MORNINGSTAR

US Fund Flows

December 2025

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December 2025 Key Takeaways

- Long-term US mutual funds and exchange-traded funds gathered $765 billion in 2025, the most since 2021 and equivalent to a 2.5% growth in assets relative to year-end 2024.
- Passive funds continued their streak of taking market share from active funds, especially with equity funds, reaching a 55% market share in total.
- ETFs once again set a record for annual inflows, collecting nearly $1.5 trillion and taking more market share from open-end funds. Exponential growth of active ETFs persisted, as they brought in over $450 billion for the year.
- Taxable-bond funds dominated the year's inflows again, bringing in a record $540 billion, representing 70% of total flows, much of which was concentrated in the more conservative Morningstar Categories.
- Investors exited US equity funds while international-equity funds saw their largest annual inflow since 2021.
- Crypto and digital-assets funds' momentum persisted for most of the year, and gold and commodities funds saw record inflows.
- ETF giant iShares raked in $366 billion in 2025, the largest annual haul in history and its fourth straight annual flows crown.

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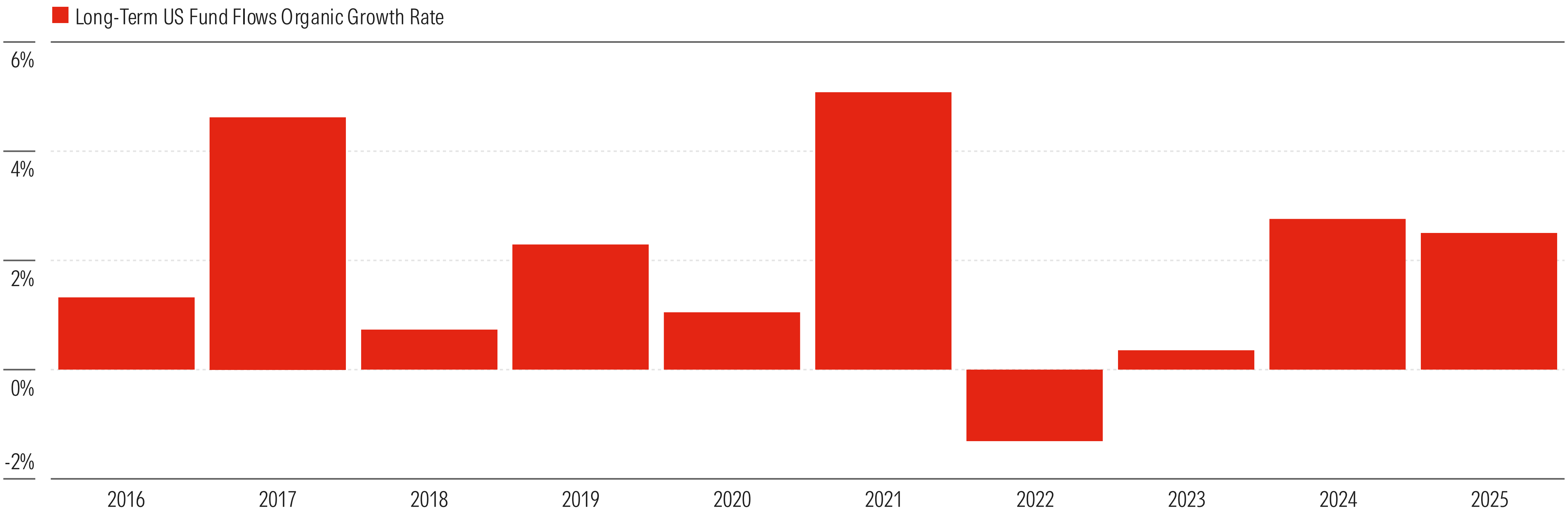
1 Long-term funds exclude money market funds.

Turbulent Year, Steady Gains: US Fund Flows Hold Strong

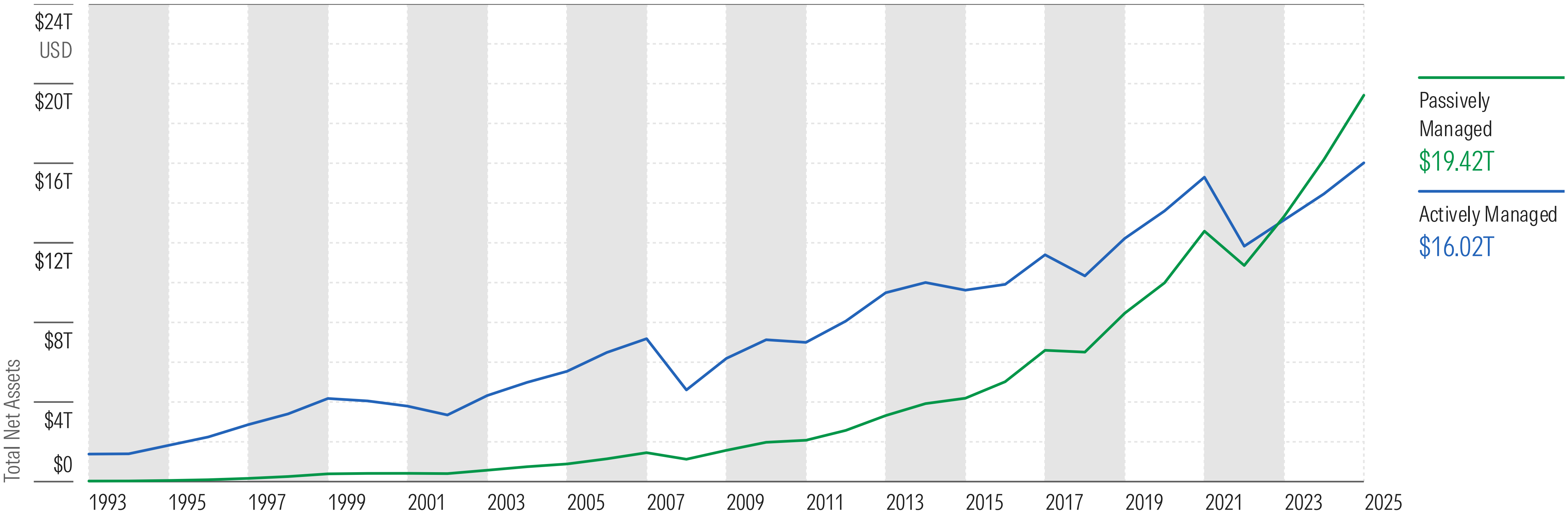
Long-term US funds brought in $765 billion in 2025, with assets growing 2.5% relative to year-end 2024. On an absolute basis, the annual inflow was the second-largest in the past decade, trailing only 2021. Taxable-bond funds were responsible for the bulk of inflows, while allocation funds and US equity funds drove outflows for the year. December's $149 billion of inflows were by far the highest of any month in 2025, as US equity funds had a strong bounceback and experienced their most significant inflows of the year.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Passive Continues to Separate From Active

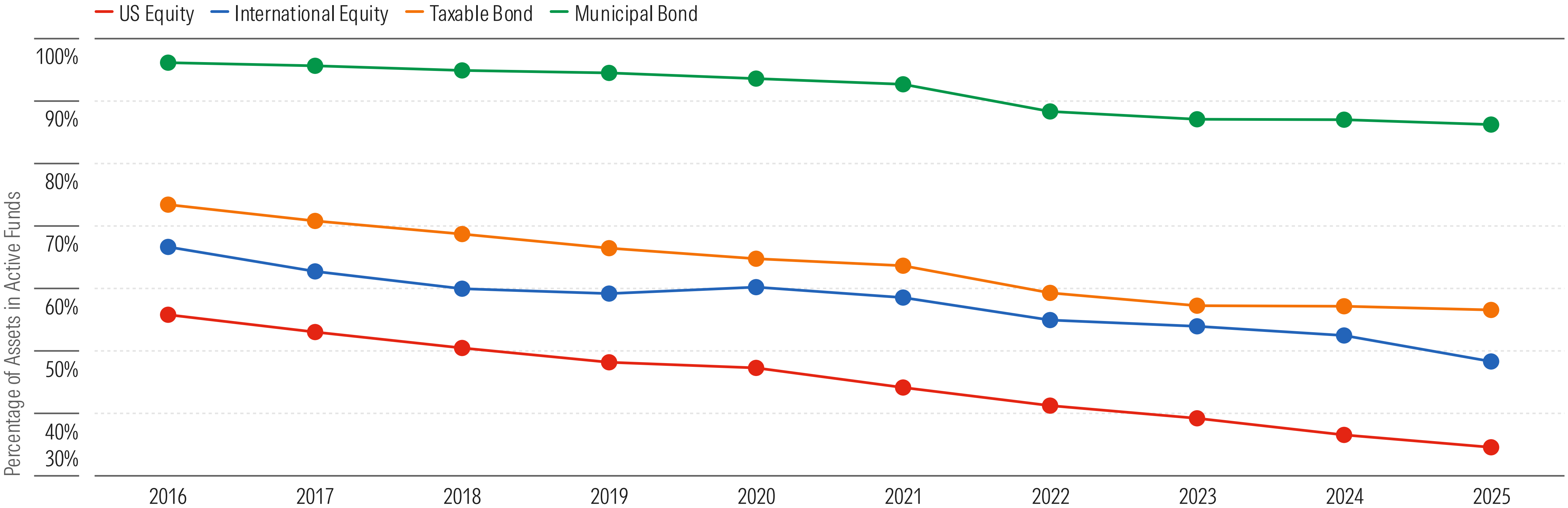
Since passive funds surpassed active funds in total net assets back in 2023, they've continued to gain market share of the US funds universe. As of year-end 2025, passively managed funds made up over 55% of net assets, increasing from 53% the year prior. This trend shows no signs of reversing; however, active managers in certain asset classes are faring better than others.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Active's Market Representation Dwindled Across the Board

