

Funds and ETFs post record net in-flows of \$246 billion in 1Q 2013

By Editor Test Sun, Apr 14, 2013

Older investors are moving from cash to bonds, and younger investors from bonds to stocks. These "rotations" should persist, says Avi Nachmany of Strategic Insights.

| Mutual Fund Flows, March 2013 | | | | |
|-------------------------------|------------------|-------------------|-------------------|-------------------|
| | 3/13 | Jan'12 | Feb'13 | Mar'13 |
| | Total Assets \$B | Net New Flows \$B | Net New Flows \$B | Net New Flows \$B |
| Mutual Fund | | | | |
| Domestic Equity | 4,727 | 26 | 9 | 13 |
| International Equity | 1,840 | 23 | 22 | 15 |
| Total Equity | 6,567 | 49 | 37 | 29 |
| Taxable Bond | 2,544 | 35 | 20 | 20 |
| Tax-Free Bond | 595 | 7.2 | 2.7 | -0.1 |
| Total Bond | 3,139 | 42 | 23 | 20 |
| Total Mutual Fund | 9,706 | 91 | 64 | 49 |

Excludes ETPs, VA funds and funds-of-funds.
Source: Strategic Insight Simfund

Stock and bond mutual funds and exchange-traded funds (ETFs) set an all-time quarterly net flows record in the first quarter of 2013 of \$246 billion, according to *Strategic Insight*. That was 42% more than the previous record of \$173 billion set in the first quarter of 2012.

In March alone, \$63 billion flowed into stock and bond mutual funds and ETFs, including exchange traded notes (ETNs).

The inflows, coupled with strong market appreciation, boosted the combined market value of stock and bond mutual fund and ETF assets by nearly \$800 billion during the first three months of 2013, to about \$9.7 trillion for mutual funds and \$1.47 trillion for ETFs.

Double-digit returns for major US fund sectors so far in 2013, driven by generally positive economic news on labor and housing markets, should continue to stimulate demand for such funds in the months ahead.

Older investors are evidently moving from cash to bonds, and younger investors from bonds to stocks.

"We observe two Great Rotations in parallel and both should persist," said Avi Nachmany, SI's Director of Research. "One prominent rotation is along the traditional risk curve with money flowing to stock investments. The other is from un-invested cash and into income vehicles, anchored by a semi-permanent state of investment anxiety by many, as well as by the demographic of wealth."

Near-retirees will continue to buy conservative income-producing investments, but they will protect their portfolios from the prospect of rising interest rates by investing in "flexibly managed bond and income funds," he added.

Mutual funds

Long-term stock and bond funds attracted \$49 billion in March and \$193 billion in the first quarter. US equity funds alone netted \$13 billion during March and \$49 billion in the first quarter, an all-time quarterly high. Strategic Insights expects stock and bond funds to accumulate a record of more than \$500 billion of net inflows for all of 2013.

| Mutual Fund Flows, March 2013 | | | | |
|--------------------------------------|--------------|-----------|-----------|-----------|
| | 3/13 | Jan'12 | Feb'13 | Mar'13 |
| | Total | Net New | Net New | Net New |
| | Assets \$B | Flows \$B | Flows \$B | Flows \$B |
| Mutual Fund | | | | |
| Domestic Equity | 4,727 | 26 | 9 | 13 |
| International Equity | 1,840 | 23 | 22 | 15 |
| <i>Total Equity</i> | <i>6,567</i> | <i>49</i> | <i>31</i> | <i>29</i> |
| Taxable Bond | 2,544 | 35 | 20 | 20 |
| Tax-Free Bond | 595 | 7.2 | 2.7 | -0.1 |
| <i>Total Bond</i> | <i>3,139</i> | <i>42</i> | <i>23</i> | <i>20</i> |
| Total Mutual Fund | 9,706 | 91 | 54 | 49 |

Excludes ETPs, VA funds and funds-of-funds.

Source: Strategic Insight Simfund

Exchange traded products (ETPs)

In March, exchange-traded products (including exchange-traded funds and notes) attracted \$15 billion of net intake, including \$10 billion into stock-oriented products and \$5 billion into taxable bond exchanged traded notes. For the first quarter, net intake for ETPs was \$53 billion, including \$46 billion for ETFs and \$7 billion for ETNs.

| Exchanged Traded Fund Flows, March 2013 | | | | |
|--|--------------|------------|------------|------------|
| | 3/13 | Jan'12 | Feb'13 | Mar'13 |
| | Total | Net New | Net New | Net New |
| | Assets \$B | Flows \$B | Flows \$B | Flows \$B |
| ETF | | | | |
| Domestic Equity | 868 | 14 | 2 | 12 |
| International Equity | 341 | 15 | 4 | -2 |
| <i>Total Equity</i> | <i>1,208</i> | <i>29</i> | <i>7</i> | <i>10</i> |
| Taxable Bond | 244 | 0.4 | 1.3 | 4.7 |
| Tax-Free Bond | 12 | 0.3 | 0.2 | 0.2 |
| <i>Total Bond</i> | <i>256</i> | <i>0.7</i> | <i>1.5</i> | <i>4.9</i> |
| Total ETF | 1,465 | 30 | 8 | 15 |

Excludes VA funds and funds-of-funds. Includes ETNs.

Source: Strategic Insight Simfund