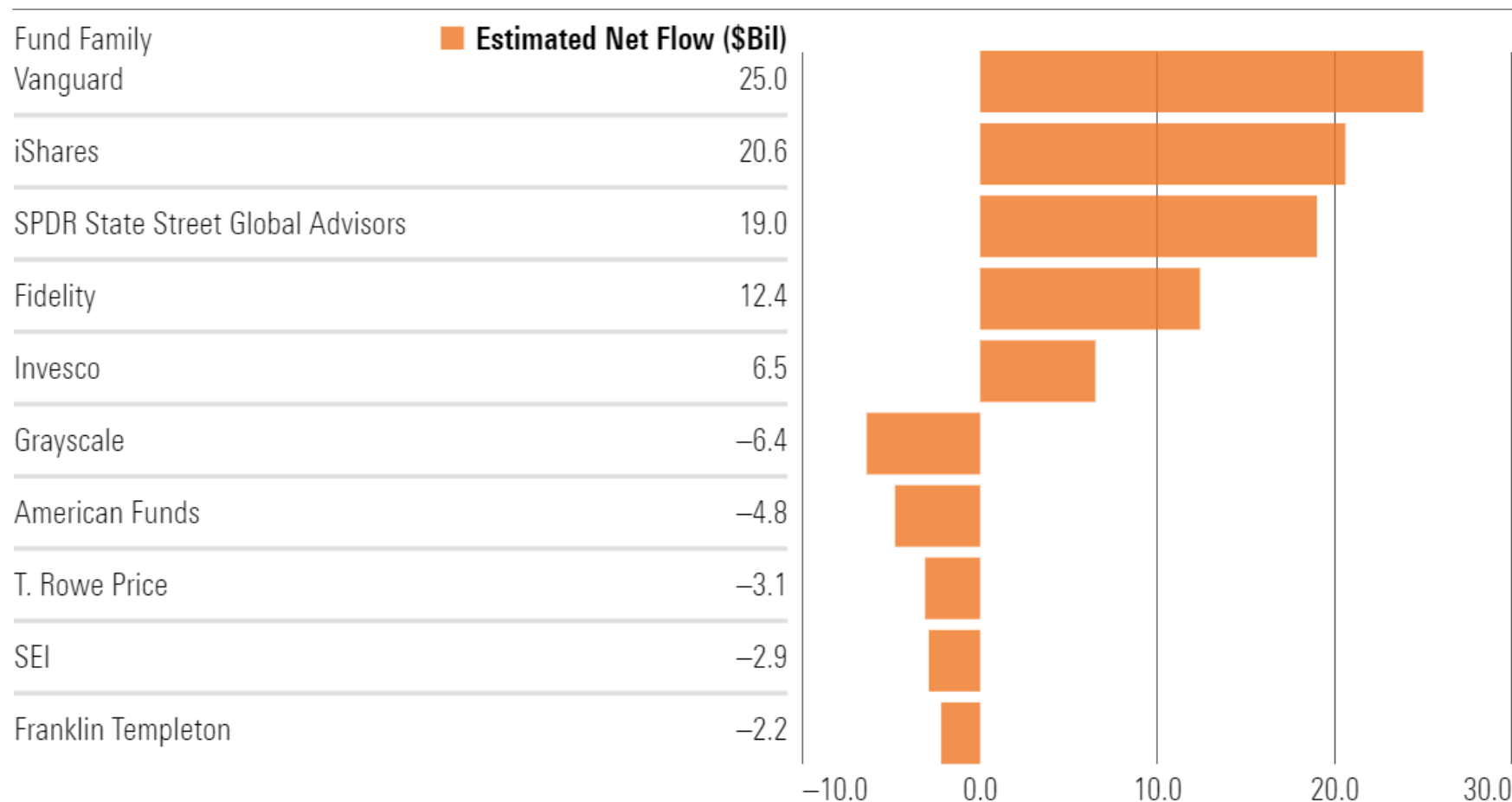
Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Morningstar Categories With the Largest March Inflows and Outflows



