
US Fund Flows

February 2024



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Summary: February 2024

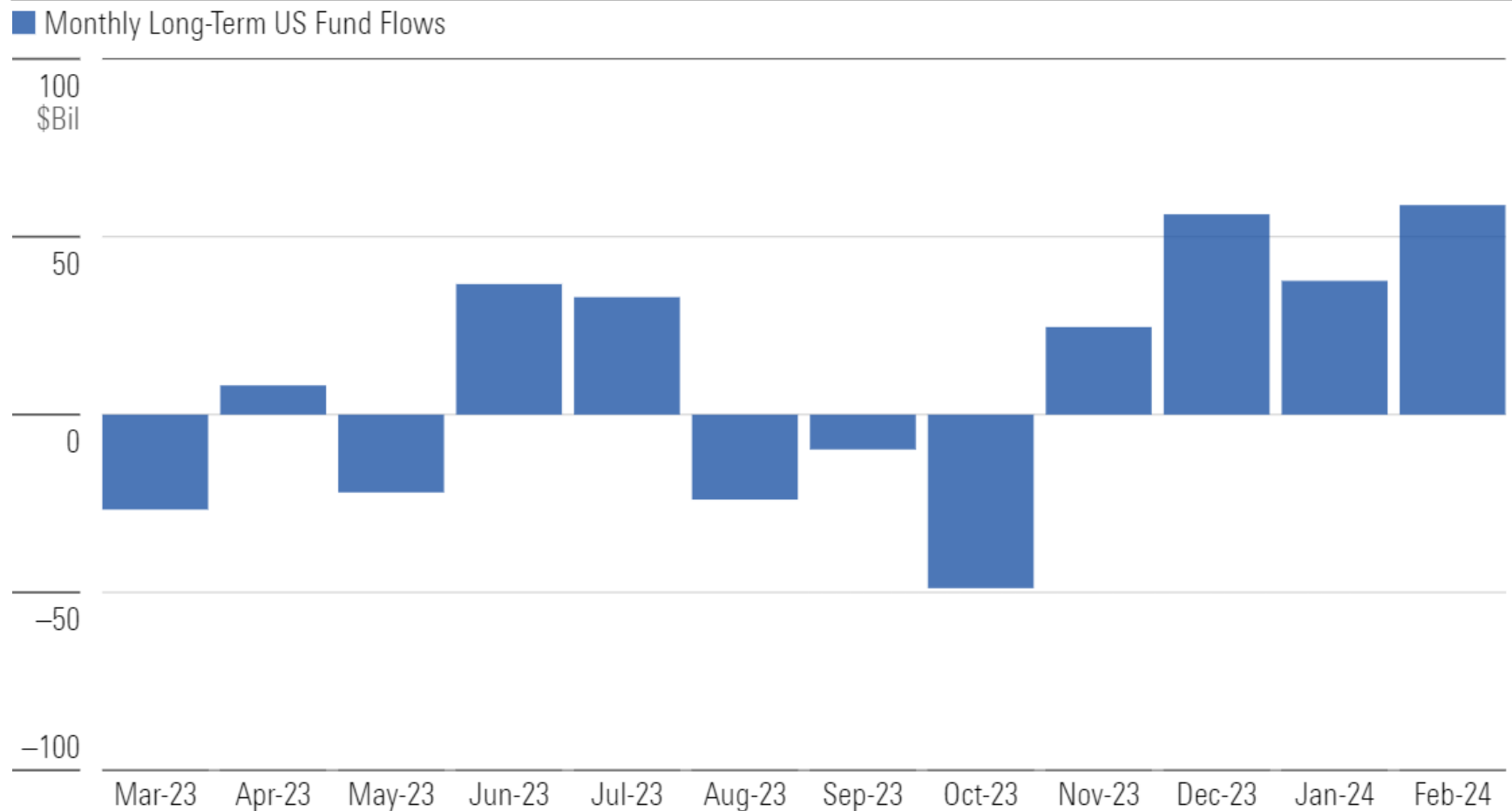
Key Takeaways

- ▶ Long-term¹ US mutual funds and exchange-traded funds hauled in \$59 billion in February 2024, their highest monthly total in more than two years.
- ▶ Taxable-bond funds led the charge with more than \$50 billion of inflows. Active funds claimed \$29 billion of that total, pushing active funds as a whole into monthly inflows for the first time since October 2021.
- ▶ Investors' taste for bond categories that court more credit risk, like intermediate core-plus and high yield, bolstered flows into the active funds that dominate those spaces.
- ▶ Municipal-bond funds collected more than \$2 billion in their fourth consecutive month of inflows.
- ▶ Net flows for US equity funds were roughly flat.
- ▶ International-equity funds enjoyed their best inflows since January 2022. Foreign large-blend strategies led the way along with key contributions from Japan-stock and India-equity funds.
- ▶ The sector-equity group bled \$3 billion despite another lucrative month for technology funds.
- ▶ Newly minted spot bitcoin ETFs remained in vogue, driving over \$5 billion of net flows into the digital assets category.
- ▶ Strong demand for actively managed bond products helped Pimco reel in more than \$3 billion for the second straight month.

¹ Long-term funds exclude money market funds.

February Fund Flows Round Into Form

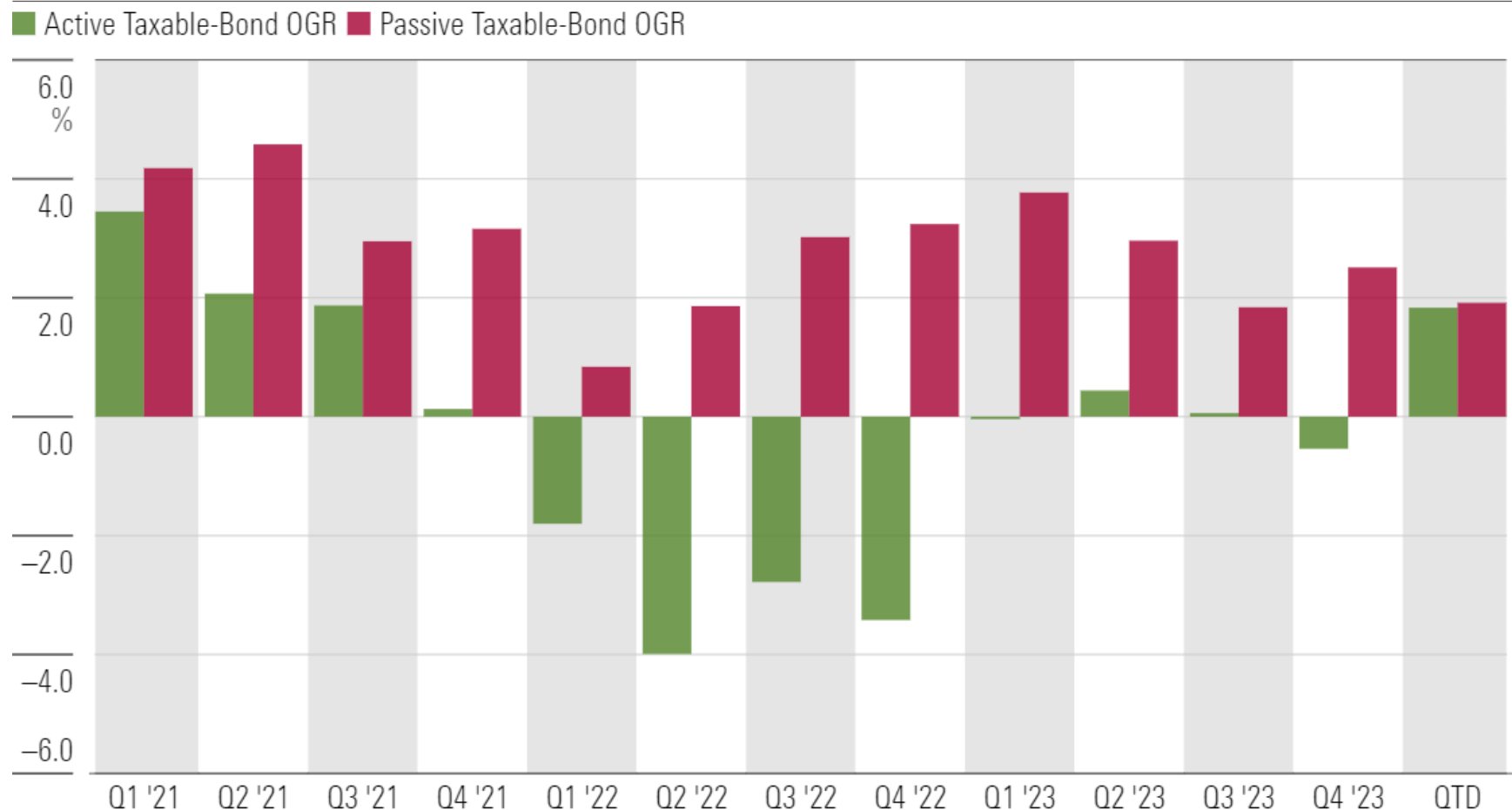
US mutual funds and ETFs collected \$59 billion in February, their best monthly total since December 2021. For the second consecutive month, bond funds collected the lion's share of the money. Stock funds moved back into positive territory in February but finished with only modest inflows.



