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# U.S. Fund Flows

January 2024



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## Table of Contents

3-13	Monthly Summary
14-20	Supplemental Data and Charts
21-26	Long-Term Trends
27-28	Disclosures

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# Summary: January 2024

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## Key Takeaways

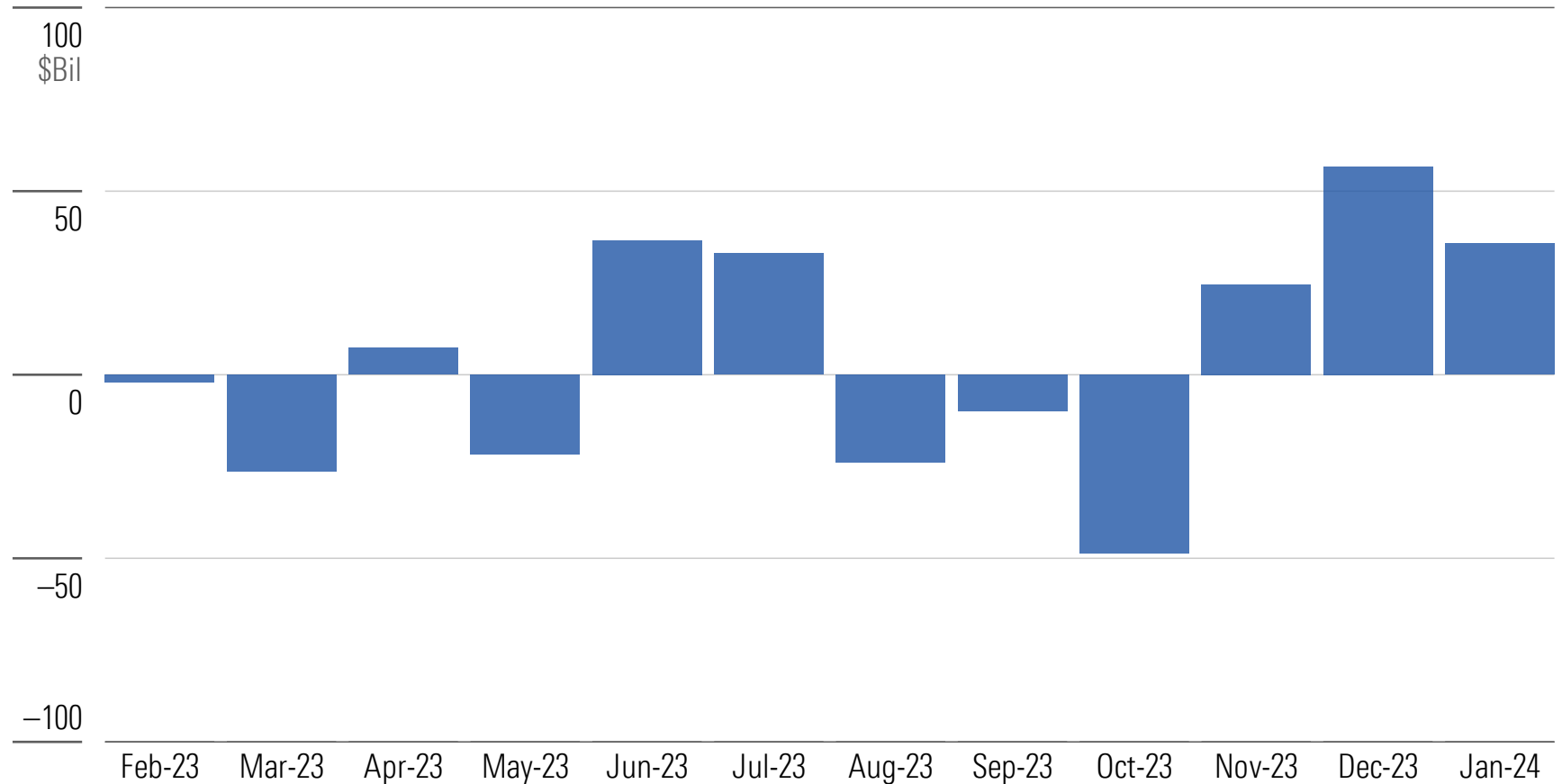
- ▶ Long-term<sup>1</sup> U.S. mutual funds and exchange-traded funds gathered \$36 billion in January 2024. Six of the 10 category groups enjoyed inflows on the month.
- ▶ U.S. equity flows remain weak; they shed about \$11 billion in January.
- ▶ Taxable-bond funds enjoyed their strongest month of flows since 2021 on an absolute basis, bringing in \$47 billion. Active managers captured \$25 billion of that total.
- ▶ Municipal-bond funds collected just over \$4 billion, the most since January 2023.
- ▶ Technology funds brought in \$4.7 billion, the most since February 2021.
- ▶ Powered by newly launched bitcoin ETFs, alternative funds took in about \$2.5 billion. Digital assets funds raked in \$1.3 billion.
- ▶ Led by strong flows into J.P. Morgan covered-call ETFs, nontraditional equity funds gathered \$2.1 billion, a sharp pivot from their weakening flows in 2023's fourth quarter.
- ▶ Fidelity leveraged its passive offerings to collect \$13 billion, the second most of all fund families.

<sup>1</sup> Long-term funds exclude money market funds.

## January Fund Flows Were a Mixed Bag

U.S. mutual funds and ETFs gathered \$36 billion in January after wrapping up a weak 2023. Six of the 10 U.S. category groups took in net new money, including a handful that broke out of multi-month outflow skids. Bond funds took in the most money of any broad cohort. Equity fund flows were relatively weak.

