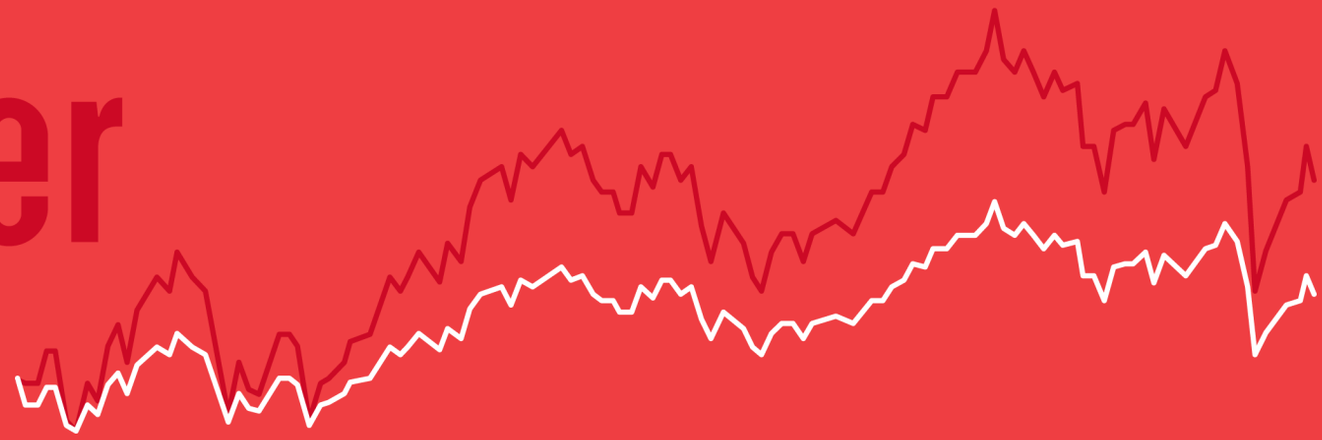
MORNINGSTAR
DIRECT PLATFORM

FEB. 3, 2025

MORNINGSTAR

Silver



Gold

Worldwide Fund Flows 2024

We present the year's high-level trends in open-end and exchange-traded funds that affected investor decisions.

Bronze

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Morningstar Direct Platform

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Version 2, Feb. 5, 2025

Key Takeaways

2024 Key Takeaways

- Open-end funds and exchange-traded funds gathered USD 1.4 trillion in flows as assets hit a new high of USD 50 trillion, more than double the level at the end of 2015.
- Fixed-income funds led all asset classes with USD 1.0 trillion in flows, a record for the asset class. USD 600 billion flowed into actively managed funds, and the remaining USD 400 billion was placed in passive vehicles. Actively managed fixed-income products enjoyed inflows across geographic regions.
- Fixed income (active and passive) has dominated global flows over the past 10 years. Funds in this category have gathered USD 4.9 trillion in net flows, while red-hot equities have captured USD 2.7 trillion. Whether this demonstrates prudence or folly is debatable. The most likely explanation is systematic rebalancing to fixed income because of swelling equity allocations.
- Actively managed equity vehicles had USD 454 billion in outflows for the year, its second-worst showing ever, despite a second-straight year of strong US market returns.
- ETF organic growth increased for the third consecutive year in 2024. While open-end funds' growth is still negative, its rate of decline slowed for the third consecutive year.
- Passive represents 43.5% of worldwide long-term assets, a 3.2% increase from year-end 2023. The category grew 7.8% organically in 2024, its fourth-highest rate in the past decade.

Long-term funds exclude money market funds. India and China are not included in this report.

2024 Key Takeaways (Continued)

- Actively managed open-end funds hold USD 27 trillion, more than all ETFs and passive open-end funds combined.
- Money market funds had USD 951 billion of flows in 2024 and hold a record USD 8.9 trillion in assets. The category now represents 18% of long-term assets, its highest level since 2012.
- BlackRock/iShares led all firms globally with USD 398 billion in flows as its assets topped USD 5 trillion. Only Vanguard was in the same league, capturing USD 275 billion. These two firms captured 49% of net flows for the year. With USD 9.2 trillion in long-term assets at the end of 2024, Vanguard is poised to exceed USD 10 trillion in assets in 2025 or 2026 if flows and markets cooperate.
- Funds with Morningstar Medalist Ratings of Gold, Silver, and Bronze captured 82% of flows.
- Funds with Morningstar Ratings ("star" ratings) of 4 and 5 captured 90% of flows.

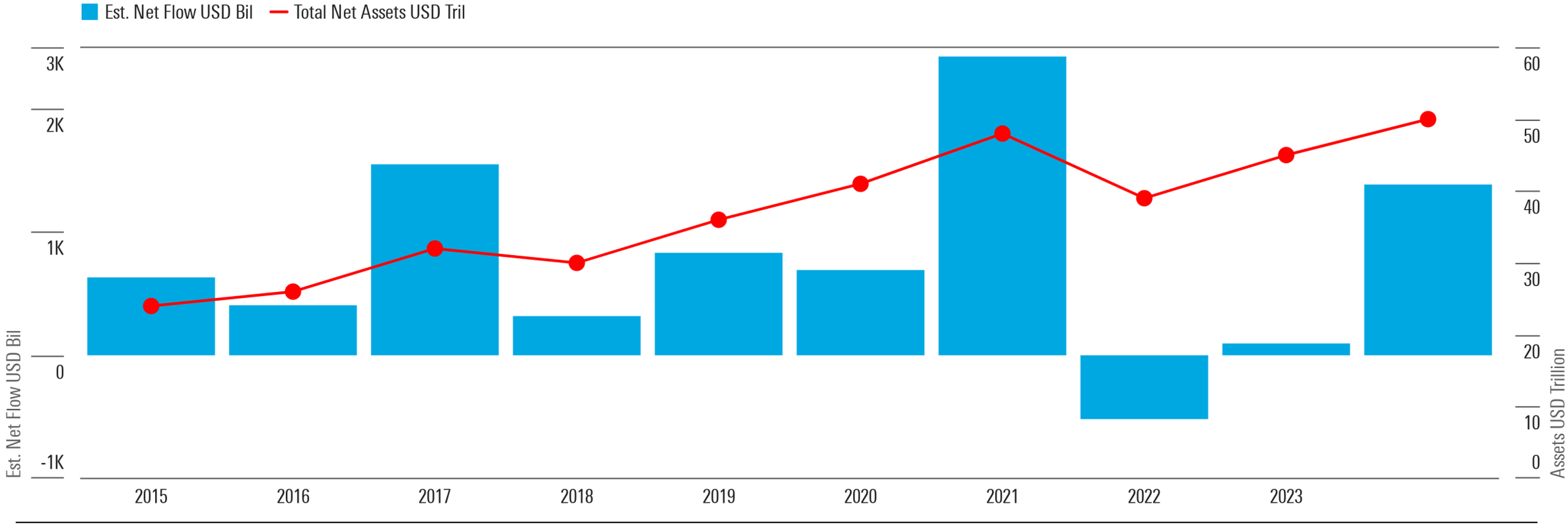
Long-term funds exclude money market funds. India and China are not included in this report.