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

Taxable-Bond Funds Stay Hot in February

Taxable-bond funds raked in more than \$50 billion in February, good for a 1% organic growth rate. The \$97 billion they've collected in 2024 marks their best two-month stretch since April-May 2021. Active taxable-bond strategies pulled in \$29 billion in February, enough to push the broad active-fund universe into inflows for the first time in more than two years.



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024. OGR is organic growth rate.

Inside Active Bond Funds' Stellar Start

Investors have not shied away from credit risk in 2024. That is good news for active funds because they dominate credit-forward categories like intermediate core-plus, high-yield, and multisector bond. Meanwhile, flows into the passive-heavy government-bond categories have tapered after excellent 2022 and 2023 campaigns.

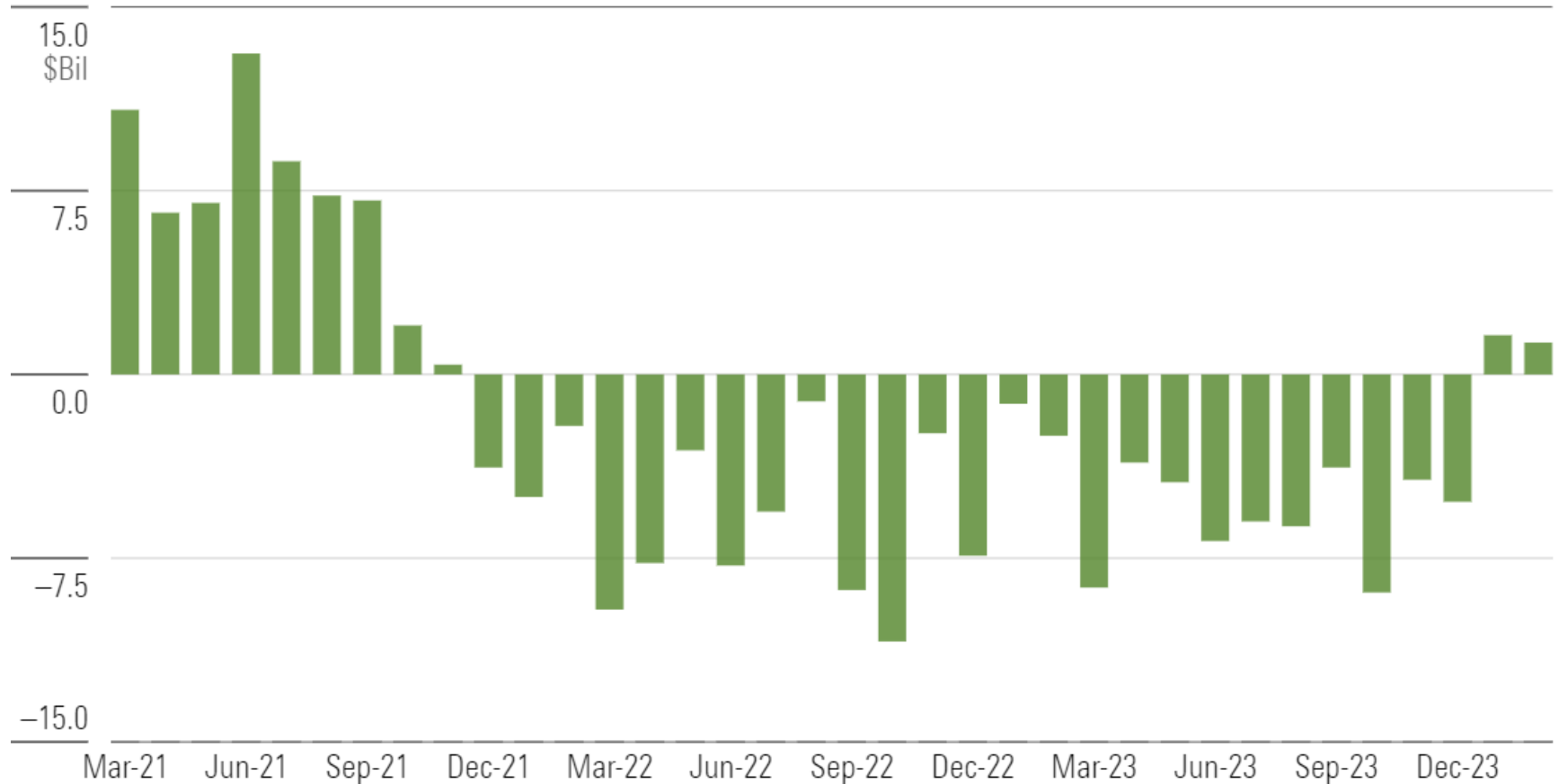
Morningstar Category	Total Assets (\$Bil)	% Actively Managed	YTD Flows (\$Bil)	YTD OGR (%)	2023 OGR (%)
Intermediate-Core Bond	1,301.2	31.8	30.3	2.35	11.11
Intermediate Core-Plus Bond	770.0	96.2	18.5	2.43	7.56
Intermediate Government	252.4	35.2	9.8	3.96	13.75
Multisector Bond	291.7	99.9	9.5	3.38	7.72
High-Yield Bond	326.9	78.2	8.4	2.58	(0.34)

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024. OGR is organic growth rate.

Short-Term Bond Funds Start a New Streak

Short-term bond funds erased a 25-month outflow streak in January and notched another positive month in February. It's not clear why this space turned the corner: Flows have been fairly balanced across strategies, fund families, and investment structures. Investors might be feeling the need to scale back their interest-rate risk after loading up on it over the last two years.

