IGNITES

# Active Activity: Boutiques Pulled In More Sales Than Fund Giants

By Adrian D. Garcia May 18, 2020

Many boutique fund shops collected more money during the first three months of 2020 than did their larger counterparts, data shows.

Of the 10 fund shops that added the most to their active mutual fund lines during the first quarter, eight had less than $20 billion in such assets under management, according to an *Ignites* analysis of data from Morningstar Direct.

Just three of the 20 fund shops with $100 billion or more in active mutual fund assets garnered positive sales between Jan. 1 and March 31.

In all, the 10 top-selling fund complexes added $12.6 billion to their actively managed mutual fund lines between January and March, the data shows. Comparatively, the 10 fund shops that gushed the most reported net outflows of $155.1 billion, according at a recent *Ignites* analysis.

In April, the top sellers brought in another $5.7 billion.

They collectively held 4% of the $10 trillion that sat in assets in active funds as of March 31. The biggest bleeders, meanwhile, held 53% of all such assets.

PGIM and MFS recorded the highest inflows to their active lineups: $3.2 billion and $2 billion, respectively.

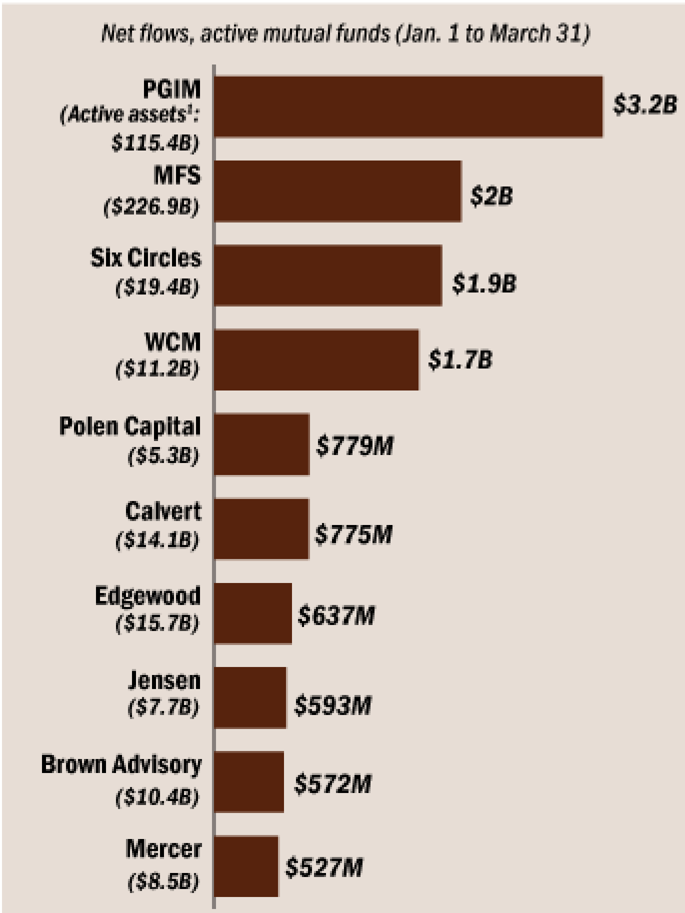
*Ignites* examined net flows for actively managed mutual funds during the first quarter of 2020. The data includes only open-end mutual funds. It does not include money market funds, ETFs or fund of funds.

Overall, investors pulled a net $289.6 billion from active mutual funds during the first quarter. "Boutiques might have a more concentrated, more stable and a high-advocacy client base in the sense that they're not panicking. They're not buying and selling," says Matthew Fronczke, director of strategic business consulting at **SS&C Research Analytics and Consulting**.

Jensen, for example, had only two active mutual funds, which had a combined $8 billion in assets as of March 31 — 0.8% of all active fund assets. But the Lake Oswego, Ore.-based firm's fund line pulled in $593 million during the three-month period examined, the eighth-most of any fund company, Morningstar's data shows.

