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## **Bond funds on track to receive net \$300 billion for 2012**

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By Editor Test     *Sun, Oct 21, 2012*

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*Exchange-traded funds and notes benefited from \$36 billion of September net intake, bringing total ETF net inflows (including ETNs) to nearly \$130 billion for the first nine months of 2012, surpassing the full-year gains in each of the past three years, according to Strategic Insight.*

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Mutual fund investors, already adding more than \$1 trillion to their bond fund holdings since the 2008 crisis, continued to search for income and safety in bond funds during September, according to Strategic Insight.

“Insatiable demand for income and a lingering, semi-permanent state of investment anxiety continue to drive the choices for most mutual fund investors,” said Avi Nachmany, Strategic Insight’s Director of Research.

Bond funds gained another \$32 billion in September, and are projected to amass over \$300 billion in net inflows for the full year, exceeding 2010 and 2011 pace, according to the research firm’s latest report. (Flow data includes open-end mutual funds, excluding ETFs and funds underlying variable annuities.)

Investors in stock funds remained cautious, though, despite stock markets double-digit returns so far in 2012. Equity fund shareholders are taking some of their recent profits “off the table,” as stock fund redemptions during September were at the highest monthly level this year, climbing to \$17 billion.

(In contrast, ETFs investing in stocks attracted \$33 billion during September, their highest monthly take in four years. More ETF observations are discussed below.)

“We anticipate recent investors’ preference to persist in the coming months, but that a slow rotation towards stock funds may emerge in 2013,” added Mr. Nachmany.

Asset allocation funds attracted nearly \$1 billion in net flows during September, bringing quarterly net intake to \$3.8 billion. “As advisors and investors observe continued economic uncertainty, they increasingly trust the portfolio solutions offered by investment managers,” added Bridget Bearden, head of Strategic Insight’s Defined Contribution and Target Date funds practice.

Money-market funds moved into net redemptions during the month of \$5.5 billion, bringing redemptions in such funds to nearly \$150 billion so far in 2012.

Exchange-traded products benefited from \$36 billion of September net intake, bringing total ETF net inflows (including ETNotes) to nearly \$130 billion for the first nine months of 2012, already exceeding the full-year gain in each of the past three years. U.S. Large and Small Cap, Emerging Markets, Gold and Real Estate, and High Yield Corporate bonds were among the many categories gaining inflows, while a number of high-quality bond categories experienced modest redemptions.

About 60% of ETF assets and flows are now sourced from individual investors while 40% are held by institutional investors, according to Strategic Insight research.