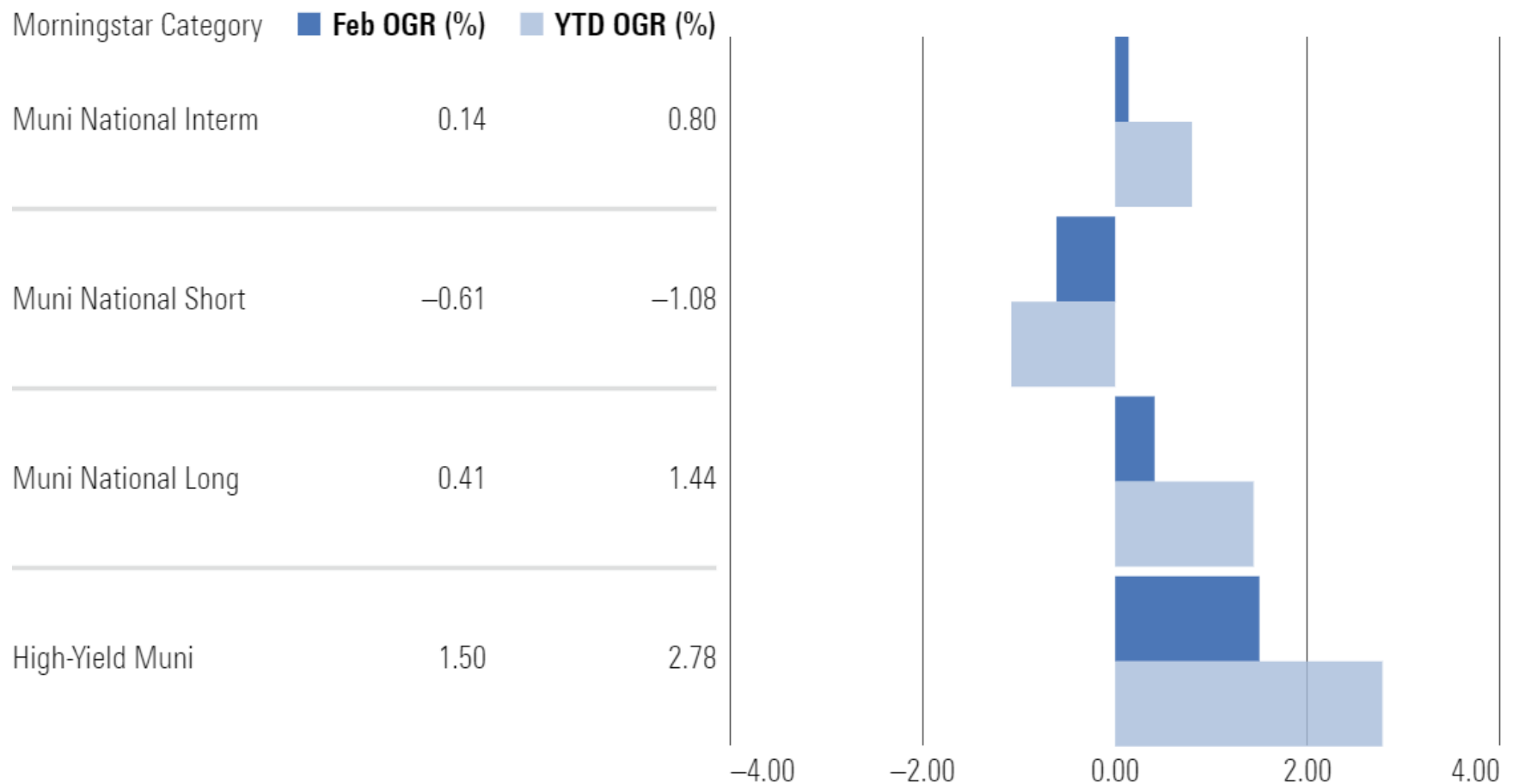
■ Short-Term Bond Monthly Net Flow



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024

Municipal-Bond Funds Settle In

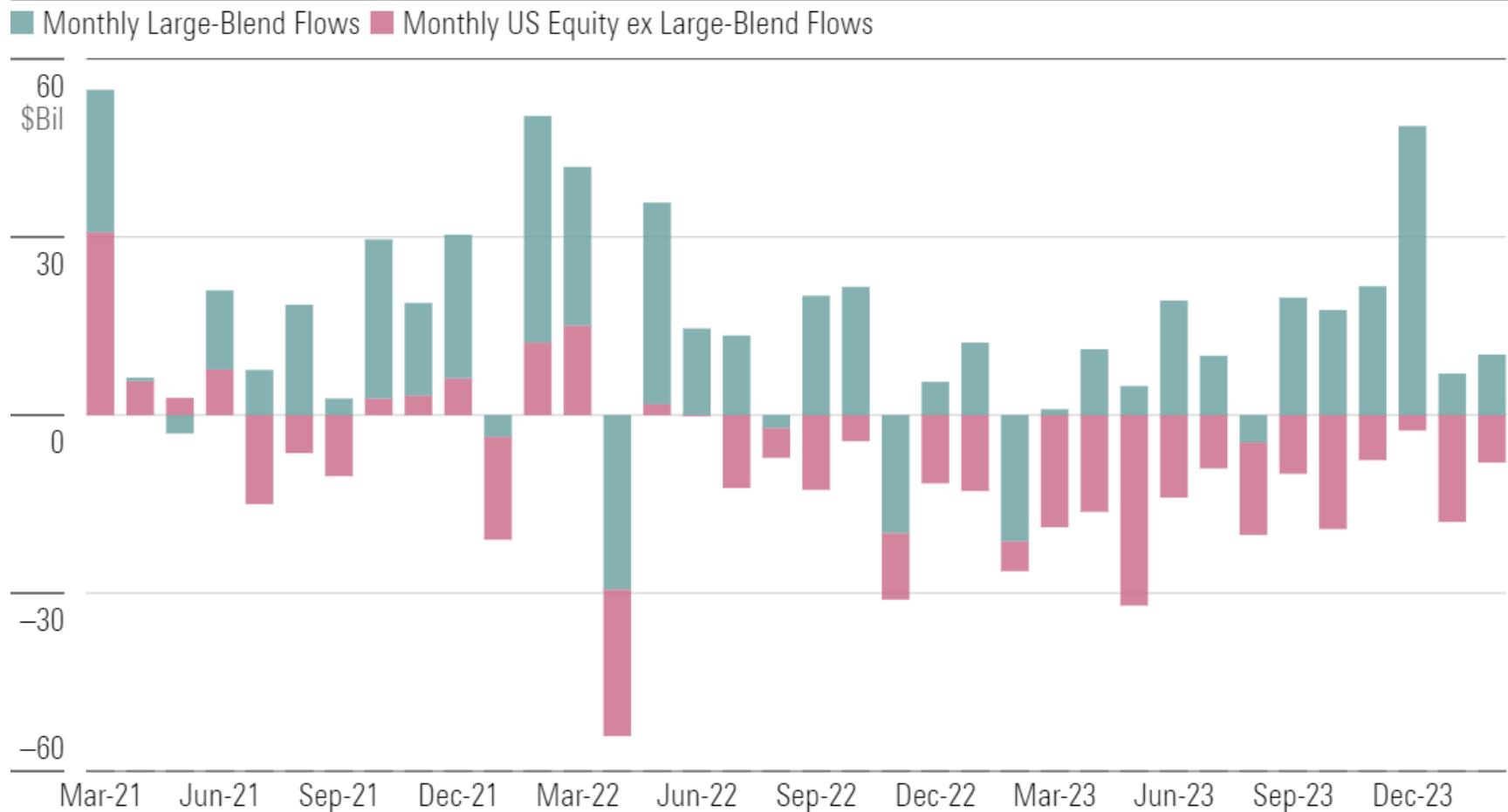
The municipal-bond cohort gathered \$2.4 billion in February. That pushed its 2024 haul to nearly \$8 billion — a terrific start after consecutive calendar years of outflows. Short-term muni-bond funds haven't rebounded like their taxable peers, but high-yield strategies picked up the slack, gathering \$3.2 billion for the year to date.



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024. OGR is organic growth rate.

US Equity Funds Don't Move the Needle

Net flows into US equity funds were basically flat in February. Over the last two years, this cohort has relied on huge flows into large-blend funds to cover for the other categories. Excluding large blend, the category group has been in outflows for 21 straight months. Large-growth funds were the main culprit in February with a \$6 billion exodus, though small-value funds hauled in \$2 billion.

