

# Bianco Research L.L.C.

An Arbor Research & Trading Affiliated Company

*Independent · Objective · Original*

Volume 11, No. 9

1731 North Marcey, Chicago IL 60614

[www.biancoresearch.com](http://www.biancoresearch.com)

## *Mutual Fund Flows*

An Analysis of Monthly Mutual Fund Statistics

By Greg Blaha (847) 304-1511

and Ryan Malo (847) 304-1511

September 30, 2010

**On September 30, 2010 the Investment Company Institute released the "Monthly Trends in Mutual Fund Investing." This report is updated through August 31, 2010.**

We have posted 76 charts based on the mutual fund data on [www.biancoresearch.com](http://www.biancoresearch.com). To view these charts, please go to the "Subscriber Area," then "Charts Archive," then "Mutual Fund Charts." In addition, a detailed 3-page table of mutual fund statistics is available under the "Mutual Fund Flows" section of the Web site.

### **Definitions**

**Net New Cash Flow:** The dollar value of new sales minus redemptions, plus net exchanges. A positive number indicates new sales plus exchanges into funds exceeded redemptions plus exchanges out of funds. A negative number indicates redemptions plus exchanges out of funds exceeded new sales plus exchanges into funds.

**New Sales:** Dollar value of new purchases into mutual funds. Does not include shares purchased through reinvestment of dividends on existing accounts.

**Redemptions:** Dollar amount of shareholder liquidation of mutual funds.

**Exchanges:** Dollar amount of net shareholder switches into or out of funds in the same complex.

**Liquid Assets or Cash:** All assets that mature in less than one-year.

### **Chart 1 – Net New Cash Flow Into Stock Funds**

During the month of August stock mutual funds had a net new cash **outflow** of \$16.53 billion. World equity funds had a net **outflow** of \$0.93 billion, while domestic funds accounted for \$15.60 billion in net **outflows** (top panel). The 12-month rolling sum of net new cash flows was an **outflow** of \$38.70 billion. World equity funds accounted for net **inflows** of \$48.00 billion of this while domestic equity funds accounted for net **outflows** of \$86.70 billion (bottom panel).

### **Chart 2 – Net New Cash Flow Into Bond Funds**

During the month of August total bond mutual funds had a net new cash **inflow** of \$30.59 billion. Taxable bond mutual funds had a net new cash **inflow** of \$25.48 billion. World bond funds accounted for \$4.32 billion of net **inflows** while domestic bond funds accounted for \$21.16 billion of net **inflows** (top panel). The 12-month rolling sum of taxable bond net new cash flows was an inflow of \$317.20 billion. World bond funds accounted for \$53.32 of net **inflows** while domestic bond funds accounted for net **inflows** of \$263.88 billion (bottom panel).

### **Chart 3 – Rolling 12-Month Sum Of Net New Cash Flow Into Total Funds**

As the top panel of Chart 3 shows, all mutual funds have seen **inflows** of \$362 billion for the 12 months ending August.

**The next series of charts detail record inflows into bond funds.**

### **Chart 4 – Net New Cash Flow In Corporate Bond Funds, High Yield Bond Fund and World Bond Funds**

Note that more money is going into corporate bond funds than high-yield bond funds. This is unusual.

### **Chart 5 – Net New Cash Flow Into Government, Muni and Strategic Income Funds**

Note that money is pouring into strategic income funds, but not government funds. **In fact, Government funds, the purest bet on interest rates, had an outflow in December.** This counters the widely held perception that flows into bond funds mean investors are betting on Treasuries. Only a small percentage of the money is going into government funds. See chart 7.

**Chart 6 – Net New Cash Flow Into Corporate Bond Funds Detail**

Flows into corporate bond funds are dominated by flows into short- and intermediate-term bond funds. These are being used as substitutes for near 0% yielding money market funds.

**Chart 7 – Net New Cash Flow Into Muni Bond Fund Detail**

Similar to corporate funds, the largest inflow category is short-term national muni funds, a substitute for near 0% yielding money market funds.

