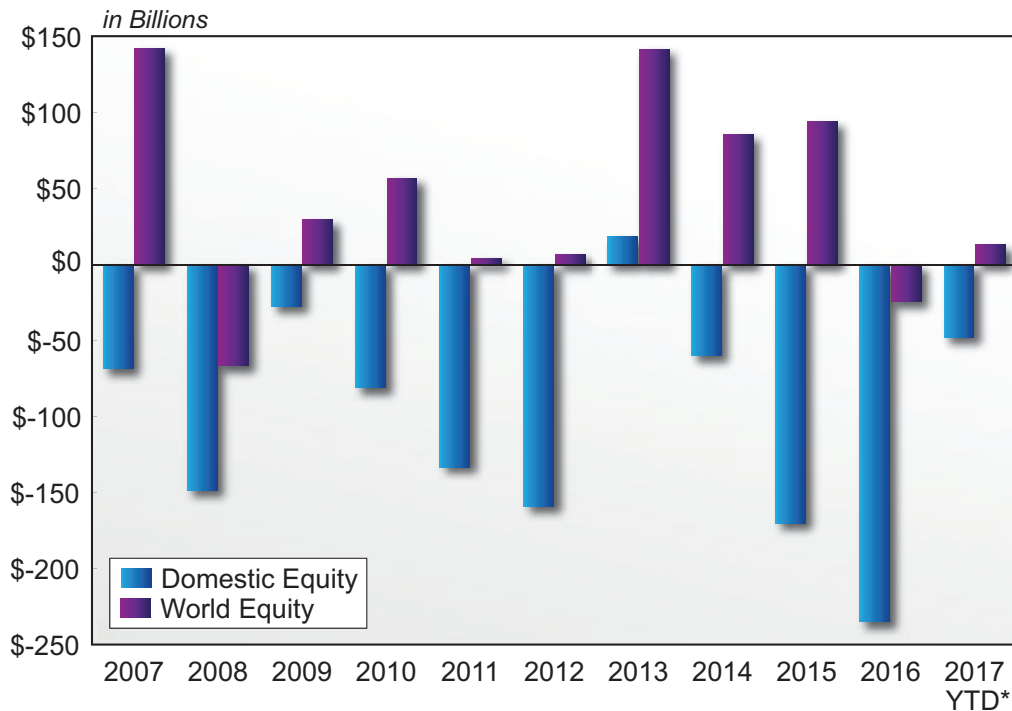


Retail Investors Have Shunned Domestic Equity Mutual Funds Since 2007

Annual Net New Cash Flows To Domestic & World Equity Mutual Funds



View from the Observation Deck

1. Today's blog post on equity mutual fund net cash flows is a follow-up to the one we did on bond mutual fund net cash flows on 6/15/17 ([click here to view](#)).
2. From 2007 through April 2017, investors liquidated a net \$1.11 trillion from Domestic Equity funds, while pouring a net \$481.02 billion into World Equity funds, according to the ICI.
3. Year-to-date through April 2017, investors liquidated a net \$47.80 billion from Domestic Equity funds, while funneling a net \$13.09 billion into World Equity funds, according to the ICI.
4. As indicated in the chart, Domestic Equity funds reported net cash outflows in every year except 2013, when they took in a net \$18.10 billion. World Equity funds, on the other hand, only experienced net outflows twice (2008 & 2016).
5. From 12/31/06 through 4/30/17, the S&P 500 Index posted a cumulative total return of 109.72%, compared to 18.86% for the MSCI Daily Total Return Net World ex U.S. (USD) and 36.66% for the MSCI Emerging Net Total Return USD, according to Bloomberg. The disparity in these returns implies that U.S. stocks were likely driven higher by institutional investors, not retail investors, in our opinion.
6. Over the past decade, one source of institutional demand has been stock buybacks. From 2007-2016 (2016 data preliminary), the companies in the S&P 500 Index spent \$4.31 trillion on buybacks, according to S&P Dow Jones Indices.
7. While it is possible that some retail investors have shifted capital from Domestic Equity funds to exchange-traded funds (ETFs) of a similar type, World Equity fund investors can do the same. As of April 2017, there were 800 Domestic Equity ETFs, compared to 629 Global/International Equity ETFs, according to the ICI.

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

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