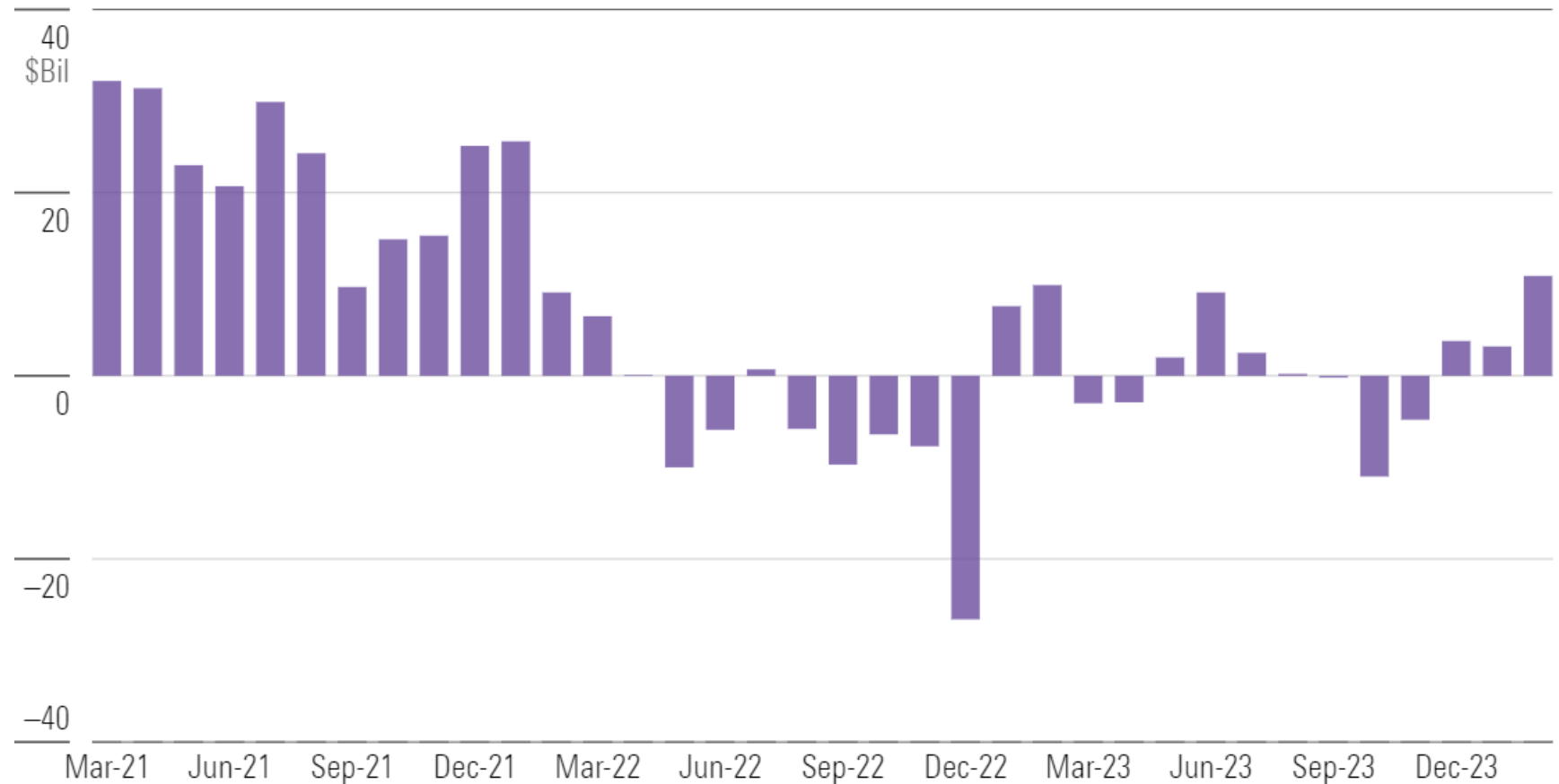


Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

Japan and India Boost Foreign-Stock Flows

Investors poured \$11 billion into international-stock funds in February, the cohort's highest sum since January 2022. Foreign large-blend funds led the way, while the smaller Japan-stock and India-equity categories chipped in more than \$1 billion apiece. Aided by solid returns, these 2023 breakout categories have carried their flow momentum into the new calendar year.

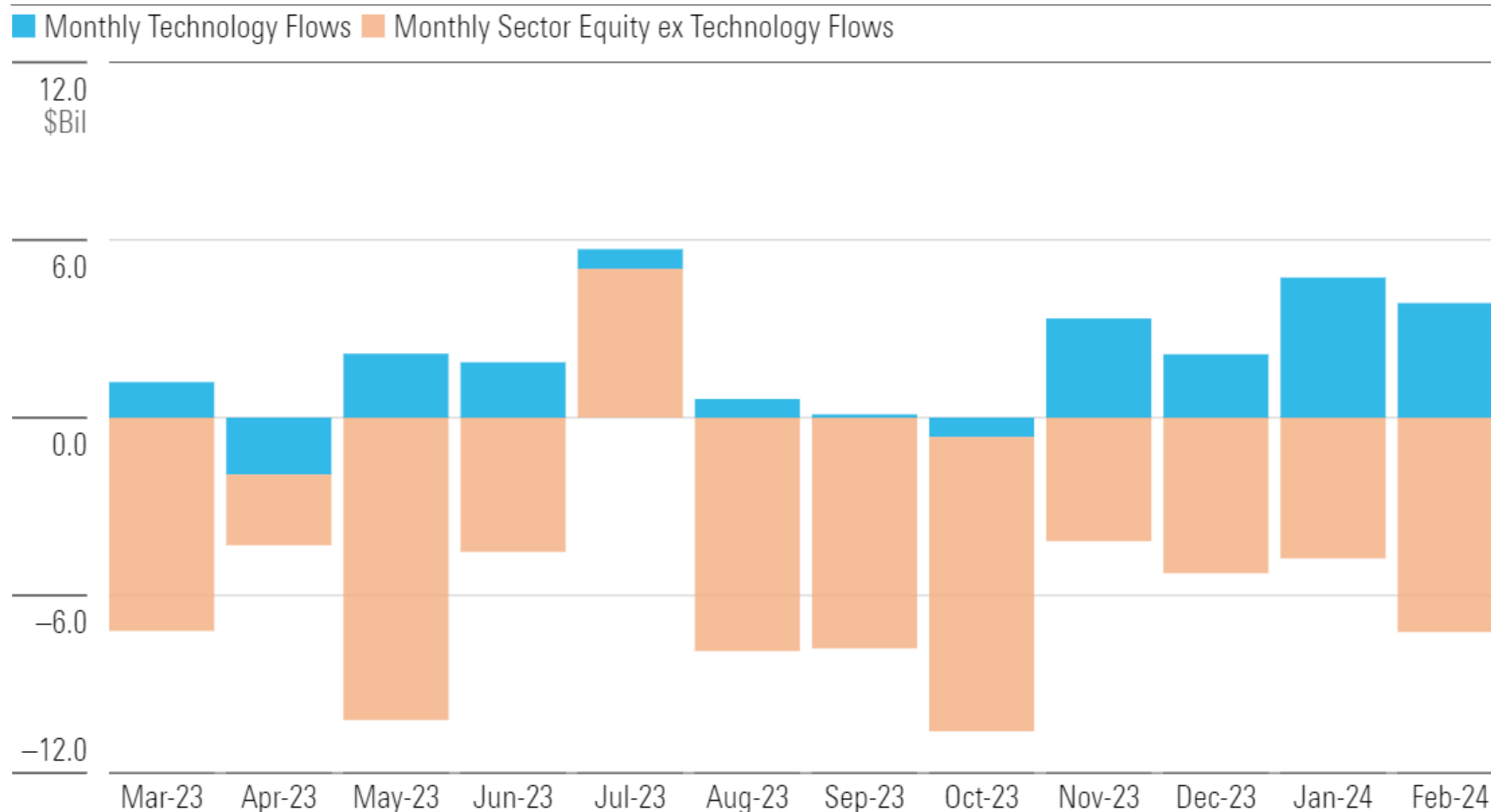
■ International-Equity Monthly Flows



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

Don't Mess With Tech

Including more than \$3 billion of February outflows, sector-equity funds have bled \$48 billion over the past 12 months. Don't blame technology funds, though. They absorbed \$18 billion over that span, including nearly \$9 billion so far this year. Funds targeting the red-hot semiconductor industry have excelled, like VanEck Semiconductor ETF, which has hauled in nearly \$2 billion in 2024.



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

The Digital Dash Continued in February

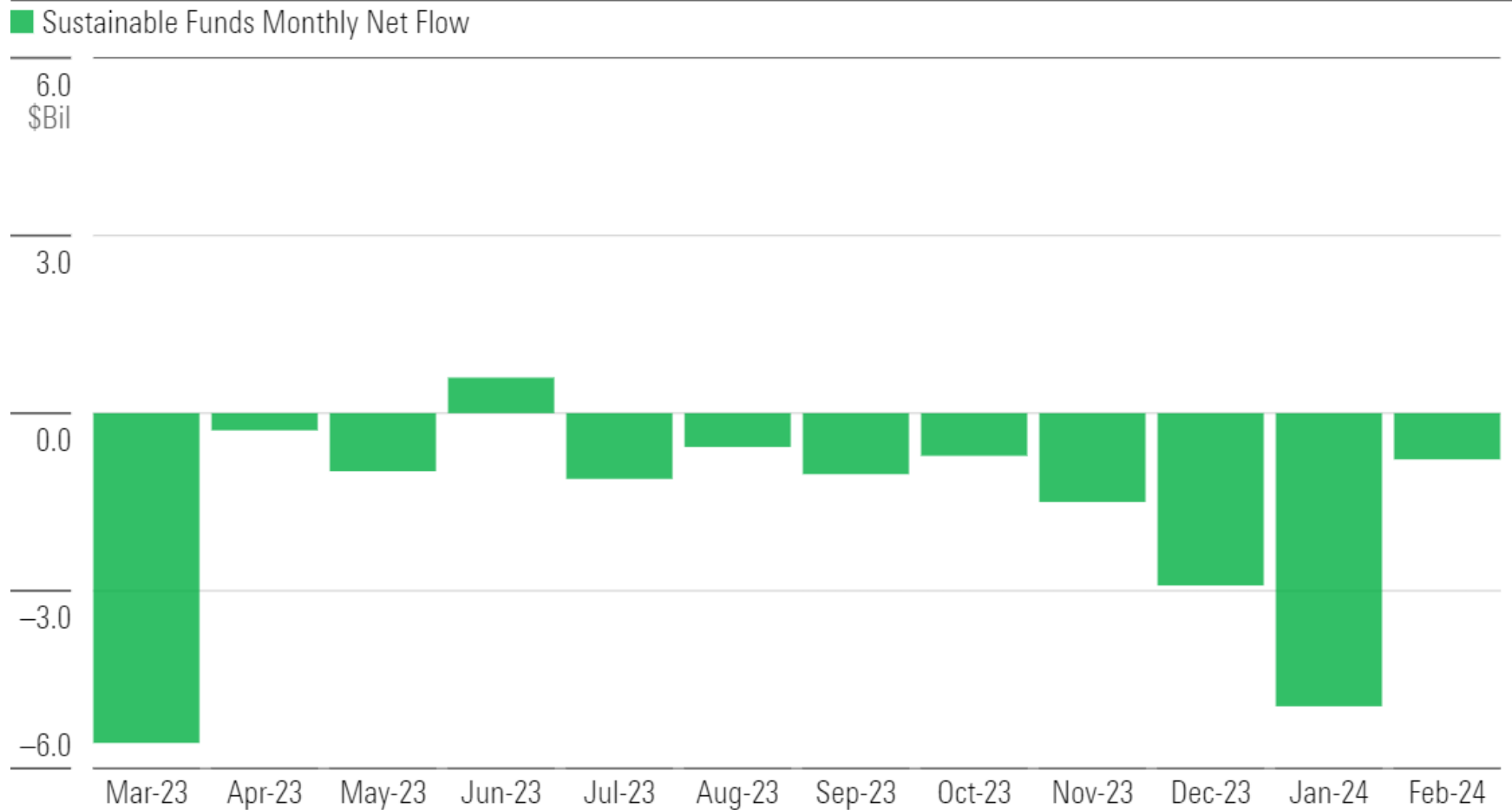
Newly minted spot bitcoin ETFs powered the alternatives cohort to its best month since January 2022. The “new nine” bitcoin ETFs that debuted in January collectively raked in \$8.5 billion in February, led by iShares’ and Fidelity’s products. Some of that money came out of Grayscale Bitcoin Trust, the trust-turned-ETF whose market share has waned since the new competition arrived.

