

U.S. Retail Investors Seem Committed To Foreign Equities

World Equity Net Mutual Fund Flows & Foreign Equity Index Total Returns (2009-2018)

Year	World Equity Mutual Fund Net Flows (Billions)	MSCI Daily TR Net World Ex U.S. Index (USD)	MSCI Emerging Net Total Return Index (USD)
2009	\$29.65	33.67%	78.51%
2010	\$56.68	8.95%	18.88%
2011	\$4.12	-12.21%	-18.42%
2012	\$6.56	16.41%	18.22%
2013	\$141.38	21.02%	-2.60%
2014	\$85.22	-4.32%	-2.19%
2015	\$94.17	-3.04%	-14.92%
2016	-\$23.06	2.75%	11.19%
2017	\$76.98	24.21%	37.28%
2018	-\$7.32	-14.09%	-14.57%

Source: Bloomberg, Investment Company Institute. Past performance is no guarantee of future results.

View from the Observation Deck

1. Over the past 10 calendar years (2009-2018), retail investors funneled a net \$464.38 billion into open-end World Equity mutual funds, according to data from the Investment Company Institute (ICI).
2. For comparative purposes (not in chart), retail investors liquidated a net \$1.34 trillion from U.S. Equity mutual funds over the same period, according to the ICI.
3. As indicated in the chart, while a couple of years reflected relatively modest net outflows (see 2016 & 2018), net flows to World Equity mutual funds have been positive for the most part even when the returns on foreign equities were negative (see 2011, 2014 & 2015).
4. Net flows to World Equity mutual funds have been largely positive even though the U.S. dollar appreciated 18.28% from 12/31/08 through 12/31/18, 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 this trend could continue.
6. As of July 2019, world GDP growth rate estimates were 3.2% for 2019 and 3.5% for 2020, compared to 2.6% and 1.9%, respectively, for the U.S., according to the International Monetary Fund.

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.

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