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**US Bond & Stock Mutual Funds See Net Outflows
 of \$16 Billion in July 2011
 Bond funds see continued demand on back of worries about economy**

NEW YORK, NY – Uncertainty over the economy accelerated in July, causing **US mutual fund investors to net redeem an estimated \$16 billion in cash out of US stock and bond mutual funds in July 2011** (in open-end and closed-end mutual funds, excluding ETFs and funds underlying variable annuities) according to Strategic Insight, a business intelligence provider to the worldwide fund industry. July redemptions equaled about 0.2% of assets held in stock and bond funds.

The extraordinary decline of stock prices in early August resulted, not surprisingly, in accelerating redemption. In the first week of August, SI estimates that stock fund net redemptions equaled about 0.3% of the more than \$6 trillion held in equity funds. Meanwhile, the dramatic volatility this past week may have resulted in further stock fund net withdrawals of about 0.5% of stock fund assets. These ratios – suggesting that just \$3 to \$5 out of \$1,000 invested in stock funds net redeemed during each week of the market extreme volatility – are nevertheless reassuring, and in line with historical redemption patterns studied by SI over the past 20 years and before.

“Recent market volatility has further eroded investors’ appetite for risk,” said Avi Nachmany, SI’s Director of Research. “While some short-term redemptions from equity mutual funds during recent weeks and possibly in coming ones are likely, Strategic Insight’s research has shown that redemption spikes after stock market price declines have historically been limited in scope and short-lived.”

US Long-Term Mutual Fund Flows, Assets*			
Fund Type	July'11 Net New Flows \$B	YTD-7/11 Net New Flows \$B	July'11 Total Assets \$B
Domestic Equity	-23.2	0.2	4,164.4
International Equity	-0.9	44.8	1,716.8
<i>Total Equity</i>	<i>-24.1</i>	<i>45.0</i>	<i>5,881.3</i>
Taxable Bond	8.5	99.8	2,075.7
Tax-Free Bond	-0.1	-23.1	555.3
<i>Total Bond</i>	<i>8.4</i>	<i>76.7</i>	<i>2,630.9</i>
Total above	-15.7	121.7	8,512.2

* Excludes ETFs, variable annuity funds and funds of funds

Source: Strategic Insight Simfund MF

July's fund flows data already suggested fragile investor confidence. In July 2011, bond mutual funds saw net inflows of \$8.4 billion, led by demand for global and emerging markets bonds, as investors continued to put money into taxable bond funds in a search for alternatives to low-yielding cash vehicles and as low-risk ways of participating in financial markets. Through the first seven months of 2011, bond funds saw net inflows of \$77 billion, a healthy pace if off from 2010's pace. Strategic Insight expects demand for select bond funds to persist as near zero yields on cash and stock market high anxiety certain to persist for a long time.

Demand for stock funds weakened in July and redemptions spiked in early August. (Notably, positive inflows into stock ETFs roughly matched traditional equity funds' outflows in July.) As suggested in the table above, which excludes ETFs, US equity mutual funds saw net outflows of \$23 billion in July, and international/global equity funds saw net outflows of nearly \$1 billion.

Money-market funds saw net outflows of \$113 billion in July. This represented a widening of outflows from June, when money funds saw net outflows of \$44 billion.

ETFs: Separately, Strategic Insight said US Exchange-Traded Funds (ETFs) in July experienced roughly \$15 billion in net inflows. Through the first seven months of 2011, ETFs (including ETNs) saw net inflows of \$68.5 billion. At the end of July 2011, US ETF assets stood at \$1.104 trillion.

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