
Flight from active equity funds continues: Morningstar

By Editorial Staff Thu, Sep 22, 2016

Passive U.S. equity funds persisted in attracting investor money, with an estimated inflow of \$16.4 billion in August, but it was only about half of July's \$33.8 billion intake.

Investors continued to exit actively managed U.S. equity funds in August, according to Morningstar's monthly [report](#) on U.S. mutual fund and exchange-traded (ETFs) asset flows. Active U.S. equity funds lost a net \$25.4 billion in August, compared with a negative \$32.9 billion in July.

Passive U.S.-equity funds persisted in attracting investor money, with an estimated inflow of \$16.4 billion in August, about half of July's \$33.8 billion intake. (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.)

Highlights from Morningstar's report about U.S. asset flows in August:

- Total international-equity asset flows for August consisted of an estimated \$7.3 billion outflow from developed markets and a \$6.2 billion inflow to emerging markets.
- Taxable and municipal bond funds accumulated flows, reflecting investors' preference for a steady income stream: \$27.8 billion and \$7.4 billion, respectively. Commodity funds saw a trend reversal in August with a \$1.0 billion outflow from passive funds.
- The diversified emerging-markets category has consistently been on the top-flowing list for the past few months; in August, total flows were \$5.5 billion. Factors such as stronger currencies, diminishing worries about China, and young populations driving more potential for growth going forward, are top contributors.

The top Morningstar category remains unchanged from July: intermediate-term bond. The bottom five categories were also little changed from last month, with large growth, world allocation, and Europe stock sustaining the largest outflows. WisdomTree Europe Hedged Equity and its Deutsche counterpart, Deutsche X-trackers MSCI Europe Hedged, continued to suffer outflows.

Of the top 10 U.S. fund families, only Vanguard, State Street and T. Rowe Price saw positive flows into active strategies in August. American Funds continued to suffer for the third consecutive month, seeing \$1.5 billion in outflows in August.

Vanguard continued to lead the way for passive inflows, gathering \$20.7 billion in August. The highest inflow to a passive fund went to Vanguard Total Stock Market Index Fund, which took in an estimated \$4.6 billion last month.

PIMCO saw two of its funds on the top-flowing list in August. PIMCO Income Fund, which has a Morningstar Analyst Rating of Silver, led flows into active funds with an estimated \$1.4 billion.

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