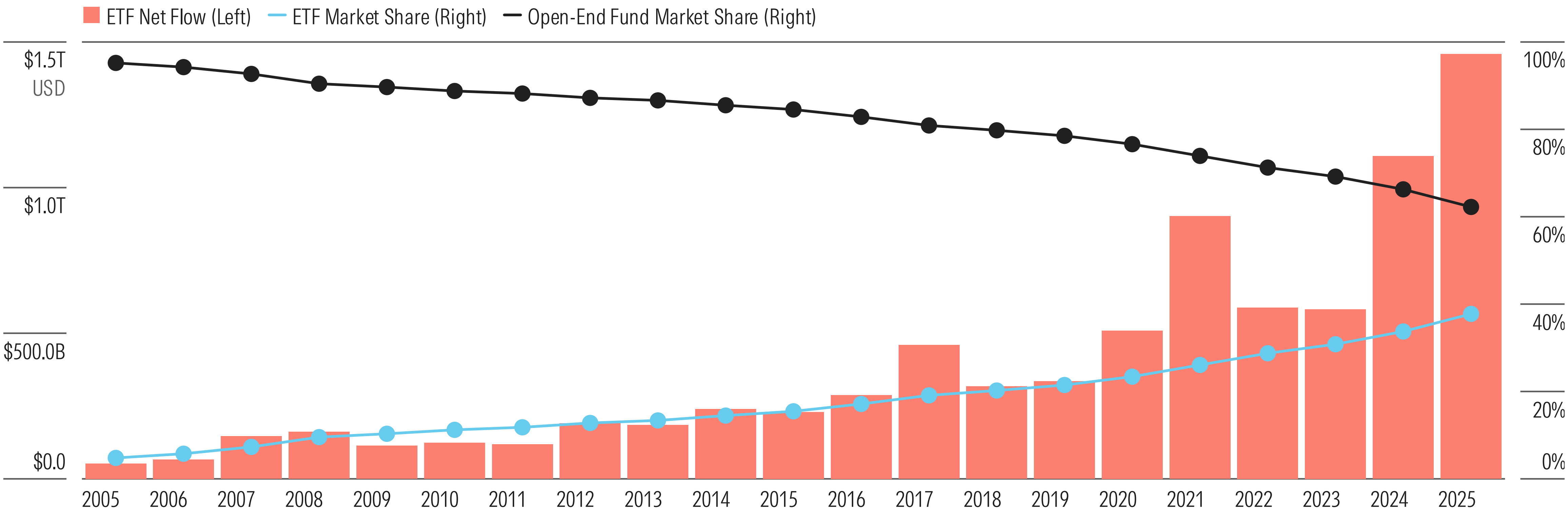
The trend of passive funds taking market share from active funds is consistent across the board for equities and fixed income, but it's been more pronounced with equity funds. Actively managed US equity funds have been hit particularly hard, as they now make up less than 35% of the category group, down from 56% in 2016. For the first time, active international-equity funds make up less than half of the category group's assets, with passives holding a 52% market share of the category group. Actively managed fixed-income funds still hold the majority of assets, but they too have ceded ground.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

ETFs Still Stealing the Spotlight

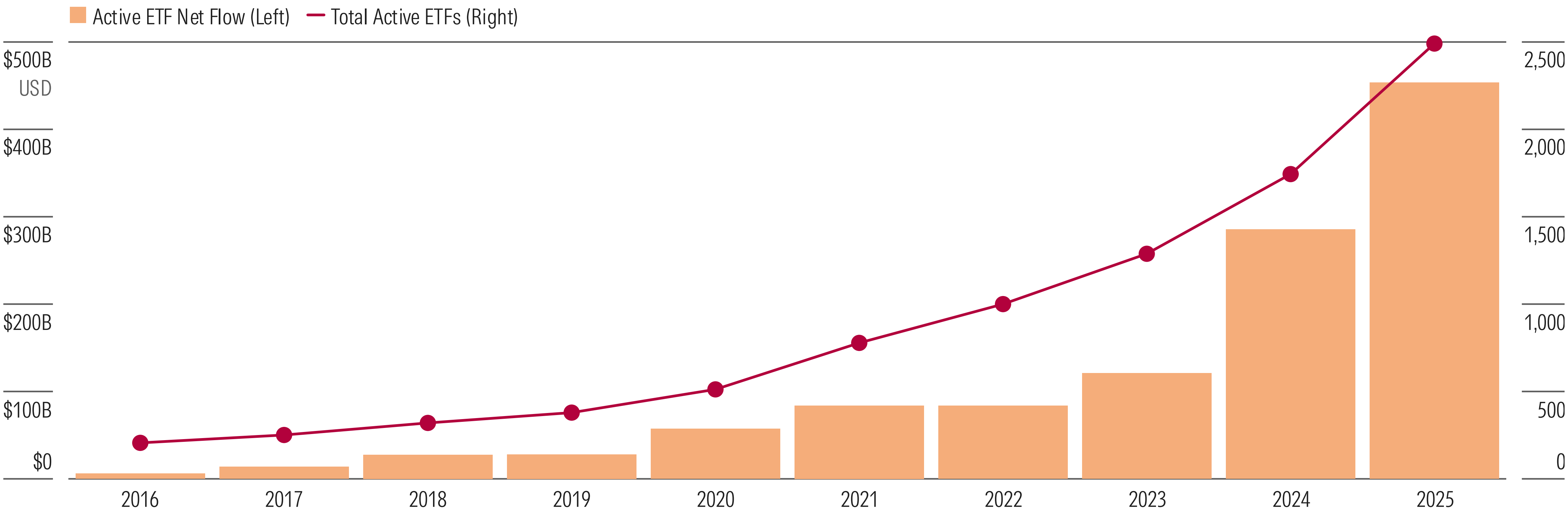
For a second straight year, investors placed record amounts in ETFs, preferring their lower costs and increased transparency; investors added nearly $1.5 trillion to those vehicles in 2025. While open-end funds still hold more assets than ETFs, that may not endure for much longer, with ETFs representing about 38% of the market. ETF net assets increased over $3 trillion in 2025, rising above $13 trillion in total, while open-end fund net assets grew by less than $2 trillion. At this pace, ETFs could overtake open-end funds in total assets by decade's end.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Active ETFs Shoot for the Stars

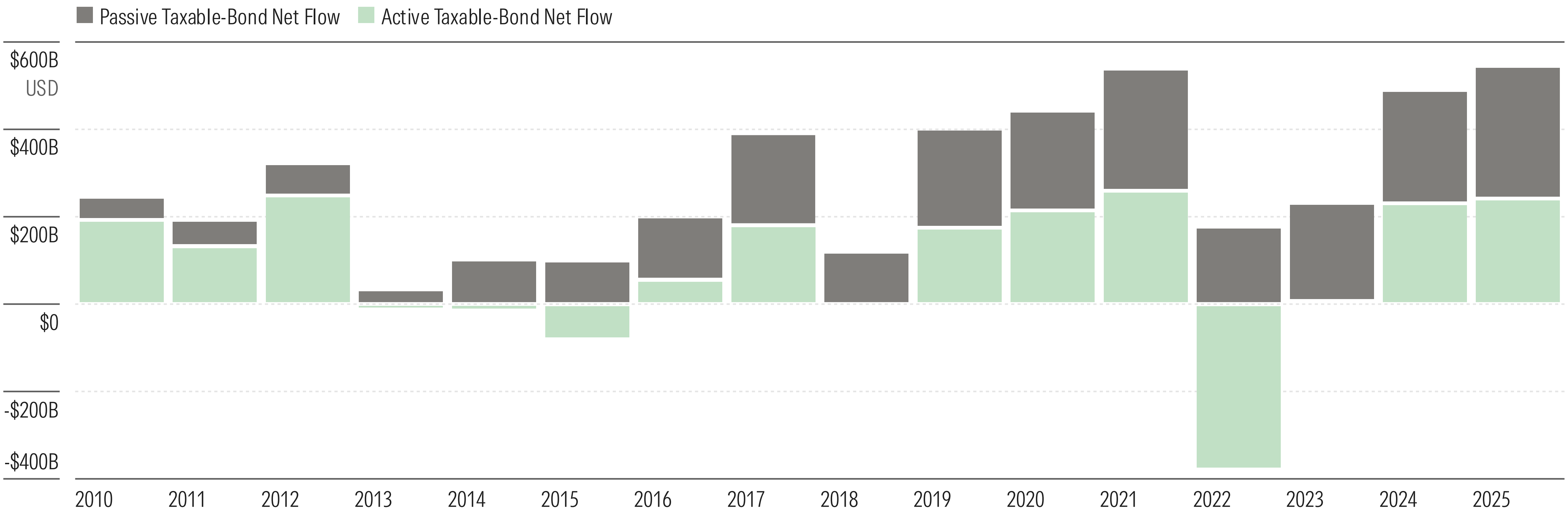
Exponential growth among active ETFs did not subside in 2025, nor did the accelerated launching of active ETFs. Since 2016, the total number of active ETFs has risen over 1,200%, and they have nearly doubled in the past two years. Total assets in active ETFs have risen from $52 billion in 2016 to nearly $1.5 trillion in 2025, growing 64% in 2025 alone. With an annual inflow of roughly $450 billion, active ETFs shone brightly. Investors continue to be drawn to active investing with built-in tax efficiencies and lower costs: a glimmer of hope for an otherwise gloomy time for active funds.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

