

# Retail Investors Continue To Invest In Foreign Stocks

## World Equity Net Mutual Fund Flows & Foreign Equity Index Total Returns (2010 - June 2016)

Date	World Equity Net Mutual Fund Flows (\$Billions)	MSCI Daily TR Net World (Ex-U.S.) Index (USD)	MSCI Daily TR Net Emerging Markets Index (USD)
2010	\$56.68	8.95%	18.88%
2011	\$4.06	-12.21%	-18.42%
2012	\$6.42	16.41%	18.22%
2013	\$141.41	21.02%	-2.60%
2011	\$85.34	-4.32%	-2.19%
2015	\$93.89	-3.04%	-14.92%
2016 YTD	\$12.05	-2.98%	6.41%

Sources: Bloomberg, Investment Company Institute. 2016 YTD as of 6/30/16.

### View from the Observation Deck

- Over the past 6½ calendar years (2010-6/16), retail investors funneled a net \$399.85 billion into open-end World Equity mutual funds, according to data from the Investment Company Institute (ICI).
- As indicated in the chart, all periods registered net inflows despite multiple negative total returns for the MSCI Daily TR Net World (Ex-U.S.) Index and MSCI Daily TR Net Emerging Markets Index.
- From 12/31/09 through 6/30/16 (not in chart), the MSCI Daily TR Net World (Ex-U.S.) Index and MSCI Daily TR Net Emerging Markets Index posted cumulative total returns of 21.28% and -1.11%, respectively, according to Bloomberg. For comparative purposes, the cumulative total return on the S&P 500 Index was 115.96%.
- The U.S. Dollar Index (DXY), which indicates the general international value of the dollar relative to a basket of major world currencies, rose by 23.48% from 12/31/09 through 6/30/16, according to Bloomberg.
- From 12/31/09 through 6/30/16, total net assets invested in World Equity funds increased from \$1.31 trillion to \$2.12 trillion, or a gain of 61.83%, according to the ICI. For comparative purposes, total net assets invested in Domestic Equity funds increased from \$3.56 trillion to \$6.09 trillion, or a gain of 71.07%. As noted in point 3, the S&P 500 Index significantly outperformed the major foreign stock benchmarks over this period, an indication that gains had a big influence on driving Domestic Equity fund total net assets higher, in our opinion.
- As of July 2016, the International Monetary Fund (IMF) was forecasting world GDP growth rates of 3.1% and 3.4% for 2016 and 2017, compared to 2.2% and 2.5%, respectively, for the U.S., according to its own release.
- While U.S. GDP growth estimates are somewhat in line with the 2.5% rate of growth it posted in 2010, the world GDP growth rate estimates are well below the 5.4% rate posted in 2010, according to the IMF.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The MSCI Daily TR Net World (ex-U.S.) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI Daily TR Net Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. World Equity funds invest primarily in stocks of foreign companies. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.*