Assets Hit a New High, While Flows Returned to Health

Open-end funds and ETFs had more than USD 1.4 trillion in flows in 2024, regaining ground after two lackluster years. Assets reached USD 50 trillion, more than double the assets at the end of 2015. The organic growth rate of 3.1% was the third-best over the past decade, behind 2017 and 2021, respectively.

Assets Hit a New High, and Flows Were Robust

Assets eclipsed the USD 50 trillion mark, while flows rebounded from 2022 and 2023.



Source: Morningstar Direct. Data as of Dec. 31, 2024

Asset Classes: Fixed Income Led the Charge

Long-term fixed-income mutual funds and ETFs had more than USD 1 trillion in flows in 2024, nearly doubling equity's take. It was an annual flow record for fixed income, surpassing 2017's USD 880 billion haul. Alternatives captured 2% of all flows and now constitute 1% of industry assets. Some observers believe this low presence leaves a lot of room to grow. Despite fixed income's massive flows, equity's share of long-term assets increased to 63% from 61% thanks to robust equity markets. Fixed income's share of assets fell to 23% from 24%.

Fixed Income Expanded the Fastest, While Equity Had Modest Growth

Worldwide assets, excluding money market funds, increased to a record USD 50 trillion.

Asset Class	2024 Flow USD Bil	% of 2024 Flow	Assets USD Tril	Market Share of Assets %	Organic Growth Rate %
Allocation	-139	-10	4.4	8.8	-3.1
Alternative	27	2	0.5	1.0	5.8
Commodities	-3	0	0.4	0.7	-0.8
Convertibles	-7	-1	0.1	0.1	-11.4
Equity	522	38	31.8	63.5	1.9
Fixed Income	1,002	72	11.9	23.9	9.0
Property	-13	-1	0.2	0.3	-6.0
Other	-3	0	0.9	1.8	0.0
Total	1,386		50.1		3.1

Source: Morningstar Direct. Organic Growth Rate is flows over the period divided by beginning assets. It expresses non-performance-based asset growth and normalizes comparisons over time.

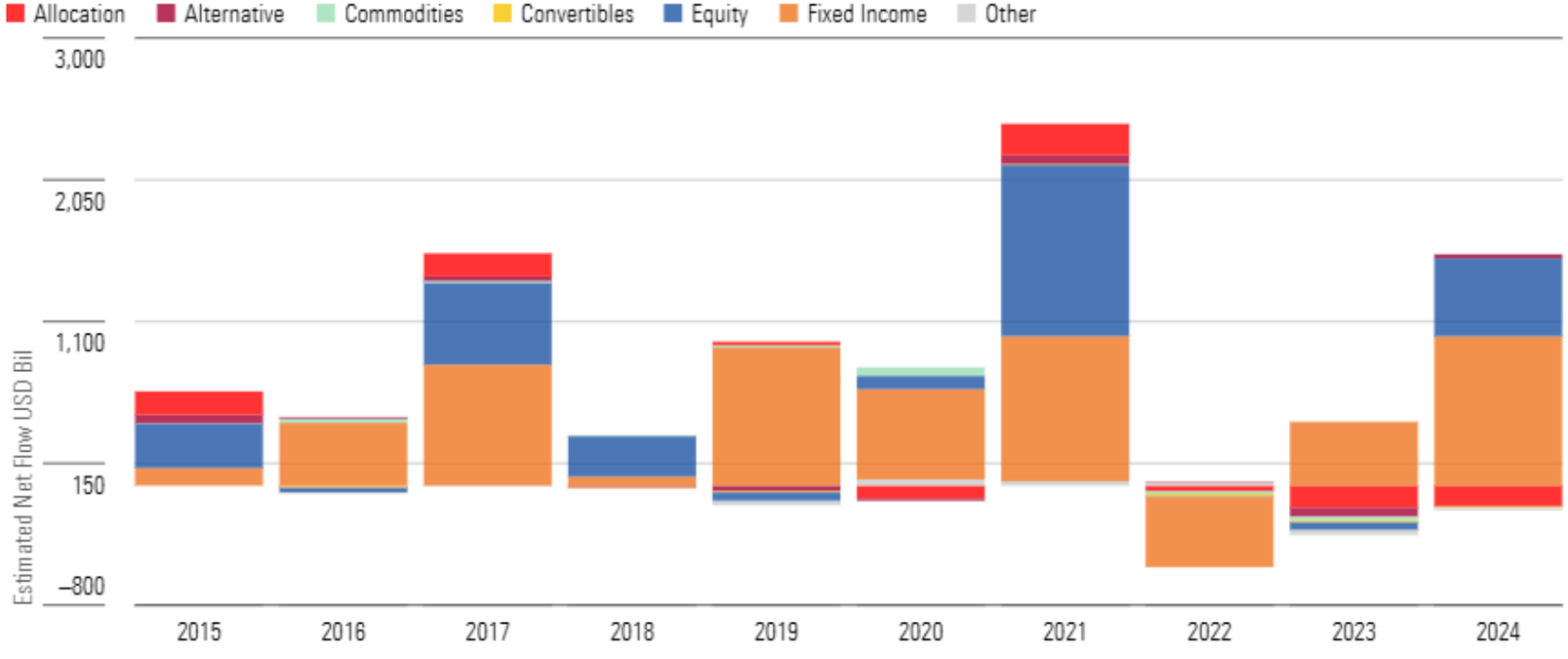
Fixed Income

Fixed Income Has Dominated Global Flows Over the Past 10 Years

Do investors chase hot asset classes? If worldwide flows over the past 10 years are evidence, the answer is a resounding no. In fact, since 2015, investors have poured USD 4.9 trillion into bond funds and ETFs, and "just" USD 2.7 trillion into equities. The Morningstar Global Markets Index PR USD delivered 7.04% per year over the decade, while the Morningstar Global Core Bond Index GR USD returned negative 0.21%. If investors ever were guilty of chasing equity returns, they seem to have been cured of their reputed ailment. Flows into fixed income since 2022's rout came despite what Morningstar analysts have called "the worst US bond market in modern history." Morningstar's hypothesis for the gusher of fixed-income flows is widespread rebalancing to policy allocations because of equities' hearty returns over much of the past decade.

