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Mutual Fund Investors Added to Their Holdings in January 2009

NEW YORK, NY – February 17, 2009 – Investors in US stock mutual funds added modestly to their portfolios during the latest month, reversing seven straight months of net redemptions and providing a more positive start to 2009, according to Strategic Insight, a business intelligence provider to the fund industry.

Despite sharply falling stock prices in January that did not help boost optimism, stock fund positive flows reached \$7 billion, and were supported by seasonal deposits, according to estimates from Strategic Insight's Simfund database. Inflows were experienced in both US stock funds (\$5 billion) as well as in international equity funds (\$2 billion). (These flows exclude the activity of ETFs.)

During January, mutual fund investors net purchased \$21 billion of taxable bond funds, with all key sectors showing gains, and more than \$3 billion of tax-free bond funds. Money market mutual funds benefitted from more than \$64 billion of net inflows, as MMF assets rose to another record nearing \$4 trillion.

“January data suggests a slowing of defensive switching among stock fund investors, and implies that sizeable net redemptions are unlikely to recur,” commented Avi Nachmany, SI's Director of Research. “With more than two-thirds of stock fund assets held for retirement savings, the eventual recovery of stock prices will benefit most buy-and-hold investors.”

“It is also noteworthy that mutual fund investors are providing liquidity to the fixed income markets in 2009, where pricing and liquidity pressures are improving,” added Mr. Nachmany.

In addition to the flow data above, ETF bond funds garnered over \$5 billion of net inflows in January, while ETF equity funds experienced modest net redemptions. “While overall ETF flows were modest in January, 40 such funds each gained over \$100 million of net flows in the month,” observed Loren Fox, a Senior Research Analysts at SI. “Our just-published 200-page study of *ETFs: Growth, Innovation, Competition* suggests that rapid growth of ETFs should continue in 2009 and beyond.”

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*In its 23rd year, Strategic Insight is a widely used and respected research firm for the mutual fund and wealth management industry, providing clients with in-depth studies, consultation, and electronic decision support systems. **Strategic Insight assists over 250 organizations worldwide**, including the largest mutual fund management companies operating in the U.S. and the largest insurance companies serving the VA business. **SI clients manage about 90% of U.S. mutual fund assets.** Strategic Insight also serves many Wall Street firms, service companies, and many of the largest asset managers in Europe and Asia. For more information, visit our home at www.sionline.com*