
Taxable bond funds gain \$266.1 billion in 2012: Cerulli

By Editor Test Sun, Feb 3, 2013

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The January 2013 edition of *The Cerulli Edge*, a monthly mutual fund and ETF product trends bulletin from Boston-based research firm Cerulli Associates, showed that for calendar year 2012 U.S. taxable bond mutual funds gained \$266.1 billion while U.S. stock mutual funds lost a net \$105.3 billion.

DoubleLine's Total Return Bond Fund had \$19.6 billion in 2012 flows, the most of any mutual fund. Five of the top ten funds in terms of 2012 flows were Vanguard index funds and two were PIMCO funds.

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Alternatives funds and commodities funds, though trendy, account for just 1% and 0.5%, respectively, of mutual fund assets. Even though index investing continues to gain favor, as of December 2012 active mutual funds held far more assets than passive mutual funds, by a margin of \$7.855 trillion to \$1.413 trillion.

PIMCO's alternative mutual funds contributed net flows of \$4.7 billion to the alternatives asset class in 2012, the largest contribution to that class by any manager. PIMCO's Income Fund and Total Return Fund took in \$12.6 billion and \$18.0 billion, respectively, to place second and fourth among the ten best-selling funds in 2012.

Several Vanguard index funds were also among the most popular. Vanguard Total Stock Market Fund, Total Bond Market II Fund, Total International Stock Index Fund, Total Institutional Index Fund and Total Bond Market Index gained \$13.8 billion, \$12.3 billion, \$11.6 billion, \$8.5 billion and \$8.0 billion respectively.

Cerulli also found:

- Mutual fund assets increased 16.3% in 2012 and garnered \$269 billion, almost triple their 2011 net flows of \$97.8 billion. Municipal bond and balanced asset classes had net flows of \$50.1 billion and \$21.3 billion, respectively.
- ETF assets grew 27.4% as flows totaled \$187 billion. U.S. stock ETFs posted the best flows among the asset classes, with \$54.8 billion.
- Economic and capital market uncertainty has shaped both Retail and institutional investors want portfolio solutions that can boost returns, subdue volatility, and address liabilities.
- Alternative investments' ability to reduce volatility and provide diversification in portfolios was

ranked by third-party-distribution-focused managers as the most important product attribute (4.6 on a 5.0 scale) to financial advisors, followed by risk reduction (3.7 on a 5.0 scale).

- About one-fourth (24%) of asset managers marked taxable bond for new product development within the next 12 months.
- Of the top-10 flow-gathering Morningstar categories in 2012, intermediate-term bonds had the most net flows with \$112.3 billion, and only two were not fixed-income-focused: diversified emerging markets and conservative allocation.