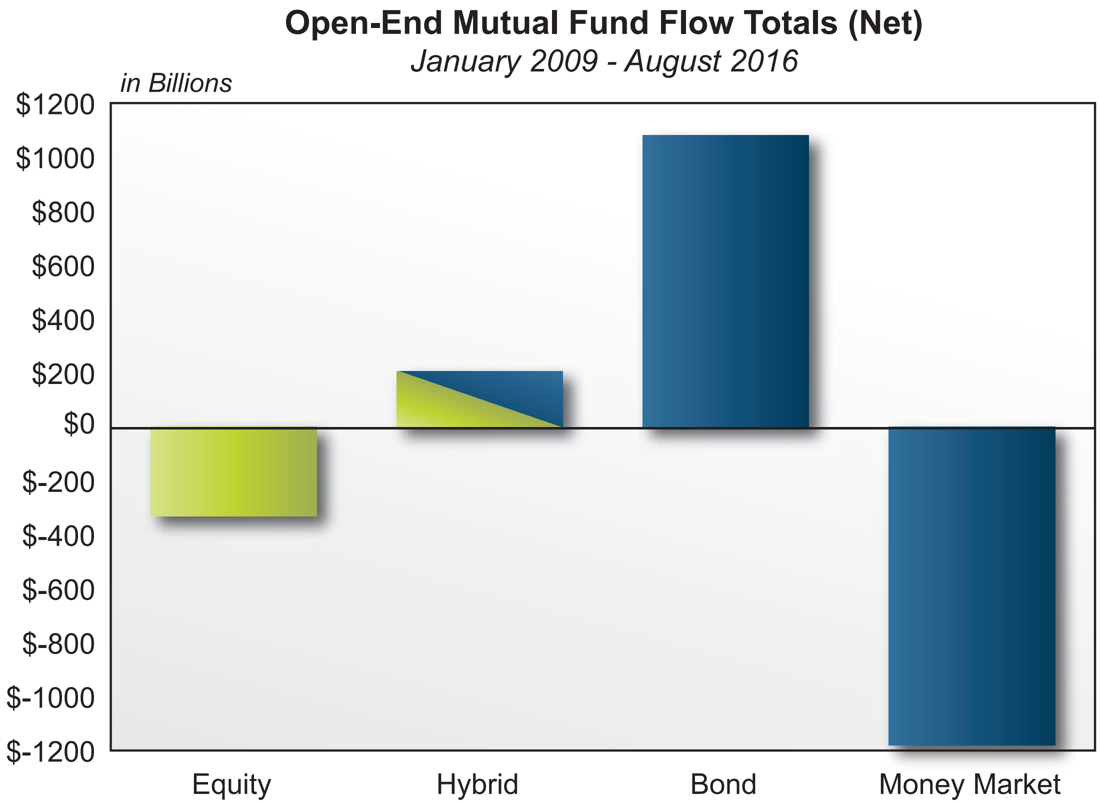
Retail Investors Have Favored Bond & Hybrid Funds Since The Start Of 2009



Source: Investment Company Institute

View from the Observation Deck

1. From 1/09 through 8/16, investors funneled a net $1.08 trillion into open-end Bond mutual funds and $206.59 billion into Hybrid funds.
2. Over the same period, investors liquidated a net $332.66 billion and $1.18 trillion from Equity and Money Market funds, respectively.
3. The bull market in equities, which began in March 2009 and is still in progress, has not compelled retail investors in the aggregate to commit net new capital to Equity funds.
4. While we acknowledge that some of the investors liquidating capital from Equity funds may have done so with the intent to shift some of it to equity-based or other types of exchange-traded funds, it is still a surprising phenomenon, in our opinion.
5. Keep in mind, despite the $332 .66 billion in net outflows from Equity funds, total assets invested in Equity funds increased from $3.66 trillion at the end of 2008 to $8.52 trillion at the close of August 2016 (not shown in chart), according to data from the Investment Company Institute. The difference between the two figures stems from gains generated by the global equities markets.
6. The most interesting year in the period was 2013, in our opinion. In 2013, the yield on the 10-year Treasury note rose from 1.76% to 3.03%, or an increase of 127 basis points, according to Bloomberg. In response to the rising rate climate, Bond fund investors liquidated a net $71.17 billion. Ironically, investors poured a net $159.55 billion into Equity funds.

This chart is for illustrative purposes only.