

## FUND FINANCE FRIDAY

### **Record Bond Fund Inflows May Be a Positive for Fundraising**

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Bond funds and ETFs are experiencing massive inflows, a green shoot for the fundraising environment in the second half. Net demand for public investment-grade funds and ETFs has expanded by \$78.5 billion since month-end March after all-time record inflows of \$17.5 billion in the week to June 3, according to EPFR/Informa Business data. AUM in the investment-grade sector is nearly flat year-to-date, given the scale of the recovery since the March drawdown. Demand for high yield funds and ETFs has also expanded significantly, with AUM now 8.1% higher year-to-date. While these fund flows are a lagging indicator of the follow-the-Fed trade dominating markets, they may also be a positive signal for the private market fundraising outlook as investors allocate capital away from public equities and take off the March flight-to-safety trade. The drivers behind record private market fundraising in recent years – an anemic interest rate environment, significant underfunding at liability-matched investors and stretched public market valuations – have only intensified in 2020.