Stocks Get the Pixels, Bonds Get the Dollars

Much of the dialogue in the industry revolves around stocks, but investors have been placing their bets on bonds.



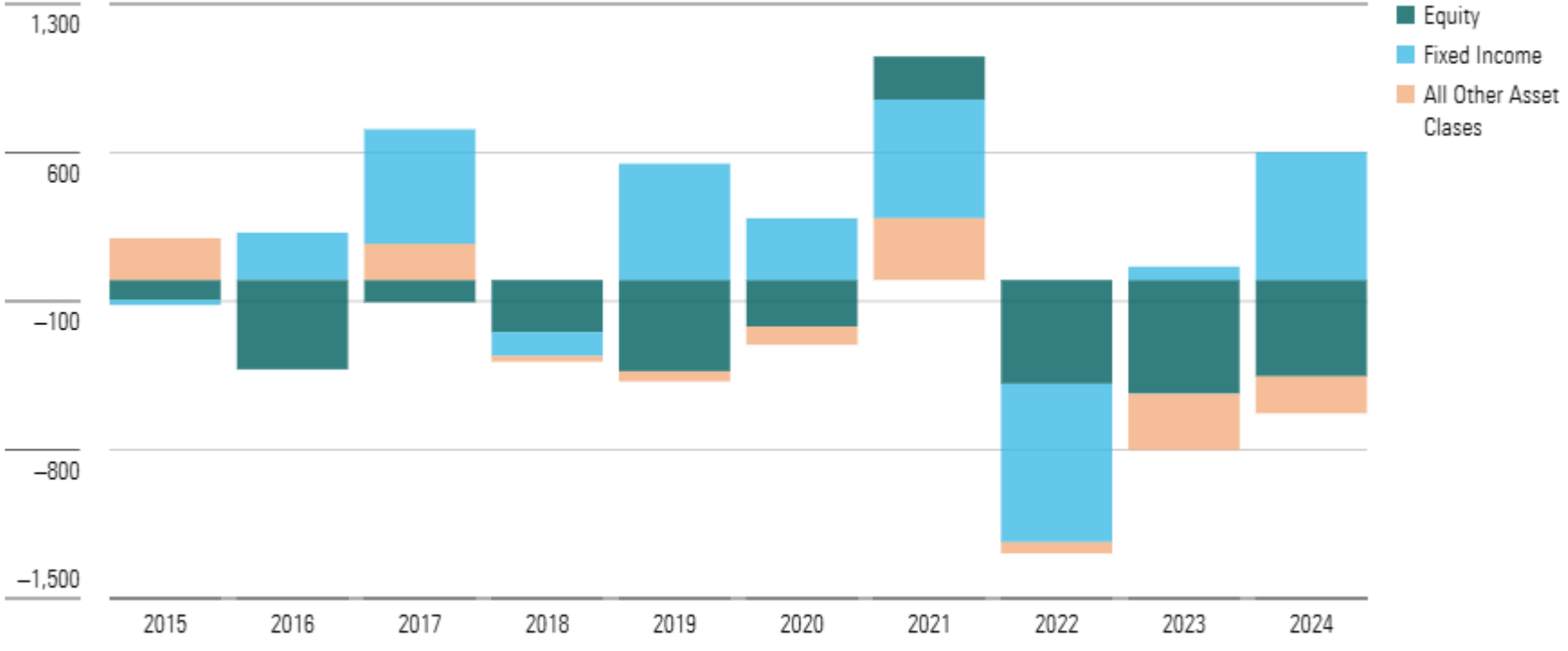
Source: Morningstar Direct Data as of Dec. 31, 2024.

Active/Passive: Actively Managed Fixed Income Carried the Active Category

Actively managed fixed-income open-end funds and ETFs had record flows of USD 603 billion in 2024, while all other actively managed asset classes combined had outflows of USD 627 billion. Active equity's USD 454 billion outflow was its second-worst ever, following 2023's USD 536 billion deluge. Over the past three years, actively managed equity funds and ETFs have endured USD 1.5 trillion of outflows. Morningstar believes that a sizable proportion of actively managed equity outflows are due to baby boomers cashing out of their 401(k) plans to fund their retirements. The magnitude of this effect is unknown, however.

Fixed-Income Vehicles Carried the Day for the Actively Managed Cohort

Outflows for equity vehicles were comparable to the previous two years.



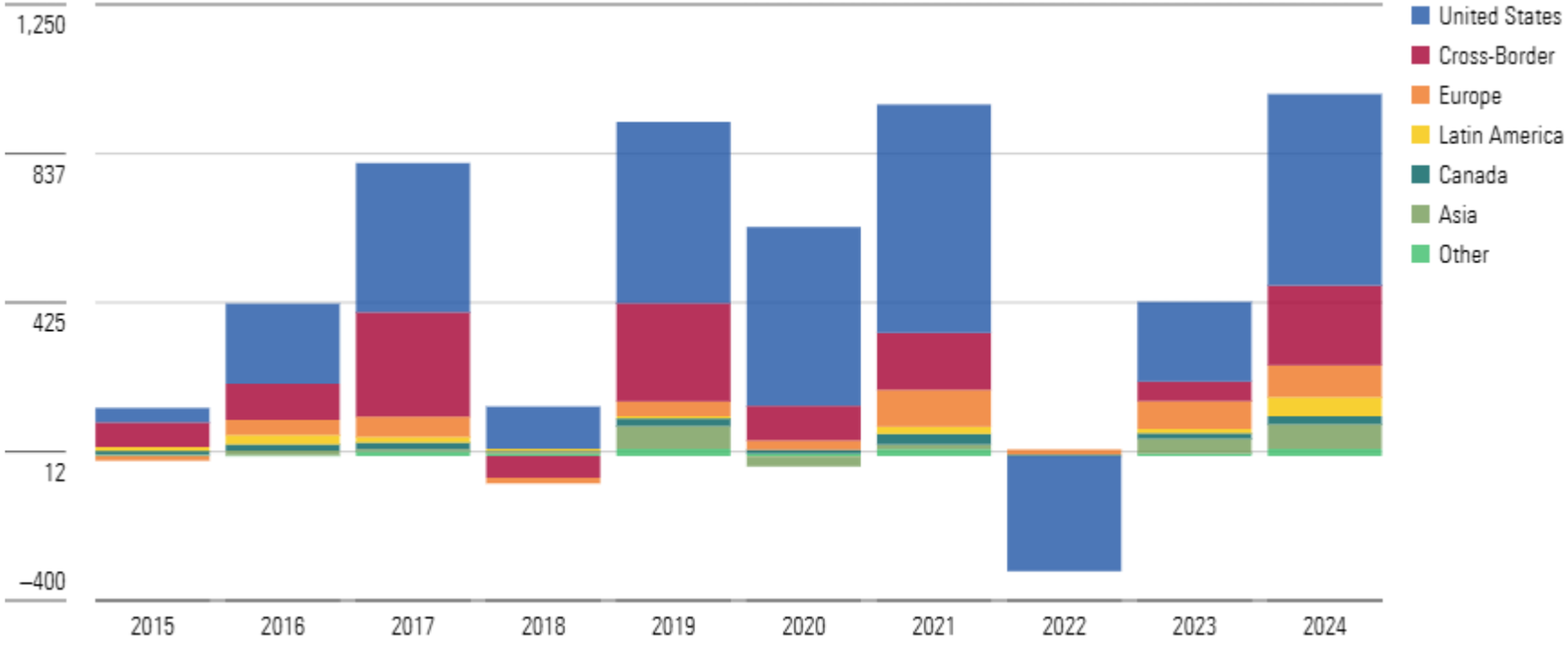
Source: Morningstar Direct Data as of Dec. 31, 2024.