A Banner Year for Taxable-Bond Fund Inflows

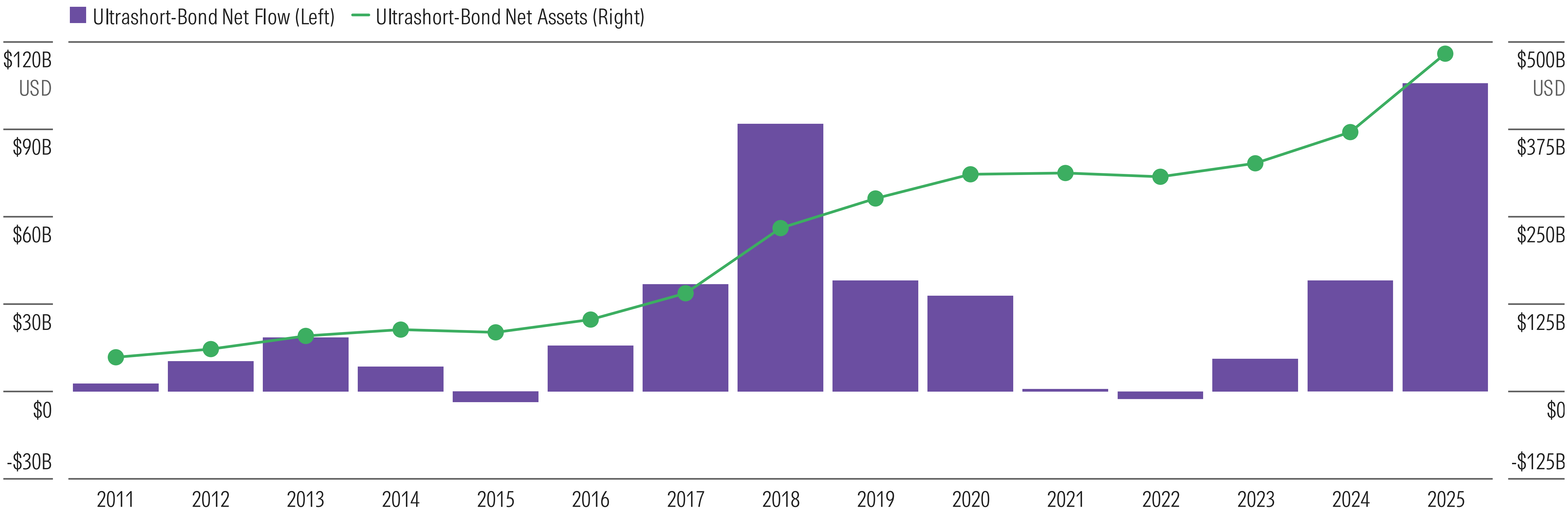
The $540 billion inflow into taxable-bond funds for the year was the group's largest annual inflow in history and made up 70% of total long-term US fund inflows in 2025. The only outflow came in April; each subsequent month saw at least $50 billion of inflows. While passively managed taxable-bond funds took in over 55% of the year's inflows, actively managed funds still had a strong year. Only two of 27 taxable-bond Morningstar Categories experienced outflows in 2025, and more conservative categories like ultrashort bond and intermediate core bond represented a large portion of inflows.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Ultra High Inflows for Ultrashort Bonds

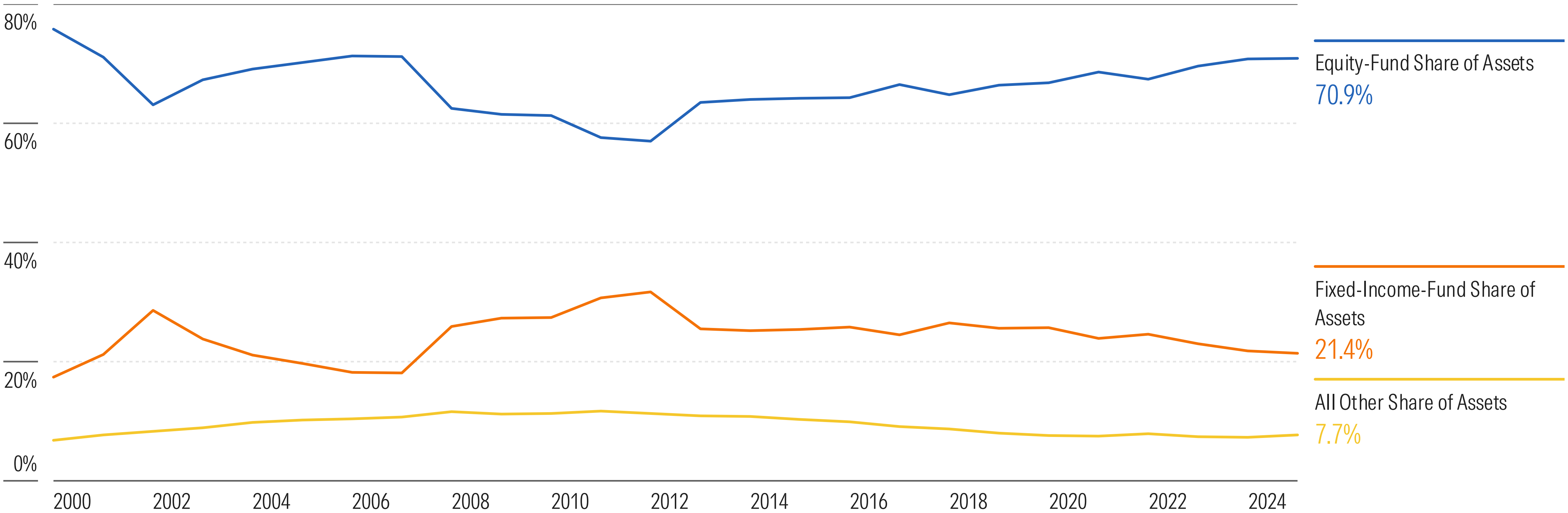
Ultrashort bond funds hit a record inflow in 2025, reflecting investors' preference for low-risk assets amid inflation fears and general market volatility. Their $106 billion inflow for the year shattered the previous annual record of $92 billion set in 2018, a year that was full of volatility. About half of 2025's inflows came in the first four months of the year. The category did not experience a single month of outflows in 2025, growing organically by 30% in 2025.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Rebalancing Has Likely Fueled 2025's Major Asset-Class Flows

Equity markets delivered strong gains in 2025, yet equity funds saw only $43 billion of net inflows, relative to the $603 billion of inflows that fixed-income funds experienced. Still, equity funds' share of total assets rose, as their greater market appreciation outweighed the difference in flows. Fixed-income assets grew from both inflows and appreciation, to the tune of about $900 billion (growth of 13%), while equity assets grew by nearly $3.5 trillion (growth of nearly 16%) despite the minuscule inflow. Significant flows into fixed-income funds were likely needed in 2025 to keep otherwise soaring equity allocations in check.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

US Equity Funds Continue to Bleed Active and Smaller-Cap Assets

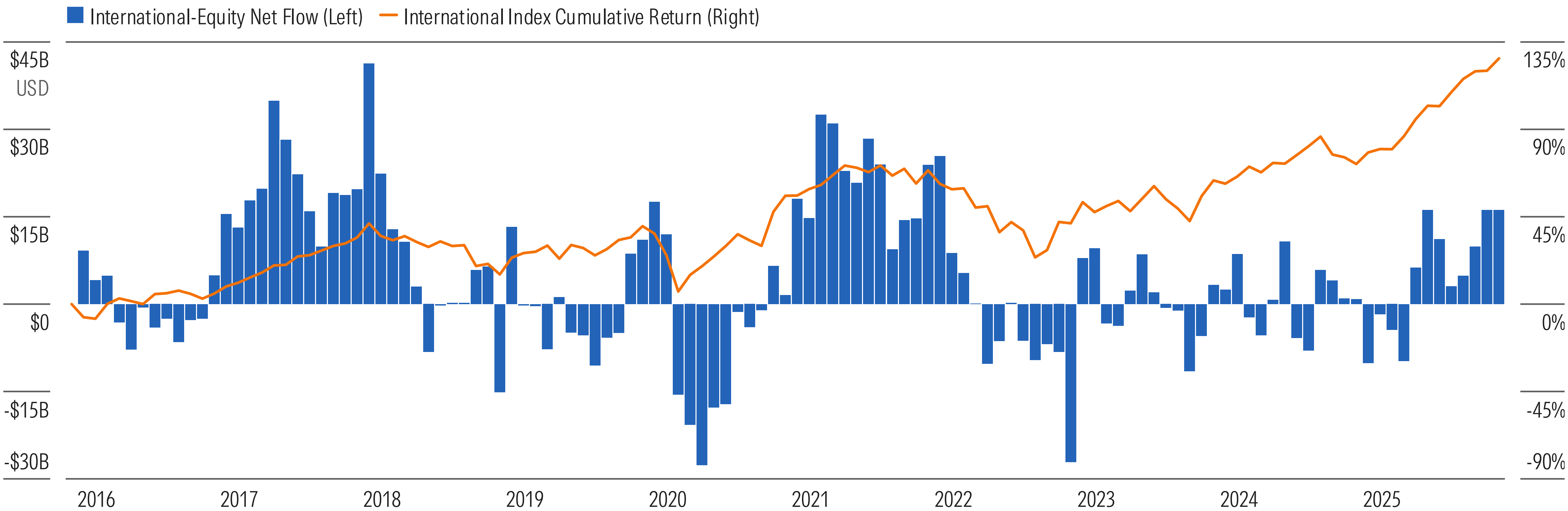
US equity funds gathered more than $52 billion in December, denting 2025's total outflow of more than $32 billion. Passive flows favored large-cap categories, collecting more than $380 billion in passive assets in 2025, largely from ETFs tracking the S&P 500, such as Vanguard 500 Index ($103 billion inflow) and iShares Core S&P 500 ETF ($78 billion). But that couldn't offset $386 billion moving out of active funds. Active growth funds of all sizes suffered outflows. Small- and mid-cap Morningstar Categories of all styles experienced consistent outflows throughout most of 2025, though mid-cap blend funds had a solid December.

Name	2025 Active Net Flow ($Bil)	2025 Passive Net Flow ($Bil)	2025 Net Flow ($Bil)	2025 Organic Growth Rate %
Large Blend	-62.0	232.5	170.5	2.07
Mid-Cap Blend	-3.2	3.5	0.2	0.03
Large Value	-72.8	53.1	-19.7	-0.97
Large Growth	-138.8	95.4	-43.5	-1.38
Small Blend	-10.9	-17.9	-28.7	-4.44
Small Value	-9.5	-8.0	-17.6	-6.16
Mid-Cap Value	-22.2	-7.5	-29.7	-8.37
Mid-Cap Growth	-42.6	5.3	-37.3	-9.34
Small Growth	-24.0	-2.6	-26.6	-10.05
Total US Equity	**-386.0**	**353.6**	**-32.3**	**-0.20**

Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025. OGR stands for organic growth rate.