**Active Winners**

Actively managed mutual funds bled $289.6 billion during the first three months of 2020, Morningstar Direct data show. The 10 firms with the most inflows bucked the trend and collectively brought in $12.6 billion during the first quarter.




*Source: Morningstar Direct. Data only includes actively managed open-end mutual funds. It does not include ETFs, money market funds or funds of funds. [1]Assets are as of March 31.*

"Our inflows in the first quarter of 2020 were a continuation of what we've experienced at Jensen throughout the past 14 months as advisors and institutions, both current and new clients, reallocated assets away from higher growth companies to higher quality ones," a company spokeswoman writes in an e-mail. In 2019, the firm's mutual funds pulled in $483.4 million, according to Morningstar.

"This repositioning seems to have paid off as quality held up better as the market started to fall in mid-January," the spokeswoman adds.

Some investors are leaving money in active funds at boutiques because those products are just a small fraction of their overall portfolios, says Fronczke. Shops like Vanguard, for instance, tend to offer products investors keep in their core portfolios, but products run by small complexes are often more specialized.

"Those core portfolios, whether it's on equity or fixed income, are the ones that are being shaken up," he says.

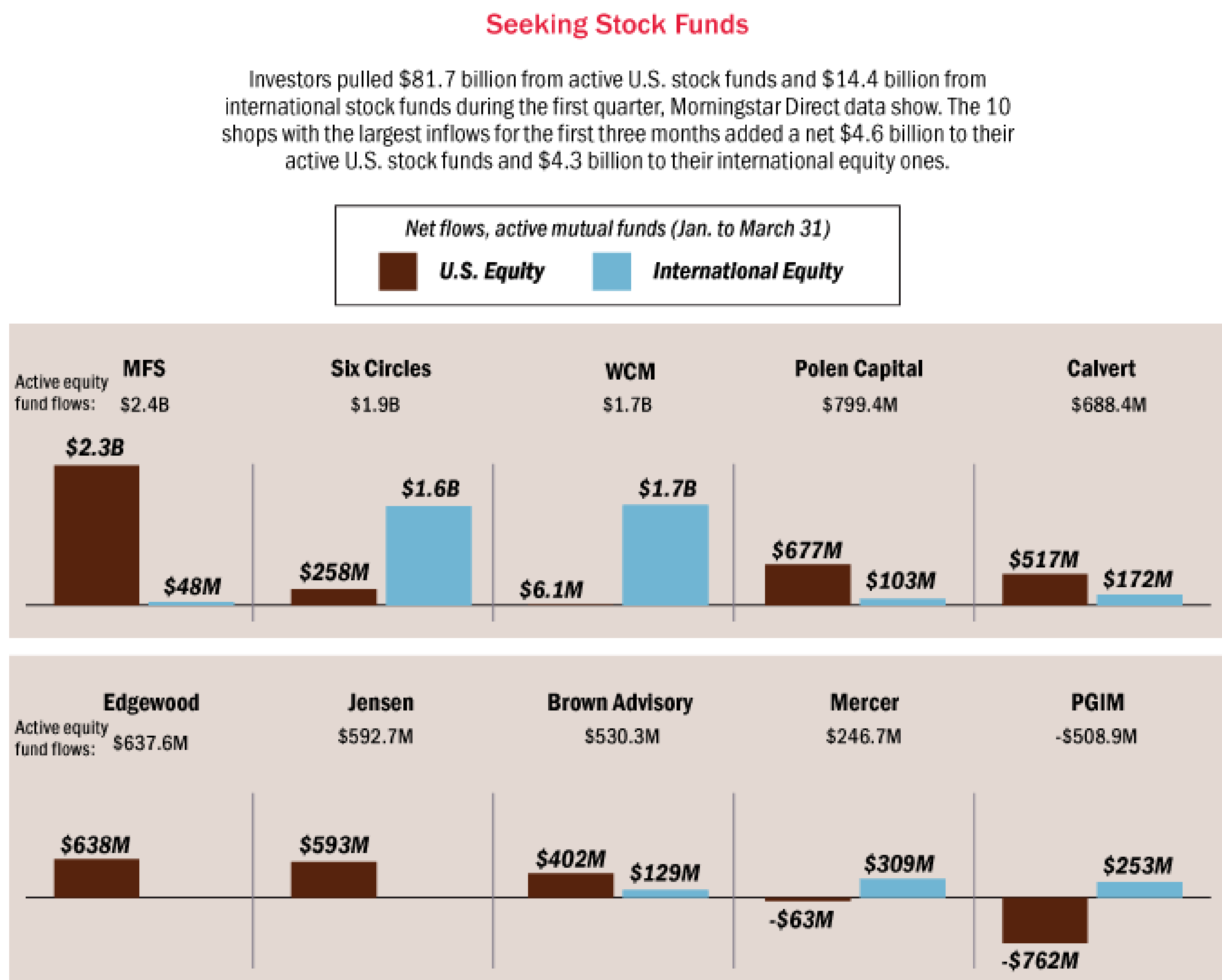
For example, the sixth-best-selling complex is Calvert, an ESG shop with $14.1 billion in active mutual fund assets as of March. The firm's active U.S. stock funds collected $516.5 million in inflows between January and March, the sixth-most of any complex.