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

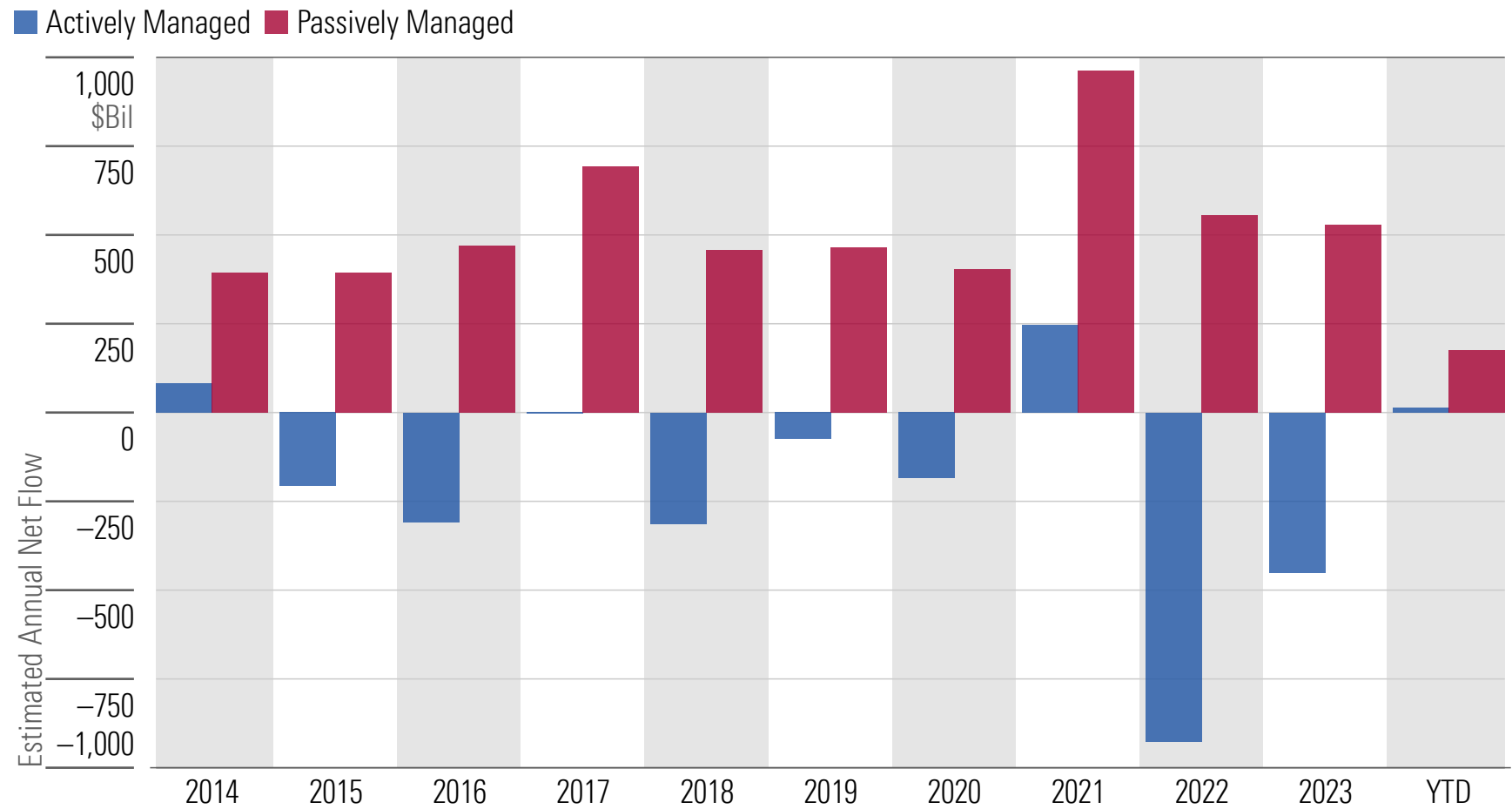
Fund Families With the Largest March Inflows and Outflows



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Long-Term Trends

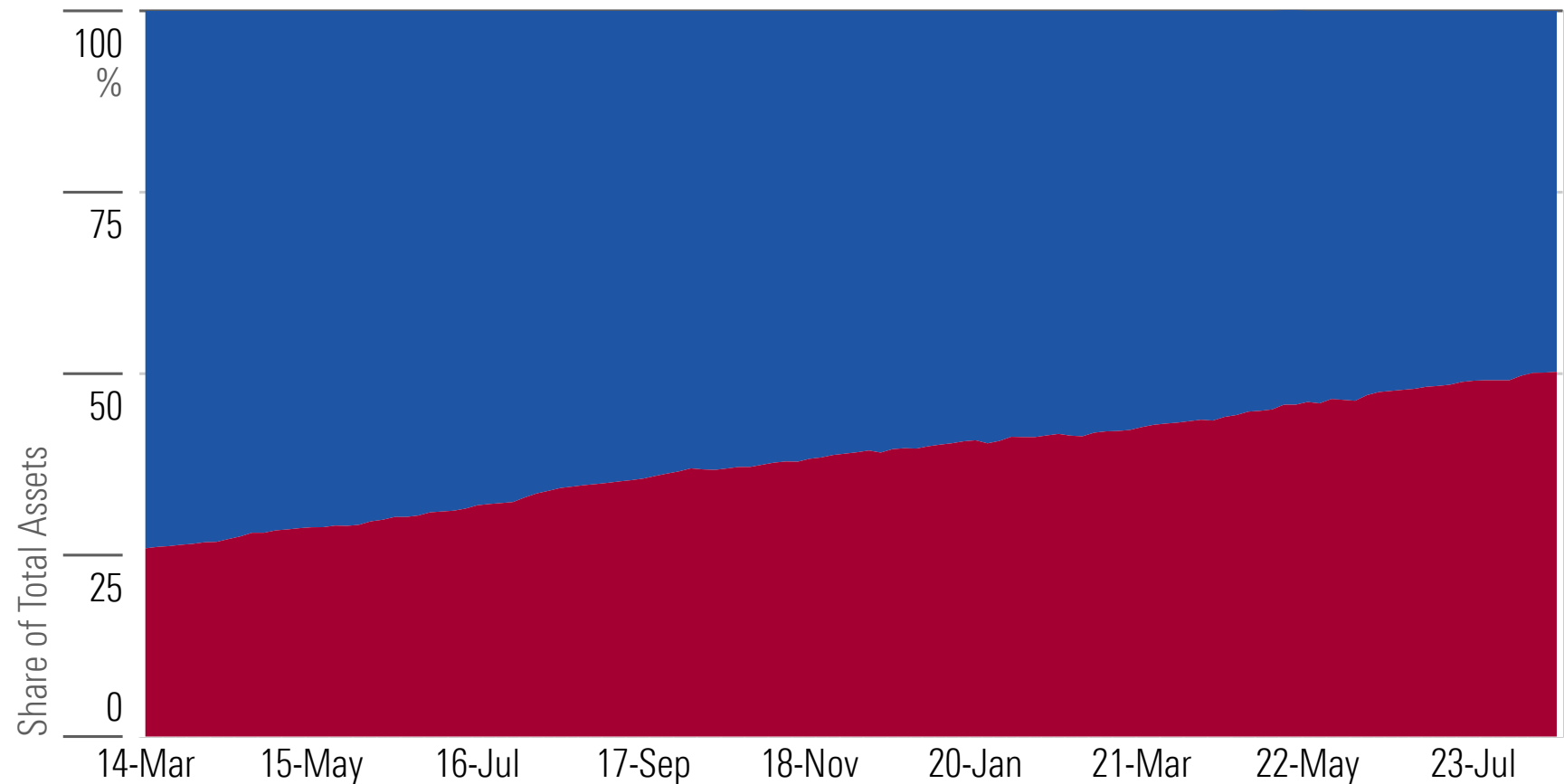
Active Versus Passive: US Long-Term Fund Flows by Calendar Year