Fund	February Net Flows (\$Mil)	YTD Net Flows (\$Mil)	Net Assets (\$Mil)
iShares Bitcoin Trust	4,589	7,231	9,406
Fidelity Wise Origin Bitcoin Fund	2,334	4,790	6,427
ARK 21Shares Bitcoin ETF	950	1,586	2,096
Bitwise Bitcoin ETF	497	1,123	1,507
Invesco Galaxy Bitcoin ETF	(42)	249	388
Valkyrie Bitcoin Fund	23	134	193
VanEck Bitcoin Trust ETF	71	127	263
Franklin Bitcoin ETF	58	117	155
WisdomTree Bitcoin Fund	28	37	50
All New Bitcoin ETFs	8,508	15,394	20,485
Grayscale Bitcoin Trust (BTC)	(2,806)	(8,420)	27,201

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

Sustainable Funds Can't Break Out

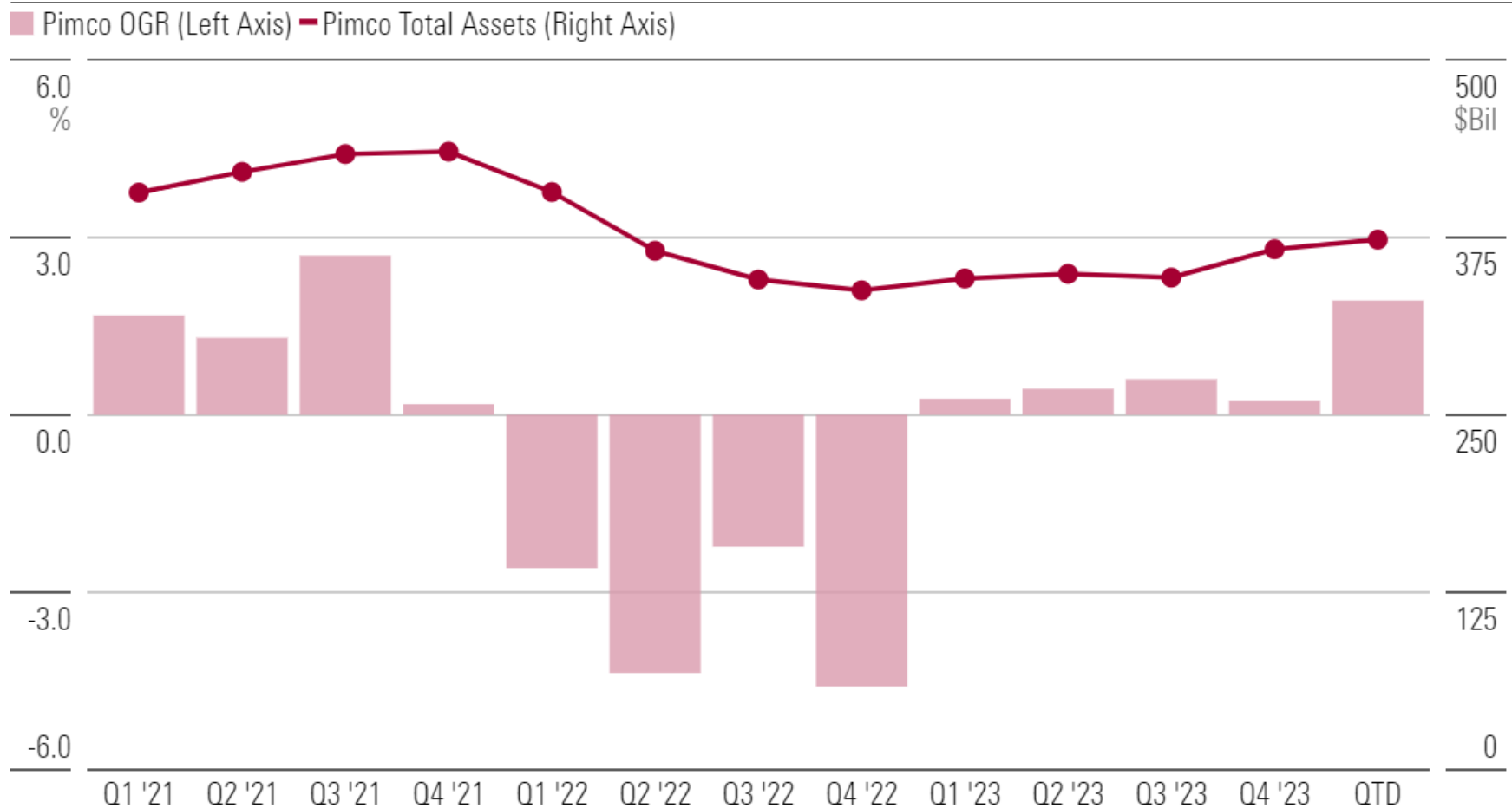
Sustainable funds shed about \$800 million in February, marking their eighth consecutive month of outflows. Investors have yanked almost \$20 billion from sustainable funds over the past 12 months. Most of that came from sustainable stock portfolios, as green-bond funds gathered \$1.5 billion over that span.



Source: Morningstar Direct Asset Flows. Comprises funds deemed to have sustainability mandates by Morningstar based on prospectus language. Data as of Feb. 29, 2024.

Pimco Busts out of the Gates

Pimco posted a 2% organic growth rate over the first two months of 2024—the most among the 25 largest US fund families. About 90% of its assets sit in active fixed-income funds, so it was well-positioned for their return to favor. Fellow primarily active bond shops like Baird and Lord Abbett have found similar success to start the calendar year after tougher conditions in the ones before it.



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024. OGR is organic growth rate.

Supplemental Data and Charts

February Flows for the Largest Fund Families

Fund Family	Active (\$Mil)	Passive (\$Mil)	Feb 2024 (\$Mil)	TTM (\$Mil)	Assets (\$Bil)
Vanguard	(2,974)	21,789	18,815	90,351	7,707
Fidelity Investments	11,396	16,719	28,116	77,996	2,852
iShares	4,565	4,296	8,861	134,284	2,663
American Funds	(5,483)		(5,483)	(72,055)	2,211
SPDR State Street Global Advisors	(10)	(5,355)	(5,365)	65,623	1,249
Invesco	(1,182)	2,749	1,567	25,174	754
T. Rowe Price	(1,617)	2	(1,616)	(45,985)	705
J.P. Morgan	4,763	1,315	6,078	35,868	597
Franklin Templeton Investments	(2,248)	167	(2,081)	(34,337)	519
Dimensional Fund Advisors	1,033	(71)	962	6,604	519

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024. TTM is trailing 12 months.