**The Latest Mutual Fund Statistics**

	Total Funds	Stock Funds	Bond Funds	Hybrid Funds
<b>Net New Cash Flow (in billions)</b>				
August 31, 2010	13.27	(16.53)	30.59	(0.79)
July 31, 2010	19.24	(10.45)	30.02	(0.32)
August 31, 2009	50.27	4.05	43.02	3.21
5 Year High	53.28	33.81	47.59	10.66
(Date)	3/31/2010	3/31/2006	9/30/2009	9/30/2009
5 Year Low	(127.99)	(72.32)	(41.14)	(14.53)
(Date)	10/31/2008	10/31/2008	10/31/2008	10/31/2008
<b>12 Month Rolling Sum of Net New Cash Flow (in billions)</b>				
August 31, 2010	361.93	(38.70)	369.55	31.07
July 31, 2010	398.93	(18.12)	381.98	35.07
August 31, 2009	(19.00)	(149.21)	155.75	(25.53)
5 Year High	518.91	198.47	413.03	43.63
(Date)	4/30/2010	4/30/2006	3/31/2010	4/30/2010
5 Year Low	(223.92)	(232.41)	21.91	(32.59)
(Date)	12/31/2008	12/31/2008	1/31/2009	5/31/2009
<b>Total Assets (in billions)</b>				
August 31, 2010	7,946.95	4,712.87	2,580.78	653.30
July 31, 2010	8,108.20	4,921.77	2,521.17	665.25
August 31, 2009	7,062.14	4,510.34	1,974.51	577.29
5 Year High	9,342.68	6,940.13	2,580.78	735.80
(Date)	10/31/2007	10/31/2007	8/31/2010	10/31/2007
5 Year Low	5,148.18	3,104.86	1,344.62	442.03
(Date)	2/28/2009	2/28/2009	10/31/2005	2/28/2009
<b>Number of Funds</b>				
August 31, 2010	6,886	4,556	1,858	472
July 31, 2010	6,892	4,564	1,857	471
August 31, 2009	7,068	4,715	1,859	494
5 Year High	10,860	8,426	2,021	514
(Date)	7/31/2008	7/31/2008	10/31/2005	4/30/2006
5 Year Low	6,679	4,525	1,550	467
(Date)	2/28/2010	9/30/2005	2/28/2010	6/30/2010
<b>Liquid Assets or Cash (in billions)</b>				
August 31, 2010	336.92	166.11	117.66	53.15
July 31, 2010	298.46	169.77	76.62	52.07
August 31, 2009	293.77	182.28	74.05	37.44
5 Year High	433.26	277.82	145.04	63.21
(Date)	5/31/2008	11/30/2007	1/31/2010	6/30/2008
5 Year Low	235.76	166.11	23.18	28.32
(Date)	3/31/2009	8/31/2010	3/31/2009	2/28/2009
<b>Cash/Asset Ratio</b>				
August 31, 2010	4.24%	3.52%	4.56%	8.14%
July 31, 2010	3.68%	3.45%	3.04%	7.83%
August 31, 2009	4.16%	4.04%	3.75%	6.49%
5 Year High	5.16%	5.71%	6.90%	9.29%
(Date)	1/31/2009	2/28/2009	5/31/2006	1/31/2007
5 Year Low	3.68%	3.45%	1.41%	5.91%
(Date)	7/31/2010	7/31/2010	3/31/2009	5/31/2009