International-Equity Attracts Investors With Strong 2025 Performance

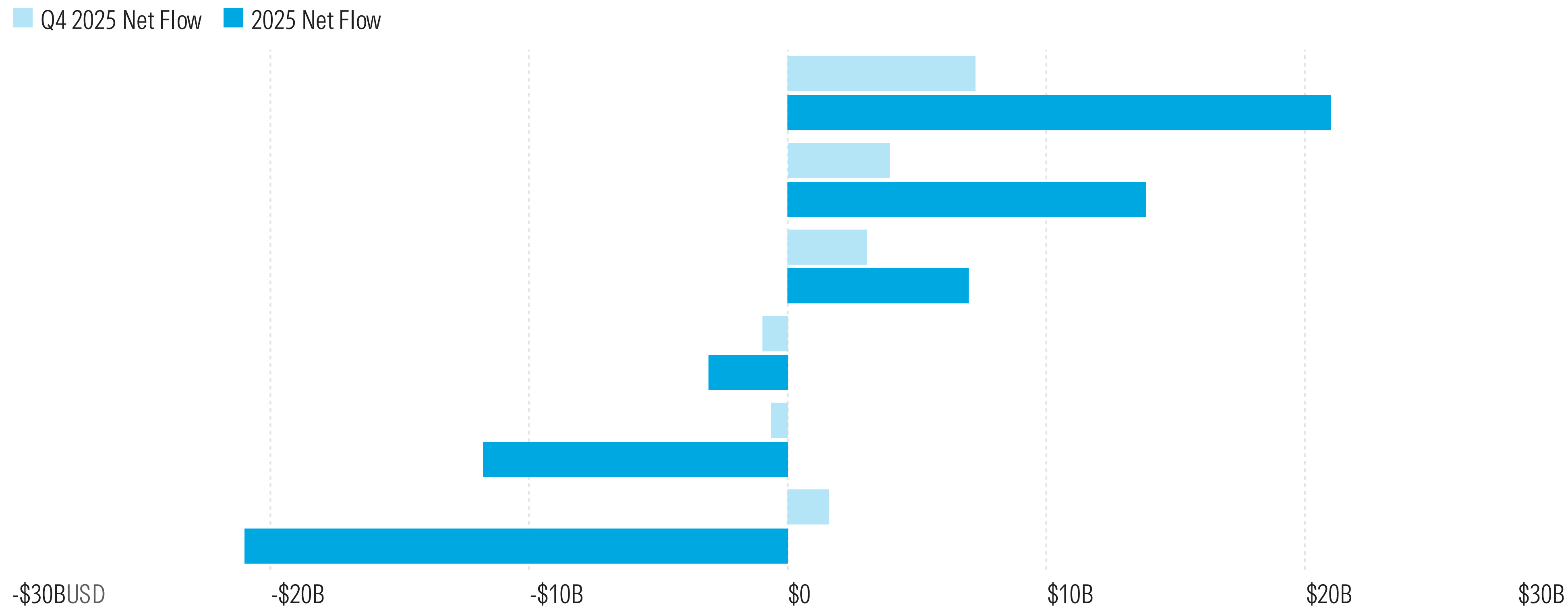
International-equity funds enjoyed their eighth consecutive monthly inflow in December, helping push the 2025 net flow past $57 billion. Performance likely contributed to the move abroad, as the Morningstar Global Markets ex-US NR Index posted a 31.6% increase in the year. The 2025 inflow was the first sustained influx of cash since 2021, with passive inflows of about $160 billion overcoming active outflows of about $100 billion.



Source: Morningstar Direct. Data as of Dec. 31, 2025. International Index is the Morningstar Global Markets ex-US NR USD.

Sector-Equity Funds Back in the Black, Marginally

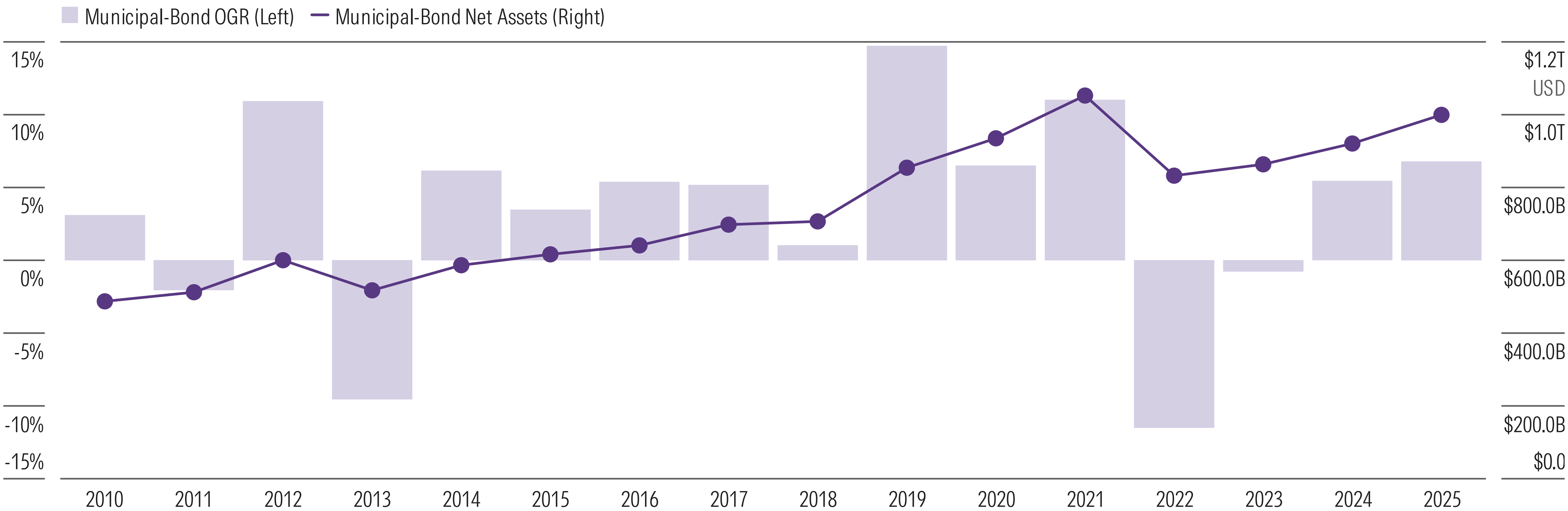
Sector-equity funds notched $18 billion of inflows in 2025 after three consecutive years of outflows. Technology and industrials funds led the way, as both outpaced the broader equity market's returns for most of the year. Tech funds' $21 billion annual inflow was the second-largest on record, while industrials funds hit a record inflow of nearly $14 billion, an organic growth rate of 24%. Conversely, healthcare funds shed $21 billion, their third straight year with outflows over $20 billion, as the sector's performance continued to lag the broader market.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025. OGR stands for organic growth rate.

Munis Making a Comeback

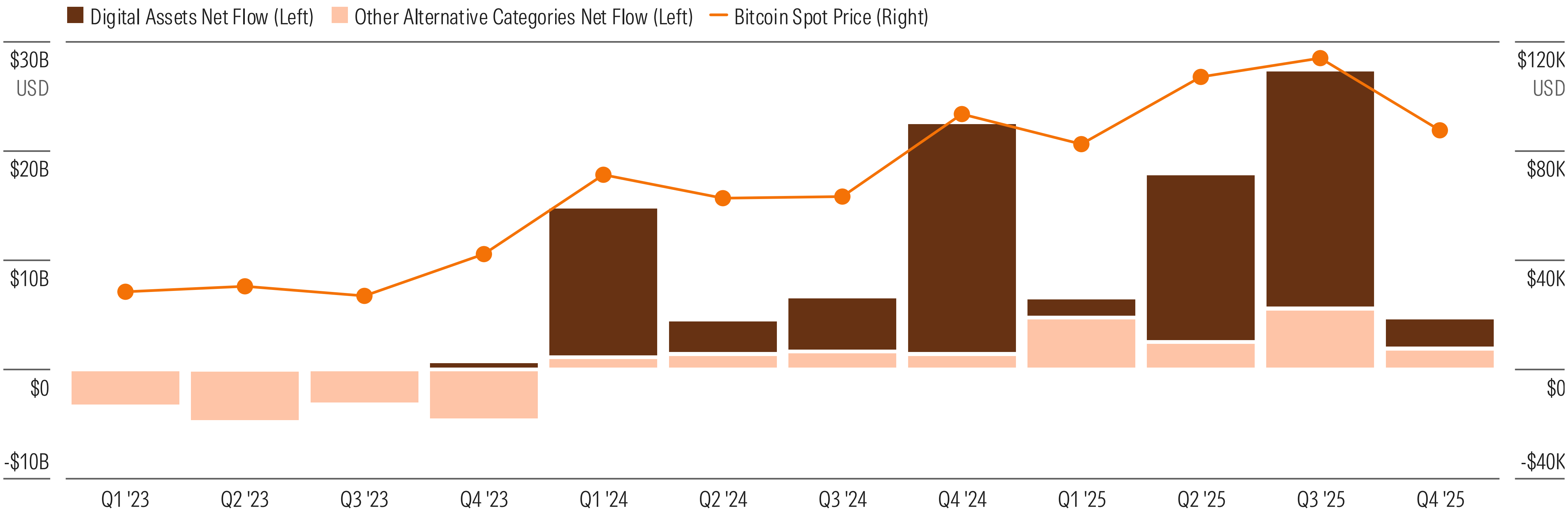
Municipal-bond funds gathered nearly $63 billion in 2025, their third-largest annual mark in the past 15 years, resulting in an organic growth rate of 6.8% relative to the year-end 2024 total assets. Total assets in municipal-bond funds are just under $1 trillion, a mark the category hasn't seen since 2021. Municipal-bond funds experienced eight consecutive months of inflows greater than $5 billion to end the year, as municipal-bond yields trended downward in the back-half of 2025.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025. OGR stands for organic growth rate.

