

---

# Morningstar U.S. Fund Flows: Amid Turmoil, Investors Turn to Bonds and Cash

Taxable-bond and money markets take in money as equities slide.

---

## Morningstar Research

February 2020

---

Data through Feb. 29, 2020  
U.S. Mutual Funds and Exchange-Traded Products

---

Tony Thomas, Ph.D.  
Senior Analyst  
+1 312 244-7483  
tony.thomas@morningstar.com

Nick Watson  
Associate Analyst  
+1 312 244-7414  
nick.watson@morningstar.com

---

## Key Takeaways

- ▶ The S&P 500 closed at an all-time high on Feb. 19, 2020, only to fall sharply as fears of the coronavirus gripped the global economy. Investors backed away from U.S. equity funds and turned to traditional safe havens like bonds and cash.
- ▶ U.S. equity funds shed \$17.5 billion amid the stock market's turmoil, with that group's actively managed funds suffering nearly \$20 billion in redemptions.
- ▶ SPDR S&P 500 ETF saw a record \$27.8 billion of outflows.
- ▶ Taxable-bond funds posted their 14th consecutive month of inflows, though their \$23.3 billion haul was the third smallest during that streak. Long-government funds had their strongest inflows since 2019 as investors hedged their equity positions and appeared willing to take interest-rate risk instead of credit risk.
- ▶ Investors also piled into liquid assets such as money market funds. For the first time since October 2019, money market funds gathered more assets (\$31.4 billion) than long-term funds (\$25.5 billion).
- ▶ Vanguard led all fund families with long-term inflows of \$19.8 billion. On the other side, SPDR State Street Global Advisors had the worst outflows of any shop—more than \$27 billion—owing to SPDR S&P 500 ETF's woes.

## Investors Turn to Bonds as Stocks Reel

After hitting an all-time high on Feb. 19, 2020, the S&P 500 turned down sharply as fears of the coronavirus gripped the markets. The index lost 8.2% for the month. As evidence of investors' lack of enthusiasm for U.S. equities, \$27.8 billion flowed out of the popular **SPDR S&P 500 ETF** SPY—its worst-ever month. Instead, investors turned to bond funds. They pumped \$23.3 billion into taxable-bond funds, pushing that group's inflows streak to 14 months. All told, long-term funds gathered \$25.5 billion in February.

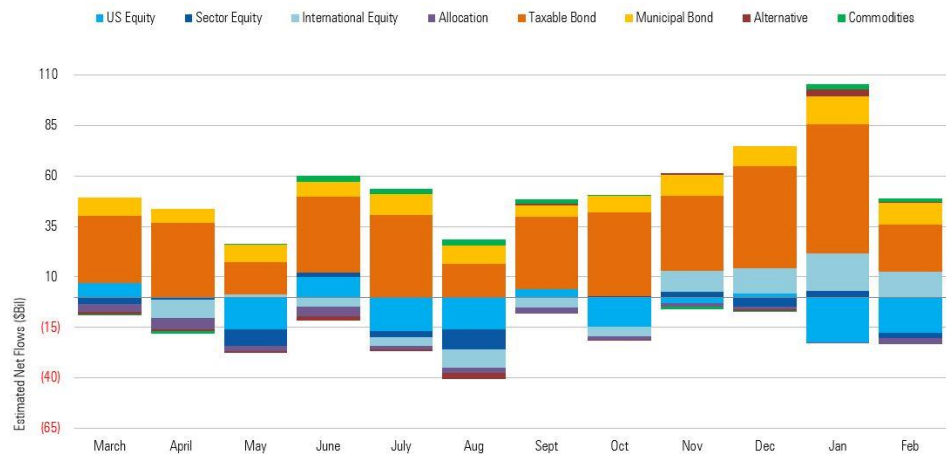
**Exhibit 1** U.S. Category Flows

U.S. Category Group	Estimated Net Flows (\$Mil)		
	Feb 2020	TTM	Assets (\$Bil)
U.S. Equity	(17,450)	(81,559)	8,536
Sector Equity	(3,013)	(27,978)	892
International Equity	12,477	20,936	3,115
Allocation	(3,010)	(39,481)	1,298
Taxable Bond	23,257	422,258	4,595
Municipal Bond	10,801	111,605	910
Alternative	436	(4,736)	193
Commodities	1,960	11,705	64
<b>All Long Term</b>	<b>25,458</b>	<b>412,750</b>	<b>19,604</b>
Money Market	31,447	511,339	3,630