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

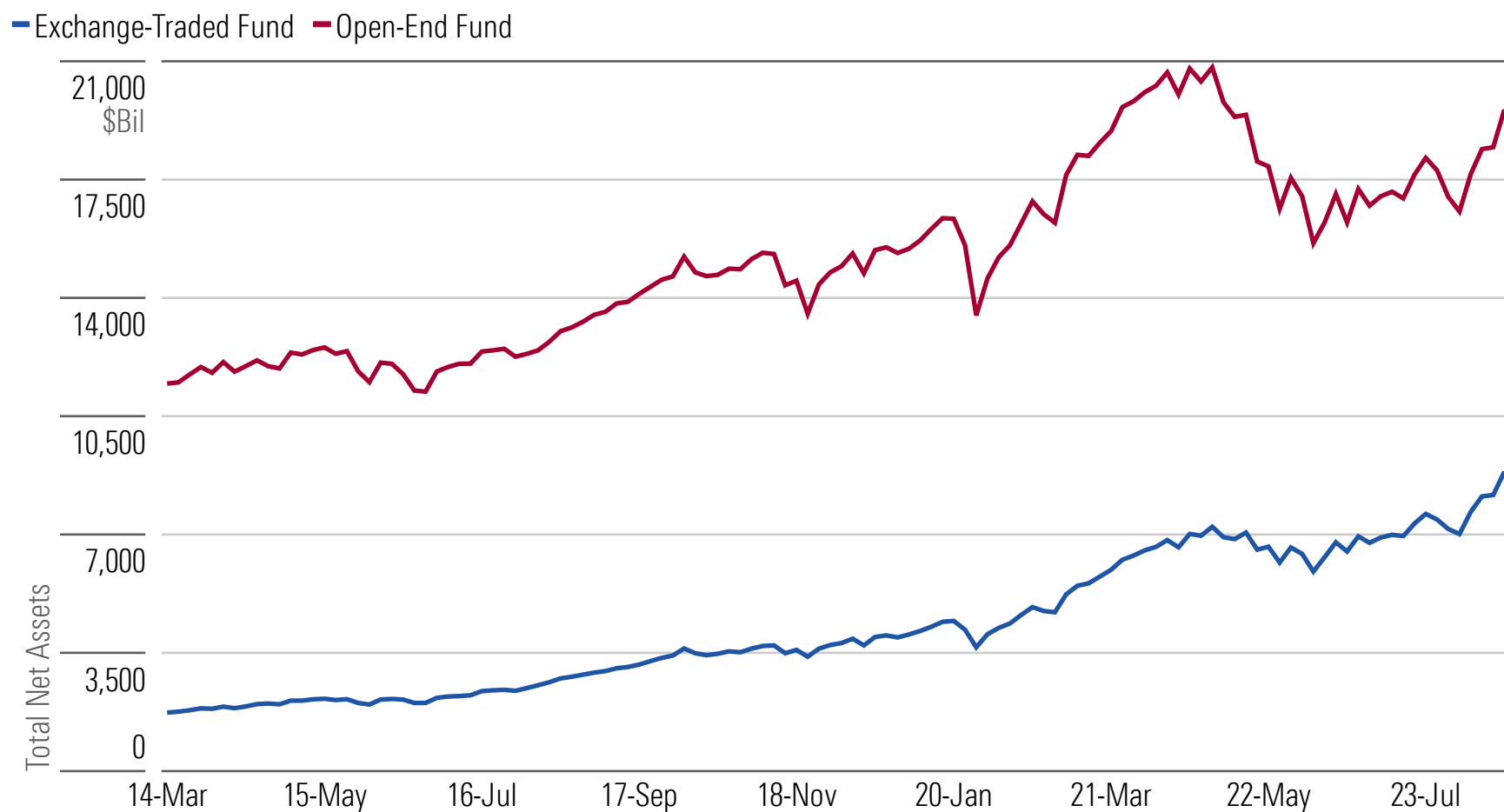
Active Versus Passive: Share of US Long-Term Fund Total Assets