Crypto Craze Continues

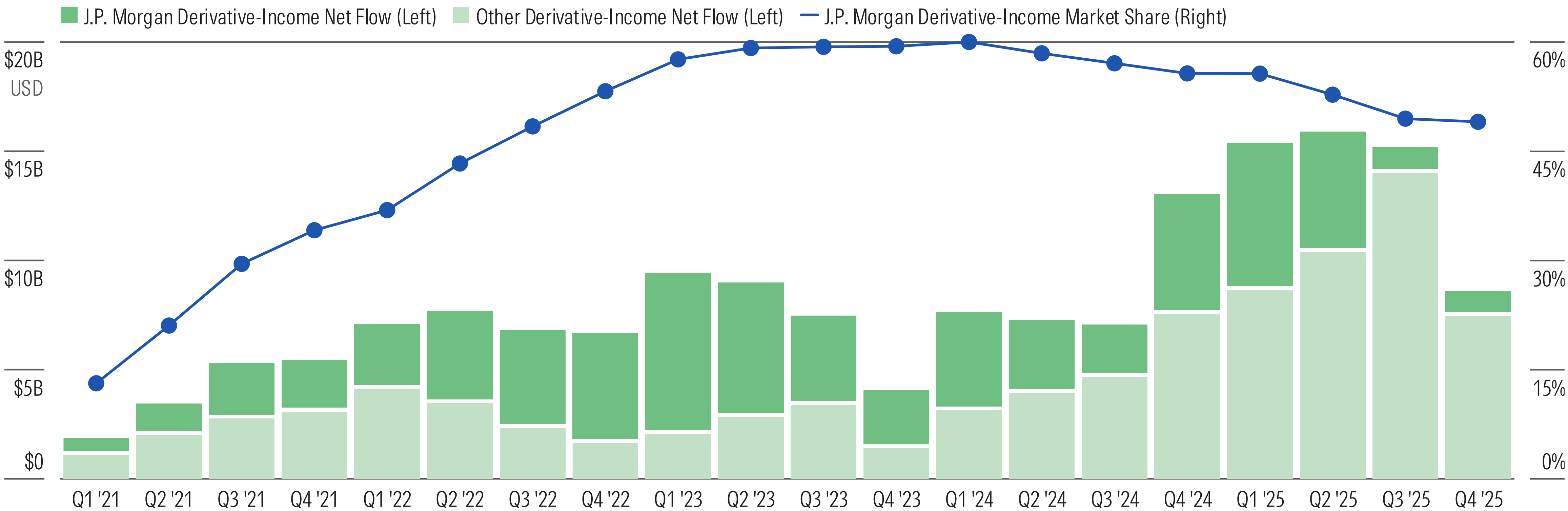
Despite back-to-back months of outflows to end the year, digital-assets funds continued to see significant inflows in 2025, with their $42 billion intake barely trailing the record set in 2024. Still, 2025's third quarter included a record quarterly inflow of $22 billion. Flows into the digital-assets category have carried the flows of the broader alternatives category group since the SEC approved spot bitcoin ETFs in January 2024. There has been a clear correlation between the price of major cryptocurrencies, like bitcoin and ethereum, and the magnitude of flows into the category.



Source: Morningstar Direct Asset Flows. Investing.com. Data as of Dec. 31, 2025.

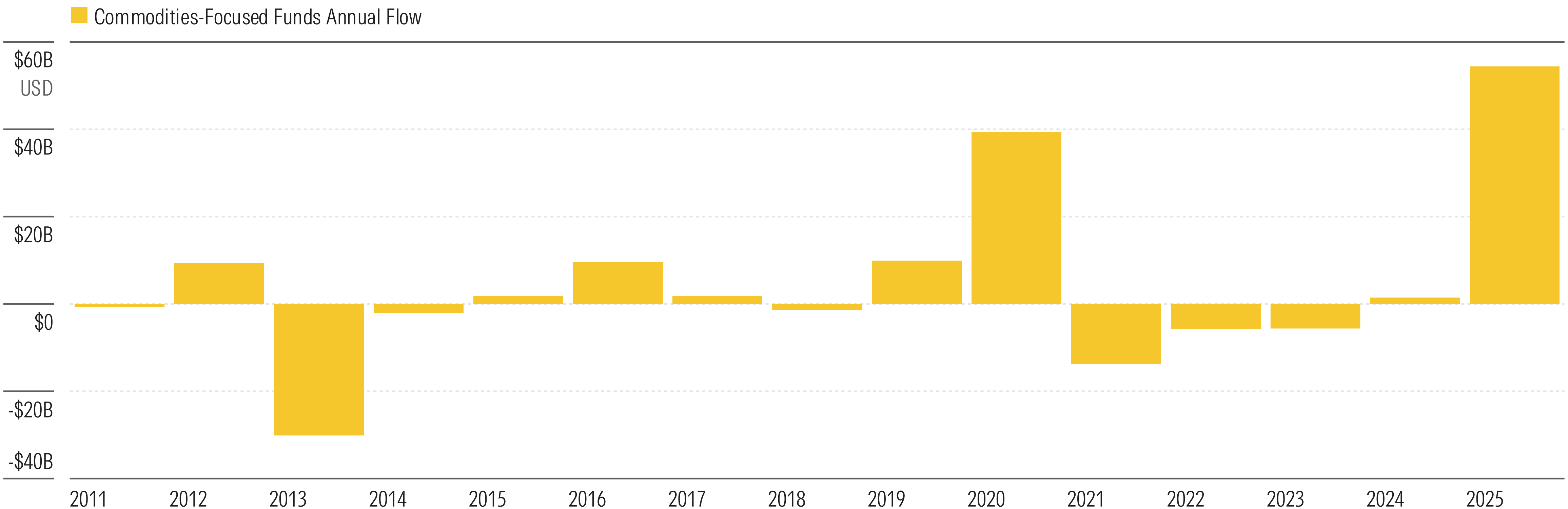
Derivative-Income Competitors Chip Away at J.P. Morgan's Dominance

The derivative-income category raked in $56 billion in 2025, marking its fifth straight year of record inflows. JPMorgan Equity Premium Income and JPMorgan Nasdaq Equity Premium Income fueled the category's multiyear run, especially early on. But a wave of new competition has muscled its way in, causing J.P. Morgan's derivative-income market share to shrink in 2025 for the second consecutive year; since cresting at 60.0% at the end of Q1 2024, its share had shrunk to 49.1% at the end of 2025.



Gold Shines in 2025

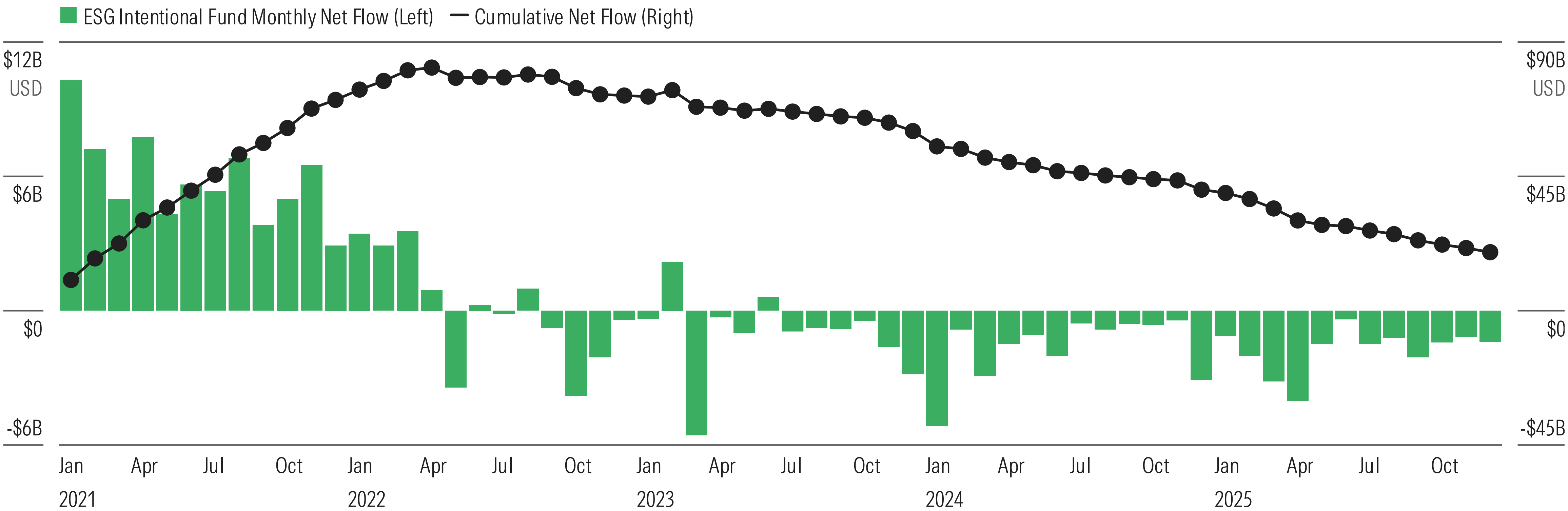
Commodities-focused funds, dominated by precious metals and especially gold funds, had a bumper year in 2025, hauling in more than $54 billion of inflows. That easily topped 2020's $39 billion, the previous record (although 2025's haul was lower on an organic-growth-rate basis). Per-ounce gold prices continued to set new records over the year, which added to the allure of the sparkly asset.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