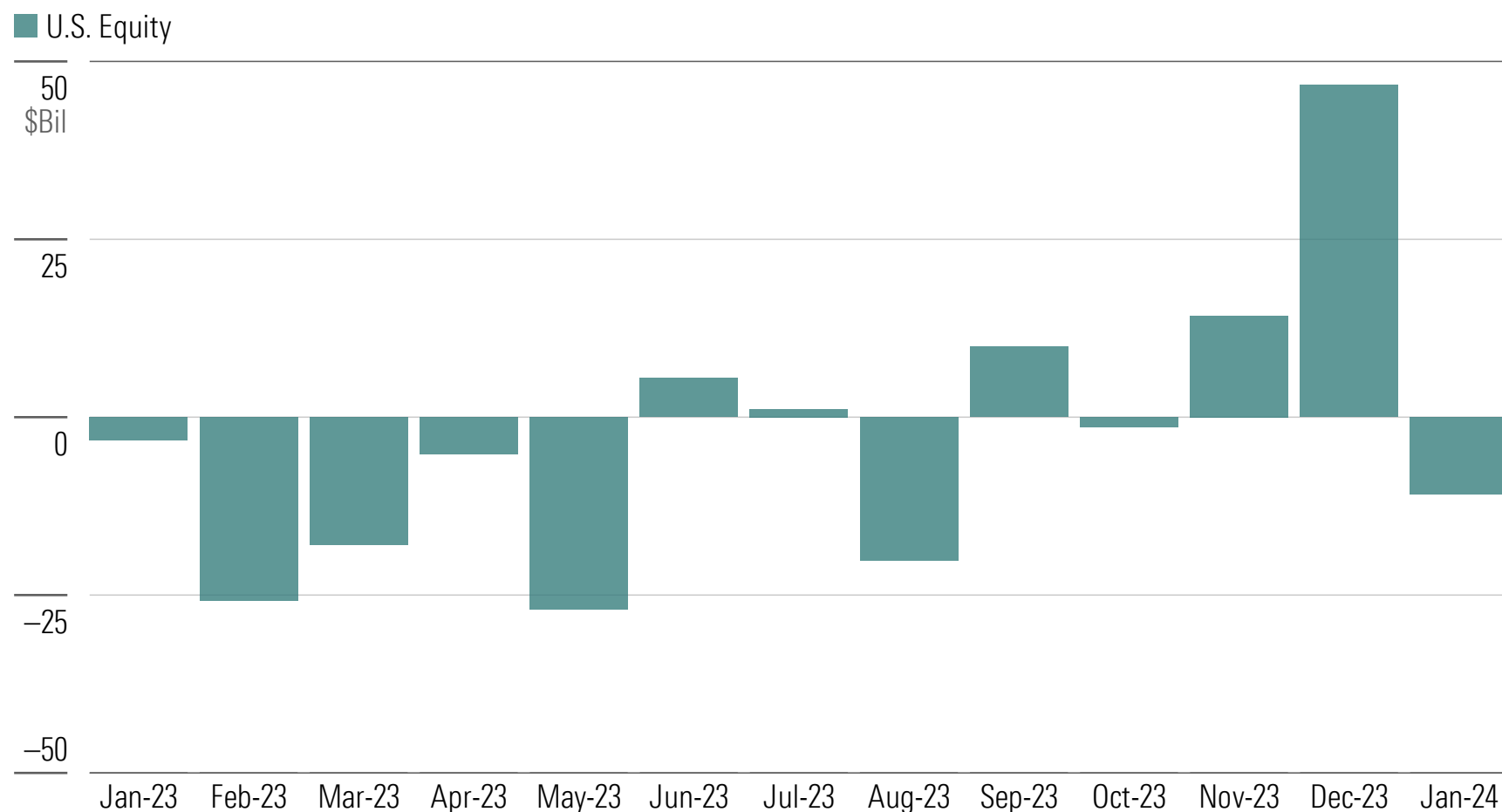
■ Monthly Long-Term U.S. Fund Flows



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

## U.S. Markets Keep Rallying — but Don't Credit Fund Flows

Investors were net sellers of U.S. equity funds during 2023's strong market, which continued into January 2024. U.S. equity funds shed \$10.7 billion as the U.S. stock market closed January with strong gains after a choppy start. With mega-cap tech stocks delivering the goods yet again, large-value funds suffered the largest outflows, dropping \$7.4 billion.

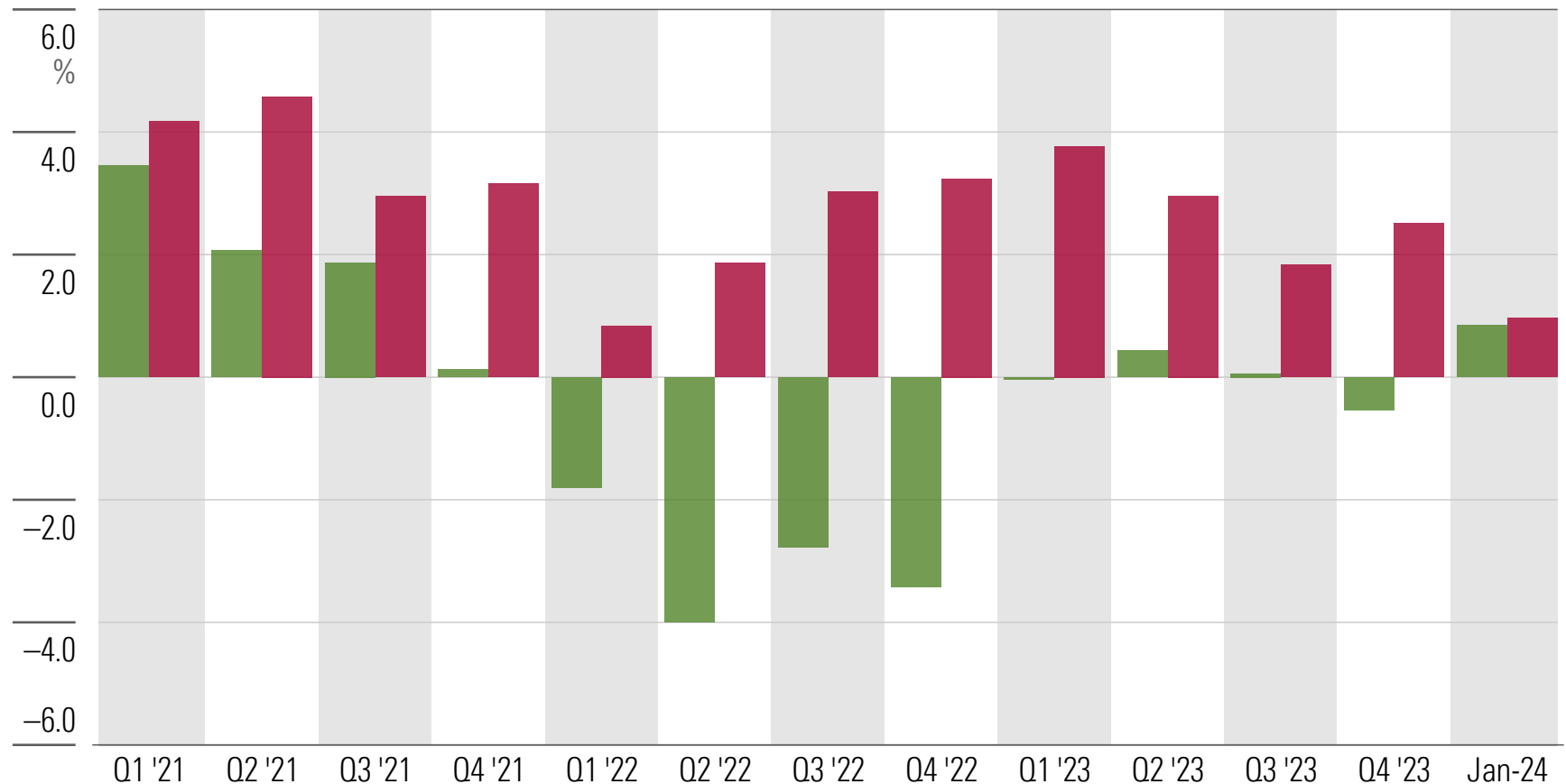


Source: Morningstar Direct Asset Flows. Data as of Jan. 31, 2024.

## Taxable-Bond Funds Roar Back in January

Taxable-bond funds gathered just over \$47 billion in January, their highest total since 2021 and equivalent to a 0.9% monthly organic growth rate. A host of categories collected healthy flows, including credit-sensitive ones like corporate bond and high-yield bond. Actively managed taxable-bond funds took in \$25 billion of the \$47 billion total, which was good for their best showing since 2021.

■ Active Taxable-Bond OGR ■ Passive Taxable-Bond OGR



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

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## Municipal-Bond Funds See Strongest Flows in a Year

Over \$4 billion streamed into municipal-bond funds in January, the most since January 2023. The municipal-bond fund universe skews toward shorter-duration offerings, which were out of favor last year, but flows into national intermediate-, long-, and high-yield categories offset another \$1.7-billion outflow from the muni-national short category.