US Vehicles Dominated as Fixed-Income Flows Eclipsed USD 1 Trillion for the First Time

Fixed-income open-end funds and ETFs had more than USD 1 trillion in flows in 2024, more than doubling 2023's USD 428 billion mark. US-domiciled funds dominated, taking in USD 530 billion, but cross-border funds made a strong showing with USD 221 billion.

Fixed Income: US-Domiciled Vehicles Dominated Flows, but Cross-Border Funds Made a Strong Showing

Annual estimated net flow, USD billion.



Source: Morningstar Direct Data as of Dec. 31, 2024.

Investors Loved Actively Managed Fixed-Income Strategies Across Regions

Actively managed fixed-income strategies dominated flows at the asset-class level in 2024, with USD 603 billion in total. How investors attain exposure to fixed income is dependent to a degree on where the products are domiciled. In the US, actively managed fixed-income ETFs drew USD 111 billion in flows, whereas funds in cross-border domiciles captured only USD 2 billion via ETFs. Cross-border strategies are still offered predominantly in open-end wrappers, which took in USD 154 billion. Fixed-income funds domiciled in Europe (excluding fund centers like Luxembourg and Ireland) had virtually no net flow, reflecting the preference of European wealth clients for cross-border strategies.

Actively Managed Fixed-Income Had Positive Flows in Every Region

This money was not chasing equity returns.

Geographic Region of Domicile	ETF Flow 2024 USD Bil	Open-end Flow 2024 USD Bil	Total Flow USD Bil	ETF Assets 2024 USD Bil	Open-end Assets 2024 USD Bil	Total Asset USD Bil
Africa	0	1	1	0	47	47
Asia	6	25	30	18	179	197
Canada	6	9	15	29	315	344
Cross-Border	2	154	156	12	1,851	1,863
Europe	0	75	75	0	1,102	1,102
Latin America	0	53	53	0	581	581
Middle East		2	2		17	17
Oceania	0	9	9	3	71	74
Other Europe		0	0		1	1
United States	111	151	262	289	3,773	4,062
Grand Total	125	478	603	350	7,935	8,286

Source: Morningstar Direct. Australian superannuation funds were classified as open-end in this exhibit. Zero values indicate figures greater than USD 1, but less than USD 1 billion. No values indicate no assets/flows for the indicated category and region.

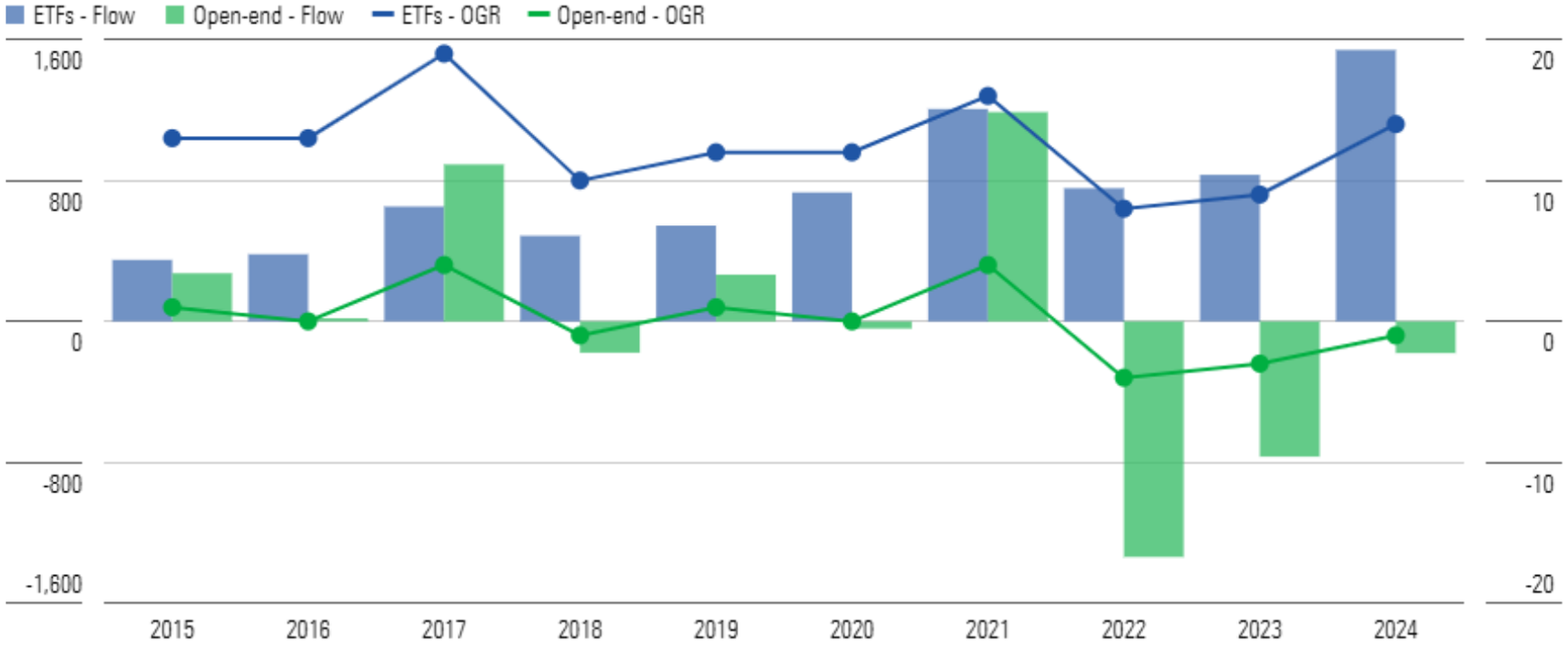
Open-End Funds Versus ETFs

ETF Growth Rates Are Increasing, and Open-End Funds' Negative Growth Is Diminishing

ETFs have been the belle of the ball since the global financial crisis, and their dominance in capturing net flows over the past decade has been relentless. They have captured USD 7.4 trillion in flows over this period, while open-end funds have been treading water, taking in only USD 128 billion. That said, open-end growth rates have improved after a dreadful 2022.