▲ Actively Managed ▲ Passively Managed



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

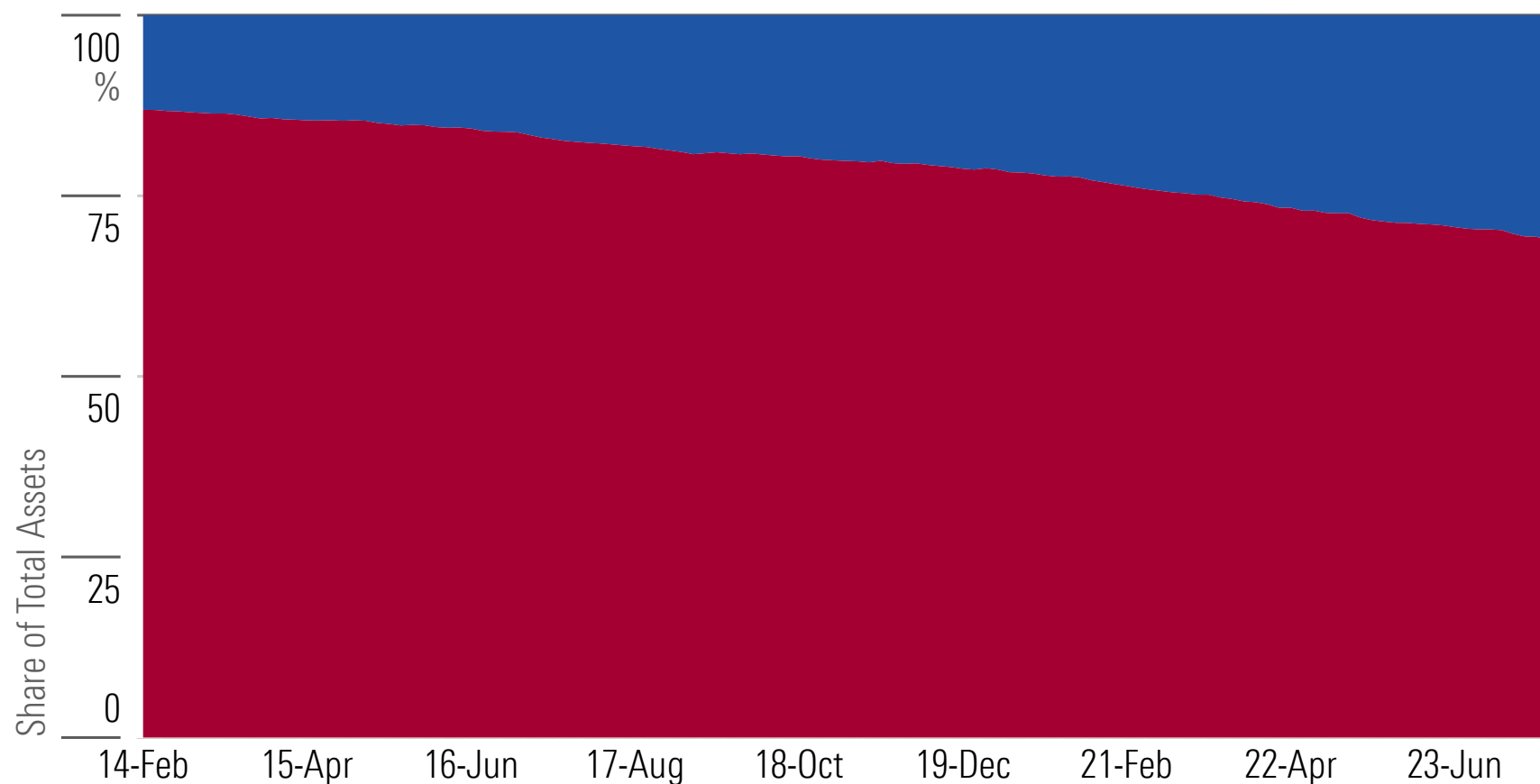
Open-End Funds Versus ETFs: Total Assets (US Long-Term Funds)



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Open-End Funds Versus ETFs: Share of US Long-Term Fund Total Assets