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### Select Municipal-Bond Categories

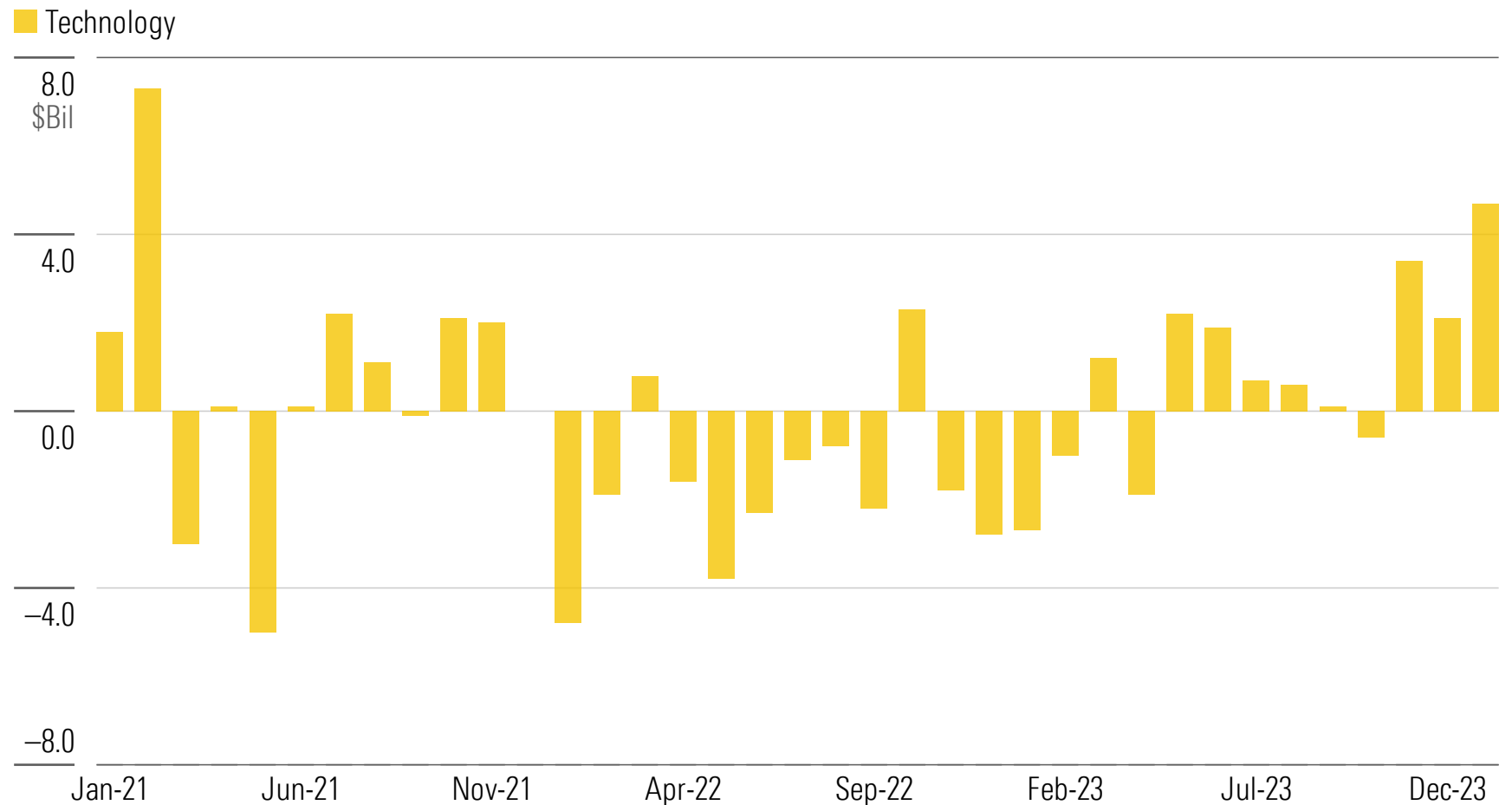
	Jan 2024 Net Flow (\$Mil)	TTM Net Flow (\$Mil)	TTM Organic Growth Rate
Muni-National Interim	2,076	16,635	5.66
High-Yield Muni	1,370	(275)	(0.23)
Muni National Long	1,360	3,266	2.56
Muni National Short	(1,749)	(24,263)	(15.37)
Municipal-Bond Total	4,153	(9,017)	(1.05)

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



## Technology Funds a Shot in the Arm for the Sector Equity Group

After outflows in five consecutive months (and 12 out of the last 13), sector-equity funds took in about \$130 million in January. While that is a small sum, it belied a very strong month for technology funds, which collected \$4.7 billion. That is their largest total since February 2021 during the tech heyday of the pandemic. Passive tech funds gathered nearly all the net inflows during the month.



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

## Bitcoin ETFs Lead an Alts Comeback

Alts were out of favor for much of 2023, but the SEC's approval of bitcoin ETFs breathed new life into the asset class, which took in around \$2.5 billion in January. Digital assets funds collected about \$1.3 billion. But six of the seven other alternative categories also gathered positive flows, so the phenomenon wasn't confined to cryptocurrency.

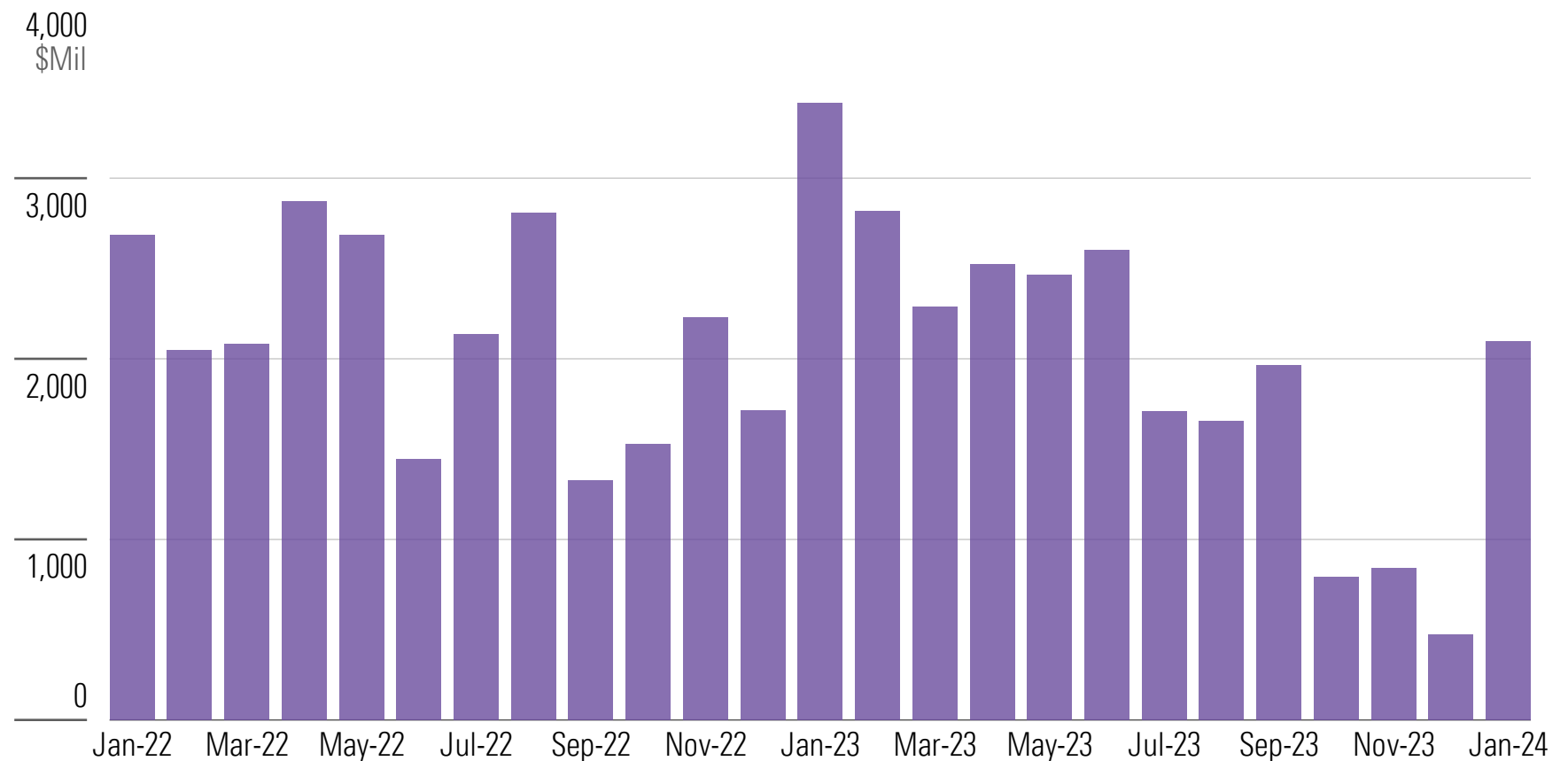
Alternative Category	Jan 2024 Net Flow (\$Mil)	TTM Net Flow (\$Mil)	2-Year Net Flow (\$Mil)	3-Year Net Flow (\$Mil)	Total Net Assets (\$Bil)
Digital Assets	1,257	2,547	2,794	7,219	40.2
Options Trading	918	10,146	16,600	30,517	74.5
Macro Trading	149	1,143	3,351	4,126	12.2
Systematic Trend	135	(3,762)	4,524	7,165	18.1
Relative Value Arbitrage	132	(1,903)	(4,305)	3,089	17.4
Multistrategy	101	(3,772)	(4,041)	916	27.6
Equity Market Neutral	88	(216)	1,514	2,521	6.9
Event Driven	(22)	(6,267)	(5,192)	(1,590)	14.1