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2020. Excludes money market flows.

**Exhibit 2** SPDR S&P 500 ETF's Monthly Flows and Total Return Since October 2016

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2020.

**Exhibit 3** U.S. Category Groups' 12-Month Asset Flows

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2020.

Volatile markets also spurred investors to move into cash equivalents such as money market funds. A net \$31.4 billion entered those funds in February. Fidelity captured a chunk of these flows (\$11.6 billion) in its **Fidelity Government Cash Reserves** and **Fidelity Government Money Market** funds.

The taxable-bond category group, which posted record annual flows in 2019 and record monthly flows in January 2020, saw most of its strength in actively managed funds, which garnered \$24.2 billion in long-term flows in February. More than \$10 billion of that went to intermediate core-plus bond funds, which typically hold investment-grade securities but may take credit risk in noncore areas like high-yield bonds and bank loans. Meanwhile, passively managed taxable-bond funds shed a modest \$900 million—their first month of outflows since October 2018 and only the second such month since November 2013. Passively managed funds held about a third of the taxable-bond market's nearly \$4.6 trillion in total assets.

**Exhibit 4** Estimated Net Flows by Active/Passive: U.S. Category Groups

U.S. Category Group	Active			Passive		
	Feb 2020 (\$Mil)	TTM (\$Mil)	Assets (\$Bil)	Feb 2020 (\$Mil)	TTM (\$Mil)	Assets (\$Bil)
U.S. Equity	(19,575)	(244,672)	4,152	2,125	163,113	4,384
Sector Equity	(1,892)	(31,211)	390	(1,121)	3,233	501
International Equity	1,504	(57,760)	1,787	10,973	78,696	1,328
Allocation	(2,936)	(39,720)	1,291	(74)	239	7
Taxable Bond	24,158	215,405	3,041	(901)	206,853	1,554
Municipal Bond	9,723	99,638	860	1,078	11,968	50
Alternative	(12)	(7,995)	140	448	3,259	54
Commodities	704	(95)	27	1,255	11,800	37
<b>All Long Term</b>	<b>11,674</b>	<b>(66,411)</b>	<b>11,688</b>	<b>13,784</b>	<b>479,160</b>	<b>7,916</b>

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2020. Excludes money market flows.

**Exhibit 5** Morningstar Categories With the Greatest Estimated Net Monthly Inflows/Outflows

Morningstar Category	Feb 2020			TTM (\$Mil)	Assets (\$Bil)
	Active (\$Mil)	Passive (\$Mil)	Total (\$Mil)		
<b>Leaders</b>					
Foreign Large Blend	2,664	16,237	18,900	67,259	1,151
Intermediate Core-Plus Bond	10,077	148	10,225	85,533	770
Ultrashort Bond	6,810	534	7,344	48,757	297
Short-Term Bond	4,554	2,009	6,563	45,200	463
Intermediate Government	1,107	4,515	5,622	42,668	198
<b>Laggards</b>					
High-Yield Bond	(2,004)	(4,059)	(6,063)	7,305	300
Large Growth	(8,399)	2,452	(5,947)	(75,975)	1,811
Financial	(191)	(2,786)	(2,976)	(9,650)	48
Japan Stock	16	(2,692)	(2,676)	(9,037)	23
Bank Loan	(1,313)	(1,363)	(2,675)	(31,618)	92

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2020. Excludes money market flows.