Chart 1

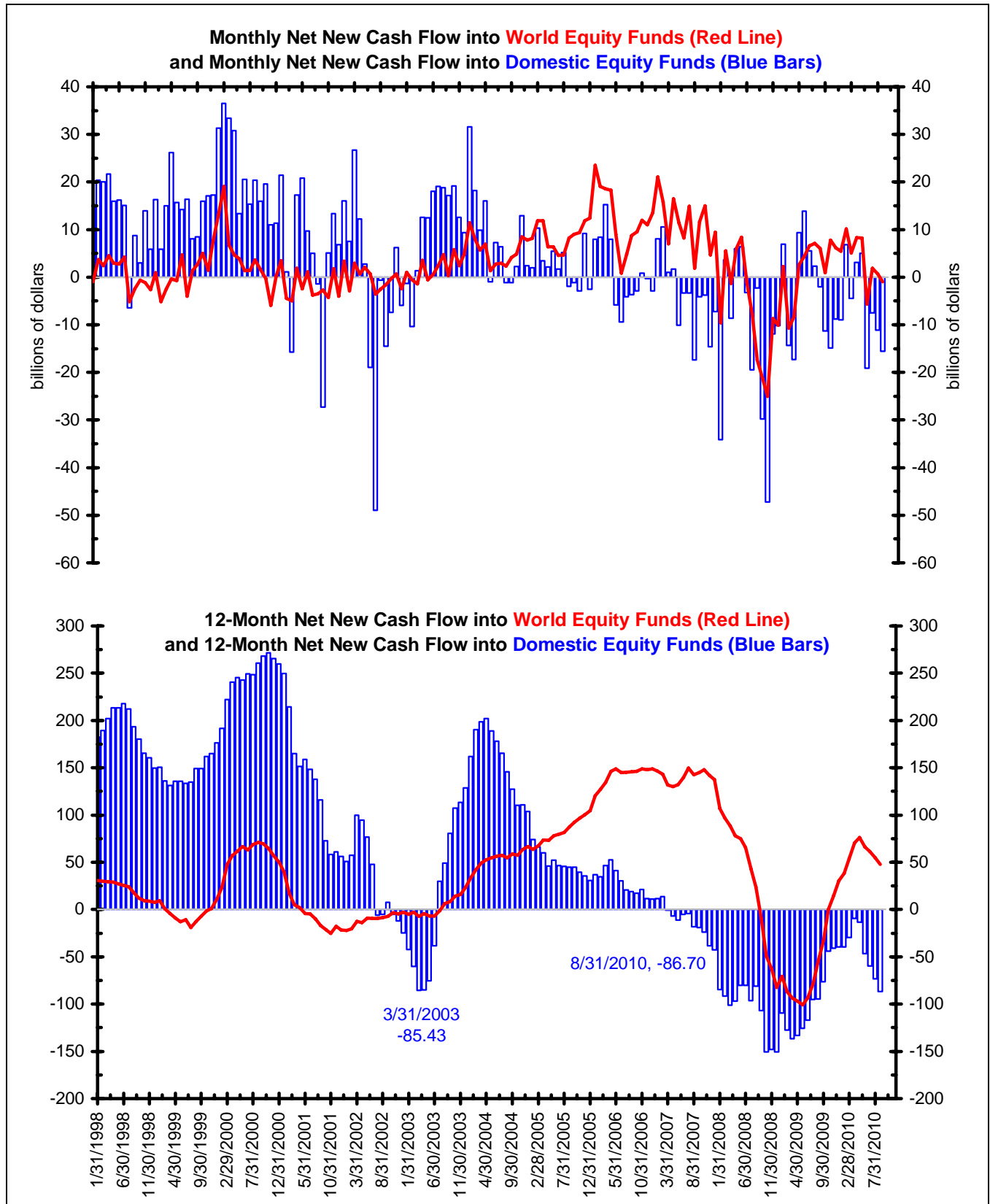


Chart 2

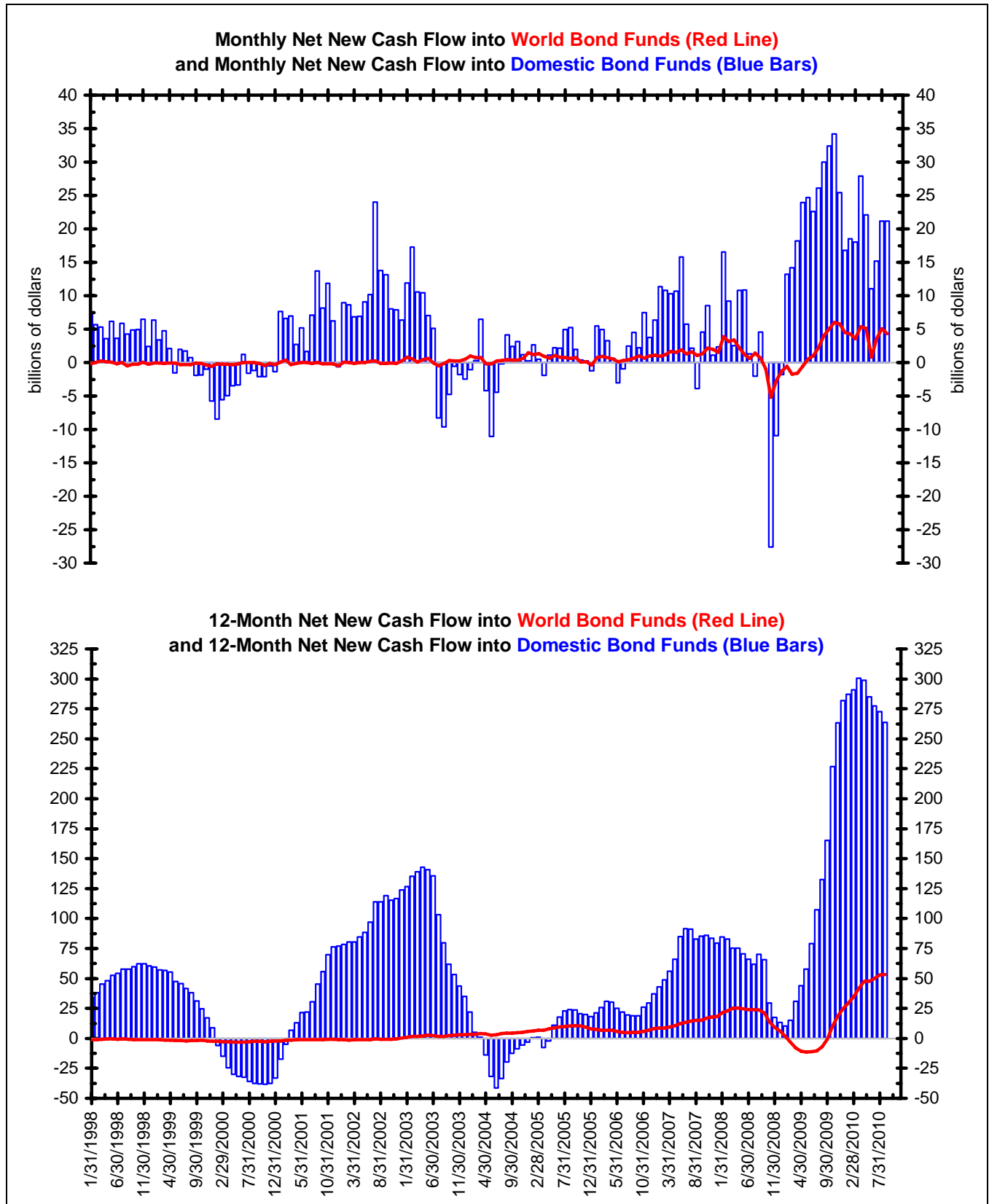