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

## Covered-Call Funds Turn Back the Clock

A flip of the calendar seems to have boosted nontraditional equity funds, which offer strategies such as covered call. After seeing their momentum decline precipitously throughout 2023, these funds collected \$2.1 billion in January — a figure consistent with their previous hot streak. J.P. Morgan's dynamic duo of covered-call funds took in about \$1.5 billion.

### ■ Nontraditional Equity

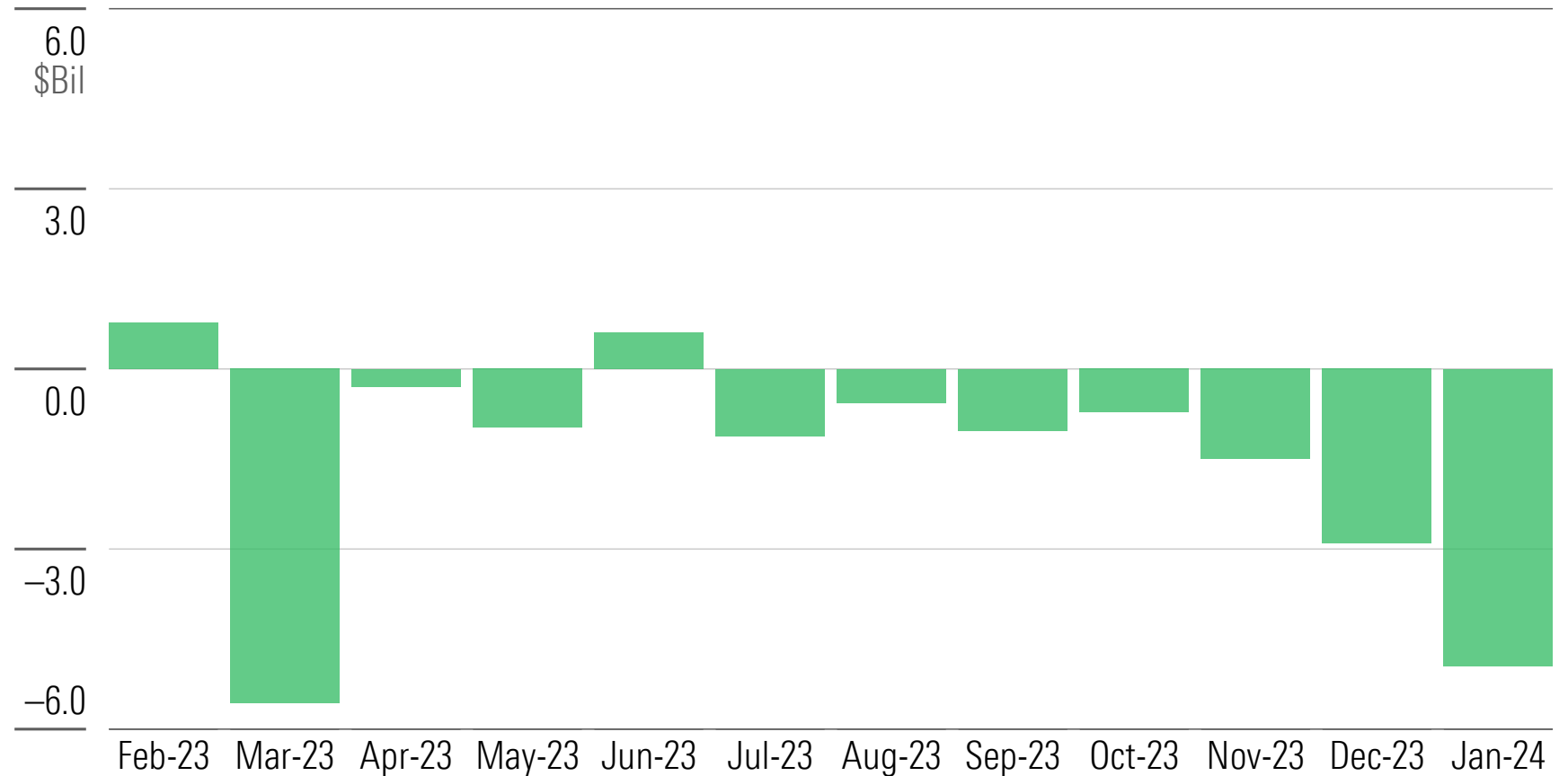


Source: Morningstar Direct Asset Flows. Data as of Jan. 31, 2024.

## Trending Down

Sustainable funds suffered nearly \$5 billion in outflows in January. They've now dropped \$18 billion over the trailing 12 months. January's outflow is the third-consecutive month of larger outflows, suggesting some negative flow momentum.

