
2024 Global Fund Flows

Data through Dec. 31, 2023



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Key Takeaways: Global Flows in 2023

- ▶ In 2023, global open-end and exchange-traded funds¹ had USD 66 billion of estimated net flows, growing 0.17% on an organic basis, a weak recovery following outflows of USD 536 billion in 2022.
- ▶ Assets reached USD 44 trillion, USD 5 trillion higher than 2022, but off the peak of USD 48 trillion in December 2021.
- ▶ Only one category group, fixed income, had inflows. Investors chased higher interest rates and rebalanced surging equity positions, resulting in a USD 395 billion inflow to category funds. This group had USD 477 billion of outflows in 2022.
- ▶ Money market funds took in USD 1.1 trillion, lifting assets to a record-high USD 7.7 trillion, but the level of money market assets as a percentage of long-term assets is normal, throwing cold water on equity bulls' "record money on the sidelines" argument.
- ▶ 2023 may be looked back on as a turning point for fixed-income funds. Passive strategies dominated flows for a second year in a row, capturing USD 361 billion. Actively managed bond funds had a weak recovery from 2022's historic USD 747 billion in outflows, gathering only USD 34 billion.
- ▶ Indexed strategies now represent 40% of long-term global assets, or USD 17.9 trillion. The U.S. surpassed 50% in passive assets in December.
- ▶ Actively managed ETFs are growing more quickly than traditional "beta" ETFs. They grew 37%, while passive ETFs grew 8%.

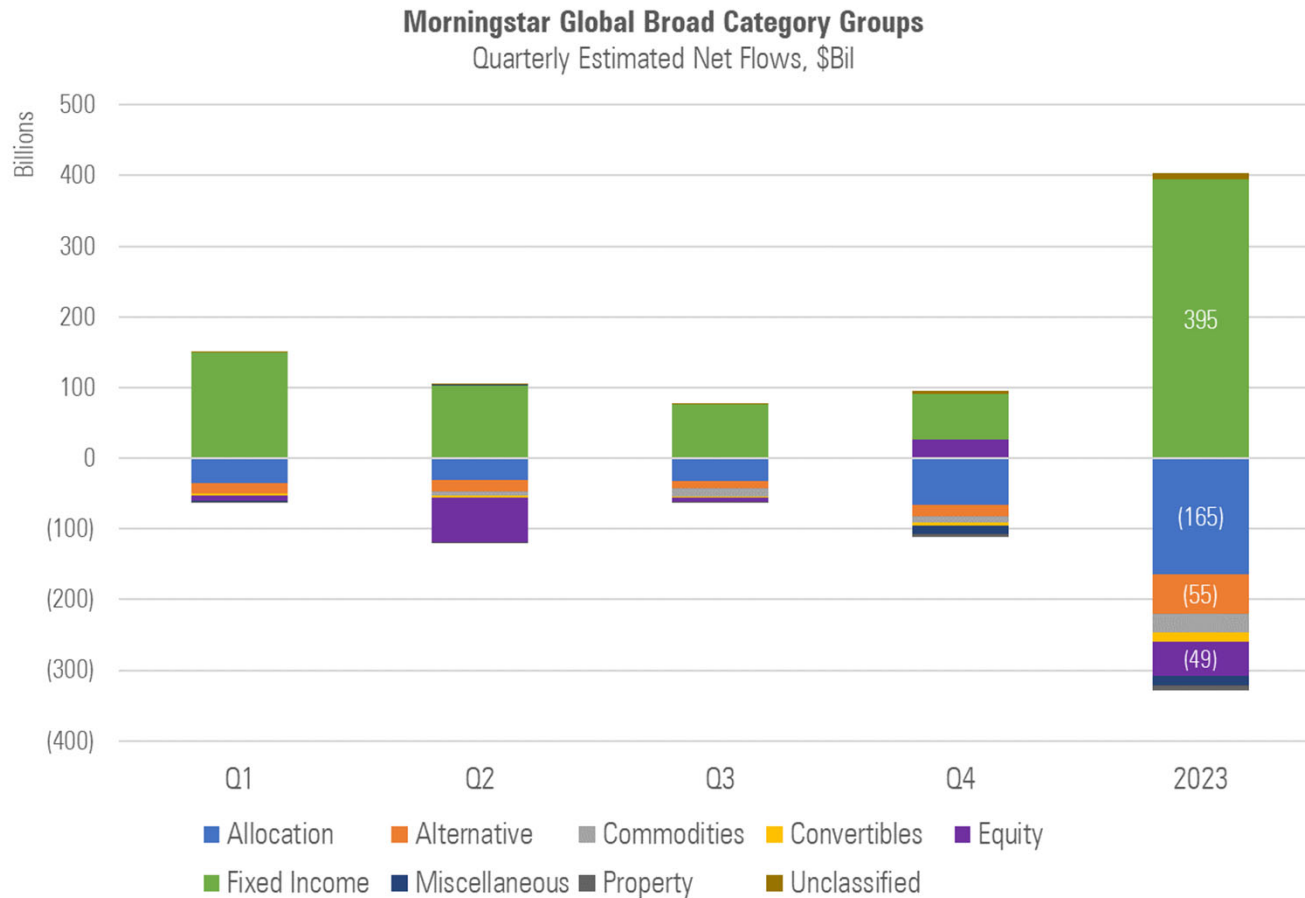
¹ Long-term funds excludes money market funds.