US Category Group Flows

US Category Group	Feb 2024 (\$Mil)	TTM (\$Mil)	TTM OGR (%)	Assets (\$Bil)
US Equity	2,256	(4,136)	(0.07)	14,217
Sector Equity	(3,369)	(48,169)	(0.27)	1,320
International Equity	10,921	9,814	0.36	3,970
Allocation	(6,347)	(88,670)	(1.01)	1,396
Taxable Bond	50,039	258,688	1.87	5,242
Municipal Bond	2,423	(6,092)	0.90	872
Alternative	5,244	2,896	3.97	239
Commodities	(1,560)	(18,184)	(2.75)	151
Nontraditional Equity	2,186	23,529	4.75	104
Miscellaneous	(2,777)	(5,615)	(4.72)	107
All Long Term	59,016	124,060	0.36	27,618

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 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	(16,221)	(285,522)	5,690	18,477	281,300	8,527
Sector Equity	(1,057)	(37,457)	443	(2,312)	(10,710)	878
International Equity	(1,735)	(59,076)	2,103	12,656	68,884	1,867
Allocation	(6,364)	(87,757)	1,389	17	(971)	7
Taxable Bond	29,006	33,405	3,000	21,033	225,332	2,241
Municipal Bond	2,919	(17,419)	764	(496)	11,329	108
Alternative	5,097	2,525	225	147	371	14
Commodities	791	(5,603)	34	(2,351)	(12,581)	117
Nontraditional Equity	1,719	19,600	88	467	3,928	16
Miscellaneous	750	1,751	5	(3,528)	(7,397)	102
All Long Term	14,906	(435,552)	13,741	44,110	559,486	13,877

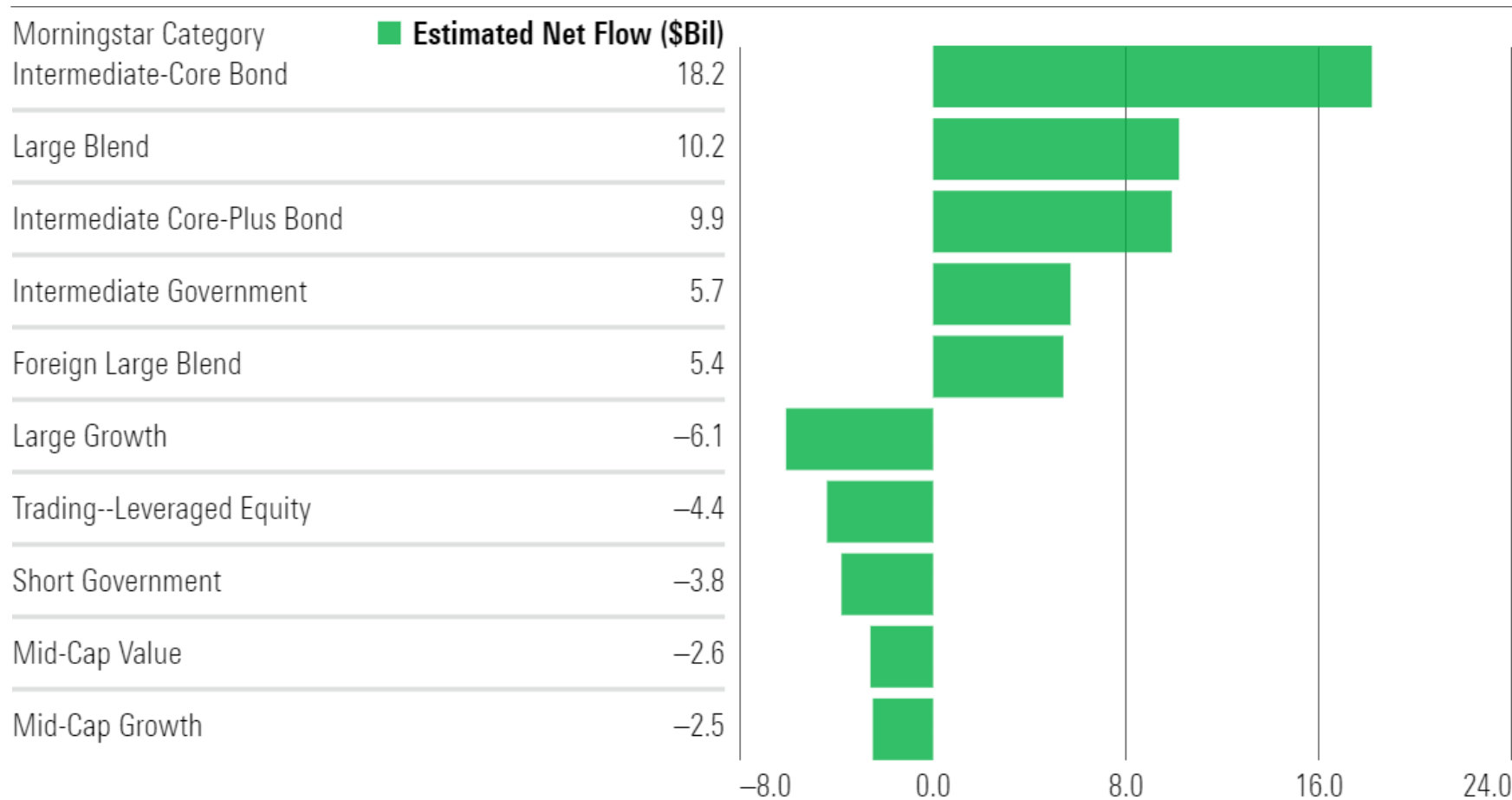
Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024. TTM is trailing 12 months.

ETF Flows

ETF Subgroup	Feb 2024 (\$Bil)	QTD (\$Bil)	1-Year (\$Bil)	3-Year (\$Bil)
Actively Managed	22.1	39.8	139.0	299.7
Passively Managed, Long-term	28.9	54.9	494.1	1,664.6
Passively Managed, Sector	(2.0)	0.5	(7.9)	24.6
Passively Managed, Leveraged (Long)	(4.8)	(6.6)	(6.2)	14.5
Passively Managed, Leveraged (Short)	1.6	1.1	2.7	12.4
Total	45.8	89.7	621.6	2,015.8

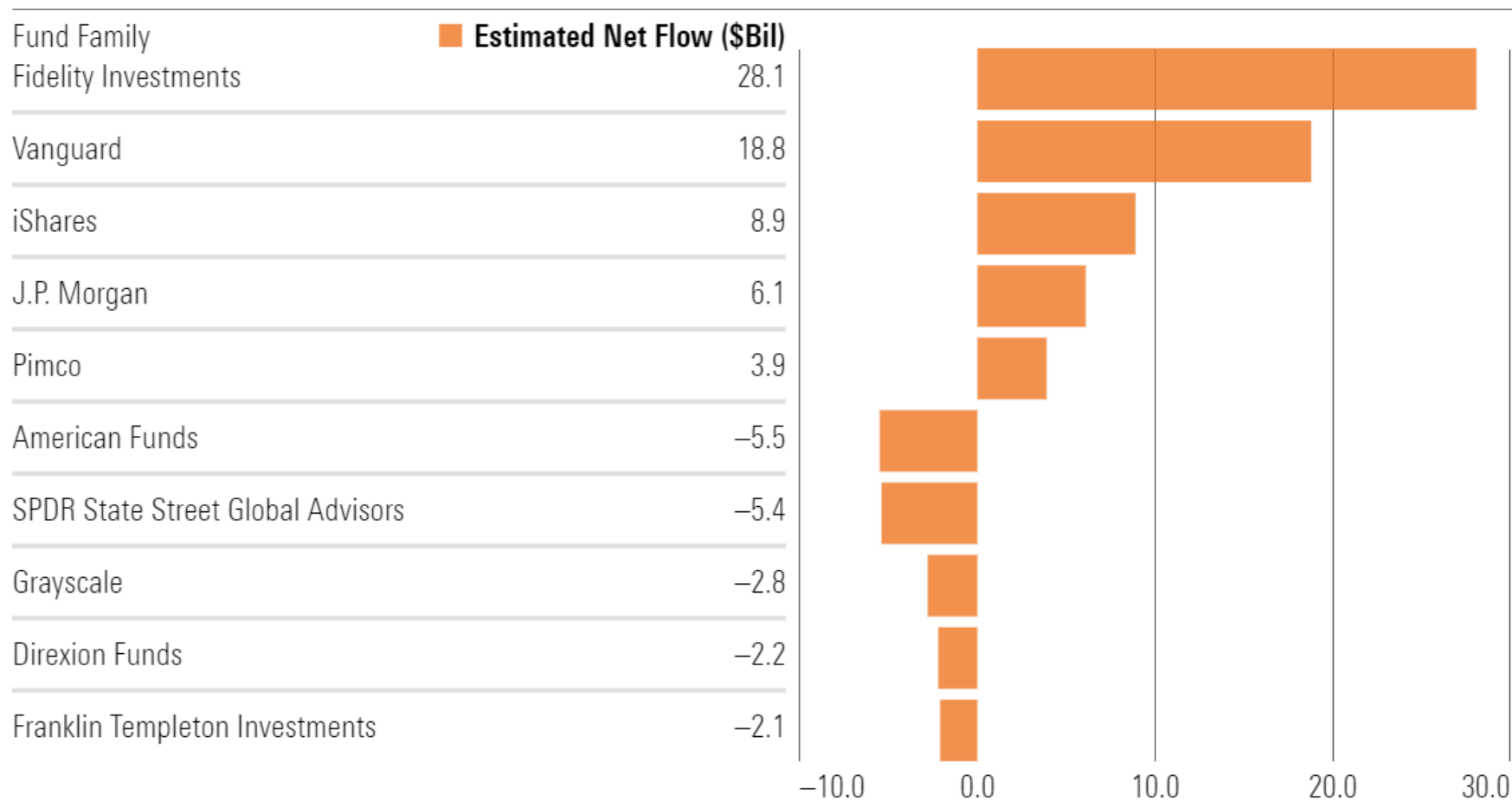
Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

