

Monthly Mutual Fund Industry Flows: September 2008

Increased turbulence in the financial markets in September 2008 resulted in net outflows from most types of mutual funds. However, individual investors in US stock and bond mutual funds maintained buy-and-hold attitudes for the most part in September.

Fund Industry Overview (Excluding VAs)					
	Net New Flows \$B			Assets \$B 9/08	Asset Wtd.
	Aug'08	Sep'08	Ytd-9/08		Return % Sep'08
U.S. Equity	7.6	-0.5	4.5	3,526	-10.24
Int'l/Global Equity	-6.2	-18.9	1.3	1,417	-12.47
Hybrid/Allocation	-0.8	-3.5	-15.0	331	-8.55
Equity/Balanced	0.6	-22.9	-9.2	5,274	--
Taxable Bond	7.3	0.5	76.8	1,248	-3.50
Tax-Free Bond	2.4	-1.0	20.4	455	-4.96
Bonds	9.7	-0.4	97.2	1,703	--
Total Long Term	10.3	-23.4	88.0	6,977	--
Taxable Money Mkt	26.6	-99.5	182.0	2,838	0.17
Tax-Free Money Mkt	6.5	-38.7	-0.1	477	0.25
Money Market	33.1	-138.2	181.9	3,315	--
Total Industry	43.4	-161.5	269.9	10,292	--

Source: Strategic Insight Simfund MF

Actively managed equity fund net outflows totaled an estimated \$47 billion in September, or roughly 1% of beginning assets. Counterbalancing this redemption activity were net inflows of nearly \$46 billion into indexed equity (open-end and UIT) ETFs over the month.

Overall, MMF assets shrunk by \$138 billion in September. September saw an extraordinary flight from money market funds holding commercial paper, and a corresponding shift to US Government MMFs. Meanwhile, SI estimates **bond fund** flows to have been minimal in September, with small net redemptions among tax-free bond funds counterbalanced by slight inflows into taxable bond funds.

Note: The first two weeks of **October** witnessed large price declines and, we speculate, saw accelerated fund net redemptions. Historical data and past SI research repeatedly affirms that spikes in redemption activity in response to market tend to be short-lived and limited in scope.

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