Key Takeaways: Global Flows in 2023 (continued)

- ▶ Vanguard enjoys a 37% market share in passive assets, while iShares is a distant second at 15%.
- ▶ Sustainable funds had USD 59 billion of inflows, or 2% on an organic basis. Assets reached USD 2.9 trillion thanks to surging equity markets.
- ▶ Funds with Morningstar Medalist Ratings of Gold, Silver, or Bronze captured USD 506 billion of inflows in 2023, while Neutral and unrated funds had USD 432 billion of outflows.
- ▶ Funds with 4- and 5-star Morningstar Ratings hold 48% of worldwide long-term assets and gathered USD 362 billion in net flows for the year.

Fixed Income Dominated Flows; Every Other Category Was in Outflows

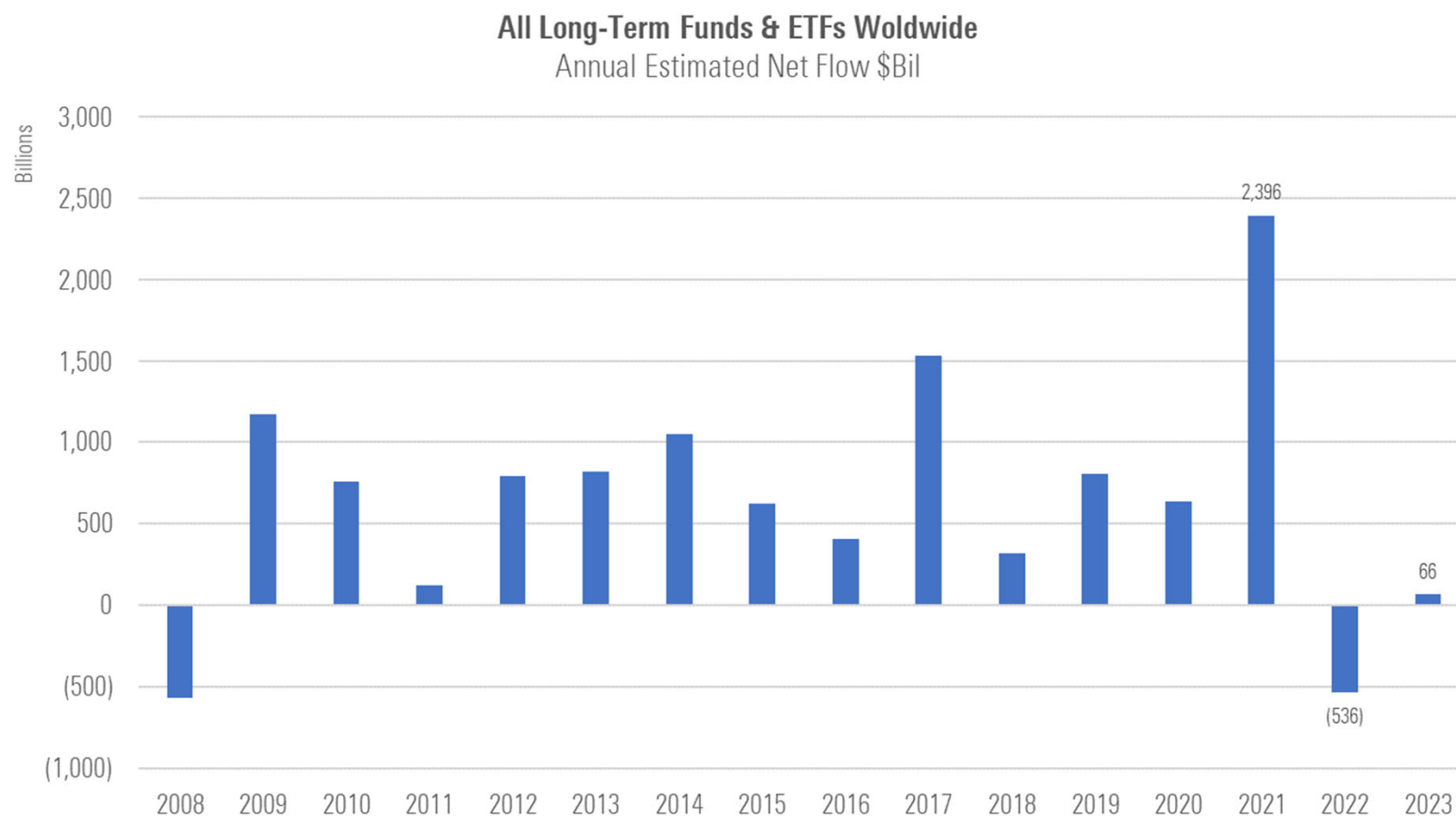
Investors shunned equity funds for the first three quarters of 2023 and piled into fixed-income funds in every quarter. Global equities returned 18.12% and global bonds 6.57%^ in USD terms. Every other asset class had outflows for every quarter of the year. Allocation flows were disastrous; the category's USD 165 billion in outflows were the worst ever on an absolute and organic basis.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023. ^Morningstar Gbl TME NR USD and Morningstar Gbl Core Bd GR USD, respectively.