ESG-Intentional Funds Face a Steady Drain

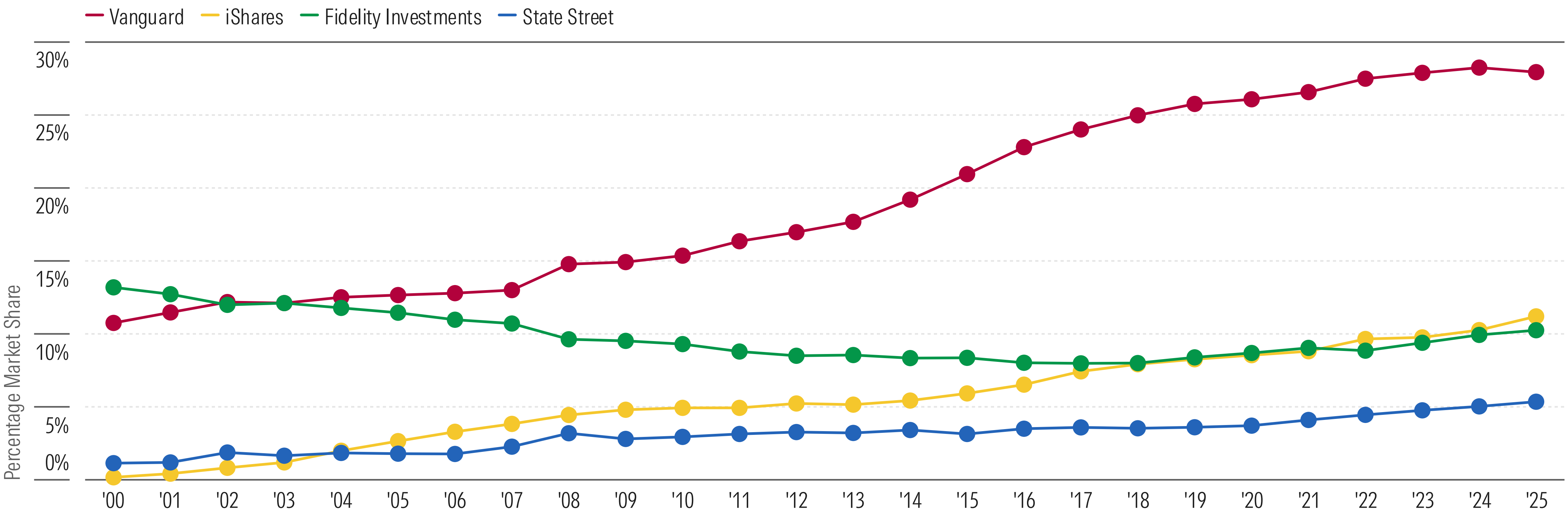
Outflows continued for environmental, social, and governance-intentional funds in 2025. They shed a record $21 billion for the year, resulting in an organic growth rate of negative 6.1%. All but one month in 2025 experienced monthly outflows of more than $1 billion from these funds. The streak of monthly outflows from the category since July 2023 continued to grow longer.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Passive Giants Keep Growing

For a fourth consecutive year, iShares led all fund families in inflows, bringing in $366 billion, the largest annual uptake for any firm in history. The brand now manages 11% of assets in the long-term US funds market, the second most in the industry, as the firm continues to pull away from Fidelity and chip away at Vanguard's lead. Still, Vanguard remains the overwhelming leader in assets under management, with over $35 trillion and a 28% market share. Vanguard's $240 billion inflow in 2025 was the second largest, with State Street a distant third. Together, these four firms managed 55% of long-term US assets at year-end.



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Supplemental Data

December Flows Into the 10 Largest Fund Families

Fund Family	Active ($Mil)	Passive ($Mil)	Dec 2025 ($Mil)	TTM ($Mil)	Assets ($Bil)
Vanguard	-4,783	42,202	37,419	239,837	9,903
iShares	2,599	68,713	71,313	365,623	3,968
Fidelity Investments	-2,040	13,524	11,484	64,102	3,632
Capital Group	-15,924	0	-15,924	-74,771	2,766
State Street Investment Management	-813	22,246	21,433	85,427	1,894
Invesco	-2,698	11,604	8,906	38,990	1,060
J.P. Morgan	15,981	181	16,162	71,292	813
T. Rowe Price	-7,843	-179	-8,022	-62,875	764
Dimensional Fund Advisors	1,466	-123	1,343	16,090	679
Franklin Templeton Investments	-1,016	767	-248	-16,696	544

Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

US Category Group Flows

US Category Group	Dec 2025 ($Mil)	TTM ($Mil)	TTM OGR (%)	Assets ($Bil)
US Equity	52,175	-32,340	-0.20	18,172
Sector Equity	8,708	18,191	1.28	1,696
International Equity	15,890	57,337	1.38	5,259
Allocation	-4,771	-65,611	-4.52	1,600
Taxable Bond	57,139	540,188	9.36	6,588
Municipal Bond	6,774	62,535	6.79	1,000
Alternative	404	56,044	23.66	275
Commodities	8,578	57,897	30.92	368
Nontraditional Equity	5,824	71,310	29.38	321
Miscellaneous	-1,550	-465	-0.35	159
All Long Term	**149,172**	**765,085**	**2.50**	**35,436**

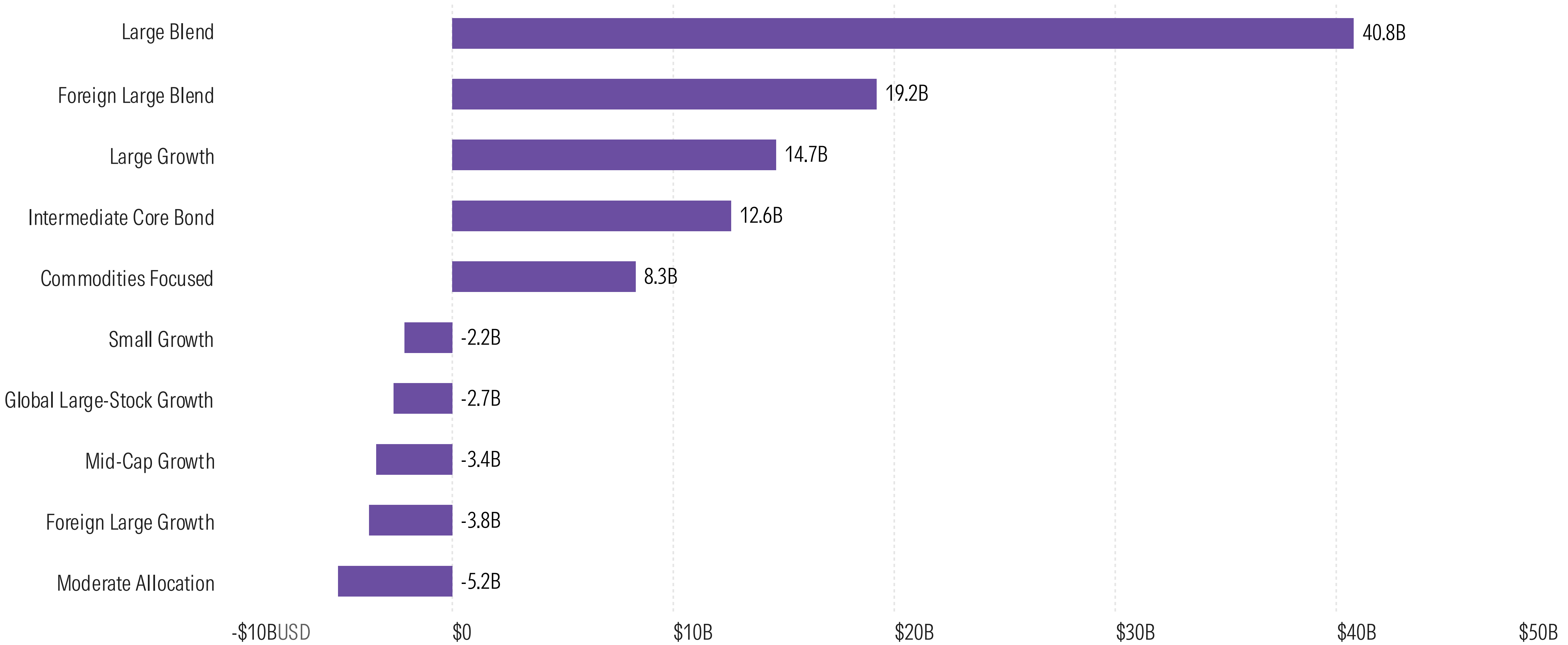
Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Active/Passive Flows by US Category Group

Name	Active 1-Mo ($Mil)	Active TTM ($Mil)	Active Assets ($Bil)	Passive 1-Mo ($Mil)	Passive TTM ($Mil)	Passive Assets ($Bil)
US Equity	-42,256	-378,132	6,386	45,619	357,643	11,837
Sector Equity	-1,530	-18,904	518	777	23,055	1,172
International Equity	-6,017	-97,944	2,620	22,173	140,198	2,650
Allocation	-4,914	-67,056	1,597	446	812	10
Taxable Bond	23,198	226,739	3,722	27,958	287,257	2,855
Municipal Bond	3,814	39,497	863	1,893	15,245	136
Alternative	2,432	23,168	138	-4,706	40,524	143
Commodities	-342	990	40	2,604	47,067	301
Nontraditional Equity	3,863	69,178	295	9	2,702	21
Miscellaneous	3,738	13,248	32	1,117	-12,004	132
All Long Term	**-18,013**	**-189,214**	**16,211**	**97,889**	**902,500**	**19,257**

