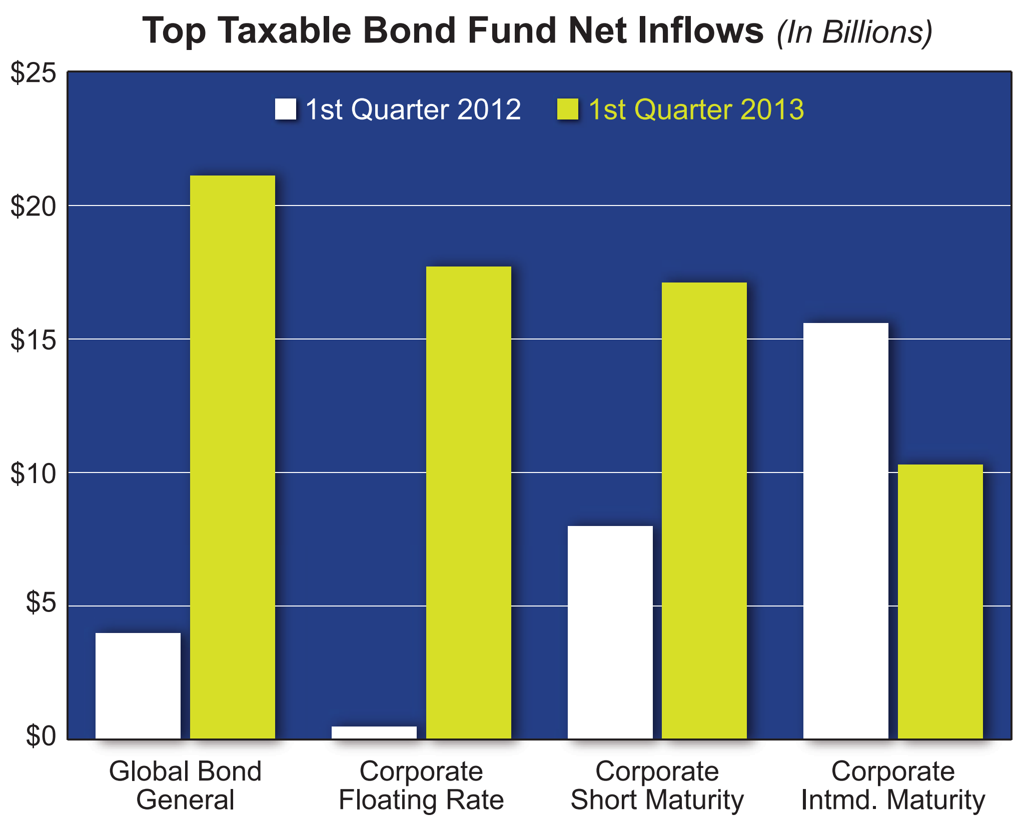
It Was Short And Sweet For Bond Investors In Q1



Source: Strategic Insight. Data includes open- and closed-end mutual funds and exchange traded products.

View from the Observation Deck

1. Taxable bond fund inflows totaled a net $81 billion in Q1'13, down from $98.5 billion in Q1'12, according to data from Strategic Insight. It tracks 22 separate taxable bond objectives.
2. Three of the top four objectives, based on net inflows, involved debt maturities/duration ranging from days (Corporate Floating Rate) to "Short Maturity" to "Intermediate Maturity."
3. When investing in bonds, one of the most common ways to mitigate any potential price erosion from rising interest rates is to shorten one's maturities to lower duration exposure.
4. Investors appeared to be doing just that in Q1'13. Excluding the Global Bond General objective, the other three objectives in the chart reported net inflows totaling $45.1 billion.
5. That means that these three objectives, out of 22, accounted for 55.7% of the total net inflows to taxable bond funds in Q1'13. The Global Bond General objective took in $21.1 billion.
6. In addition to shortening maturities, investors also specifically targeted corporate bond funds. We have characterized corporations as the sweet spot of the market over the past few years.
7. The following was a featured article in our Quarterly Market Overview from July 2010: "Corporate America looks lean and mean, while the federal government looks tired and bloated."

This chart is for illustrative purposes only and not indicative of any actual investment.