Long-Term Global Assets Reach USD 44 Trillion as Flows Flatten to USD 66 Billion

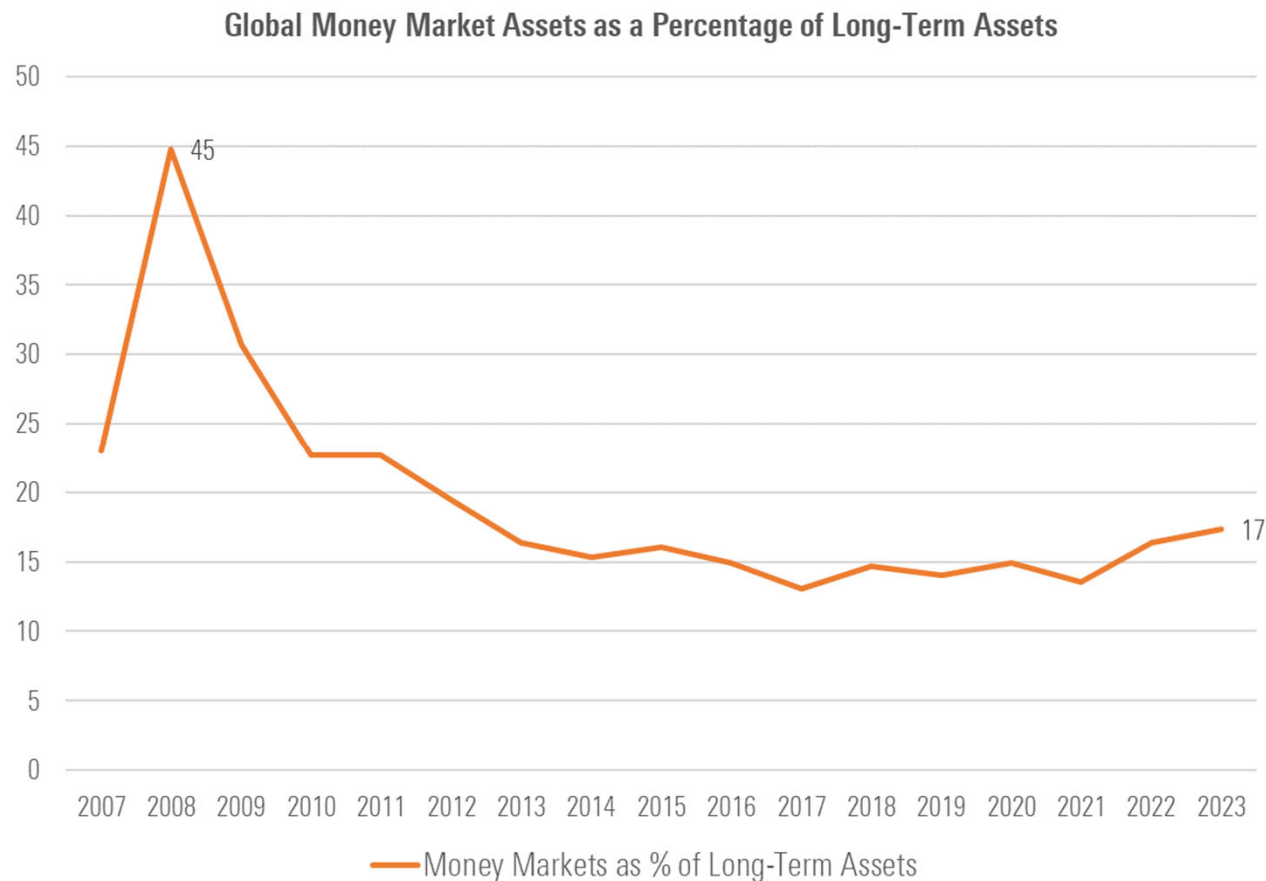
Long-term funds and ETFs grew 0.17% on an organic basis in 2023 on net flows of USD 66 billion. Only 2008 and 2022 had smaller flows over the past 15 years.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

Is 'Record Money on the Sidelines' a Myth?

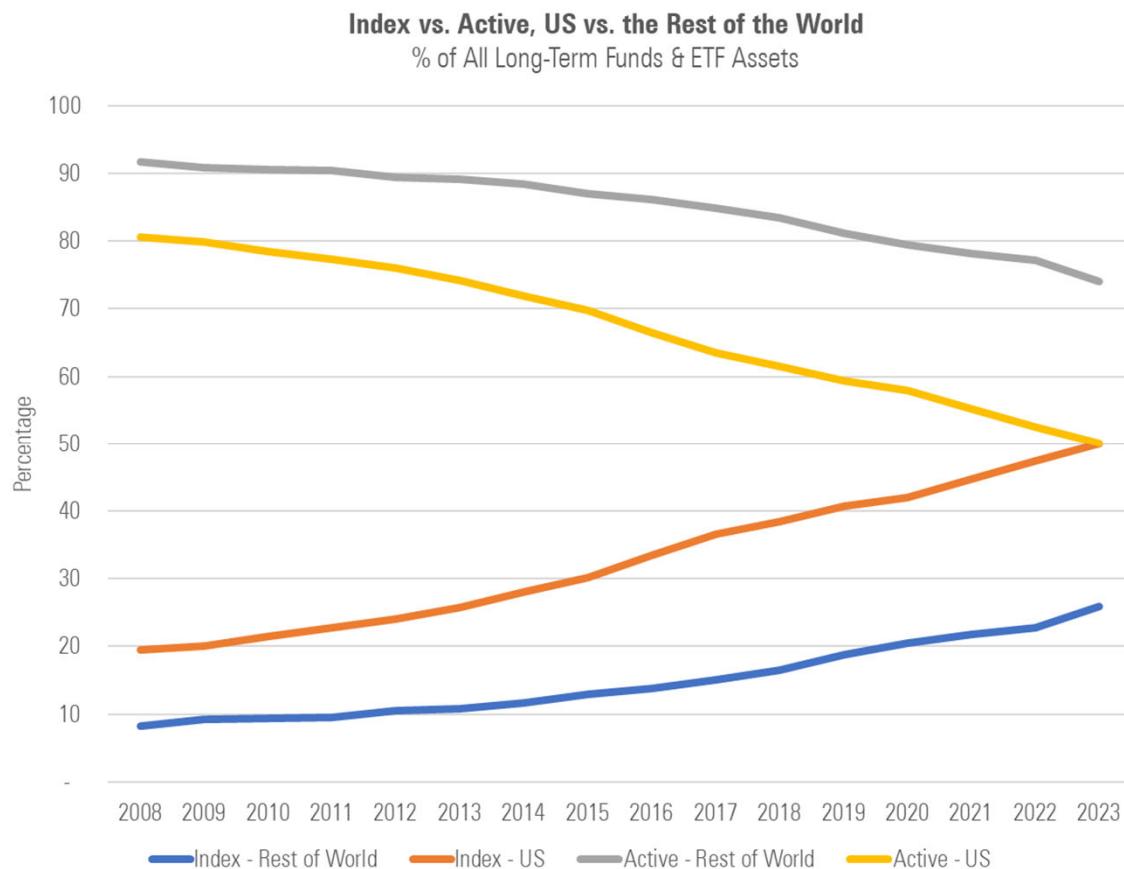
Money market funds globally took in USD 1.1 trillion in 2023, far outpacing any long-term asset class in flow terms. Total assets reached a record USD 7.7 trillion. Stock market bulls believe trillions in these funds will be put to work in stocks in 2024, but money markets' share of long-term assets is still moderate on a historical basis, and money market yields are still attractive anyway.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