Within the taxable-bond U.S. category group, investors appeared split on whether to seek protection from interest-rate risks or credit risks. On the interest-rate front, money poured into shorter-term bonds. Ultrashort and short-term bond funds collected nearly \$14 billion in net flows. Yet long-government funds, which include 30-year Treasuries and other long-dated securities, also netted \$2.5 billion — their best month since April 2019. These investments typically carry low credit risk. In contrast, investors pulled more than \$6 billion from high-yield bond funds, which court more credit risk and tend to be

highly correlated with equity markets. The high-yield bond Morningstar Category's monthly outflows were its worst since December 2018, near the end of the last major correction in equity markets.

**Exhibit 6** Taxable-Bond Categories With Greatest Monthly Inflows and Outflows

<b>Taxable-Bond Categories</b>	<b>Feb 2020</b> (\$Mil)	<b>TTM</b> (\$Mil)	<b>Assets</b> (\$Bil)	<b>Organic Growth</b> Rate % (TTM)
<b>Top Six</b>				
Intermediate Core-Plus Bond	10,225	85,533	770	13.7
Ultrashort Bond	7,344	48,757	297	19.9
Short-Term Bond	6,563	45,200	463	11.4
Intermediate Government	5,622	42,668	198	29.9
Multisector Bond	3,049	29,930	279	12.7
Long Government	2,464	8,528	79	15.4
<b>Bottom Six</b>				
High-Yield Bond	(6,063)	7,305	300	2.6
Bank Loan	(2,675)	(31,618)	92	(25.5)
World Bond-USD Hedged	(2,559)	29,658	216	16.9
Intermediate Core Bond	(2,085)	120,780	1,044	14.6
Nontraditional Bond	(1,134)	(8,598)	155	(5.3)
Short Government	(472)	(1,302)	69	(1.9)

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2020.

U.S. equity fund flows also reflected the weakness in equity markets. Nearly \$17.5 billion exited those funds in February. Actively managed funds fared the worst, with \$19.6 billion of net redemptions; their passive counterparts bucked the trend, however, taking in more than \$2 billion.

Not all equity categories suffered outflows. International-equity funds gathered \$12.5 billion. With coronavirus worries affecting numerous international markets (such as China, South Korea, and Italy), investors sought core large-cap exposure. Foreign large-blend funds took in almost \$19 billion in net long-term flows—their second-strongest monthly inflow behind July 2015's \$21 billion. Investors withdrew about \$2.7 billion from Japan funds during the month. At \$22.5 billion in total assets, the Japan category is less than half its size at its peak in November 2015.

**Fund Families**

Vanguard again topped the list of fund families with its February inflows. Vanguard took in \$19.8 billion for the month, more than the combined inflows of the second- and third-place fund families (iShares and Fidelity). Its largest fund by assets, the \$841 billion **Vanguard Total Stock Market Index** VTSAX, took a step back in its march toward \$1 trillion in total assets. It added a net \$13 billion, its second-most ever (behind December 2018), though its total assets shrank because of the market's decline.

SPDR S&P 500 ETF's strong outflows for the month resulted in SPDR State Street Global Advisors stomaching \$27.2 billion of net redemptions. It was by far the hardest-hit fund family in terms of long-term flows.

**Exhibit 7** Estimated Net Flows for the Top 10 U.S. Fund Families (by Total Assets)

<b>Top 10 U.S. Fund Families (by Assets)</b>	<b>Active</b> (\$Mil)	<b>Passive</b> (\$Mil)	<b>Feb Total</b> (\$Mil)	<b>TTM Total</b> (\$Mil)	<b>Assets</b> (\$Bil)
Vanguard	(328)	20,163	19,835	205,589	5,087
Fidelity Investments	(684)	7,524	6,841	55,858	1,719
American Funds	(2,512)		(2,512)	(3,220)	1,663
iShares	519	10,969	11,488	137,168	1,619
T. Rowe Price	(1,980)	169	(1,812)	(20,880)	631
SPDR State Street Global Advisors	(429)	(26,758)	(27,188)	2,988	601
Invesco	(1,942)	(107)	(2,050)	(27,305)	517
Dimensional Fund Advisors	(15)	(51)	(66)	(1,996)	404
Pimco	3,806	(60)	3,745	17,302	399
J.P. Morgan	4,082	(508)	3,574	21,053	350

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2020. Excludes money market flows.