"Investors' interest in responsibly invested strategies has continued through the pandemic and resulting market volatility," writes Anthony Eames, director of responsible investment strategy at Calvert, in an e-mail to *Ignites*.

U.S. sustainable funds collected a record $10.6 billion in flows during the first quarter, according to an analyst note from Jon Hale, Morningstar's head of sustainability research.

"Calvert has disproportionately benefited from these trends as investors have sought an experienced ESG manager focused on competitive performance and positive global impact. We, too, are experiencing record flows," Eames says.

Overall, investors pulled $138.9 billion from active bonds funds during the quarter and $107.1 billion




Source: Morningstar Direct. Data only includes actively managed open-end mutual funds. It includes net flows for active U.S. equity and international equity mutual funds. It does not include ETFs, money market funds or funds of funds.

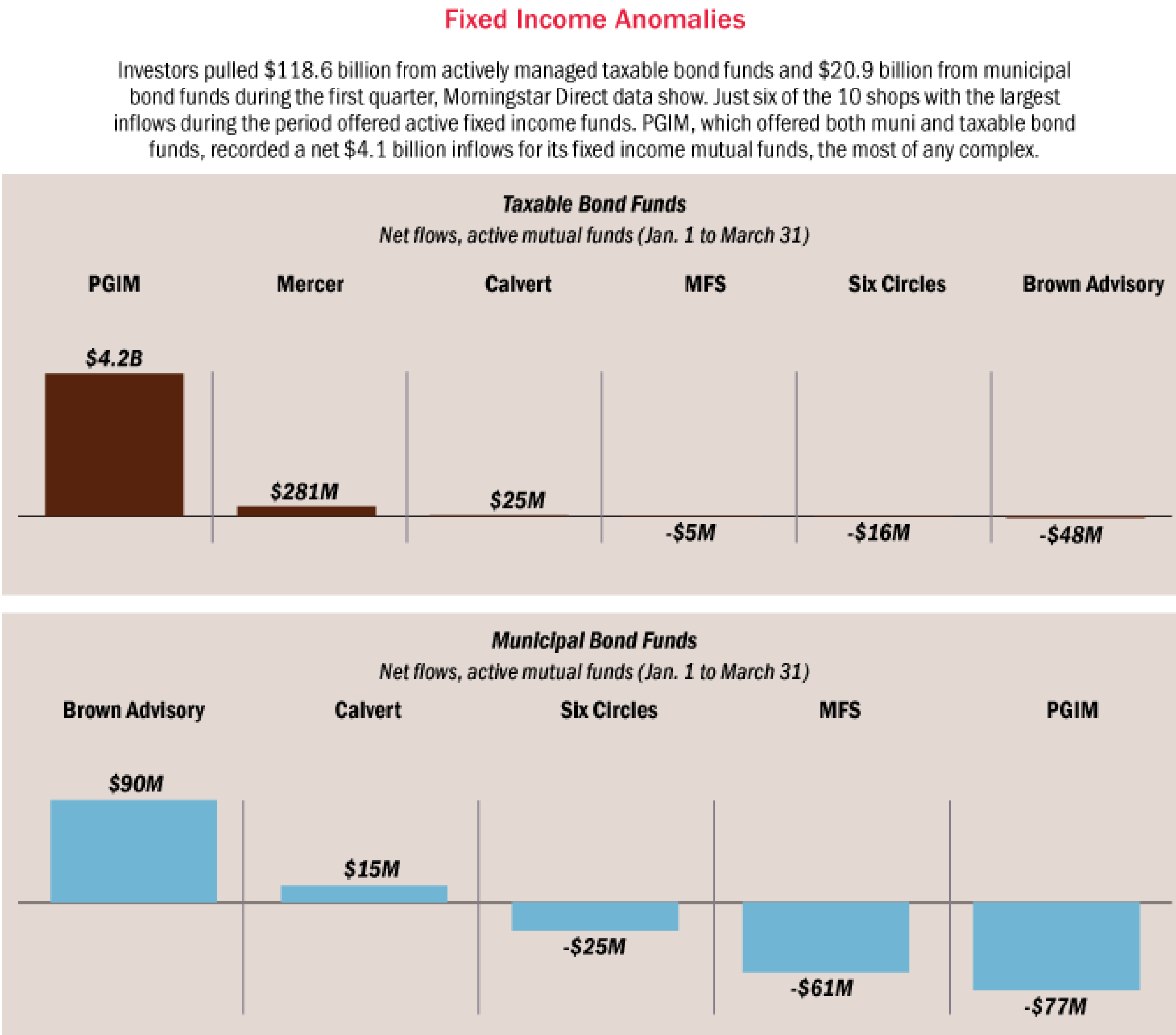
from equity funds, Morningstar data shows.

One firm that bucked that trend was PGIM. The Newark, N.J.-based firm's active lineup was buoyed during the first quarter by $4.2 billion in inflows to its taxable bond funds, Morningstar's data shows. Such fixed-income products represented 79% of the firm's net assets. Investors pulled $1 billion out of PGIM's remaining mutual funds.

Across firms, actively managed taxable bond funds bled $117.9 billion during the quarter, Morningstar data show. Municipal bond funds, meanwhile, shed $20.9 billion during the same period.

In April, active taxable bond funds added $4.4 billion, while active muni bond funds leaked $2.9 billion, Morningstar data shows.