Passive Attains a Majority in the U.S. but Lags Elsewhere

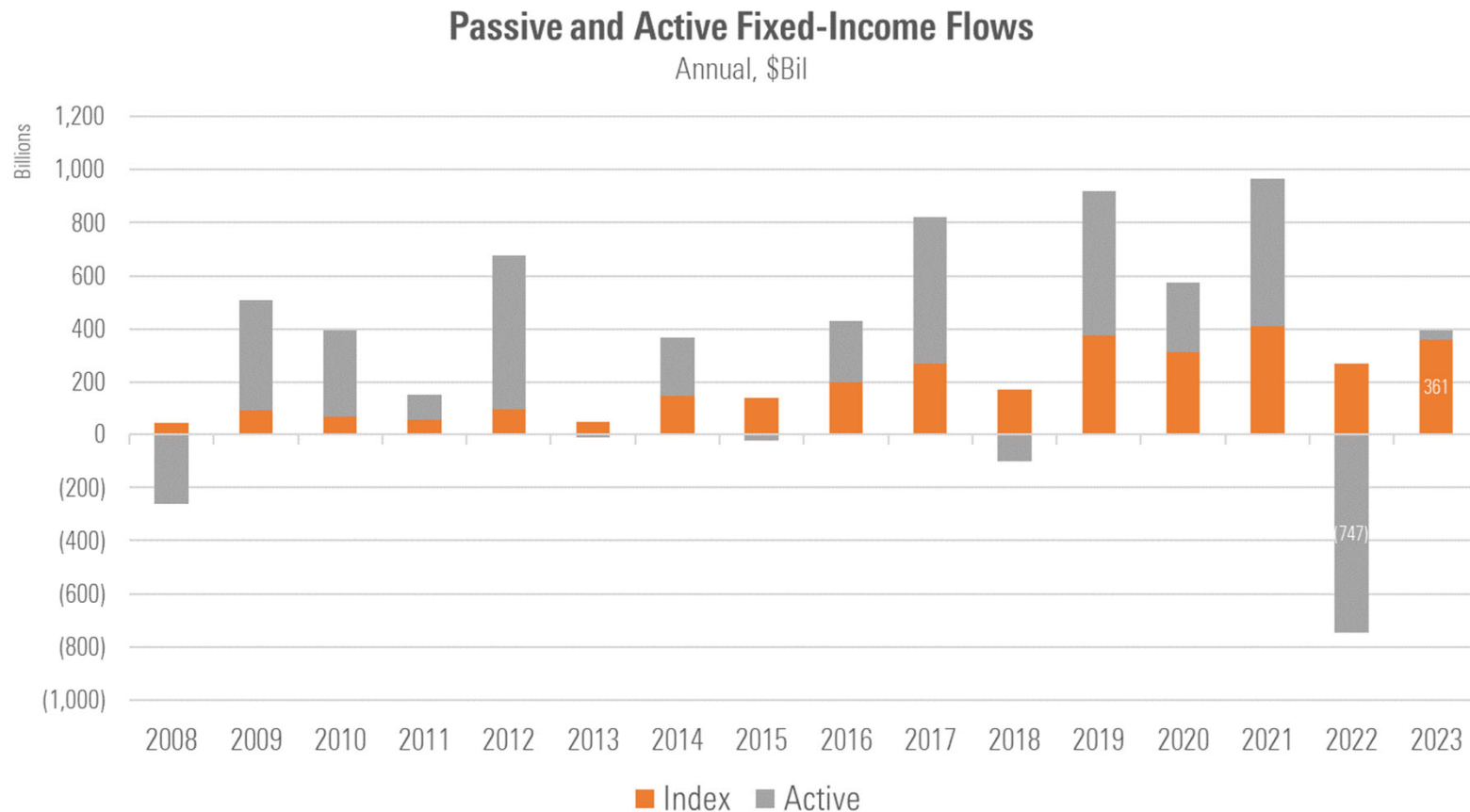
Passive represents 40% of worldwide long-term assets. U.S. long-term assets in passive strategies surpassed 50% at the end of 2023; but passive's share is only 26% beyond the U.S. Many factors contribute to this disparity, including bank-dominated distribution, local regulation, and a secular preference in countries like France, Spain, Brazil, and Mexico for short-term fixed-income funds that are actively managed.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

2023 May Have Been Active Fixed-Income's Rubicon

The year 2023 may be looked back upon as a watershed moment for active fixed income. This group endured outflows of USD 747 billion last year and recovered weakly in 2023, with USD 34 billion of inflows in what should have been a rebound year. Meanwhile, their passive counterparts captured 91%, or USD 361 billion[^] of fixed-income flows in 2023, following robust inflows during the deepest bond bear market in decades in 2022.