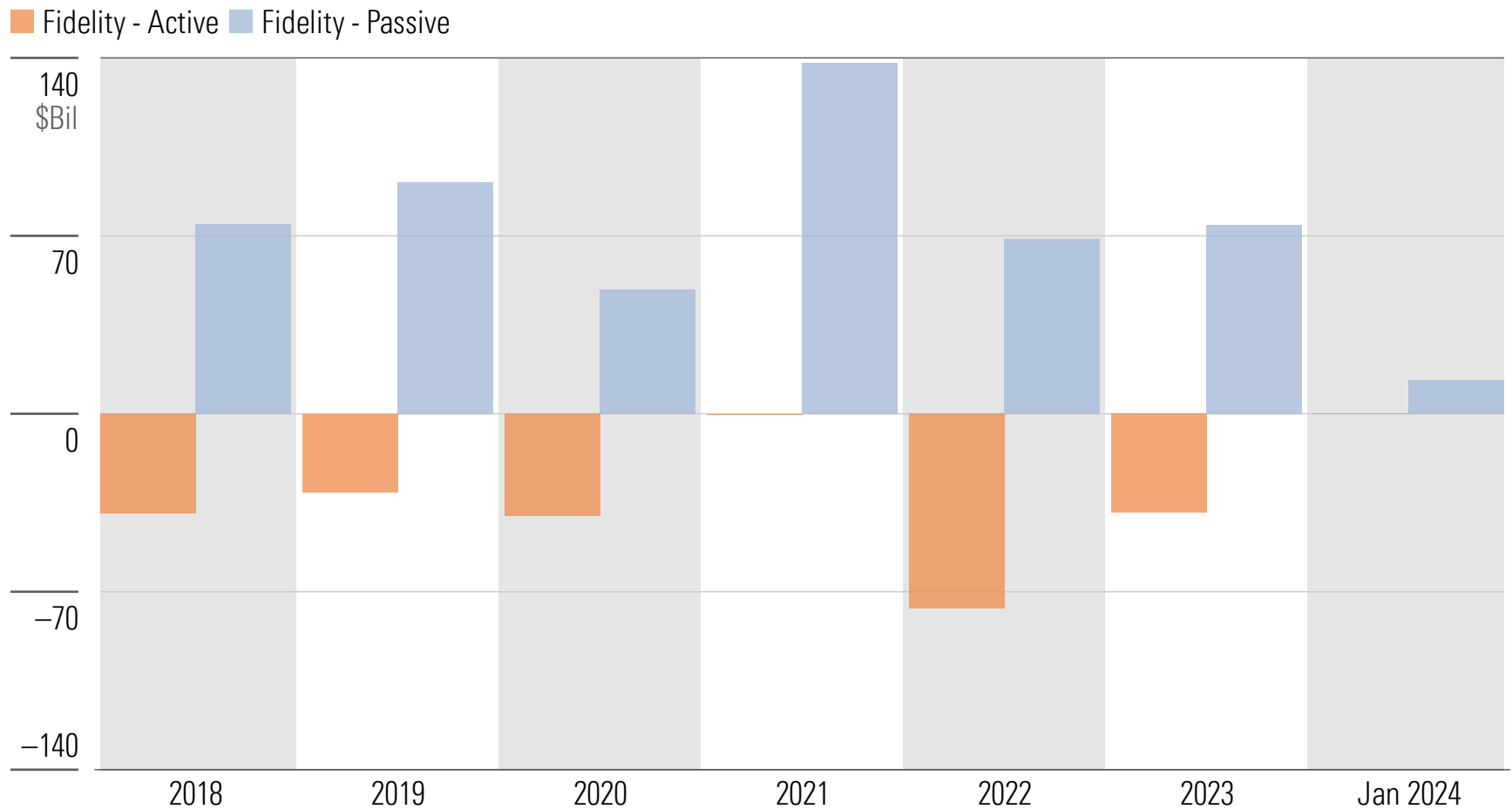
### ■ Sustainable Funds Net Flow



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

## Fidelity's Duality

Fidelity's passives business has helped cushion the blow from active fund outflows. The firm took in \$13 billion in January, second most among all fund families. Virtually all of the net flows accrued to passive strategies. Its top index fund is Fidelity 500 Index, which had more than \$480 billion in assets as of Jan. 31 and collected \$4.6 billion during the month.



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

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# Supplemental Data and Charts

## January Flows for the Largest Fund Families

Fund Family	Active (\$Mil)	Passive (\$Mil)	Jan 2024 Total (\$Mil)	TTM (\$Mil)	Assets (\$Bil)
Vanguard	(4,057)	30,836	26,779	86,004	7,422
Fidelity Investments	(89)	13,180	13,090	55,342	2,694
iShares	2,582	2,600	5,182	110,119	2,573
American Funds	(5,841)		(5,841)	(66,281)	2,139
SPDR State Street Global Advisors	(22)	(17,439)	(17,461)	58,180	1,210
Invesco	(1,863)	11,366	9,502	24,103	722
T. Rowe Price	(3,904)	(380)	(4,284)	(47,521)	677
J.P. Morgan	3,321	443	3,763	38,544	571
Dimensional Fund Advisors	2,088	(113)	1,975	6,841	502
Franklin Templeton Investments	(2,365)	38	(2,327)	(32,024)	427

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

## U.S. Category Group Flows

U.S. Category Group	Jan 2024 (\$Mil)	TTM (\$Mil)	TTM OGR (%)	Assets (\$Bil)
U.S. Equity	(10,705)	(23,414)	(0.2)	13,483
Sector Equity	132	(51,757)	(4.2)	1,268
International Equity	3,387	8,903	0.2	3,825
Allocation	(7,593)	(86,703)	(6.4)	1,376
Taxable Bond	47,088	230,204	4.7	5,244
Municipal Bond	4,153	(9,017)	(1.1)	867
Alternative	2,468	(2,374)	(1.3)	211
Commodities	(3,050)	(16,925)	(10.0)	153
Nontraditional Equity	2,099	22,231	31.3	97
Miscellaneous	(2,057)	(2,182)	(2.7)	99
All Long Term	35,921	68,969	0.3	26,623

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



## Active/Passive Flows by U.S. Category Group

U.S. Category Group	Active 1-Mo (\$Mil)	Active TTM (\$Mil)	Active Assets (\$Bil)	Passive 1-Mo (\$Mil)	Passive TTM (\$Mil)	Passive Assets (\$Bil)
U.S. Equity	(26,651)	(276,350)	5,400	15,946	252,936	8,083
Sector Equity	(2,437)	(38,352)	426	2,569	(13,405)	841
International Equity	(3,720)	(56,461)	2,027	7,106	65,364	1,798
Allocation	(7,556)	(86,166)	1,369	(37)	(537)	7
Taxable Bond	25,397	14,008	2,994	21,691	216,197	2,251
Municipal Bond	4,910	(20,116)	758	(757)	11,099	109
Alternative	5,193	244	177	(2,726)	(2,617)	34
Commodities	(128)	(5,717)	34	(2,922)	(11,207)	119
Nontraditional Equity	2,016	19,134	83	83	3,097	15
Miscellaneous	517	1,438	4	(2,573)	(3,620)	95
All Long Term	(2,458)	(448,338)	13,271	38,379	517,307	13,352

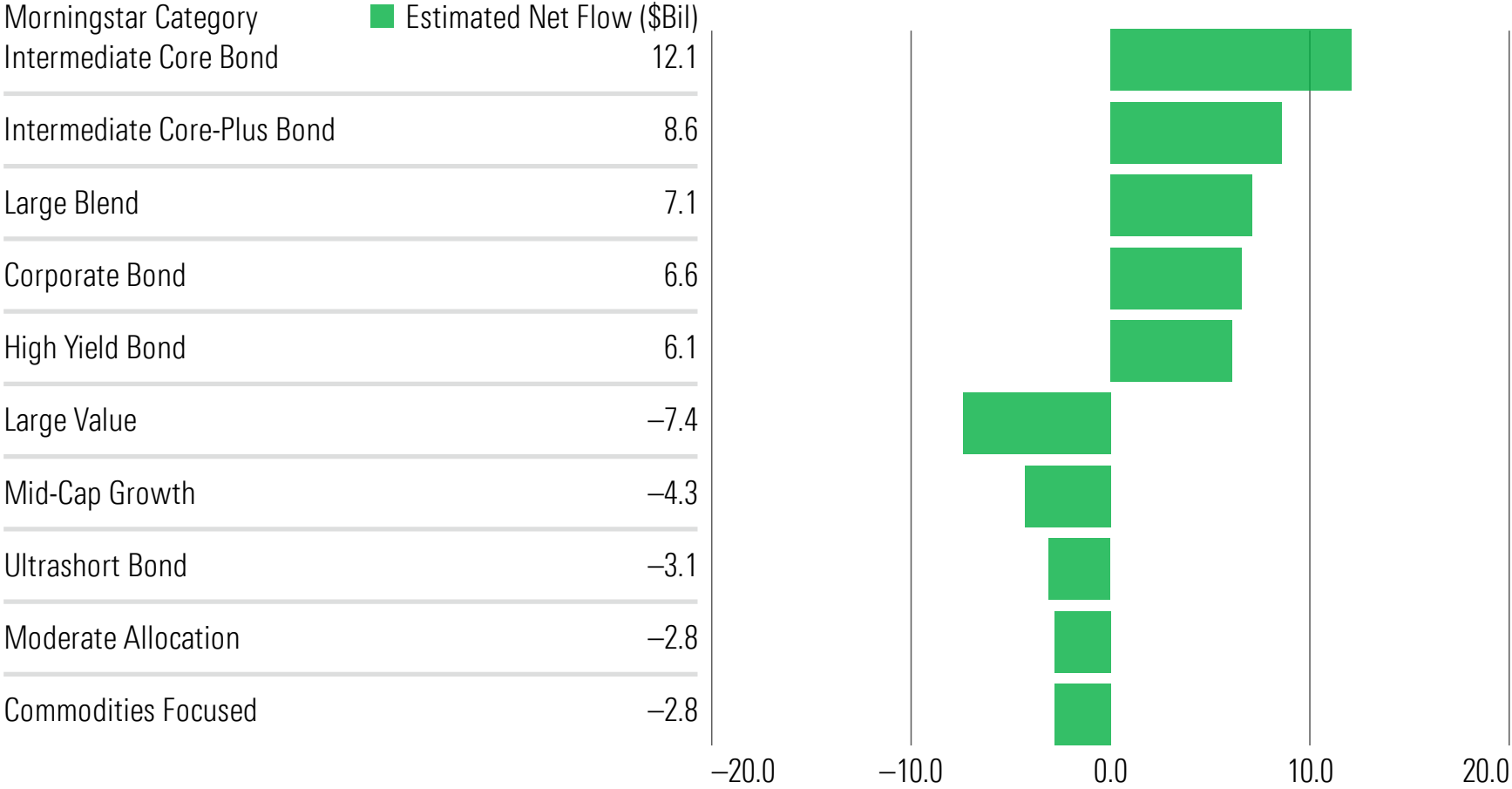
Source: Morningstar Direct Asset Flows. Data as of Jan. 31, 2024. TTM is trailing 12 months.

