

## Monthly Mutual Fund Industry Flows: October 2008

The acute turbulence in global financial markets in October not surprisingly caused an upward spike in long-term fund net redemptions. The US stock market experienced its greatest volatility in decades, and the S&P 500 index and bond markets both registered price declines.

Fund Industry Overview (Excluding VAs)					
	Net New Flows \$B			Assets \$B	Asset Wtd. Return %
	Sep'08	Oct'08	Ytd-10/08	10/08	Oct'08
U.S. Equity	-0.8	-32.7	-31.6	2,849	-18.26
Int'l/Global Equity	-18.4	-23.3	-23.8	1,106	-20.49
Hybrid/Allocation	-3.5	-7.2	-22.1	283	-12.43
<b>Equity/Balanced</b>	<b>-22.7</b>	<b>-63.2</b>	<b>-77.5</b>	<b>4,238</b>	--
Taxable Bond	-1.6	-32.1	45.5	1,143	-5.43
Tax-Free Bond	-1.0	-8.5	11.9	433	-3.03
<b>Bonds</b>	<b>-2.6</b>	<b>-40.6</b>	<b>57.4</b>	<b>1,576</b>	--
<b>Total Long Term</b>	<b>-25.3</b>	<b>-103.8</b>	<b>-20.1</b>	<b>5,814</b>	--
Taxable Money Mkt	-99.1	168.4	351.7	3,012	0.15
Tax-Free Money Mkt	-38.6	16.2	16.2	494	0.24
<b>Money Market</b>	<b>-137.7</b>	<b>184.6</b>	<b>367.9</b>	<b>3,506</b>	--
<b>Total Industry</b>	<b>-163.0</b>	<b>80.9</b>	<b>347.8</b>	<b>9,320</b>	--

Against the backdrop of sustained financial market declines, and in the context of a \$9 trillion+ industry, October's fund redemptions, concentrated in the first two weeks of the month, follow a pattern similar to past periods of extreme market volatility: spikes in redemption activity in response to market turmoil and uncertainty tend to be short-lived and limited in scope.

**Stock funds** saw aggregate net outflows (excluding ETFs) of \$69 billion in October, representing roughly 1.4% of beginning assets. Equity ETFs drew net inflows of \$7.5 billion during October.

**Bond fund** net outflows totaled \$40 billion in October, with credit-market dislocations sparking outflows from both taxable and tax-free bonds. **Money market funds** drew net inflows of \$185 billion, as the Treasury Department's temporary guaranty program and the Federal Reserve's liquidity-improving efforts had some impact.

\* \* \*

Now in its 22nd year, Strategic Insight is a well-respected research firm for the mutual fund and wealth management industry, providing clients with in-depth studies, consultation, and electronic decision support systems. SI clients are responsible for about 90% of all U.S. mutual fund assets. Strategic Insight also helps over 70 of the world's largest asset managers expand in Europe and Asia. For more information, visit our home at [www.sionline.com](http://www.sionline.com).