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US Stock & Bond Mutual Funds See Net Inflows of $46B in February 2012

US equity funds see net inflows for second straight month

NEW YORK, NY – March 12, 2012 – An uptick in confidence amid positive indicators on the economy meant that **investors cautiously put an estimated $46 billion in net inflows into stock and bond mutual funds in the US in February 2012** (in open-end and closed-end mutual funds, excluding ETFs and funds underlying variable annuities). That marked an increase from January, when investors put net $37 billion in flows from long-term funds, according to Strategic Insight, a business intelligence provider to the fund industry.

February's results were the **best monthly net inflows for long-term mutual funds since March 2010,** when long-term funds (excluding ETFs and VA funds) saw $49 billion in net inflows.

In February, domestic equity funds saw net inflows of nearly $4 billion, during a month when the average US equity fund gained 4% on an asset-weighted basis. The net inflows to domestic equity mutual funds in both January and February (totaling roughly $5 billion) was the first time US equity funds enjoyed net inflows in two straight months since March-April 2011 (when US equity funds drew a combined $6 billion in net inflows). Illustrating investors' caution, February's US equity inflows were led by equity income funds, with nearly $3 billion of net inflows.

US Long-Term Mutual Fund Flows, Assets*

Fund Type	Feb. 2012 Net New Flows $B	YTD-2/12 Net New Flows $B	2/29/12 Total Assets $B
Domestic Equity	3.6	5.1	4,233.3
International Equity	6.4	9.9	1,657.0
Total Equity	10.0	15.0	5,890.2
Taxable Bond	29.6	55.1	2,210.8
Tax-Free Bond	6.4	12.9	612.4
Total Bond	35.9	68.0	2,823.2
Total Long-Term	***46.0***	***83.0***	***8,713.4***

** Excludes ETFs, VA funds, and funds of funds*
Source: Strategic Insight Simfund MF

"Memories of extreme volatility are fading, albeit very slowly, as US mutual fund investors are tiptoeing back into riskier assets. That's why we have seen more fund shareholders choose to participate in financial markets via bond funds," said Avi Nachmany, SI's Director of Research. "Many uncertainties continue to hover over the markets, including the Eurozone situation and the sustainability of US job growth. Nevertheless, while caution remains the overarching mood, encouraging flows trends to stock funds are evidenced, and such may accelerate in the coming months."

Meanwhile, international and global equity funds saw net inflows of more than $6 billion. The leading categories were emerging markets equity funds ($3 billion in net inflows), which gained an average 5.8% in February on an asset-weighted basis, and global asset allocation funds ($2 billion), which gained on average an asset-weighted 3.5% in the month. February was the second straight month where these two categories led the way in international/global equity fund flows.

Taxable bond funds saw net inflows of $30 billion in February, as investors continued to use bond funds as income-producing alternatives to money market funds, CDs, and bank deposit accounts. Leading the way were intermediate-term bond funds ($9 billion in net inflows), corporate high-yield bond funds ($5.5 billion), and mortgage-related bond funds ($3 billion). Muni bond funds enjoyed net inflows of $6 billion, as fears of widespread municipal defaults continued to fade.

Money-market funds saw net outflows of $3 billion in February, which was an improvement over January's net outflows of $43.7 billion. Ultra-low yields continued to hamper demand for money market funds – a trend that resulted in net outflows of $135 billion from money funds in the full year 2011.

ETFs: Separately, Strategic Insight said US Exchange-Traded Funds (ETFs) enjoyed $15 billion in net inflows in February 2012. That brought total ETF net inflows to $43 billion for the first two months of 2012 – more than double the $18 billion in net inflows to ETFs in the first two months of 2011, and a pace that could result in the sixth straight year of $100 billion or more in net inflows to US ETFs.

The most popular ETF categories in February were emerging markets equities ($5 billion in net inflows), high yield bond ($2 billion), and commodities ($2 billion). The top-drawing ETFs in February were the Vanguard MSCI Emerging Markets Stock Index ETF ($2.5 billion in ne inflows), the iShares MSCI Emerging Markets Stock Index Fund ($1.6 billion), and SPDR Gold Shares ETF ($1.3 billion).

At the end of February 2012, US ETF assets (including ETNs) stood at a record $1.204 trillion, up from $1.06 trillion at the end of December.

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