▲ Exchange-Traded Fund ▲ Open-End Fund



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

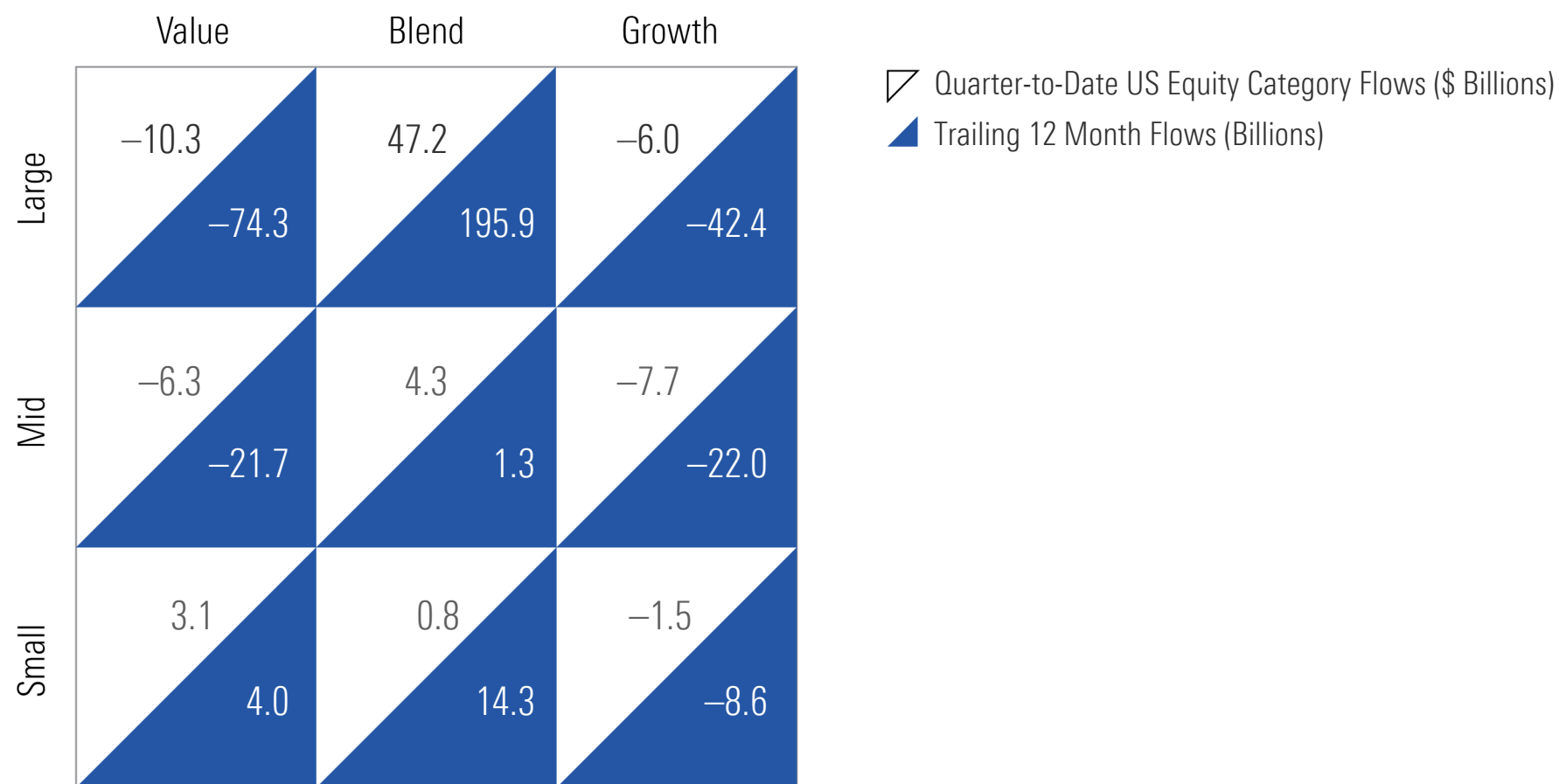
Multiyear US Category Group Flows

Category Group	1-Year (\$Bil)	3-Year (\$Bil)	5-Year (\$Bil)	10-Year (\$Bil)
US Equity	46.5	154.2	(79.8)	(14.4)
Sector Equity	(37.0)	(63.5)	29.9	110.9
International Equity	12.0	190.8	179.6	814.8
Allocation	(86.1)	(180.4)	(295.6)	(432.9)
Taxable Bond	294.5	500.8	1,419.9	2,271.6
Municipal Bond	0.2	(42.3)	120.8	272.2
Alternative	11.4	58.9	74.4	64.8
Commodities	(17.1)	(23.5)	18.6	35.8
Nontraditional Equity	23.7	72.2	64.5	42.5
Miscellaneous	(4.2)	31.1	49.0	58.4

Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

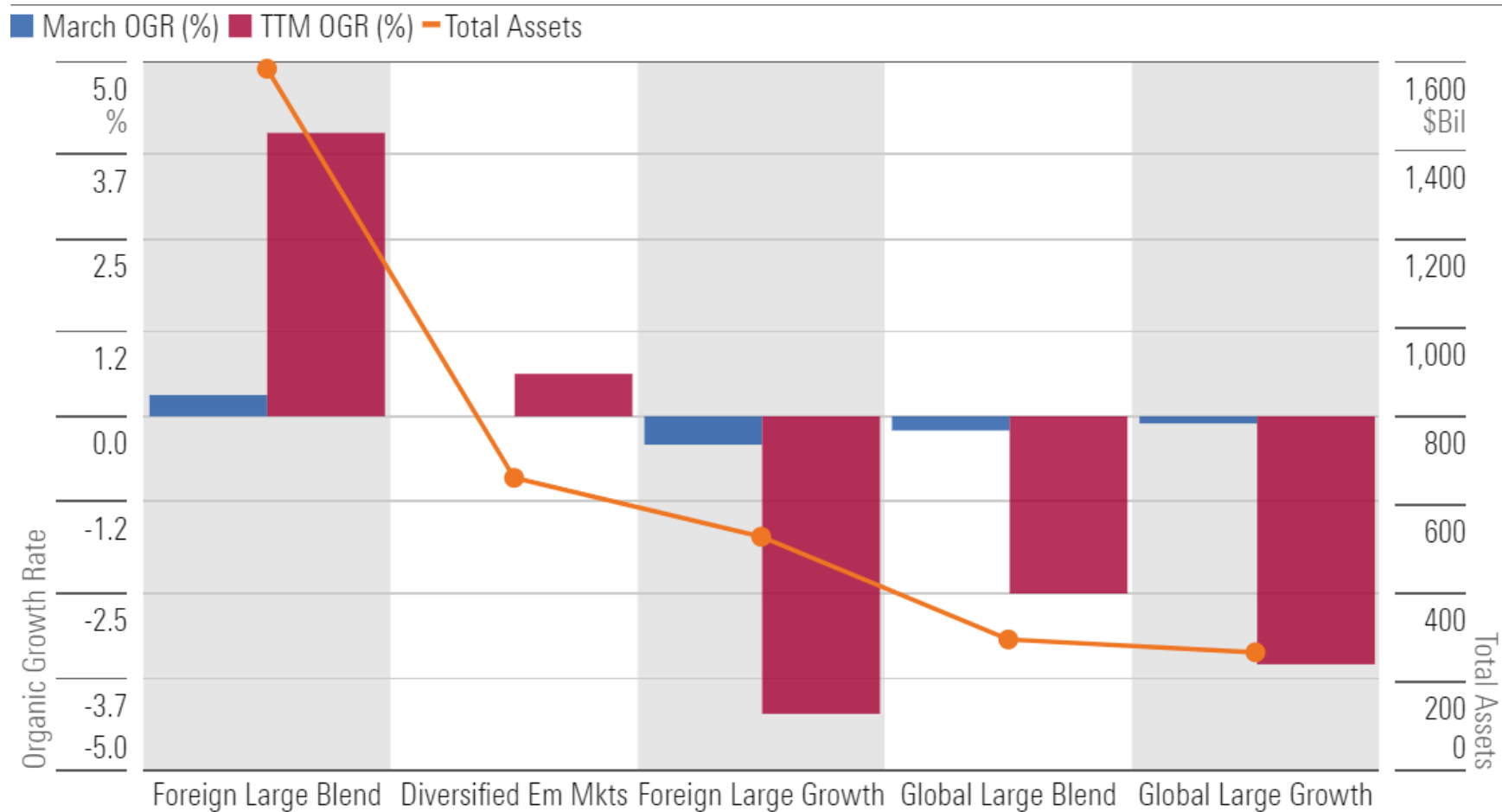
Category Group Detail

US Equity: First-Quarter 2024 Category Flows



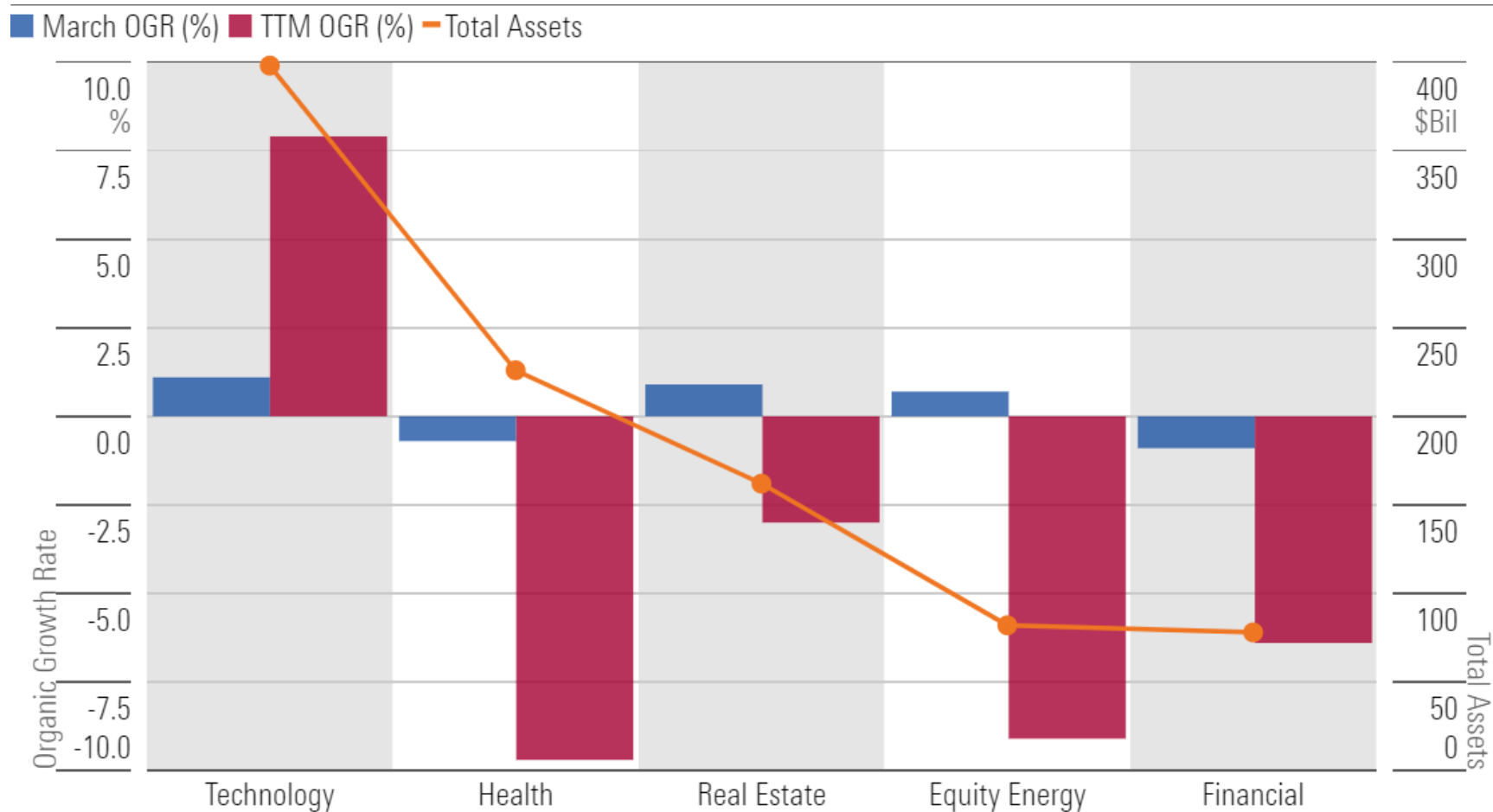
Source: Morningstar Direct Asset Flows. Data as of March 31, 2024.