Morningstar Categories With the Largest February Inflows and Outflows



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

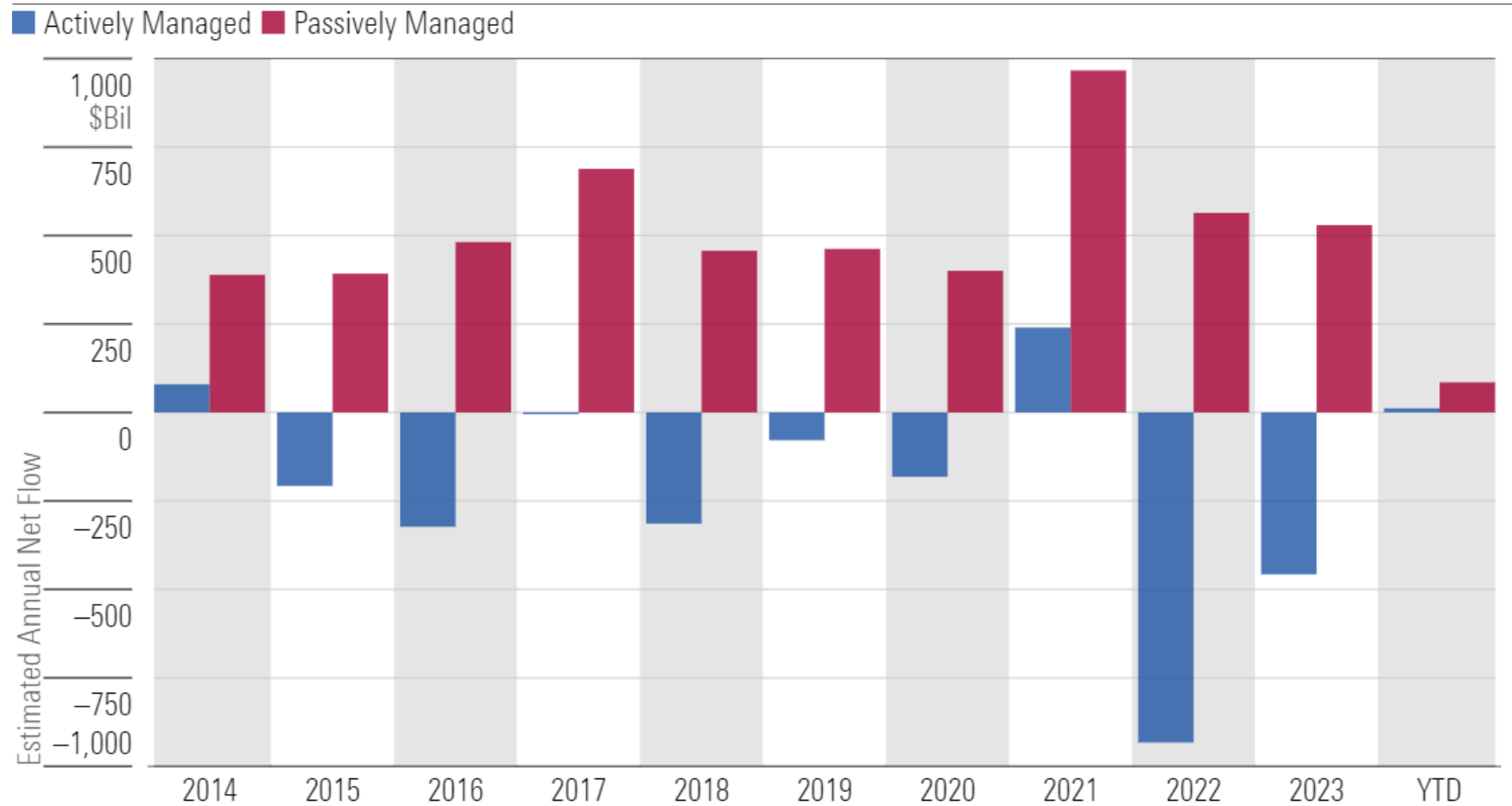
Fund Families With the Largest February Inflows and Outflows



