
Investors play wait-and-see: Morningstar

By Editorial Staff Thu, Apr 21, 2022

High-yield bond funds saw a \$27.8 billion exodus in March. Large-blend funds, including S&P 500 Index funds, took in \$26.5 billion to lead all Morningstar Categories.

Investors appear cautious, according to Morningstar's Flow of Funds Report for March 2022. They added only \$30 billion to long-term mutual funds and exchange-traded funds during the month—completing the weakest quarter since 1Q2020, when COVID was raging.

Most equity and fixed-income markets are in negative territory so far in 2022, the report said. Four fund families saw impressive flows into their passive funds: iShares, Vanguard, SPDR State Street Global Advisors, and Invesco (in that order).

In March, US equity funds collected an industry-leading \$41 billion, down from \$50 billion in February. International-equity funds collected just \$7.2 billion, their weakest inflow since December 2020. S&P 500 Index funds and other large-blend funds took in \$26.5 billion to lead all Morningstar Categories.

Large-growth funds, rebounding, gathered \$9.3 billion in March, their fourth-highest monthly organic growth rate in 10 years. Passive funds gained \$15.3 billion and while active funds shed \$6.0 billion.

Although investors took a net \$20.9 billion out of taxable-bond funds in March, the long-government category enjoyed a 9.8% one-month organic growth rate—its best since February 2016—and gained \$8.7 billion. In government-only and diversified funds, investors preferred longer-term bond offerings in the first quarter.

High-yield bond funds saw a \$27.8 billion exodus in March. The category suffered a worst-ever organic growth rate (or decline, in this case) of negative 7% in the first quarter. The bank-loan category, a source of inflation protection, pulled in \$19.2 billion in the first quarter.

In other highlights of the Morningstar report:

- Commodities funds' 12.5% first-quarter organic growth rate was the second-highest of any category group.
- Alternative and nontraditional equity funds stayed hot in March. Alternative funds

have seen inflows in 16 consecutive months, while nontraditional equity funds' streak stands at 15 months.

- iShares' \$25.1 billion March haul led all fund families, and Invesco shook off a slow start to the year and collected \$10.6 billion.

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