**Exhibit 8** Funds With the Greatest Estimated Monthly Net Inflows and Outflows

<b>Fund Name</b>	<b>Feb 2020</b> (\$Mil)	<b>TTM</b> (\$Mil)	<b>Assets</b> (\$Bil)
<b>Leaders</b>			
Vanguard Total Stock Market Index Fund	13,177	35,195	841
Vanguard Total Intl Stock Index Fund	10,115	32,113	394
iShares Core S&P 500 ETF	6,835	23,961	193
Vanguard Total Bond Market Index Fund	5,351	34,756	269
Vanguard 500 Index Fund	2,736	19,285	501
Fidelity 500 Index Fund	2,504	25,730	219
iShares Core US Aggregate Bond ETF	2,416	12,950	76
iShares 7-10 Year Treasury Bond ETF	1,896	6,112	21
Vanguard Developed Markets Index Fund	1,731	9,226	116
Six Circles International Unconstrained	1,593	3,841	6
<b>Laggards</b>			
SPDR S&P 500 ETF	(27,778)	(19,628)	262
Vanguard Total Bond Market II Index Fund	(13,892)	7,305	196
iShares iBoxx High Yield Corporate Bond ETF	(3,360)	(1,521)	14
Vanguard Total International Bond Fund	(2,551)	23,582	150
Financial Select Sector SPDR Fund	(1,907)	(4,399)	20
iShares MSCI Emerging Markets ETF	(1,757)	(6,993)	25
SPDR Bloomberg Barclays High Yield Bond ETF	(1,740)	(712)	8
American Funds Growth Fund of America	(1,731)	(12,772)	188
Vanguard Institutional Index Fund	(1,708)	(22,298)	219
iShares iBoxx Investment Grade Corporate Bond ETF	(1,480)	(2,571)	34

Source: Morningstar Direct Asset Flows. Data as of Feb. 29, 2020. Excludes money market flows.

**Note:** The figures in this report were compiled on March 11, 2020, and reflect only the funds that had reported net assets by that date. The figures in both the commentary and the extended tables are survivorship-bias-free. This report includes both mutual funds and exchange-traded funds, but not funds of funds unless specifically stated. It does not include collective investment trusts or separate accounts.

**Important methodology note:** Morningstar computes flows using the approach that is standard in the industry: Estimated net flow is the change in assets not explained by the performance of the fund. Our method assumes that flows occur uniformly over the course of the month. Adjustments for mergers are performed automatically. When liquidated funds are included, the final assets of the fund are counted as outflows. Reinvested dividends are not counted as inflows. We use fund-level reinvestment rates to

improve accuracy in this respect. We make ad hoc adjustments for unusual corporate actions such as reverse share splits, and we overwrite our estimates with actual flows if managers are willing to provide the data to us.

Please click [here](#) for a full explanation of our methodology. ■■



22 West Washington Street  
Chicago, IL 60602 USA

© Morningstar 2020. All Rights Reserved. The information, data, analyses and opinions presented herein do not constitute investment advice; are provided solely for informational purposes and therefore are not an offer to buy or sell a security; and are not warranted to be correct, complete or accurate. The opinions expressed are as of the date written and are subject to change without notice. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions or their use. The information contained herein is the proprietary property of Morningstar and may not be reproduced, in whole or in part, or used in any manner, without the prior written consent of Morningstar. To order reprints, call +1 312-696-6100. To license the research, call +1 312-696-6869.