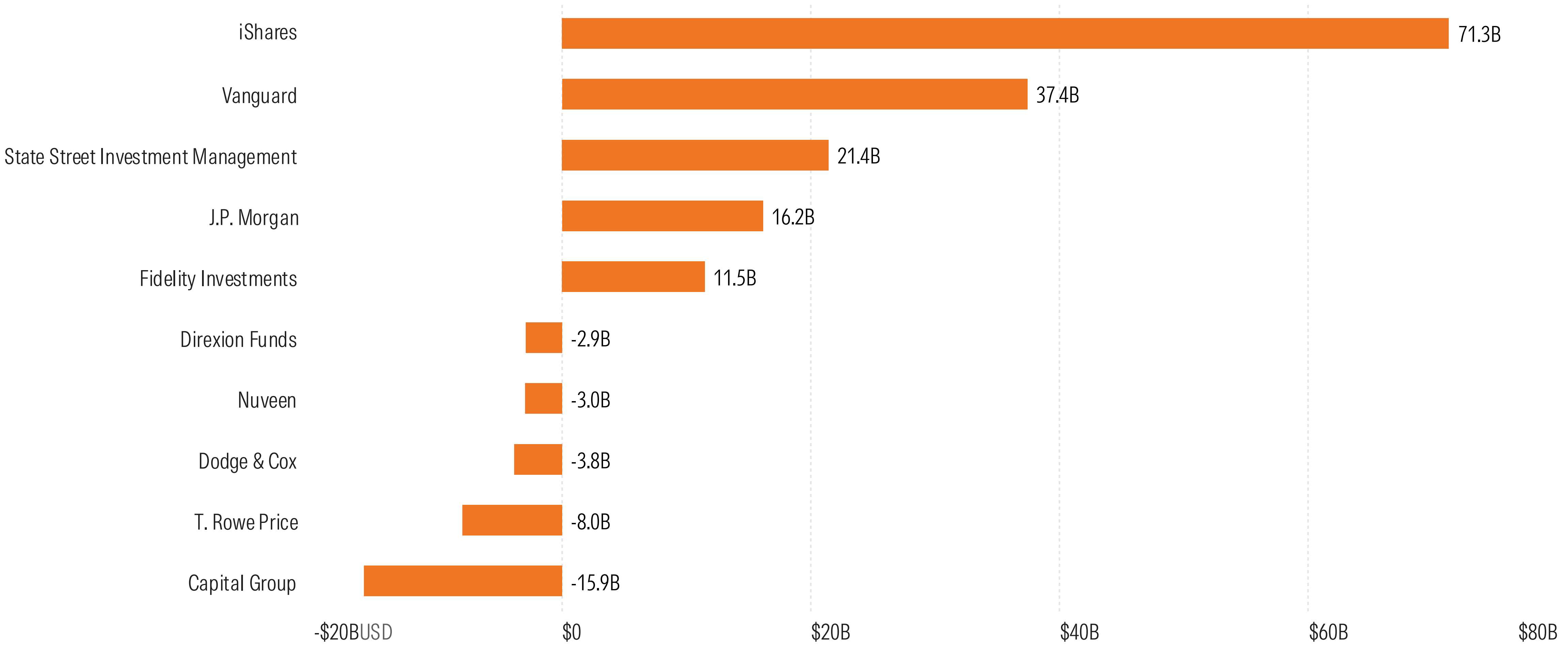
Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Morningstar Categories With the Largest December Flows



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Fund Families With the Largest December Flows



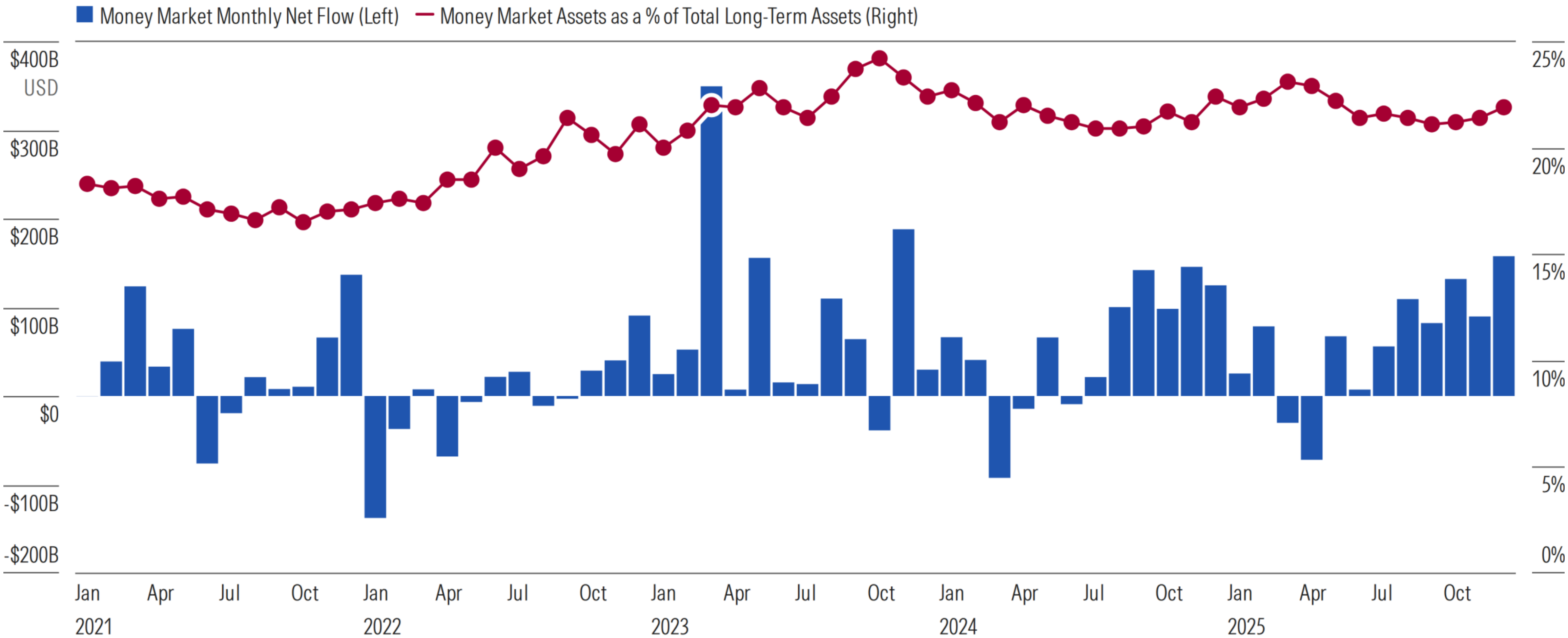
Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

ETF Flows

ETF Subgroup	Dec 2025 ($Bil)	1-Year ($Bil)	3-Year ($Bil)	Total Assets ($Bil)
Active	50.0	423.4	763.8	1,331.2
Passive	92.5	925.9	2,040.5	11,335.9
Total	**142.6**	**1,349.3**	**2,804.3**	**12,667.0**

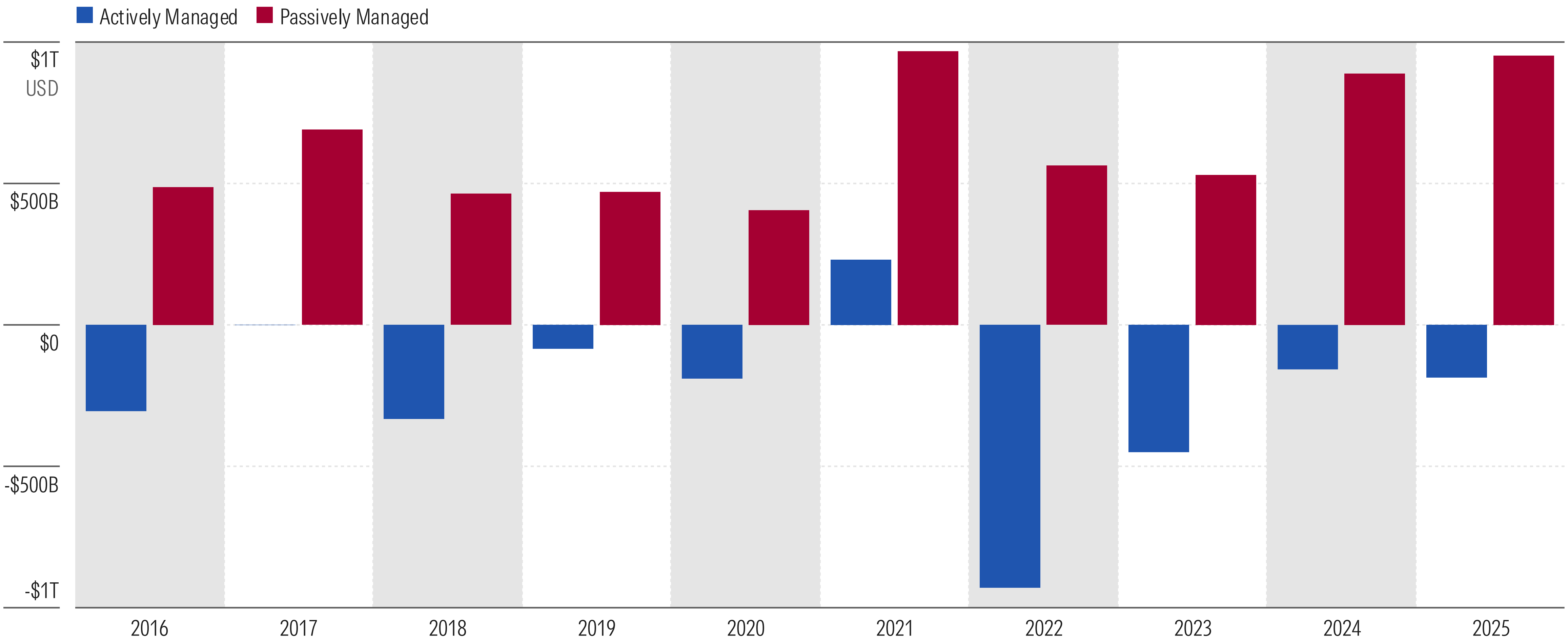
Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Money Market Flows