## ETF Flows

ETF Subgroup	Jan 2024 (\$Bil)	QTD (\$Bil)	1-Year (\$Bil)	3-Year (\$Bil)
Actively Managed	19.8	19.8	135.2	300.8
Passively Managed, Long-term	23.2	23.2	458.8	1,690.7
Passively Managed, Sector	2.5	2.5	(9.5)	42.2
Passively Managed, Leveraged (Long)	(1.8)	(1.8)	(0.8)	21.8
Passively Managed, Leveraged (Short)	(0.5)	(0.5)	1.2	11.3
<b>Total</b>	<b>43.2</b>	<b>43.2</b>	<b>585.0</b>	<b>2,066.9</b>

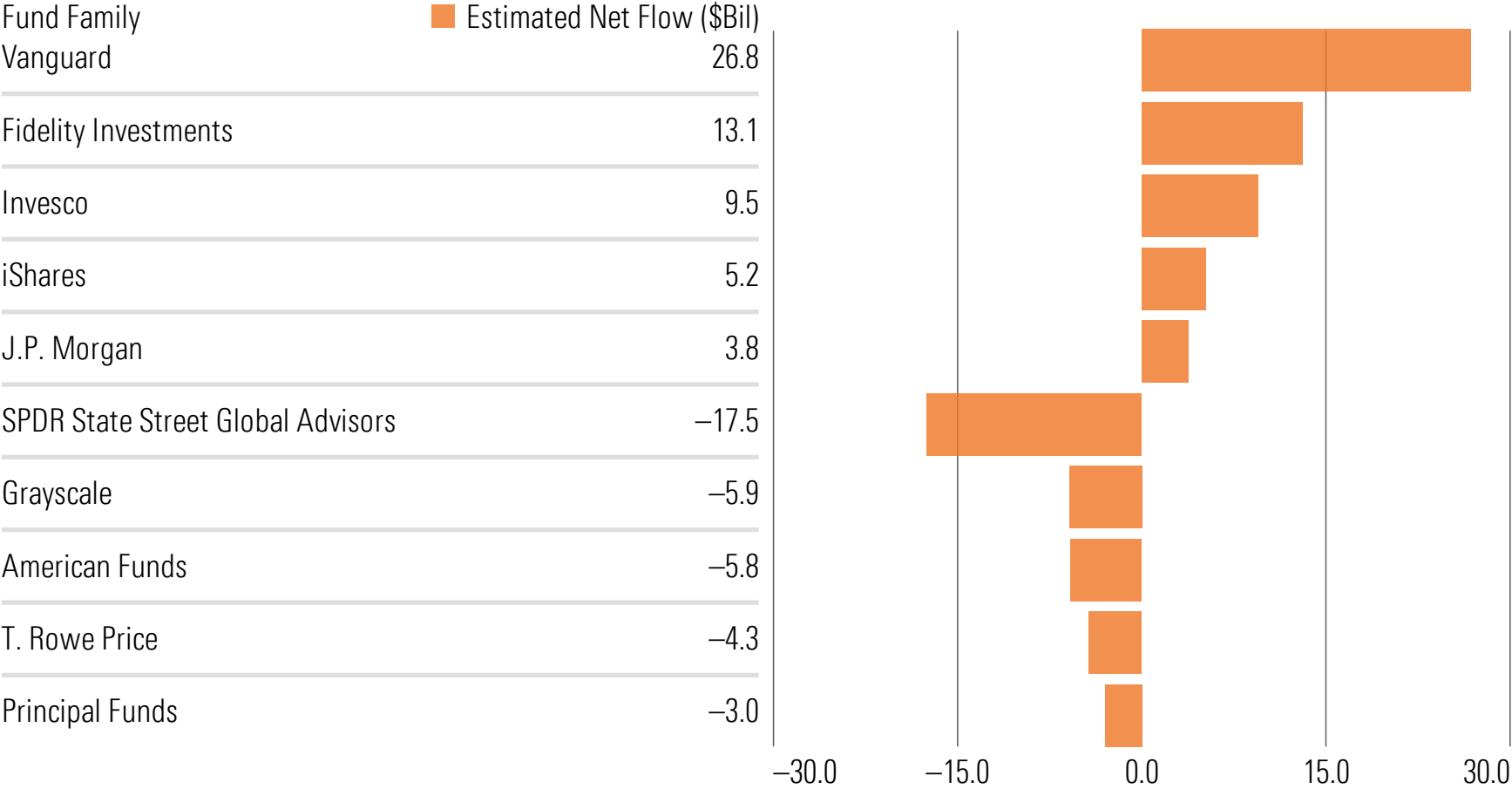
Source: Morningstar Direct Asset Flows. Data as of Jan. 31, 2024.