As a result, once the market stabilizes, some active fund managers might have a hard time pulling investors into fixed-income products, says Jeff Tjornehoj, director of fund insights at Broadridge.




Source: Morningstar Direct. Data only includes actively managed open-end mutual funds. It includes net flows for active taxable and municipal bond mutual funds. It does not include ETFs, money market funds or funds of funds.

"Muni bond fund investors may have a long memory about what happened in March, and they could take longer to get back in because there's still a lot of uncertainty about state and local government revenue," Tjornehoj says. "There's a good case to be made that there's more uncertainty in certain pockets of the fixed-income market than there is in equities."

MFS, meanwhile, added $2.3 billion in inflows to its U.S. stock funds during the first quarter, the most of any fund shop.

Altogether, active U.S. stock funds bled $81.7 billion between January and March, Morningstar data shows.

During that time, broad indexes recorded the biggest quarterly drop since 2008: the S&P 500 shed 20% and the Dow Jones Industrial Average plummeted 23%. That nosedive prompted investors to seek safety elsewhere. Money market funds, for instance, added $693.7 billion during the quarter, according to Morningstar.

But across asset classes, the market volatility has created an opportunity for some active shops with bold strategies to pull in investors who want to invest in funds that outperform index-tracking products, says Tjornehoj.

“The time is now for active managers to show their advantage,” he says.



An Information Service of Money-Media, a Financial Times Company