ETFs Have Captured the Lion's Share of Flows Over the Past Decade

Estimated Net Flow, USD Billions; Organic Growth Rate %



Source: Morningstar Direct Data as of Dec. 31, 2024.

See Important Disclosures at the end of this report.

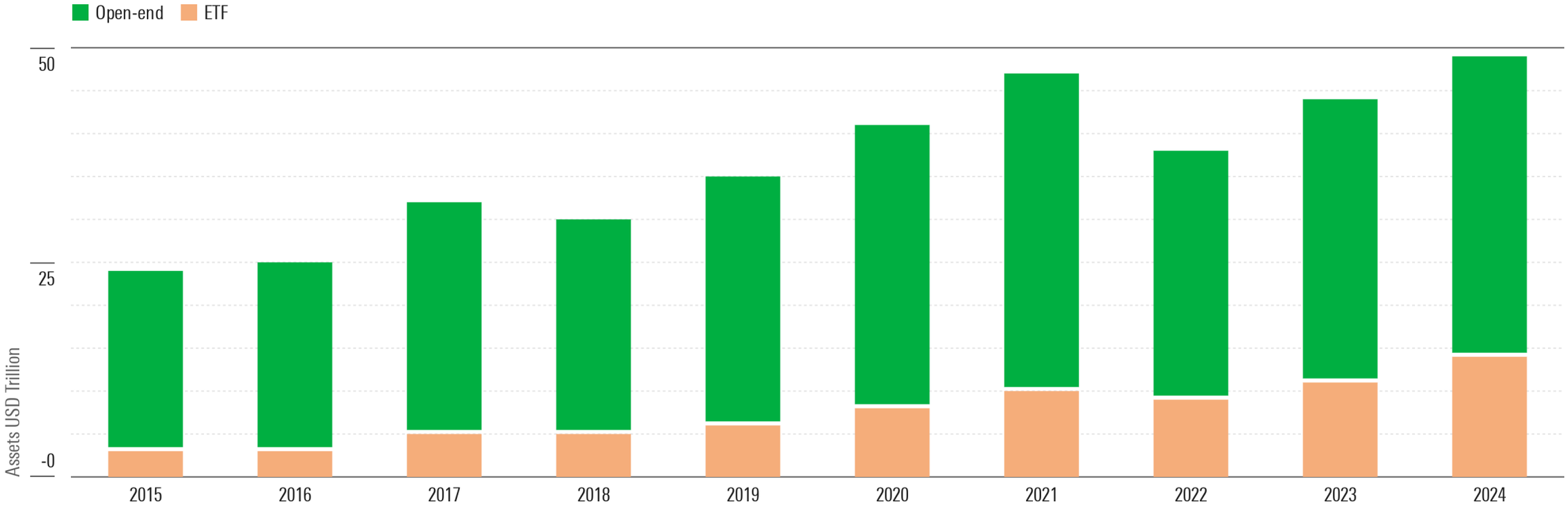
Organic Growth Rate is flows over the period divided by beginning assets. It expresses non-performance-based asset growth and normalizes comparisons over time.

Globally, Open-End Fund Assets Continue to Dominate ETFs

Seventy-one percent of long-term assets still reside in open-end funds. While open-end assets have grown 69% over the past decade, ETF assets have increased by a factor of five.

Assets: ETFs Gain on Open-End Funds

Worldwide assets, excluding money markets, in USD trillions.



Source: Morningstar Direct, Dec. 31, 2024

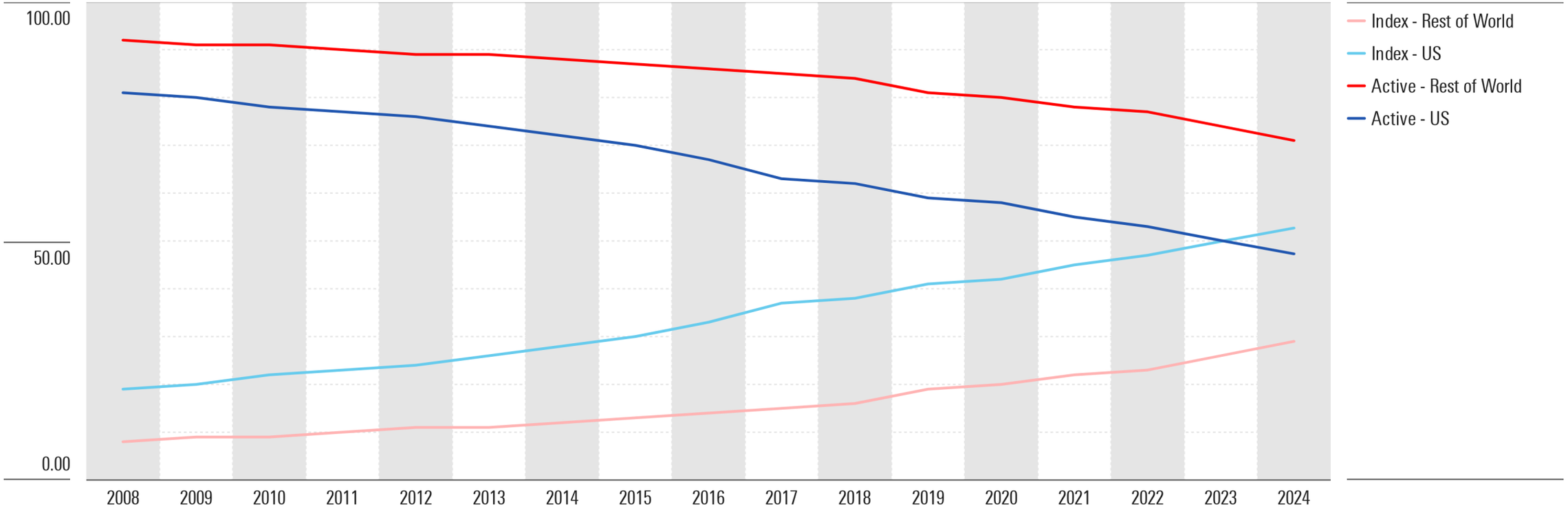
Passive Versus Active

Passive Maintains a Majority of Assets in the US; Ex-US Convergence Is Years Away

Passive represents 43.5% of worldwide long-term assets, a 3.2% increase from year-end 2023. US long-term assets in passive strategies surpassed 50% during 2023 (where the two blue lines cross in the chart) and increased to 53% at the end of 2024. Passive funds' share outside the US is only 29%. 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. Actively managed assets outside the US now exceed US active assets for the first time.