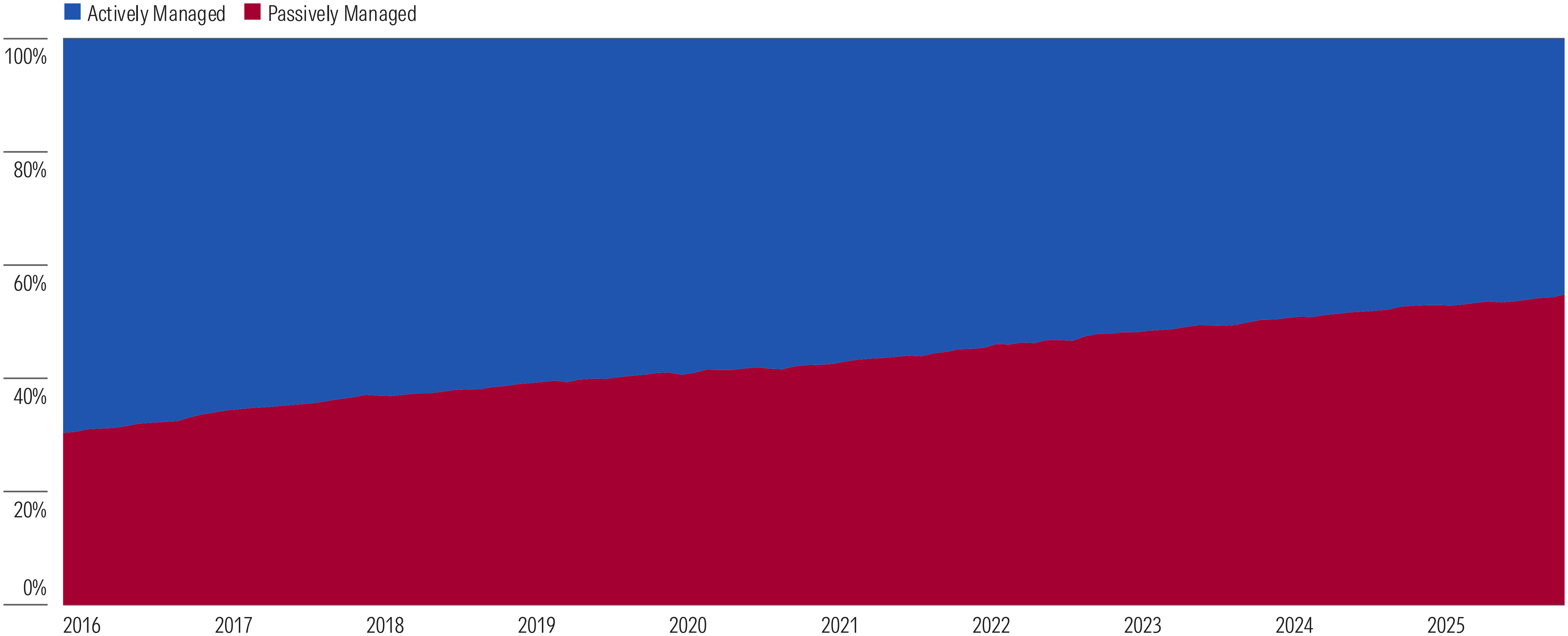
Long-Term Trends

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



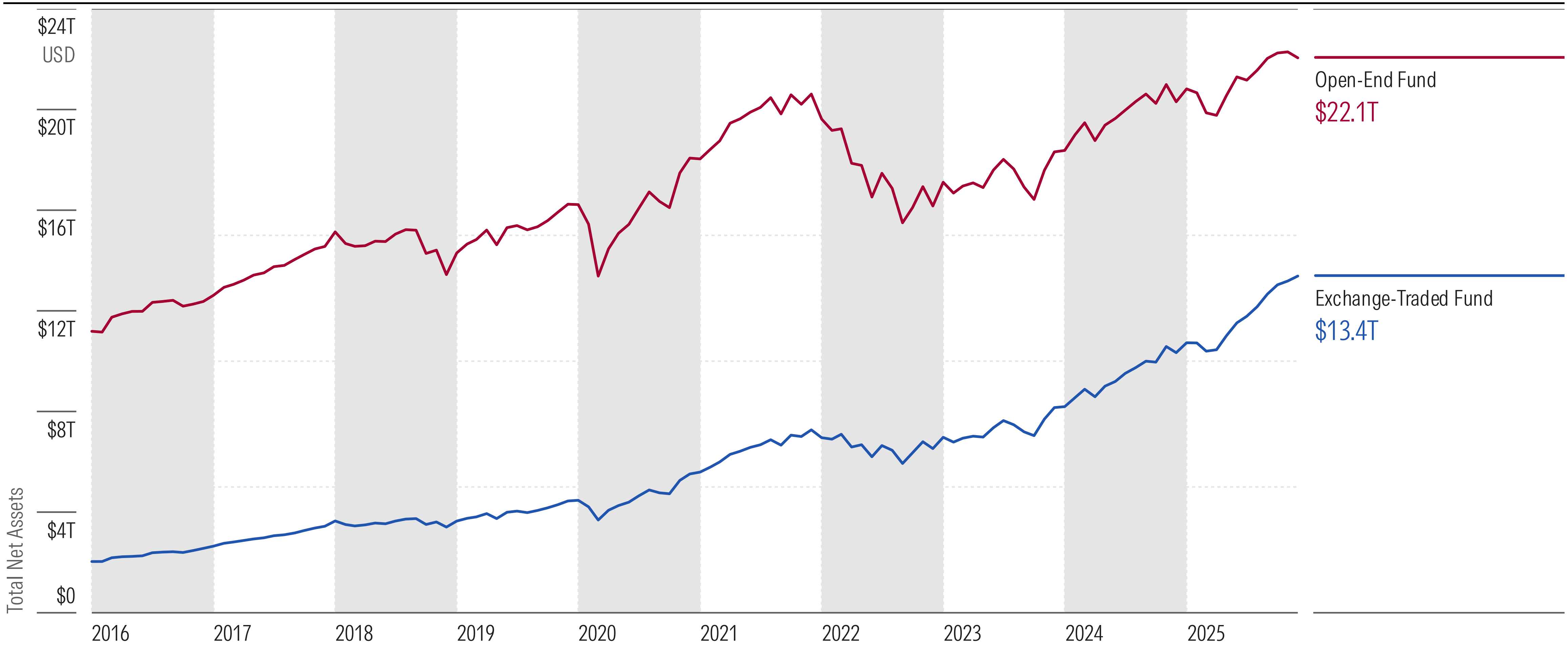
Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

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



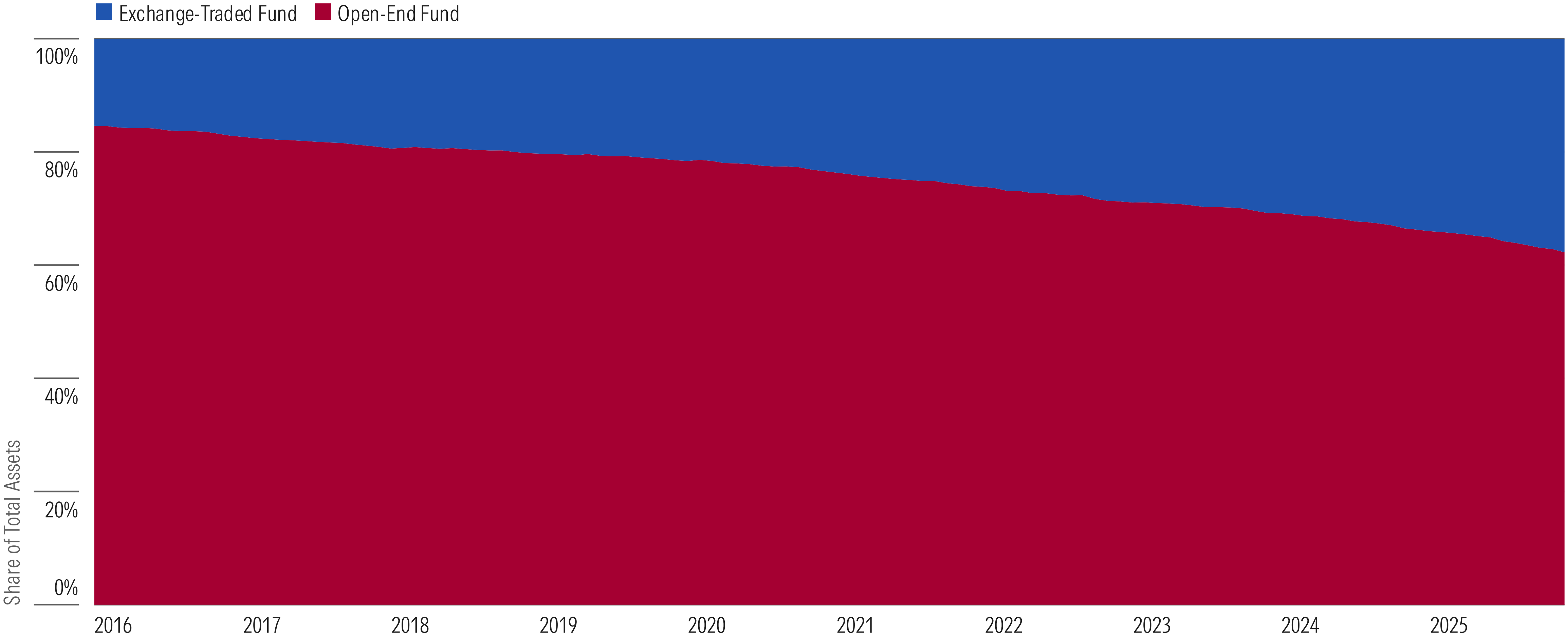
Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

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



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

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



Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Multiyear US Category Group Flows

US Category Group	1yr ($Bil)	3yr ($Bil)	5yr ($Bil)	10yr ($Bil)
US Equity	-32.3	120.1	313.9	103.4
Sector Equity	18.2	-42.4	7.7	20.2
International Equity	57.3	78.1	298.0	532.2
Allocation	-65.6	-236.7	-315.4	-567.3
Taxable Bond	540.2	1,253.0	1,586.7	3,117.3
Municipal Bond	62.5	103.2	85.2	318.6
Alternative	56.0	89.7	128.3	110.9
Commodities	57.9	45.4	37.5	100.9
Nontraditional Equity	71.3	158.4	223.1	217.4
Miscellaneous	-0.5	7.9	44.8	61.9

Source: Morningstar Direct Asset Flows. Data as of Dec. 31, 2025.

Disclosures

Disclosures

Note: The figures in this report were compiled on Jan. 12, 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. 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.

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