

U.S. Retail Investors Continue To Invest In Foreign Stocks

World Equity Net Mutual Fund Flows & Foreign Equity Index Total Returns (2010-2014)

Date	World Equity Net Mutual Fund Flows (\$Billions)	MSCI World (Ex-U.S.) Index (USD)	MSCI Emerging Markets Index (USD)
2010	\$56.73	8.95%	18.88%
2011	\$4.14	-12.21%	-18.42%
2012	\$6.60	16.41%	18.22%
2013	\$141.49	21.02%	-2.60%
2014	\$85.43	-4.32%	-2.19%

Sources: Bloomberg, Investment Company Institute.

View from the Observation Deck

1. Over the past five calendar years (2010-2014), retail investors funneled a net \$294.39 billion into open-end World Equity mutual funds, according to data from the Investment Company Institute (ICI).
2. As indicated in the chart, all five calendar years registered net inflows, despite a couple of negative total return years for the MSCI World (Ex-U.S.) Index and three down years for the MSCI Emerging Markets Index.
3. For comparative purposes, retail investors liquidated a net \$415.99 billion from open-end Domestic Equity mutual funds (data not in chart), over the same 5-year period.
4. Net inflows to World Equity mutual funds have been consistently positive even though the U.S. dollar appreciated 15.94% from 2010 through 2014, as measured by the U.S. Dollar Index (DXY).
5. Our basic takeaway is that investors recognize that global economic growth rates have been higher than in the U.S., and future estimates suggest they could at least remain competitive with the U.S.
6. World GDP growth rates came in at 3.3% for both 2013 and 2014, compared to 2.2% and 2.4%, respectively, for the U.S., according to the International Monetary Fund (IMF).
7. The IMF is forecasting World GDP growth rates of 3.5% and 3.7% for 2015 and 2016, compared to 3.6% and 3.3%, respectively, for the U.S.

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 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 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.