
Reliable Sources Disagree on July Fund Flows Data

By Editor Test *Wed, Aug 18, 2010*

Morningstar and Strategic Insights both reported mutual fund and ETF flows for July, but the numbers didn't match. If you know why not, please write and tell us.

With so many trillions of dollars zipping around the globe every hour of every day, it's hard to keep track of it all. RIJ received two somewhat different reports on July mutual fund and ETF flows from Morningstar and Strategic Insight recently. If you can explain why there were discrepancies, please write and tell us.

According to Morningstar, overall flows into U.S. open-end mutual funds increased slightly in July to \$14.1 billion, as equity and balanced funds saw mainly outflows, and bond, alternative, and commodity funds saw mainly inflows.

According to Strategic Insight, U.S. mutual fund investors added about \$25 billion in net new cash to U.S. stock and bond mutual funds in July 2010 (in open-end mutual funds, excluding exchange-traded funds (ETFs) and variable annuity subaccounts).

According to Morningstar, U.S. exchange-traded funds (ETFs) registered total net inflows of \$6.8 billion in July, marking the sixth consecutive month of positive asset flows. Total ETF assets are up 6% since the start of the year and 29% over the trailing 12 months.

According to Strategic Insight, investors put net \$7.5 billion into US ETFs in July. U.S. ETF assets ended July at \$831 billion (just off the April peak of \$834 billion). International equity and taxable bond ETFs accounted for the bulk of July's net inflows.

According to Morningstar, bond funds had another strong month of inflows, with investors adding \$22.3 billion to taxable-bond funds and \$3.9 billion to municipal bond funds, approximately double the inflows municipal-bond funds saw in June.

According to Strategic Insight, bond funds experienced net inflows of \$30 billion in July, as inflows persisted among many lower-volatility bond funds used for cash management. In general, U.S. taxable bond funds drew \$25 billion in net investments and U.S. muni bond funds attracted \$5 billion.

Additional highlights from Morningstar's report on mutual fund flows:

Bond funds had another strong month of inflows, with investors adding \$22.3 billion to taxable-bond funds and \$3.9 billion to municipal-bond funds, approximately double the inflows municipal-bond funds saw in June.

Nearly \$12.4 billion exited domestic-equity funds in July, but international-stock funds saw less severe outflows of \$565 million. Flows into emerging-markets equity funds offset redemptions from broader foreign-stock funds. Emerging-markets equity funds had roughly \$161.4 billion in total assets as of the end

of July, up nearly 41% over the trailing 12 months.

Emerging-markets bond fund assets more than doubled to \$30.8 billion over the last year after taking in more than \$1.2 billion in July. A significant portion of these flows were allocated to local-currency emerging-markets bond funds, led by PIMCO Emerging Local Bond Fund with inflows of nearly \$3.6 billion over the trailing 12 months.

PIMCO and Vanguard led all fund families in terms of total inflows in July, taking in \$5.9 billion and \$4.9 billion, respectively. American Funds continued to see significant outflows with another \$4.6 billion in redemptions in July.

Additional highlights from Morningstar's report on ETF flows:

Inflows into emerging-markets ETFs helped make international-stock funds, which saw inflows of \$4.6 billion, the most popular ETF asset class in July.

Vanguard Emerging Markets Stock VWO was the top asset gatherer within the international-stock asset class as well as the overall U.S. ETF universe, with \$2.3 billion in net inflows in July.

Investors also expressed a renewed interest in single-country ETFs to gain precise international exposure while avoiding struggling Eastern European countries.

Commodity ETFs saw net outflows in July for the first month since February. Although iShares COMEX Gold Trust IAU gathered assets of \$209 million during the month, the asset class saw redemptions of \$1.8 billion, led by SPDR Gold Shares GLD with \$1.4 billion in outflows.

ETFs in the long government and long-term bond Morningstar categories saw combined total net inflows of \$1.1 billion, while short government and short-term bond ETFs experienced outflows of \$446 million.

U.S. stock ETFs saw outflows of \$91 million in July, as inflows into small-cap funds were not enough to offset outflows from large-cap funds. Investors added \$2.3 billion to the iShares Russell 2000 Index IWM, bolstering ETFs in the small-blend category, whereas redemptions from SPDR S&P 500 SPY drove outflows from large-cap U.S. stock ETFs.

To view the complete report, please visit <http://www.global.morningstar.com/julyflows10>.