

2019 was a remarkable year for passive large-cap funds: Morningstar

By Editorial Staff Thu, Jan 30, 2020

'The strong long-term inflows in both December and for all of 2019 were due almost entirely to record inflows for both taxable-bond and municipal-bond funds,' the fund data giant reported.

Though the S&P 500 gained 31.5% in 2019, actively managed U.S. equity funds saw \$41.4 billion in outflows last year. It was the sixth year of net outflows during the decade-long bull market, according to Morningstar's report on U.S. mutual fund and exchange-traded fund (ETF) flows for full-year and December 2019.

Passive U.S. equity funds had \$162.8 billion in inflows, finishing the year with a 51.2% market share based on total assets.

Morningstar estimates net flow for mutual funds by computing the change in assets not explained by the performance of the fund, and net flow for U.S. ETFs shares outstanding and reported net assets.

Morningstar's report about U.S. fund flows for the full-year and December 2019 is available [here](#). Highlights from the report include:

- Long-term funds collected \$414.6 billion in 2019, more than double 2018's \$168.3 billion. Money market flows received \$547.5 billion in inflows, the group's best year since 2008's record \$593.6 billion. Thanks to rising markets, long-term assets grew in 2019 to \$20.7 trillion from \$16.9 trillion.
- The strong long-term inflows in both December and for all of 2019 were due almost entirely to record inflows for both taxable-bond and municipal-bond funds, which collected \$413.9 billion and \$105.5 billion, respectively, for the year, and \$50.3 billion and \$10.2 billion, respectively, for December. With greater 2019 flows than their active counterparts, passive taxable-bond funds now have a third of that market.
- In December, investors directed \$25.3 billion of inflows to passive U.S. equity funds, but \$23.5 billion of outflows from actively managed U.S. equity funds.
- Among the top-10 largest U.S. fund families, Vanguard saw its best month of the year in December with inflows of \$22.3 billion. Its \$183.3 billion in inflows for 2019 topped 2018's \$162.9 billion, and the firm's long-term assets grew by \$1.1 trillion to \$5.3 trillion—a 25.7% market share.
- Vanguard Total Bond Market Index II saw the greatest inflows of 2019 with \$29.7 billion. This fund is only available to investors through target-date funds, and this same dynamic likely propelled the \$29.0 billion of inflows into Vanguard Total International Bond Index. Both currently have a Morningstar Analyst Rating of Silver.

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