# Morningstar Categories With the Largest January Inflows and Outflows



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

# Fund Families With the Largest January Inflows and Outflows

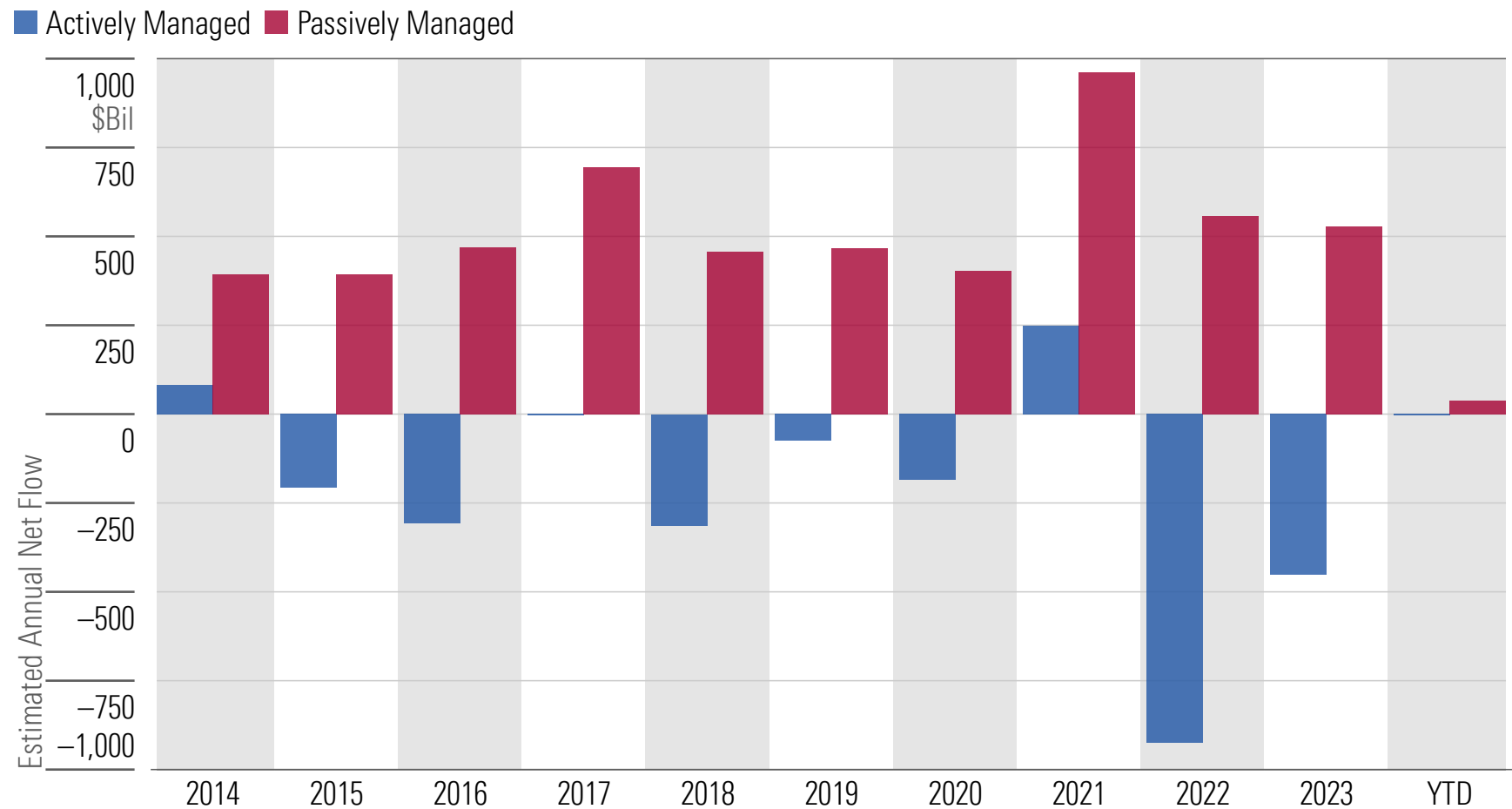


Source: Morningstar Direct Asset Flows. Data as of Jan. 31, 2024.

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# Long-Term Trends

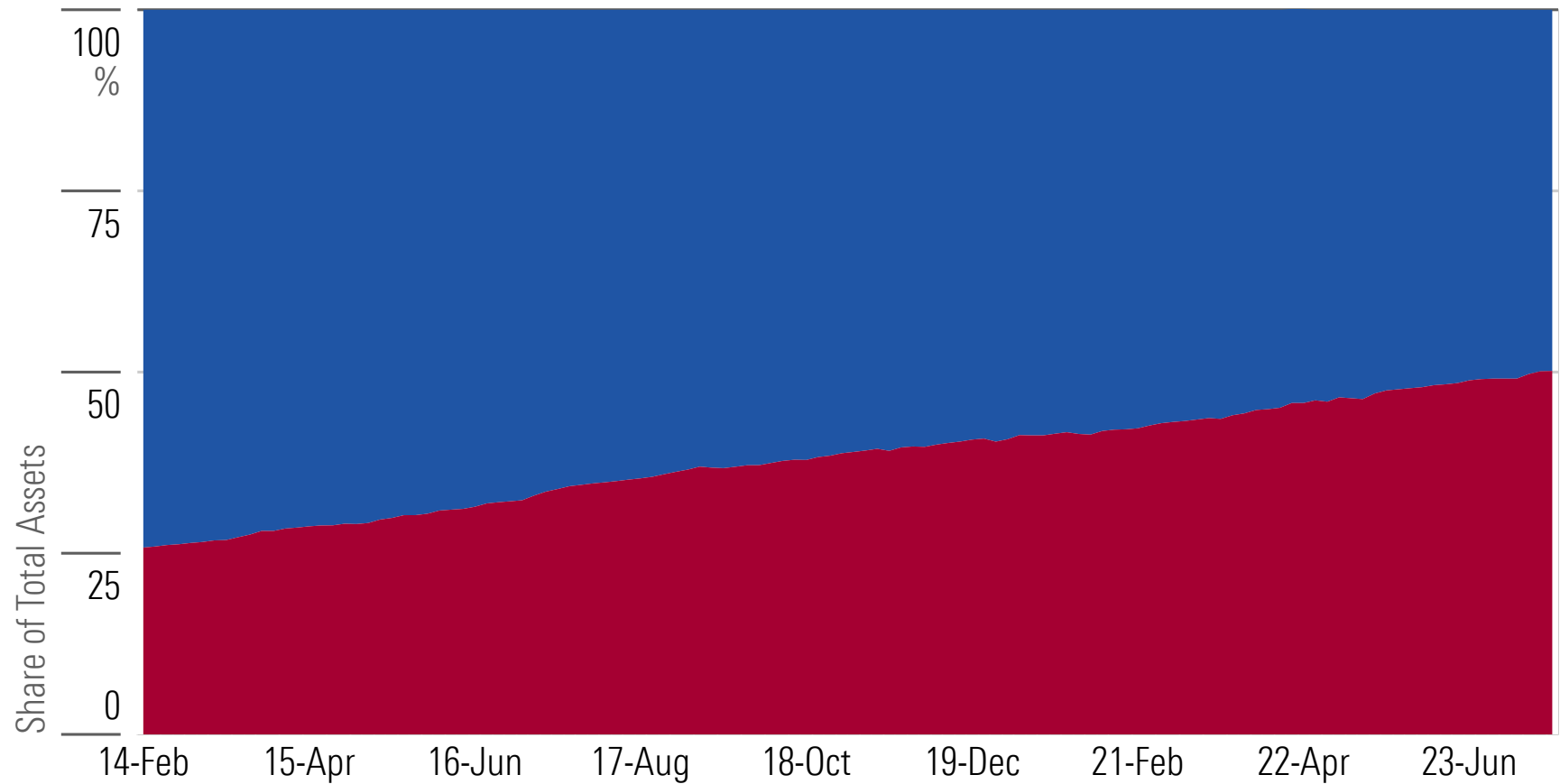
# Active Versus Passive: U.S. Long-Term Fund Flows by Calendar Year