Flows of the 5 Largest International-Equity Categories by Total Assets



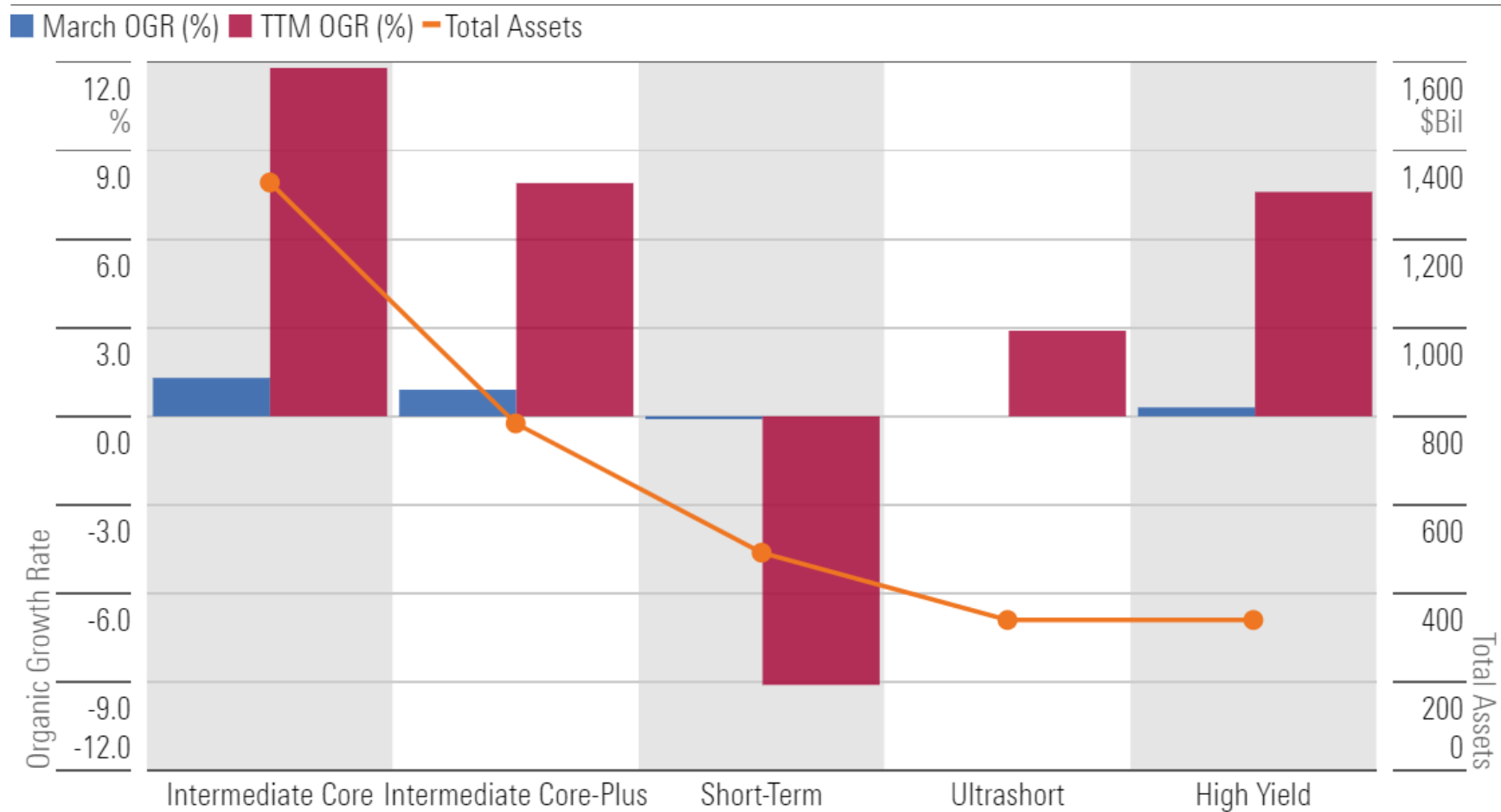
Source: Morningstar Direct Asset Flows. Data as of March 31, 2024. OGR is organic growth rate.

Flows of the 5 Largest Sector-Equity Categories by Total Assets



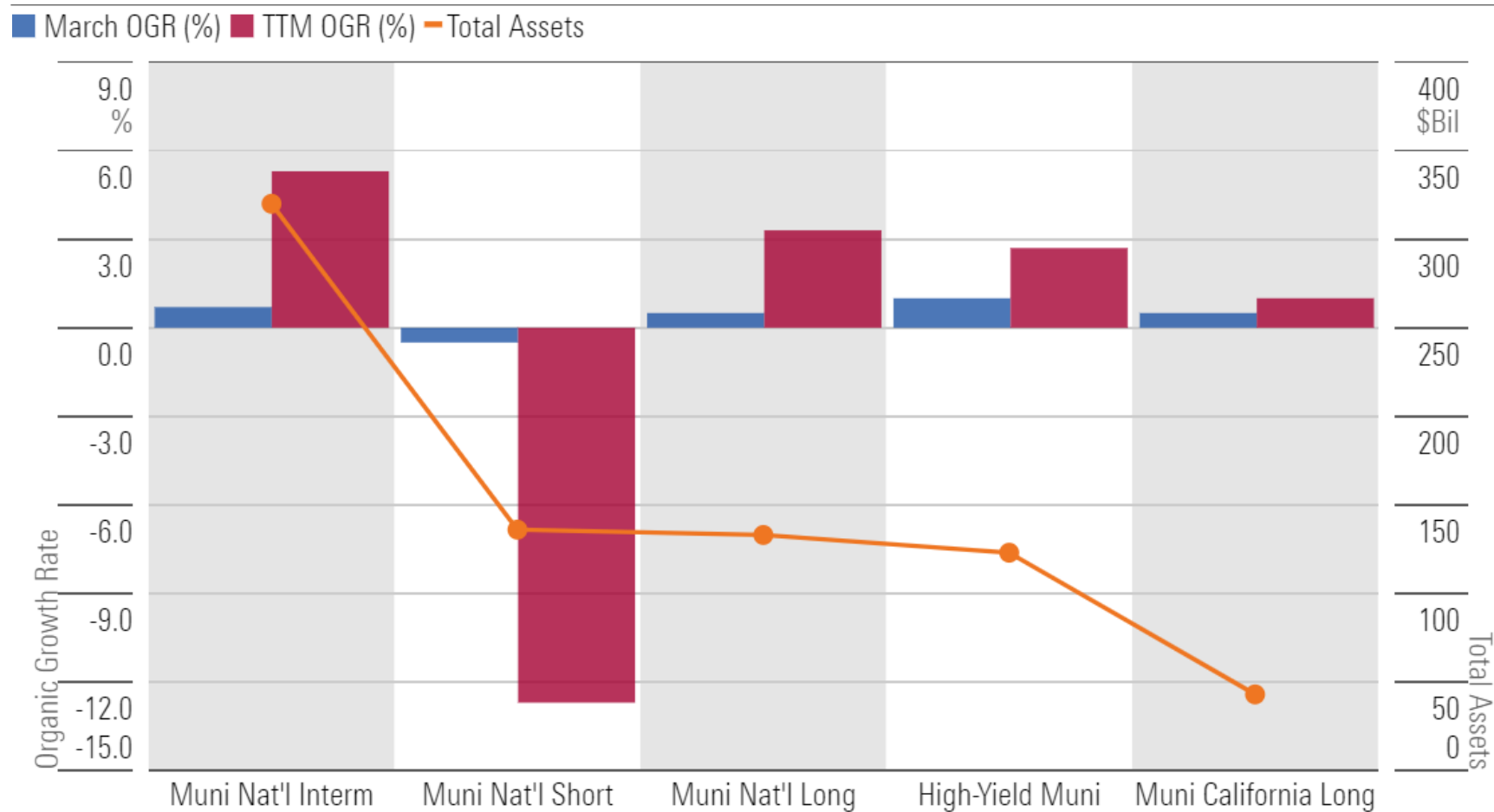
Source: Morningstar Direct Asset Flows. Data as of March 31, 2024. OGR is organic growth rate.