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

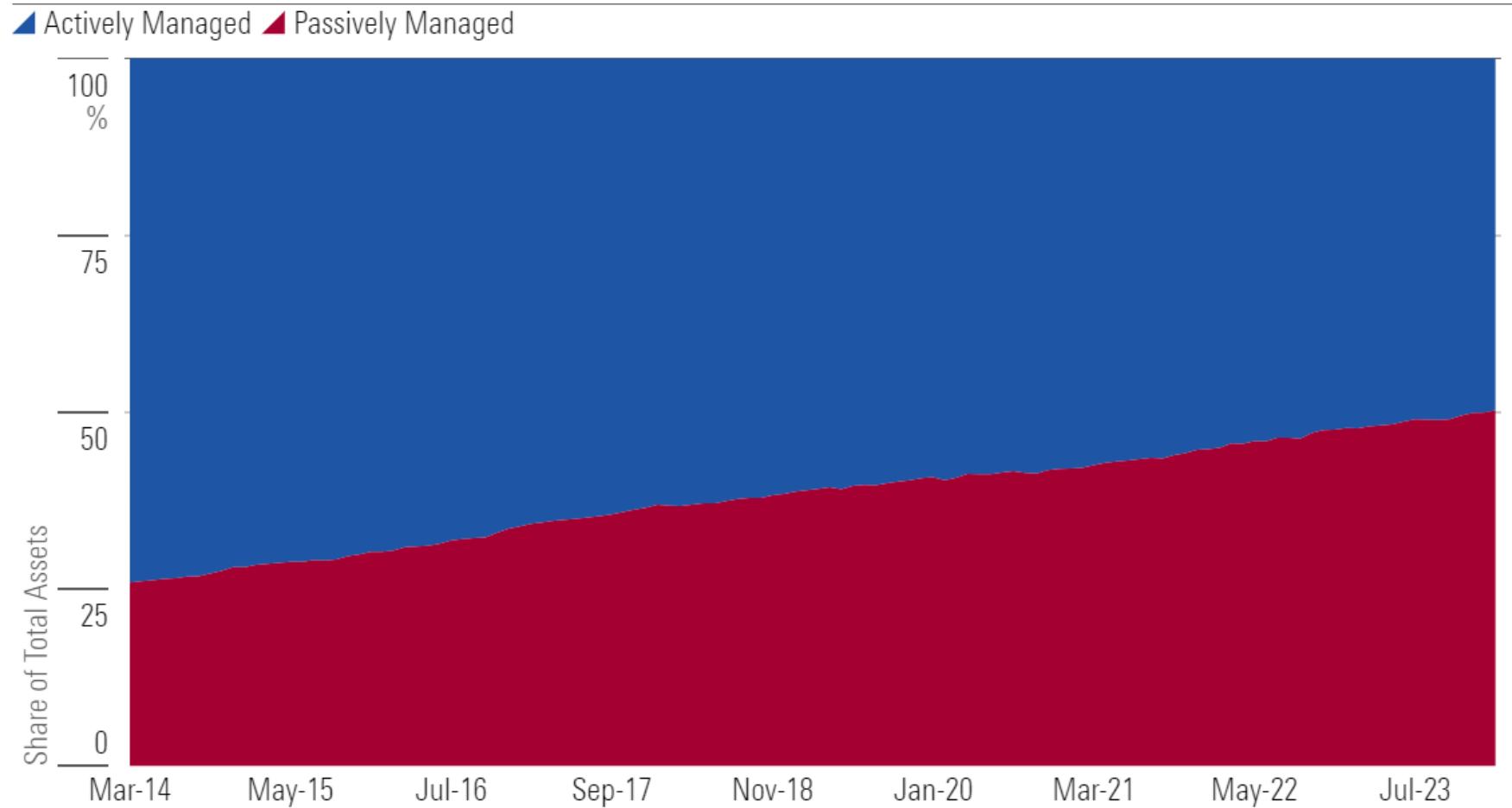
Long-Term Trends

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



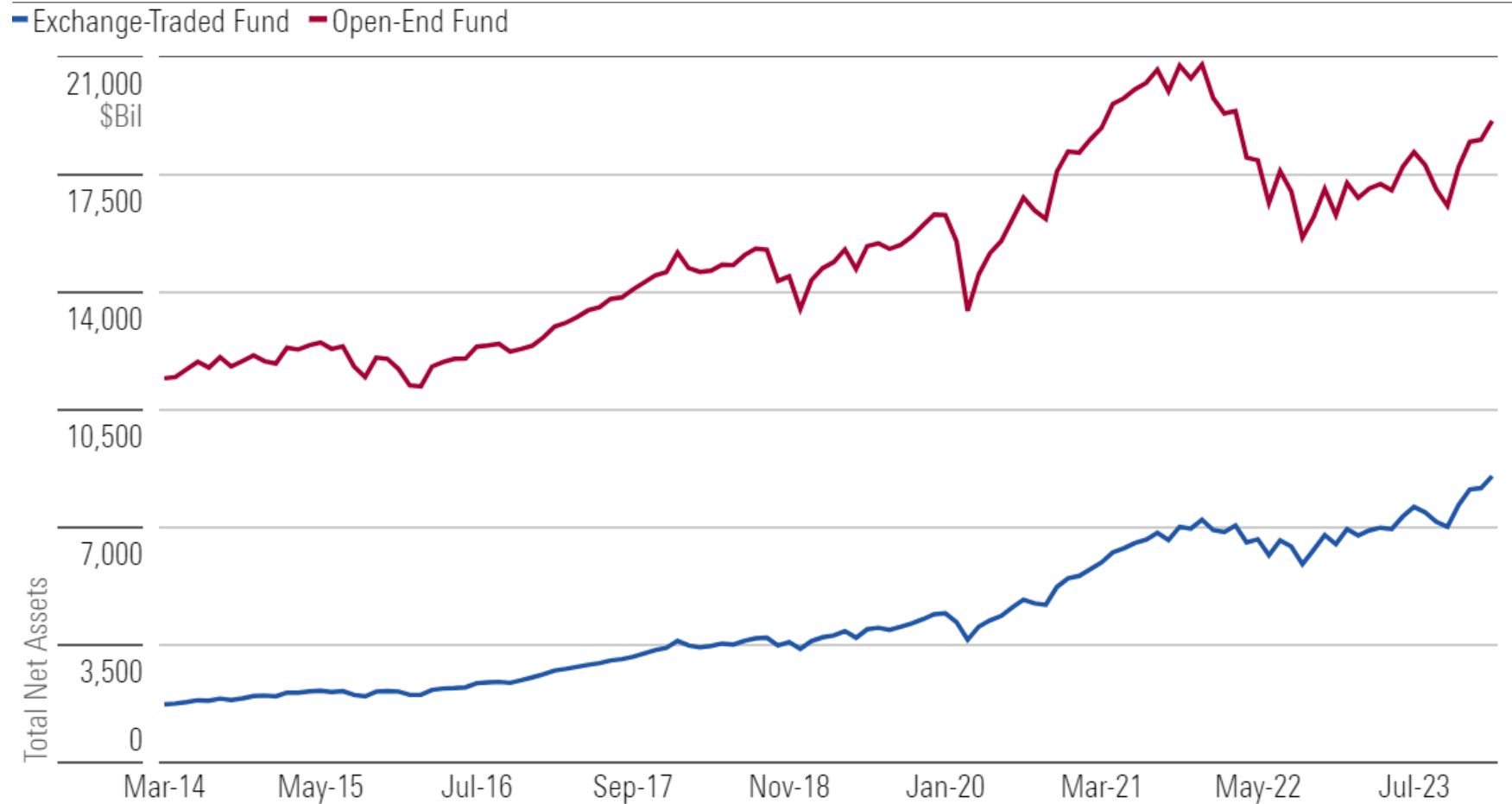
Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

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



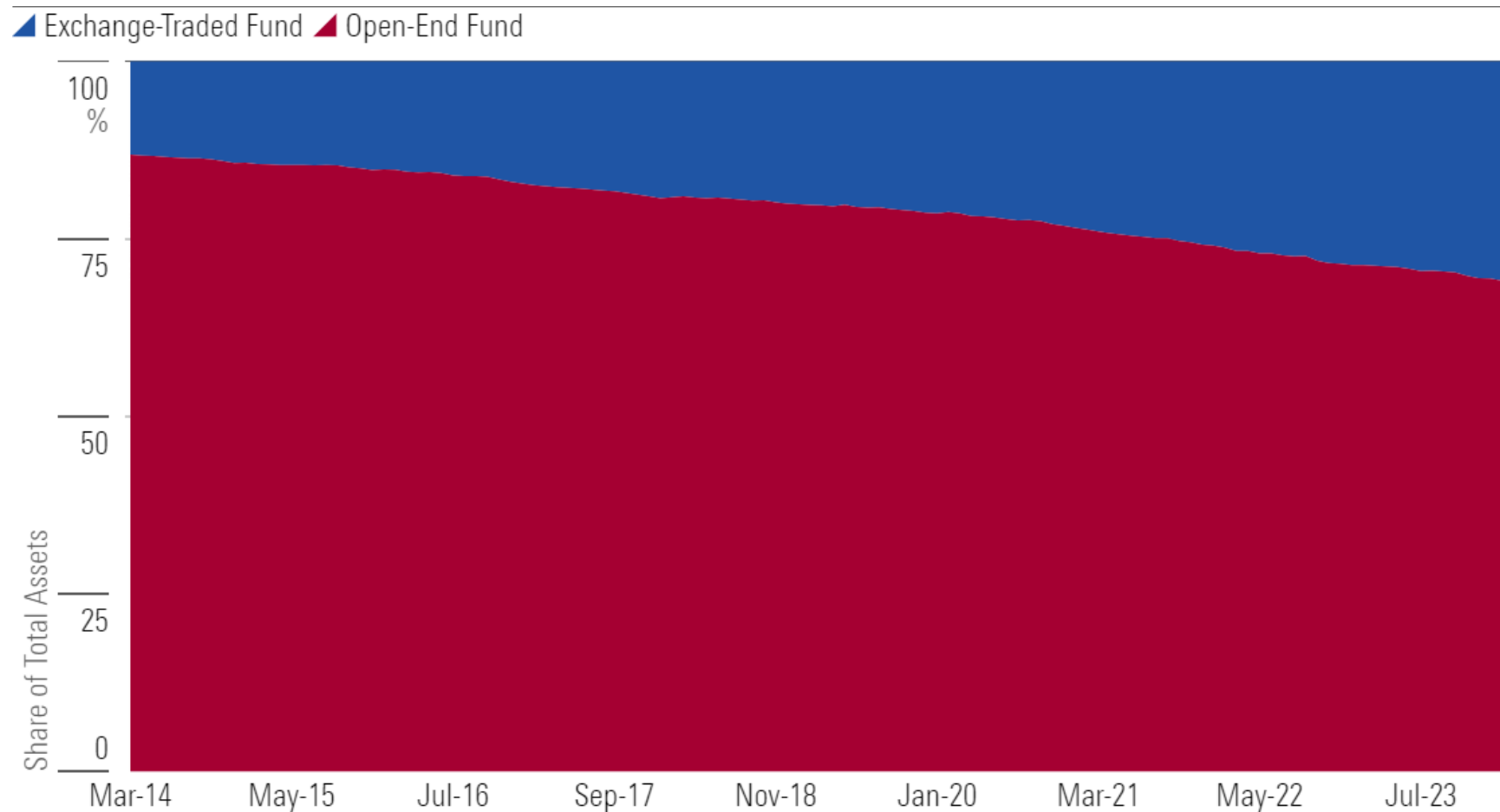
Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

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



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

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



Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

Multiyear US Category Group Flows

Category Group	1-Year (\$Bil)	3-Year (\$Bil)	5-Year (\$Bil)	10-Year (\$Bil)
US Equity	(4.1)	175.7	(105.2)	(32.0)
Sector Equity	(48.2)	(56.2)	12.8	85.1
International Equity	9.8	223.5	180.4	825.4
Allocation	(88.7)	(173.4)	(292.9)	(421.7)
Taxable Bond	258.7	502.9	1,403.6	2,234.0
Municipal Bond	(6.1)	(38.8)	126.2	270.3
Alternative	2.9	54.2	65.9	58.0
Commodities	(18.2)	(26.1)	18.2	35.8
Nontraditional Equity	23.5	70.8	61.4	42.0
Miscellaneous	(5.6)	30.0	46.3	56.7

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2024.

Disclosures

Note: The figures in this report were compiled on March 11, 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.

Disclosures

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