

Shift to passive funds slows down in June: Morningstar

By Editorial Staff Thu, Jul 20, 2017

The leaders in active flows were American Funds with \$3.9 billion and Vanguard with \$2.9 billion. On the passive front, Vanguard was first with inflows of \$22.7 billion, followed by BlackRock/iShares with \$22.4 billion.

Investors put \$9.3 billion into U.S. equity passive funds last month, down from \$13.1 billion in May 2017. Meanwhile, investors pulled \$14.6 billion out of U.S. equity funds, compared with \$16.2 billion in the previous month, according to Morningstar's U.S. mutual fund and exchange-traded fund (ETF) asset flow [report](#) for June 2017.

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

- Investors continued to pour money into taxable-bond and international-equity funds. Unlike previous months, the taxable-bond category group saw higher inflows on the passive front than on the active one with inflows of \$18.5 billion and \$14.4 billion, respectively. Taxable-bond funds continued as the overall leader among category groups, with inflows of \$32.9 billion; international equity followed with inflows of \$28.9 billion.
- The three Morningstar Categories with the highest inflows in June remained the same as the previous month: foreign large blend, intermediate-term bond, and large blend. A fourth category attracting strong flows in June was diversified emerging markets, anticipating stronger growth potential after the MSCI Emerging Markets Index returned 18.4 percent year to date.
- Among top U.S. fund families, American Funds was the leader in active flows with \$3.9 billion, followed by Vanguard with \$2.9 billion. On the passive front, Vanguard was the top fund family, with inflows of \$22.7 billion, closely followed by BlackRock/iShares with \$22.4 billion in inflows.
- Fidelity Series Intrinsic Opportunities Fund and Fidelity Series Growth & Income Fund attracted the largest active flows in June, both approximately \$3.1 billion. PIMCO Income, which has a Morningstar Analyst Rating™ of Silver, was pushed to third place with flows of \$2.6 billion. The passive fund with the highest inflows was Vanguard S&P 500 ETF Index Fund, which saw \$3.1 billion in inflows.
- Fidelity Series Equity-Income Fund had the highest outflows for active funds at \$6.5 billion and Gold-rated Harbor International saw outflows of \$1.0 billion, its third consecutive month on the bottom-flowing list. On the passive front, Power Shares NASDAQ-100 Index Tracking Stock ETF saw the highest outflows of \$2.8 billion.
- 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.