Passive Overtook Active in the US in 2023, but Ex-US Funds Are Increasingly Passive

Market Share of Assets %, Based on USD 50 Trillion in Total AUM



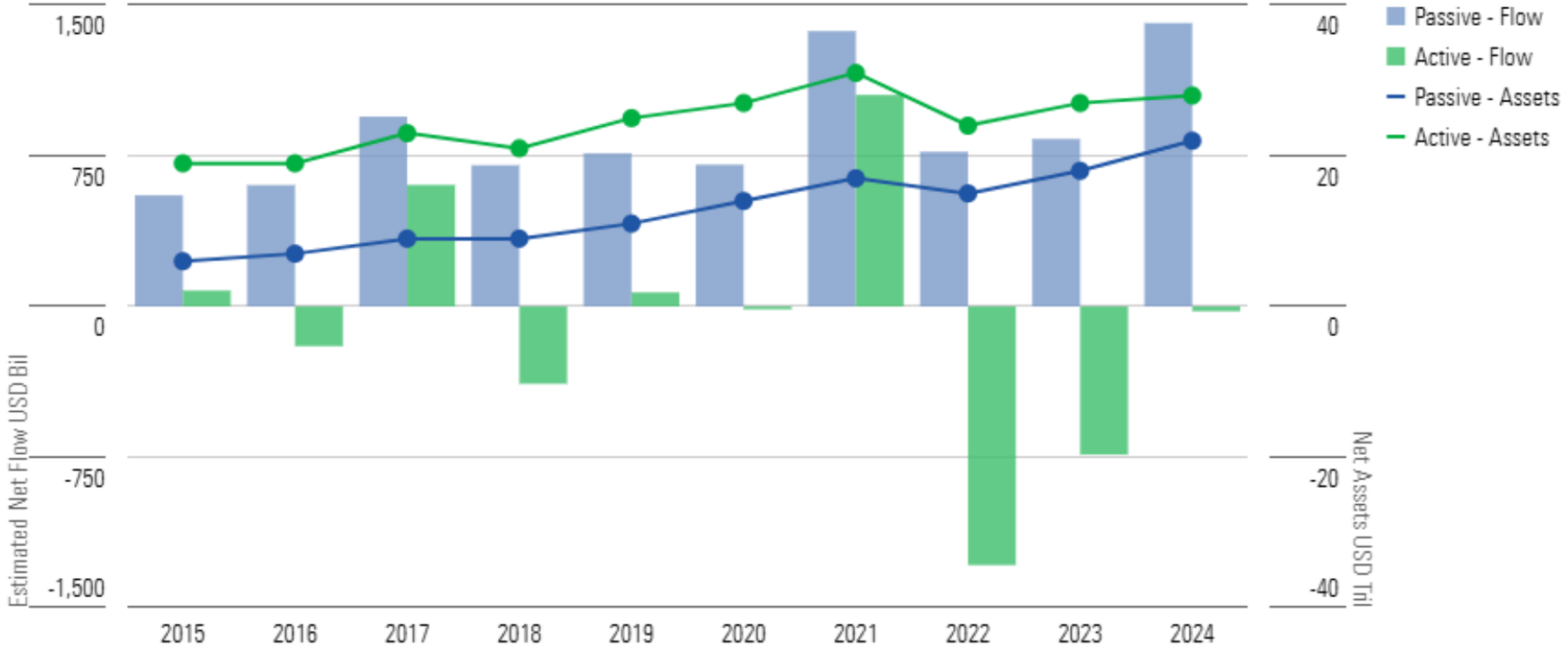
Source: Morningstar Direct

Active Flows Made a Comeback In 2024

The term "ETF" was once used synonymously with "passive," and "open-end" with "active," but passive open-end funds preceded ETFs and had plenty of assets before ETFs took off about 15 years ago, and actively managed ETFs are on the rise. In the intervening years, most investors have chosen ETFs for passive exposures rather than open-end funds. Passive vehicles—ETFs and open-end funds in aggregate—had record flows (in absolute terms) of USD 1.4 trillion in 2024. In organic growth terms, passive grew 7.8%, its fourth-lowest rate out of the last 10 years.

Passive Dominated Flows Again in 2024, but Active Recovered

Active funds nearly eked out a positive flow, suffering a mild outflow of USD 24 billion.



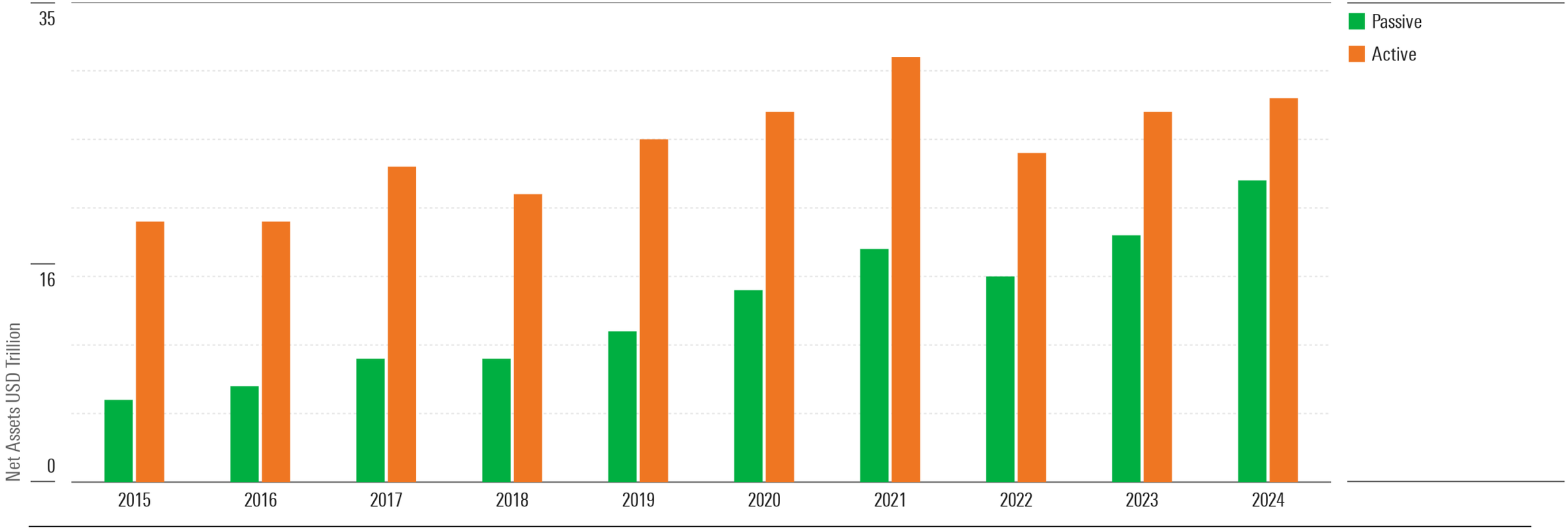
Source: Morningstar Direct Data as of Dec. 31, 2024.