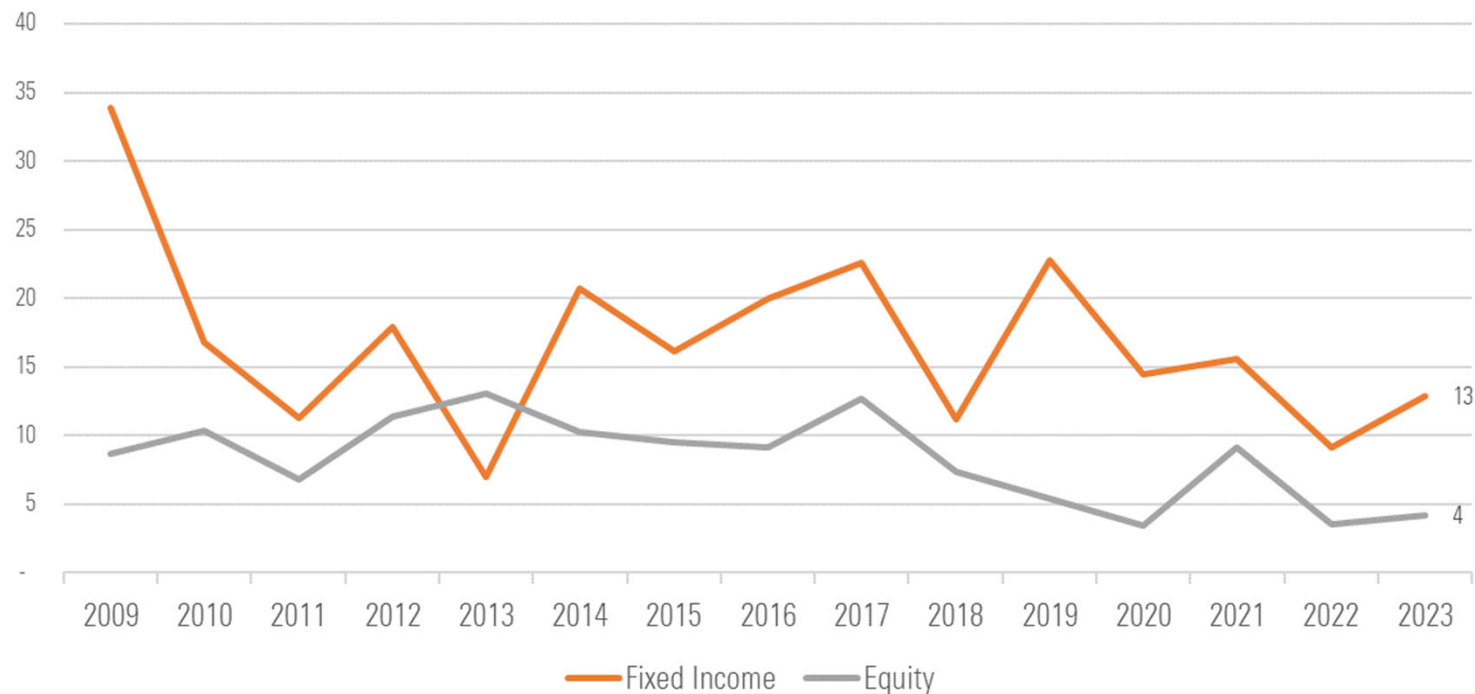
Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023. [^]ETFs received USD 312 billion of the total.

Passive Fixed Income Is Growing Faster Than Passive Equity

Passive fixed income has had a higher organic growth rate than passive equity since 2014, averaging 15% over the past five years, as compared with equity's 5%. Assuming this average growth rate, and 0% growth for actively managed fixed-income funds, indexed and actively managed fixed-income assets will achieve parity in 2030.

