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Funds Saw Largest Ever Exodus in March, Morningstar Says

Fidelity and Pimco were among the hardest hit by investor redemptions.

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Gabby Jones/Bloomberg

Investors fled mutual funds and exchange-traded funds at a record pace in March, seeking safety in money markets as coronavirus fears wreaked havoc on markets, according to Morningstar.

Mutual funds and ETFs saw $326 billion of outflows last month, or 1.7 percent of the industry's $19.7 trillion of assets at the end of February, Morningstar said in a report Wednesday. That exceeds monthly redemptions during the global financial crisis, when they peaked at $104 billion in October 2008, or 1.5 percent of industry assets at the time.

Fidelity Investments and Vanguard Group saw the biggest outflows last month based on absolute dollars, bleeding assets from bond funds in particular, according to the report. Amid falling bond and stock prices, nervous investors piled into money market funds.

"Money market funds benefited from investors' fear," Morningstar said. "The perceived safe havens — and often places to park the cash swept out of brokerage accounts or tied to hedge fund activity — gathered a record $685 billion in March."

That same month, actively managed U.S. stock funds lost $31 billion of assets to outflows, struggling even as passive equity funds reported inflows, according to the report. U.S. equity funds attracted a net $10.5 billion in March, nearly all of which went to passive funds.

State Street Corp.'s SPDR S&P 500 ETF was among the winners in last month's market turmoil. The equity ETF raked in more than $12 billion of the $41 billion that flowed to passive U.S. stock funds, according to the report.

"Meanwhile, bond funds cooled off dramatically after a hot streak," Morningstar said. For example, taxable-bond funds had record outflows of $240 billion, the largest of any asset class in March, according to the report.

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Bond fund redemptions hit Fidelity particularly hard, representing the majority of its total outflows last month, the report shows. Redemptions from Fidelity's long-term funds totaled $39 billion, or 2.3 percent of its net assets in February.

Vanguard recorded the second-largest outflows in March, with investors pulling $37 billion from its long-term funds. While unprecedented for the firm in absolute dollars, Morningstar described the exodus as "a drop in the bucket relative to the behemoth's $5.1 trillion total net assets in February."

The market turmoil was more painful for Pacific Investment Management Co.

Pimco's $27 billion of outflows last month were the third-largest among fund families tracked by Morningstar, representing 6.7 percent of its assets. "March outflows were the shop's worst since late 2014, shortly after former cofounder Bill Gross left the firm," Morningstar said.

American Funds, meanwhile, had $16 billion of redemptions last month. Although the fourth-largest outflow among fund families, Morningstar said the "equity-heavy" manager was left "relatively unscathed," as it lost less than 1 percent of total net assets to redemptions.

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