Passive vs. Active – Passive May Soon Catch Active Globally

Passive assets surpassed active in the US in 2023. It appears inevitable that global passive assets will overtake active, as well. As a reminder, though, the use of passive vehicles does not imply passive investor asset allocations. Investment-policy-driven portfolio management has been increasingly popular in the US, and its adoption elsewhere is increasing.

Passive Gains, Active Wanes

Active and passive assets by year, USD trillion.



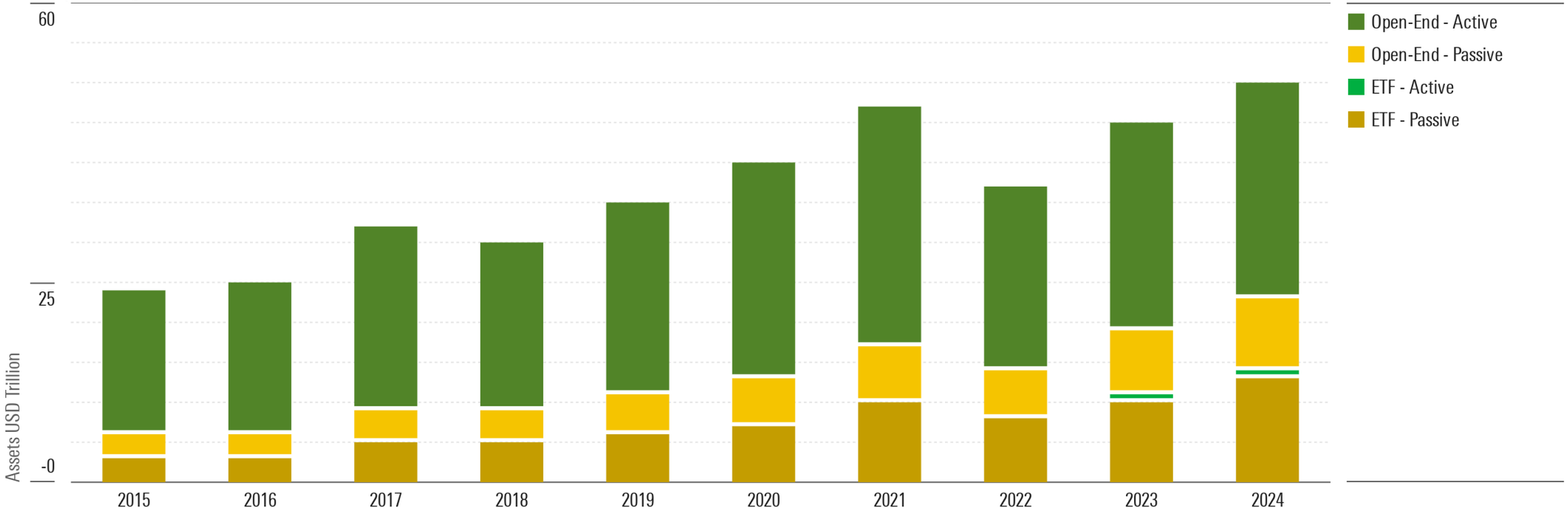
Source: Morningstar Direct

Passive vs. Active: Traditional Funds Continue to Hold a Large Amount of Passive Assets

As of the end of 2024, open-end funds held USD 9 trillion of passive assets, while ETFs held USD 13 trillion of passive assets. At USD 27 trillion, actively managed open-end assets are still twice as great as all ETF assets, which stand at USD 14 trillion.

Open-End Funds Still Manage 41% of Passive Assets

Actively managed funds hold USD 27 trillion, more than all ETFs and passive open-end funds combined.



Source: Morningstar Direct, Dec. 31, 2024

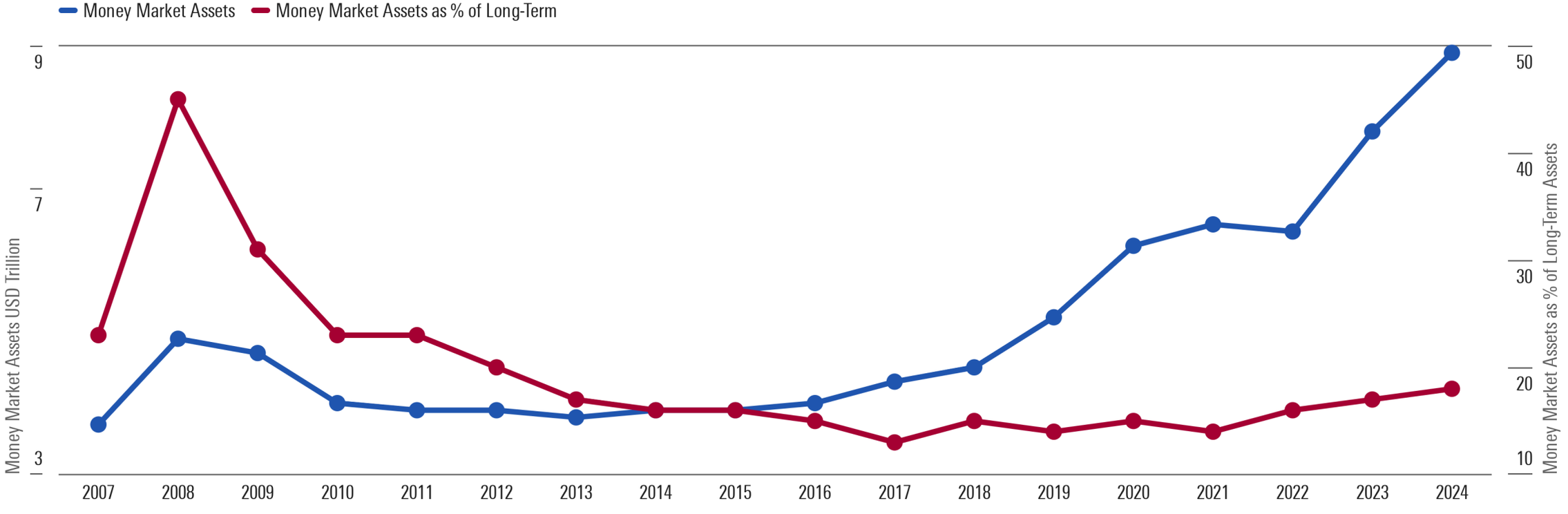
Ratings and Branding Names

Money Market Funds: Taking Stock of 'Record Money on the Sidelines'