Passive Equity and Passive Fixed Income

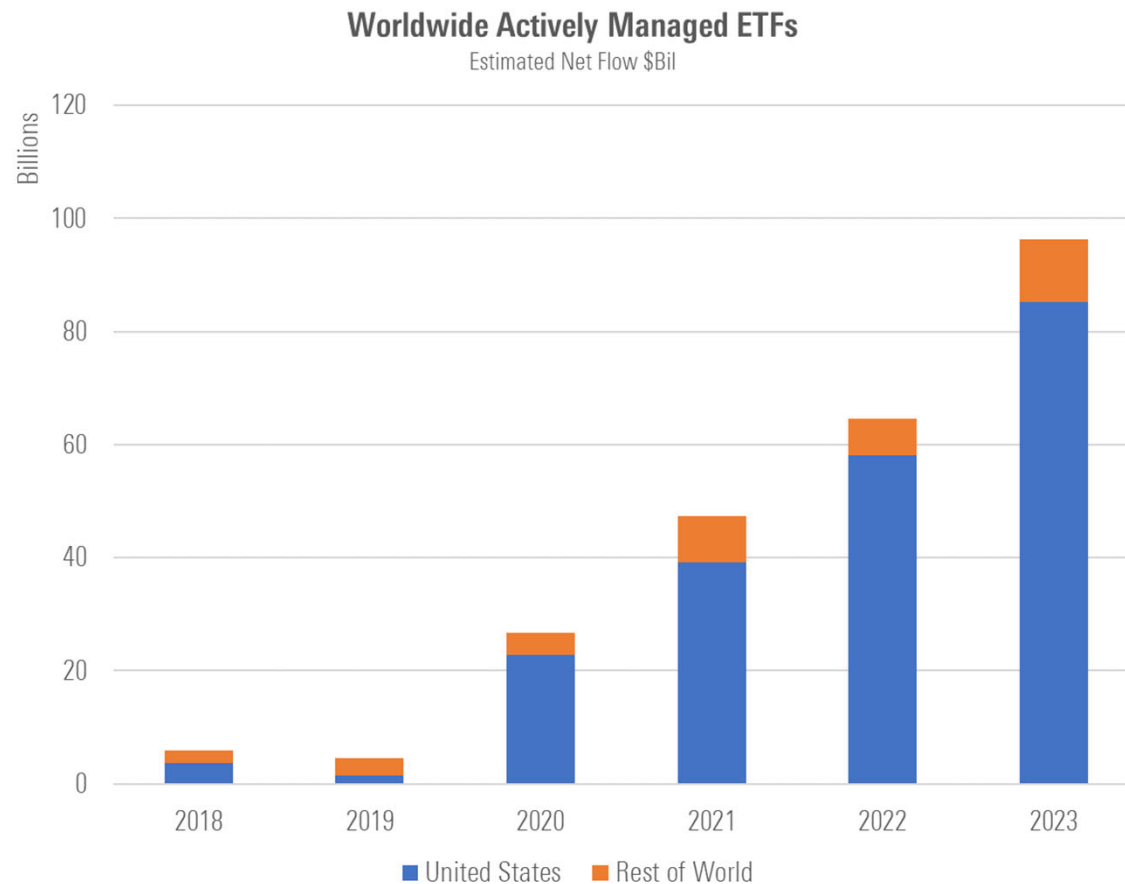
Annual Organic Growth Rate %



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

Actively Managed Equity ETFs Continue to Ascend

Actively managed equity ETFs grew 48% on an organic basis in 2023. The category has been gaining momentum since 2020 and shows few signs of slowing down. Category assets stand at USD 342 billion, USD 287 billion of which resides in the U.S. Overall, actively managed ETFs grew 37%, while indexed (passive) ETFs grew 8%, on an organic basis. Ex-U.S. actively managed ETFs grew 28%.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

Dimensional and JPMorgan Dominate Actively Managed Equity ETFs

JPMorgan's covered call strategy had USD 12.8 billion of flows in 2023, but flows slowed in the fourth quarter. Canada- and Ireland-domiciled asset managers dominate outside of the U.S. Managers introduced 330 new strategies in 2023, 149 outside of the U.S. In 2022, there were 272 and 148, respectively.

Largest Actively Managed Equity ETFs

U.S.

Name	Global Category	Net Assets	Est Net Flow
		\$Mil	\$Mil
JPMorgan Equity Premium Income	Equity Miscellaneous	30,523	12,777
Dimensional US Core Equity 2	US Equity Large Cap Blend	24,201	4,203
Dimensional US Marketwide Value	US Equity Large Cap Value	9,531	525
Dimensional US Targeted Value	US Equity Small Cap	9,551	702
JPMorgan Nasdaq Equity Premium Inc	Equity Miscellaneous	8,444	6,846
Avantis US Small Cap Value	US Equity Small Cap	8,992	2,956
Dimensional US Equity	US Equity Large Cap Blend	7,744	794
ARK Innovation	US Equity Mid Cap	9,341	-610
Dimensional US Small Cap	US Equity Small Cap	7,203	1,379
Dimensional International Value	Global Equity Large Cap	6,419	1,335

Ex U.S.

Name	Global Category	Domicile	Net Assets	Est Net Flow
			\$Mil	\$Mil
JPM US Research Enh Eq ESG USD Acc	US Equity Large Cap Blend	Ireland	4,817	2,232
JPM Global Rsrch Enh Eq ESG USD Acc	Global Equity Large Cap	Ireland	2,900	1,613
Vanguard All-Equity Portfolio	Global Equity Large Cap	Canada	2,426	488
BMO Low Volatility Canadian Equity	Canadian Equity Large Cap	Canada	2,469	214
BMO Covered Call Canadian Banks	Financials Sector Equity	Canada	2,269	222
iShares Core Equity	Global Equity Large Cap	Canada	1,746	524
NBI Sustainable Canadian Equity	Canadian Equity Large Cap	Canada	1,371	189
BMO Covered Call Utilities	Equity Miscellaneous	Canada	1,295	112
Fidelity Sust Rsh Enh EM Eq USD Acc	Global Emerging Markets Equity	Ireland	1,301	1,135
BMO CA High Dividend Covered Call	Canadian Equity Large Cap	Canada	1,244	99

Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

Vanguard Reigns in Global Passive Market Share...

ETFs have become somewhat synonymous with passive, but Vanguard, the biggest open-end and ETF passive manager, holds 62% of its passive assets in old-fashioned mutual funds; the remainder reside in ETFs. While passive is a three-horse race in the U.S., there are only two horses running at the global level: Vanguard and iShares/BlackRock.