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

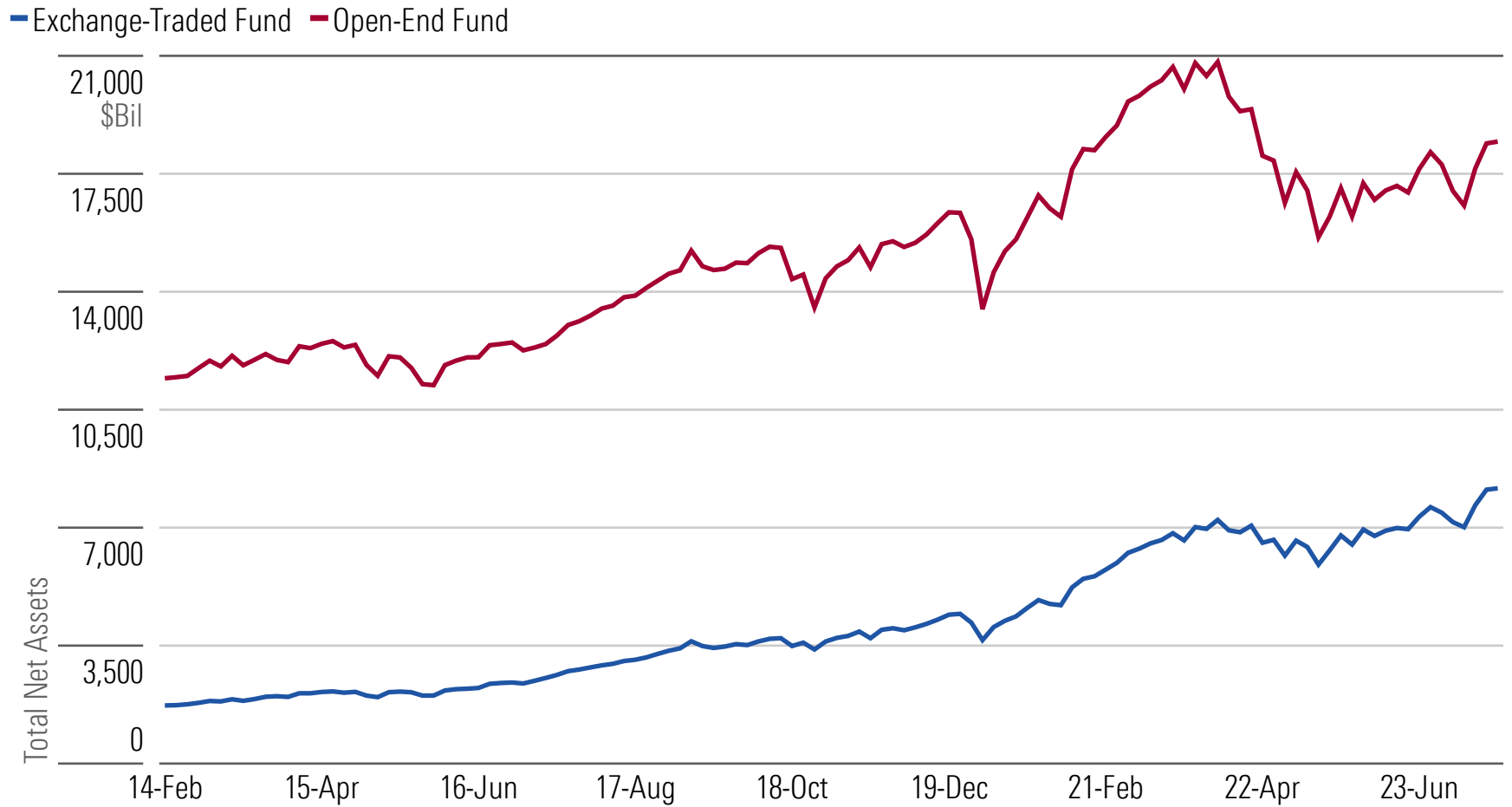
# Active Versus Passive: Share of U.S. Long-Term Fund Total Assets

▲ Actively Managed ▲ Passively Managed



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

# Open-End Funds Versus ETFs: Total Assets (U.S. Long-Term Funds)

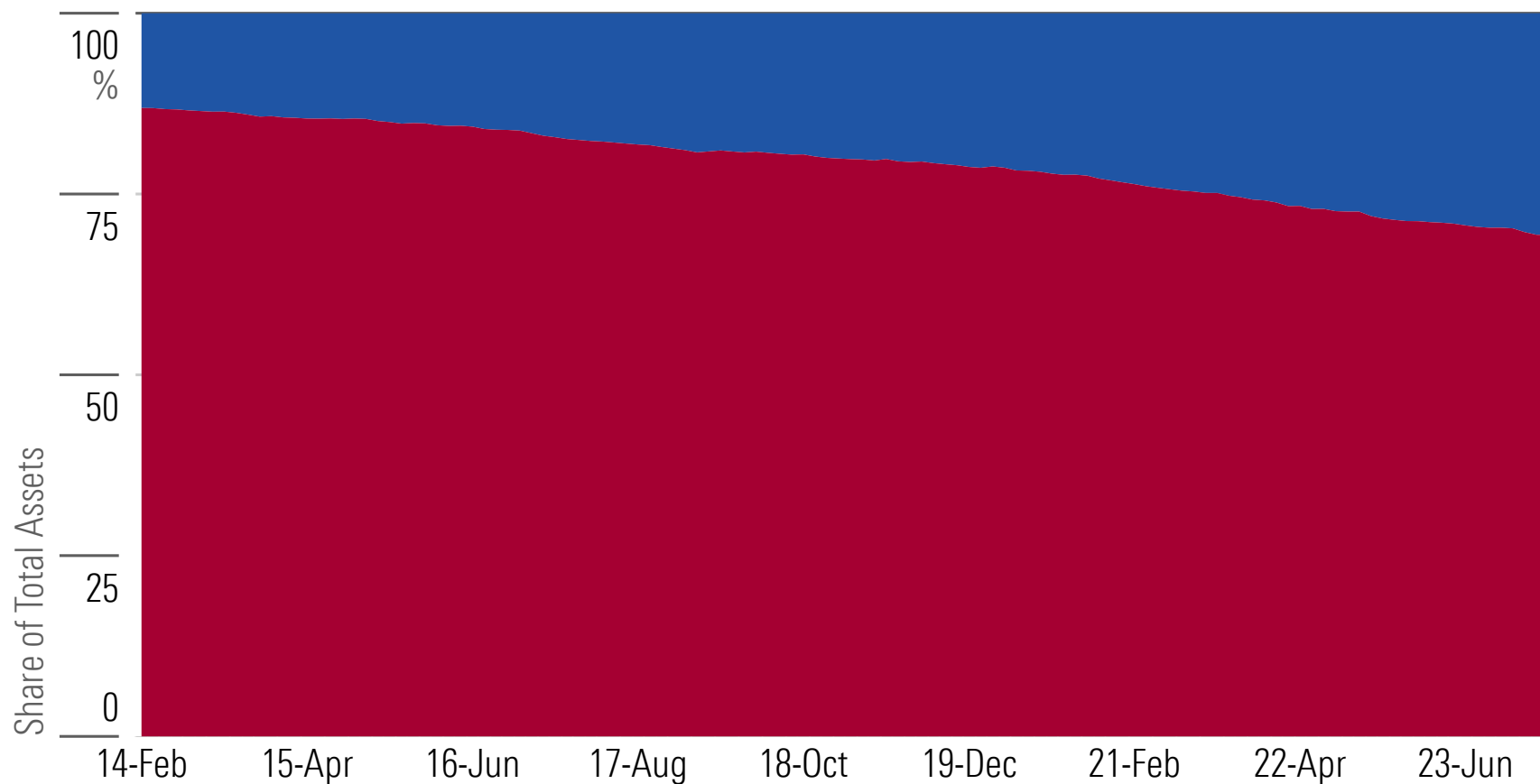


Source: Morningstar Direct Asset Flows. Data as of Jan. 31, 2024.



# Open-End Funds Versus ETFs: Share of U.S. Long-Term Fund Total Assets

▲ Exchange-Traded Fund ▲ Open-End Fund



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

## Multiyear U.S. Category Group Flows

Category Group	1-Year (\$Bil)	3-Year (\$Bil)	5-Year (\$Bil)	10-Year (\$Bil)
U.S. Equity	(23.4)	217.1	(95.9)	(17.1)
Sector Equity	(51.8)	(27.5)	20.7	98.9
International Equity	8.9	226.6	169.8	827.6
Allocation	(86.7)	(170.5)	(289.1)	(410.3)
Taxable Bond	230.2	513.5	1,391.2	2,205.9
Municipal Bond	(9.0)	(33.7)	133.9	269.6
Alternative	(2.4)	53.6	61.8	57.2
Commodities	(16.9)	(25.9)	17.8	37.3
Nontraditional Equity	22.2	67.0	56.4	40.5
Miscellaneous	(2.2)	36.6	49.3	59.1

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

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## Disclosures

Note: The figures in this report were compiled on Feb. 9, 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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# Disclosures

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