Assets flowed to fixed income and passive equity funds in February

By Editorial Staff *Wed, Mar 22, 2017*

U.S. equity has been in positive-flow territory for four consecutive months, a feat not witnessed since late 2014, according to Morningstar's fund asset flow report for February.

In February, investors put $29.1 billion into U.S. equity passive funds, down from $30.6 billion in January 2017. On the active side, investors pulled $8.9 billion out of U.S. equity funds during the month.

Total inflows to U.S. equity funds, both active and passive, doubled since January, according to Morningstar's February asset flow **report**.

Highlights from Morningstar's report:

- Investors continue to contribute to fixed income, adding $35.5 billion in estimated net flows.
- The MSCI EAFE Index rose 1.4% in February, signaling modest growth in developed international markets.
- International-equity funds enjoyed $14.7 billion in new flows, with passive making up the majority at $13.6 billion.
- All category groups except allocation enjoyed positive flows in February, showing optimism about the U.S. market.
- U.S. equity has been in positive-flow territory for four consecutive months, a feat not witnessed since late 2014.
- Morningstar Category trends for February continue to show large- and mid-cap blend in the top five in terms of inflows.
- Intermediate-term bond was in the top spot, with inflows of $6.2 billion to active and $6.0 billion flowing into passive.
- Among top U.S. fund families, T. Rowe Price, American Funds, and PIMCO had modest inflows on the active side in February, with $1.7 billion, $1.5 billion, and $1.2 billion, respectively.
- Vanguard and iShares continued to dominate on the passive side, garnering $29.8 billion and $16.7 billion, respectively.
- Among active funds, PIMCO Income, which has a Morningstar Analyst Rating of Silver, attracted the largest inflows of $2.0 billion. Bronze-rated PIMCO Total Return continued to place in the bottom five despite good returns, with outflows of $1.0 billion in February.
- Active fund Vanguard Institutional Short-Term Bond had the worst outflows of all active funds in February, at $1.6 billion.

- In the passive arena, iShares saw three of its funds land in the bottom five: iShares Russell 2000, iShares iBoxx $ High Yield Corporate Bond, and iShares MSCI Japan, with $1.6 billion, $397.0 million, and $347.0 million in outflows, respectively.

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 ETFs by computing the change in shares outstanding.