Largest Passive Managers - Funds & ETFs

Fund Group	Total Assets \$Bil	Market Share %	2023 Flow \$Bil	Assets by Region \$Bil						
				Asia	Canada	Cross- Border	Europe	Oceania	United States	Other
Vanguard	6,624	37	180	0	38		325	89	6,172	0
iShares	2,709	15	117	38	0		78	19	2,573	8
State Street	1,337	7	86	6		30	79	6	1,216	0
Fidelity	1,203	7	74						1,203	0
BlackRock	1,005	6	85	1	40	9	919	0	34	4
Invesco	543	3	41	3	4	0	80		457	0
Charles Schwab	476	3	28						476	0
Amundi	254	1	13	0		189	64			0
Nomura	249	1	1	249			0			0
UBS	213	1	2	0		52	159	0	1	0
Total - Top 10	14,614	82	627	299	82	281	1,705	114	12,132	12
Total - All Index Funds	17,856									

Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

...but BlackRock Is Winning the Ex-U.S. Race

BlackRock and its affiliate iShares held more than USD 1 trillion in passive outside the U.S. at the end of 2023—more than double Vanguard’s assets. Both BlackRock units grew robustly over the year, at 11% and 6% rates. Xtrackers had strong flows into its U.S. and global equity beta strategies, while Credit Suisse shrank on an organic basis.

Largest Passive Managers - Ex-US - Funds & ETFs

Fund Group	Total Assets \$Bil		Est Net	OGR %
	2022	2023	Flow \$Bil	2023
BlackRock	776	974	82	11
Vanguard	361	453	29	8
Amundi	204	254	13	6
Nomura	212	249	1	0
UBS	179	212	2	1
Xtrackers	134	177	19	15
iShares	118	144	7	6
Credit Suisse	126	142	-6	(5)
State Street	104	121	8	8
Daiwa	99	116	1	1

Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

Active Fund Managers Reel Again in 2023

The largest 10 fund groups had USD 434 billion of outflows in 2022. They fared better in 2023 but still saw USD 267 billion depart. Only JPMorgan, Pimco and Dimensional enjoyed inflows among the 10 largest groups. With only 33% of worldwide actively managed assets held by the top 10 managers, this category is much more fragmented than the passive management industry.

Largest Active Managers - Funds & ETFs

Fund Group	Total Assets \$Bil	Market Share %	2023 Flow \$Bil	Assets by Region \$Bil						
				Asia	Canada	Cross- Border	Europe	Oceania	United States	Other
American Funds	2,134	8	-64						2,134	0
Fidelity	1,451	5	-31			0		0	1,451	0
Vanguard	1,220	5	-72		1		6	1	1,211	0
JPMorgan	769	3	32	25		193	42	1	504	4
T. Rowe Price	674	3	-53	9		23	1	5	637	0
Franklin Templeton	600	2	-44	5	11	70	24	6	476	9
PIMCO	562	2	6		17	1	173	11	361	0
BlackRock	547	2	-41	2	2	180	99	0	230	34
Dimensional	531	2	15		0		45	19	466	0
MFS	364	1	-16	0	0	30	0	3	331	0
Total - Top 10	8,853	33	-267	41	30	497	390	46	7,802	48
Total - All Active Funds	26,451									

Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

Sustainable Fund Flows Decelerated Again in 2023, But Stayed Positive

The rate of flows into intentional sustainable funds fell sharply from 2021 to 2022 and fell again in 2023 to a 2% organic growth rate. Flows stayed positive, however, thanks to USD 73 billion from Europe and cross-border investors. U.S. investors withdrew a net USD 13 billion, which is a reasonably good outcome considering the breadth of the ESG backlash there. Category funds represent 6.6% of global long-term assets.

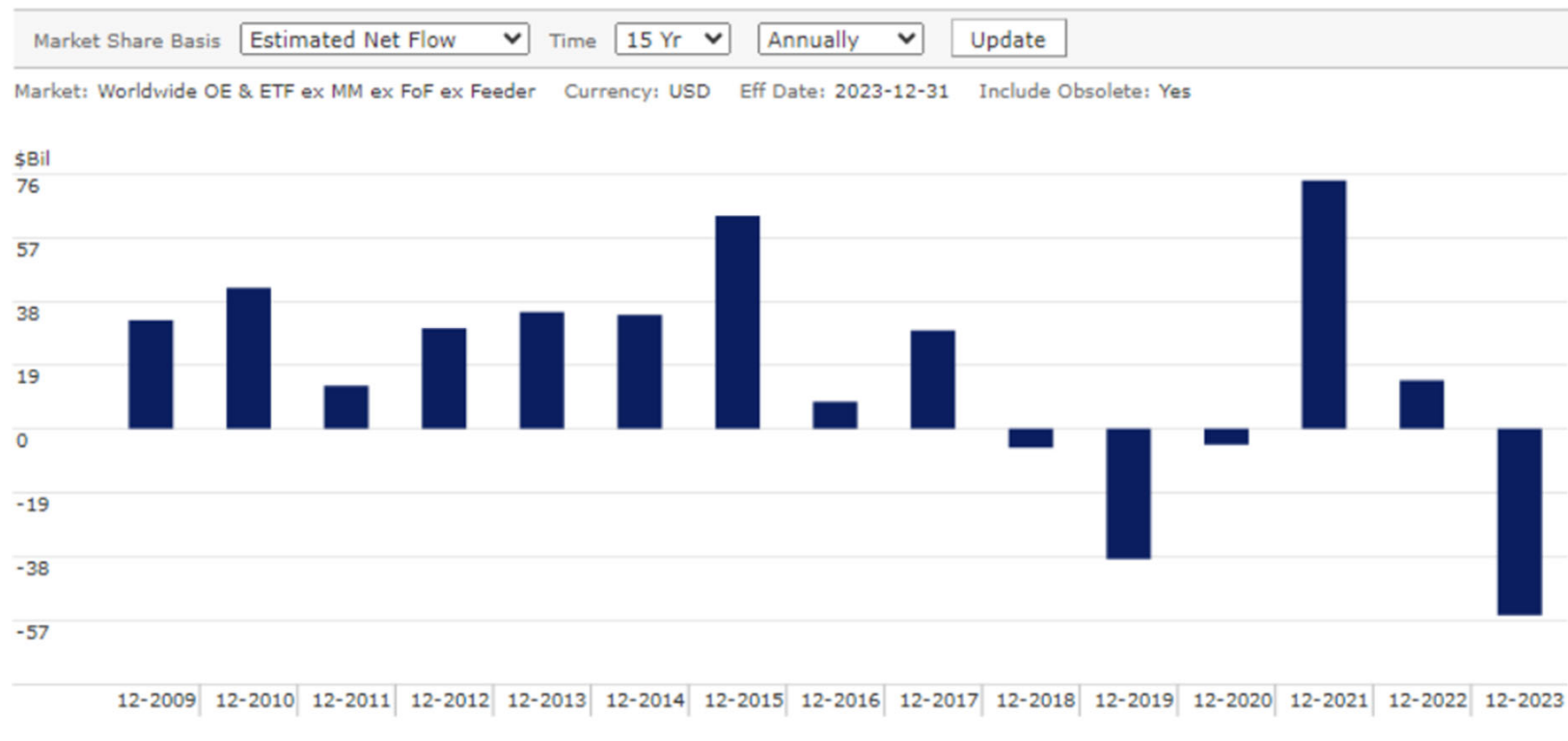
Year	Estimated Net Flow \$Bil	Assets \$Bil	Organic Growth Rate %
2020	309	2,130	20
2021	580	2,953	27
2022	166	2,528	6
2023	59	2,933	2

Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023. Morningstar introduced the Sustainable Attributes in December 2018. Flows and assets indicated in Asset Flows historically are based on each fund's Sustainable Attributes as of the Effective Date. Dates preceding December 2018 will indicate Sustainable Attributes based on today's data, even though the information didn't exist or apply to the funds at these past dates.

Record Outflows for Liquid Alts

Asset managers' dreams of a wave of investor subscriptions were dashed in 2023, as the category endured record outflows of USD 55 billion. Assets fell to USD 508 billion from USD 535 billion as the category had its 16th straight month of outflows in December. 287 strategies debuted in 2023 while 346 were merged or liquidated. Options trading ETF strategies dominated U.S. launches.

Alternative



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023.

Morningstar Medalists: Assets and Flows Gravitate to Rated Funds

Morningstar extended its Medalist Rating methodology to hundreds of thousands of funds and ETFs in March 2023. Vehicles rated Gold, Silver, or Bronze constitute 63% of global assets and captured USD 506 billion in flows in 2023; other funds had USD 432 billion in outflows. Gold-rated funds had the biggest market share, with USD 11.8 trillion in assets, and the highest 2023 growth rate.

Morningstar Medalist Rating	Net Assets (\$Bil)	Market Share %	2023 OGR %	2023 Estimated Net Flow (\$Bil)	Share Classes Reported
Gold	11,800	27	3	305	6,572
Silver	8,980	20	2	164	13,595
Bronze	7,136	16	1	36	19,730
Neutral	7,771	18	(4)	-283	61,014
Negative	1,493	3	(6)	-77	24,392
Under Review	10	0	(22)	-3	44
Not Rated	7,144	16	(1)	-70	77,831

Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023. Morningstar Medalist Rating category funds are determined by their ratings on Dec. 31, 2023.

Morningstar Rating: 4- and 5-Star Funds Dominate Flows and Assets

The Morningstar Rating for funds has existed for almost 40 years. As of the end of 2023, USD 21 trillion, or 48% of worldwide long-term assets under management, resided in 4- and 5-star funds. These funds captured USD 362 billion in inflows for the year. All other funds had USD 297 billion in outflows. Five-star funds grew at 6% organic rate, far outpacing other rating categories aside from unrated funds.

Morningstar Ratings

				2023
	Net Assets	Market	2023 OGR	Estimated
Name	(\$Bil)	Share %	%	Net Flow
				(\$Bil)
5-star	7,621	17	6	341
4-star	13,762	31	0	21
3-star	13,261	30	(2)	(286)
2-star	2,996	7	(8)	(236)
1-star	551	1	(8)	(43)
NR: <1 Year	359	1	(16)	(82)
NR: 1-2 Years	32	0	(3)	(1)
NR: 2+ Years	5,725	13	7	350

Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2023. Morningstar Medalist Rating category funds are determined by their ratings on Dec. 31, 2023.

Appendix

Data Notes

The figures in this report were compiled on Jan. 18, 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.

Methodology

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 for some U.S.-domiciled funds to improve accuracy in this respect. We make ad hoc adjustments for unusual corporate actions such as reverse share splits. 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 sentiment.

Data Universe

The figures in this report are based on 202,000-plus share classes across 67 domiciles. A small number of money market funds comprising only 0.02% of total assets in the report are included, but as a general matter, money markets are not included in the report dataset.

Global Broad Category Group

Name	Estimated Net Flow (\$Mil)		Net Assets \$Bil		Share Classes Reported
	Q4	2023	Dec-23	Mkt Sh%	
Allocation	(66,711)	(164,852)	4,000	9.03	29,049
Alternative	(15,473)	(55,342)	507	1.15	6,408
Commodities	(8,020)	(26,300)	302	0.68	1,205
Convertibles	(4,841)	(13,086)	62	0.14	1,436
Equity	25,739	(57,278)	27,185	61.36	90,378
Fixed Income	64,291	394,367	11,099	25.05	60,880
Property	(3,639)	(7,587)	200	0.45	326
Miscellaneous	(12,360)	(13,286)	900	2.03	12,326
Unclassified	4,077	9,087	41	0.09	928
Money Market	(322)	(1,906)	10	0.02	44
Total	(17,259)	63,817	44,307	100.00	202,980

Disclosures

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