
Index and ETF providers dominate fund flows in 2016: Morningstar

By Editorial Staff Mon, Jan 23, 2017

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Morningstar, Inc. reported estimated U.S. mutual fund and exchange-traded fund (ETF) asset flows for December 2016. Investors ended the year by favoring passively managed U.S. equity funds over actively managed funds by a record margin, placing an estimated \$50.8 billion in passive funds in December.

On the active side, investors pulled \$23 billion out of U.S. equity funds during the month. (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 December:

- Investors' preferences have shifted. They now favor stock funds over bond funds, amid growing optimism about the U.S. economy and continued rising interest rates and inflation. The net inflow for U.S. stock funds hit its highest monthly total since April 2000, at \$27.8 billion. Taxable bond funds saw overall net inflows of \$14.6 billion in December.
- December 2016 saw overall outflows from alternative strategies of \$4.4 billion, with full-year outflows of \$4.7 billion. This marked the worst showing for alternative funds since 2005. It's a significant reversal from 2015 when they took in \$13.3 billion.
- Bank-loan funds were a leading category in December, with inflows of \$6.0 billion on the active side and \$1.4 billion for passive strategies, continuing a recent trend of growing interest in these funds.
- Vanguard dominated the flows landscape in 2016. The firm took in \$277.0 billion in total new money during the year, finishing at \$3.4 trillion in long-term assets. American Funds saw \$4.9 billion in active outflows during 2016, while Fidelity Investments offset some of its active fund outflows with \$37.2 billion in passive inflows.
- Among passive and exchange-traded funds, the SPDR S&P 500 ETF took in the most assets at \$14.3 billion for December 2016, followed by three Vanguard funds with offerings for U.S. stocks, international stocks, and U.S. bonds.
- PIMCO Income, which has a Morningstar Analyst Rating of Silver, took in \$1.5 billion in December and \$13.7 billion for 2016. It was the top active individual fund in terms of inflows. Bronze-rated Franklin Federal Tax Free Income defied the trend for

outflows in December among active municipal-bond funds, seeing inflows of \$1.4 billion.

For more information about Morningstar Asset Flows, please visit <http://global.morningstar.com/assetflows>.