Global money market funds hit an all-time high of USD 8.9 trillion in assets at the end of 2024 on flows of USD 951 billion. The category now represents 18% of long-term assets, its highest level since 2012. Some pundits are concerned that "record money on the sidelines" signals an overheated stock market, but the rate was much higher during the global financial crisis in 2008 and the years that followed, which included the credit rating downgrade of US government debt in 2011. The level of money market holdings relative to long-term holdings is worth monitoring, though, particularly if it increases for a fourth consecutive year in 2025.

Record Money on the Sidelines? Not So Much

Global money market fund assets are 150% greater than they were a decade ago, but long-term assets are 200% greater.



Source: Morningstar Direct. This is the only chart in this presentation that includes money market funds.

Largest Fund Groups: iShares Captures the Flows Crown, but Vanguard Is Close Behind

The largest 10 asset managers controlled 51% of worldwide open-end and ETF assets at the end of 2024; 4,400 other firms managed the remaining amount. BlackRock/Shares and Vanguard captured USD 673 billion in 2024, almost half of worldwide flows. Fidelity's open-end funds took in USD 65 billion, the most among all shops. Invesco has the best balance between ETF and open-end assets among the largest 10 shops, with 69% in ETFs and 31% in traditional funds. The countdown for Vanguard to exceed USD 10 trillion in long-term assets is on.

The Two Largest Firms Own 28.6% of the Global Market for Funds and ETFs

Asset managers ranked by year-end 2024 open-end and ETF assets.

Branding Name	Total Assets USD Bil	Industry Market Share of Assets %	Total 2024 Flow USD Bil	ETF Assets USD Bil	Open-end Assets USD Bil	% ETF Assets	% Open-end Assets	ETF Flow USD Bil	Open-end Flow USD Bil
Vanguard	9,208	18.4	275	3,234	5,974	35	65	349	-74
iShares/BlackRock	5,109	10.2	398	4,261	848	83	17	395	3
Fidelity	3,043	6.1	106	107	2,937	4	96	40	65
American Fds/Capital Grp	2,457	4.9	-48	49	2,408	2	98	26	-74
State Street	1,687	3.4	100	1,609	78	95	5	107	-7
Invesco	1,087	2.2	84	751	336	69	31	106	-21
JPMorgan	1,003	2.0	80	220	783	22	78	58	22
T. Rowe Price	775	1.5	-43	9	767	1	99	5	-48
Franklin Templeton	700	1.4	-55	33	667	5	95	11	-65
PIMCO	632	1.3	49	40	592	6	94	7	42

Australian superannuation funds are counted as open-end funds in this slide.

Morningstar Medalist Rating: 62% of Assets Are in Rated Funds

Funds with Morningstar Medalist Ratings of Gold, Silver, or Bronze captured USD 1.1 trillion, or 82%, of flows in 2024, and house 62%, or USD 31 trillion, of worldwide assets. Gold-rated funds enjoyed the highest organic growth rate of any category, increasing by 6%. The Not Rated category includes funds that are too new to rate and funds in Morningstar Categories that are not rated, such as digital assets, leveraged, commodities, and defined-outcome strategies. The Medalist Rating is Morningstar's forward-looking rating system. More funds are rated under this system than under the Morningstar Rating, or "star" rating, system, because a three-year record is not required to receive a rating. Morningstar extended its Medalist Rating methodology to hundreds of thousands of funds and ETFs in March 2023.

Gold Ratings Took the Gold Medal in 2024

Almost USD 10 trillion lives in Neutral-rated funds, but their flows are very much in … neutral.

Name	2024 Flow USD Bil	Share of 2024 Flow %	Assets USD Bil	Market Share of Assets %	Organic Growth Rate % 2024
Gold	709	51	13,702	27	6
Silver	343	25	9,339	19	4
Bronze	83	6	7,846	16	1
Neutral	90	6	9,699	19	1
Negative	-23	-2	1,776	4	(1)
Under Review	-5	0	47	0	(13)
Not Rated	190	14	7,645	15	2

Source: Morningstar Direct.

Morningstar Rating: 4- and 5-Star Funds Captured USD 1.2 Trillion in Flows

Funds with 4- and 5-star Morningstar Ratings hold 50% of investor assets and captured USD 1.2 trillion, or 90%, of flows in 2024. The 5-star and Not Rated categories grew at much higher rates than other categories. Three-, two-, and one-star funds had USD 622 billion of outflows combined. The high flows and assets in the Not Rated category are attributable to the tendency of investors to put money into new vehicles and the emergence of not-ratable categories such as digital assets. A fund must have a three-year record to earn a Morningstar Rating.

Want Flows? Have Good Risk-Adjusted Returns, Be New, or Be Unrated

Yes, the Morningstar Rating is computed for ETFs, too.

Name	2024 Flow USD Bil	Share of 2024 Flow %	Assets USD Bil	Market Share of Assets %	Organic Growth Rate % 2024
5-star	801	58	9,370	19	11
4-star	438	32	15,691	31	3
3-star	(286)	(21)	14,679	29	(2)
2-star	(283)	(20)	3,099	6	(9)
1-star	(53)	(4)	623	1	(8)
Not Rated	769	55	6,590	13	13

Source: Morningstar Direct.

Disclosures

Disclosures

The figures in this report were compiled on Jan. 17, 2025, 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. More than 200,000 mutual and exchange-traded fund share classes across 67 domiciles are included. Funds of funds are not included unless specifically stated. Collective investment trusts or separate accounts are not included. **India and China are not included** because this report requires monthly net assets reporting. The industry-level policy for each of these countries is quarterly only with a significant time lag.

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. Flows for US and Canadian ETFs are computed using daily shares outstanding.

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.

Version notes: This presentation was revised on Feb. 5, 2025. The table was reformatted on Slide 7, and the chart was replaced on Slide 15.

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