Flows of the 5 Largest Taxable-Bond Categories by Total Assets



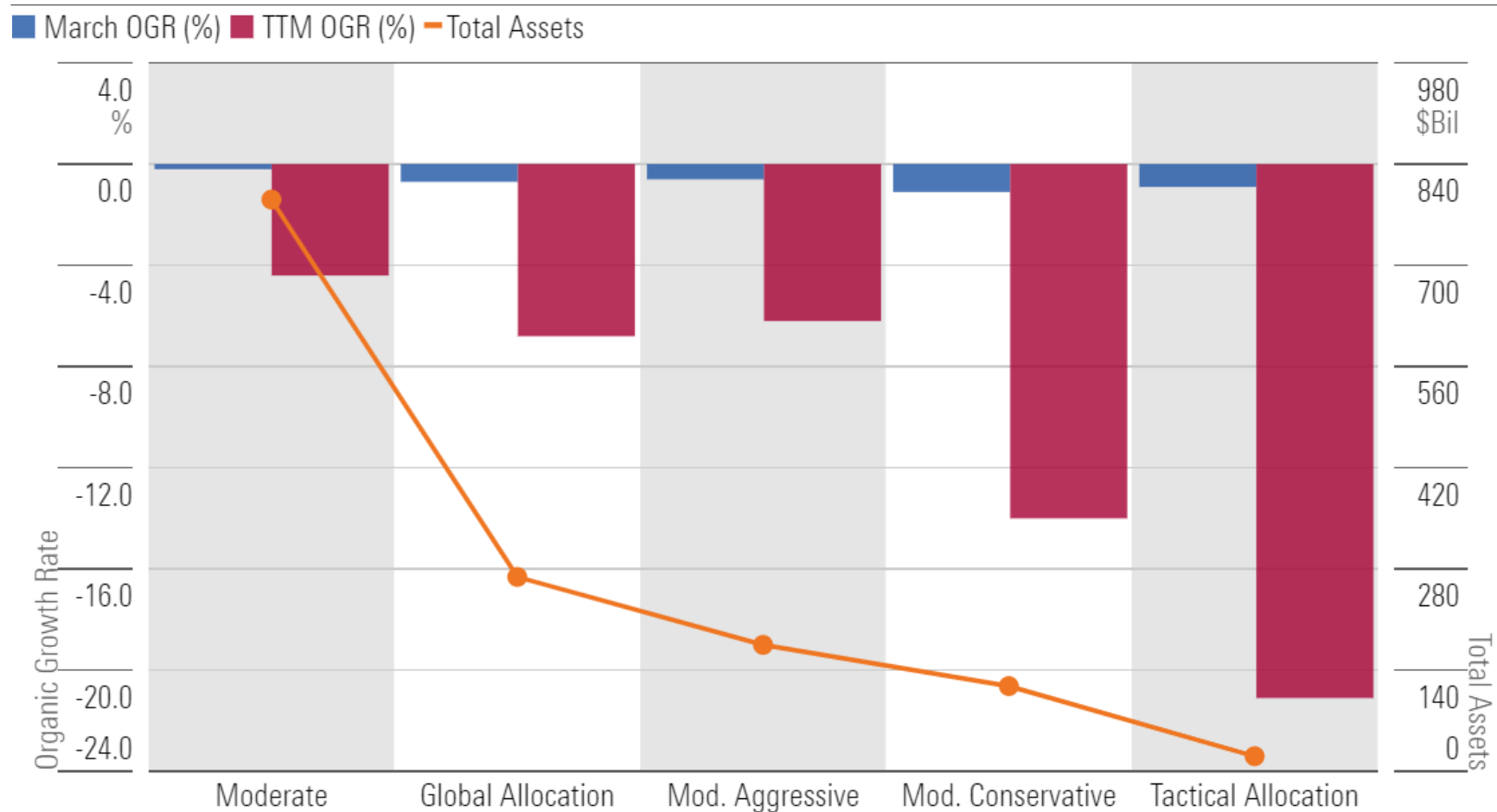
Source: Morningstar Direct Asset Flows. Data as of March 31, 2024. OGR is organic growth rate.

Flows of the 5 Largest Municipal-Bond Categories by Total Assets



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024. OGR is organic growth rate

Flows of the 5 Largest Allocation Categories by Total Assets



Source: Morningstar Direct Asset Flows. Data as of March 31, 2024. OGR is organic growth rate.

Disclosures

Note: The figures in this report were compiled on April 10, 2024, and reflect only the funds that had reported net assets by that date. The figures in both the commentary and the extended tables are survivorship-bias-free. This report includes both mutual funds and exchange-traded funds but not funds of funds unless specifically stated. It does not include collective investment trusts or separate accounts.

Important methodology note: Morningstar computes flows using the approach that is standard in the industry: Net flow is the estimated change in assets not explained by the performance of the fund. Our method assumes that flows occur uniformly over the course of the month. Adjustments for mergers are performed automatically. When liquidated funds are included, the final assets of the fund are counted as outflows. Reinvested dividends are not counted as inflows. We use fund-level reinvestment rates to improve accuracy in this respect. We make ad hoc adjustments for unusual corporate actions such as reverse share splits, and we overwrite our estimates with actual flows if managers are willing to provide the data to us. When possible, Morningstar offsets outflows caused by transfers to other investment vehicles that share an identical mandate since they are not indicative of a change in investor interest.

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