
Equity funds see outflows in March: Morningstar

By Editor Test *Wed, Apr 20, 2011*

Among U.S. stock funds, large-cap offerings lost about \$3.2 billion across the value, blend, and growth categories, while small-cap funds enjoyed modest inflows of \$791 million.

The pace of inflows into long-term mutual funds slowed slightly to \$27.0 billion in March from approximately \$27.9 billion in February, due largely to a reversal in U.S. stock flows, according to Morningstar, Inc.

Equities saw outflows of \$934 million in March after taking in roughly \$26.1 billion combined in January and February.

Inflows for U.S. ETFs rose to \$7.4 billion in March after reaching \$6.6 billion in February despite outflows of \$3.3 billion from U.S. stock ETFs, which typically drive industry inflows.

Americans have increased their investments in passive emerging-market ETFs. Six years ago, actively managed open-end mutual funds and ETFs comprised 79% of diversified emerging-markets assets, but today make up 53%, Morningstar said.

Additional highlights from Morningstar's report on mutual fund flows:

- Bank-loan funds, with inflows of \$4.3 billion, drove the \$18.0 billion that flowed into taxable-bond funds in March. Total category assets for bank-loan funds have reached \$59.8 billion, surpassing the \$41.2 billion peak reached in June 2007 by nearly 50%.
- Among U.S. stock funds, large-cap offerings lost about \$3.2 billion across the value, blend, and growth categories, while small-cap funds enjoyed modest inflows of \$791 million. However, investor preference for small-cap offerings hasn't held with international-stock funds, where large-caps acquired \$3.6 billion in new assets versus just \$306 million for small-caps in March.
- Municipal-bond fund outflows slowed for a third consecutive month, with less than \$2.6 billion in March redemptions. Still, roughly \$40.4 billion has vacated muni-bond funds over the last five months, which represents 7.8% of beginning total assets.
- Demand for alternative and commodity funds remained steady with \$1.1 and \$1.8 billion in March inflows, respectively. Money market funds saw outflows of \$12.5 billion in March after inflows of \$16.7 billion in February.

Additional highlights from Morningstar's report on ETF flows:

- Outflows from large-blend and large-growth ETFs accounted for most of the outflows from U.S. stock ETFs, as these categories lost \$6.2 billion and \$963 million, respectively. However, several categories in the asset class, including equity energy, natural resources, consumer discretionary, and consumer staples, saw inflows.
- After beginning the year with two consecutive months of outflows, international-stock ETFs saw inflows of \$6.7 billion in March.

- Taxable-bond ETFs collected assets of \$3.1 billion during the month, making a notable contribution to aggregate ETF inflows in March for the first time in seven months.

To view the complete report, please visit <http://www.global.morningstar.com/marchflows11>. For more information about Morningstar Fund Flows, please visit <http://global.morningstar.com/fundflows>.