Chart 3

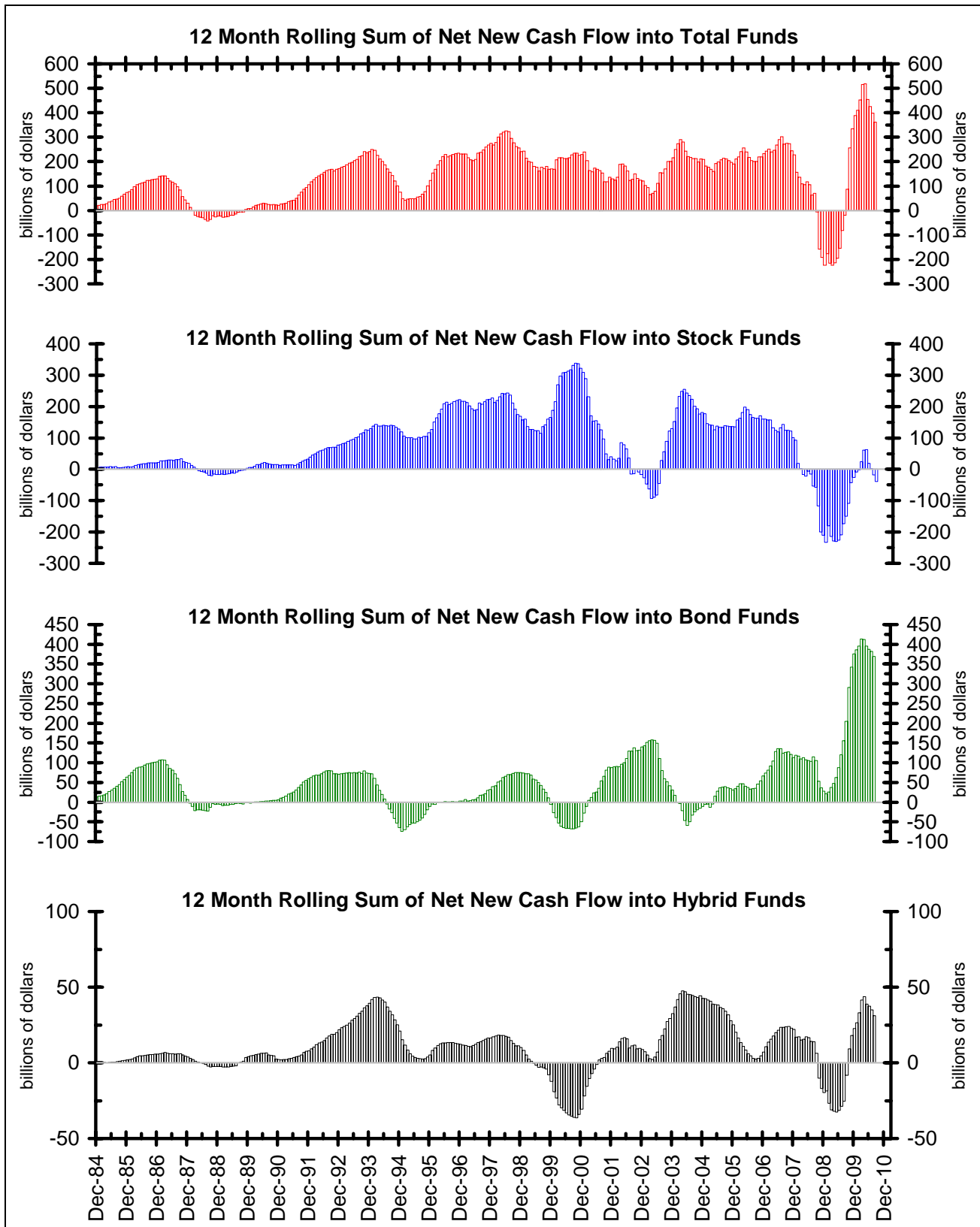


Chart 4

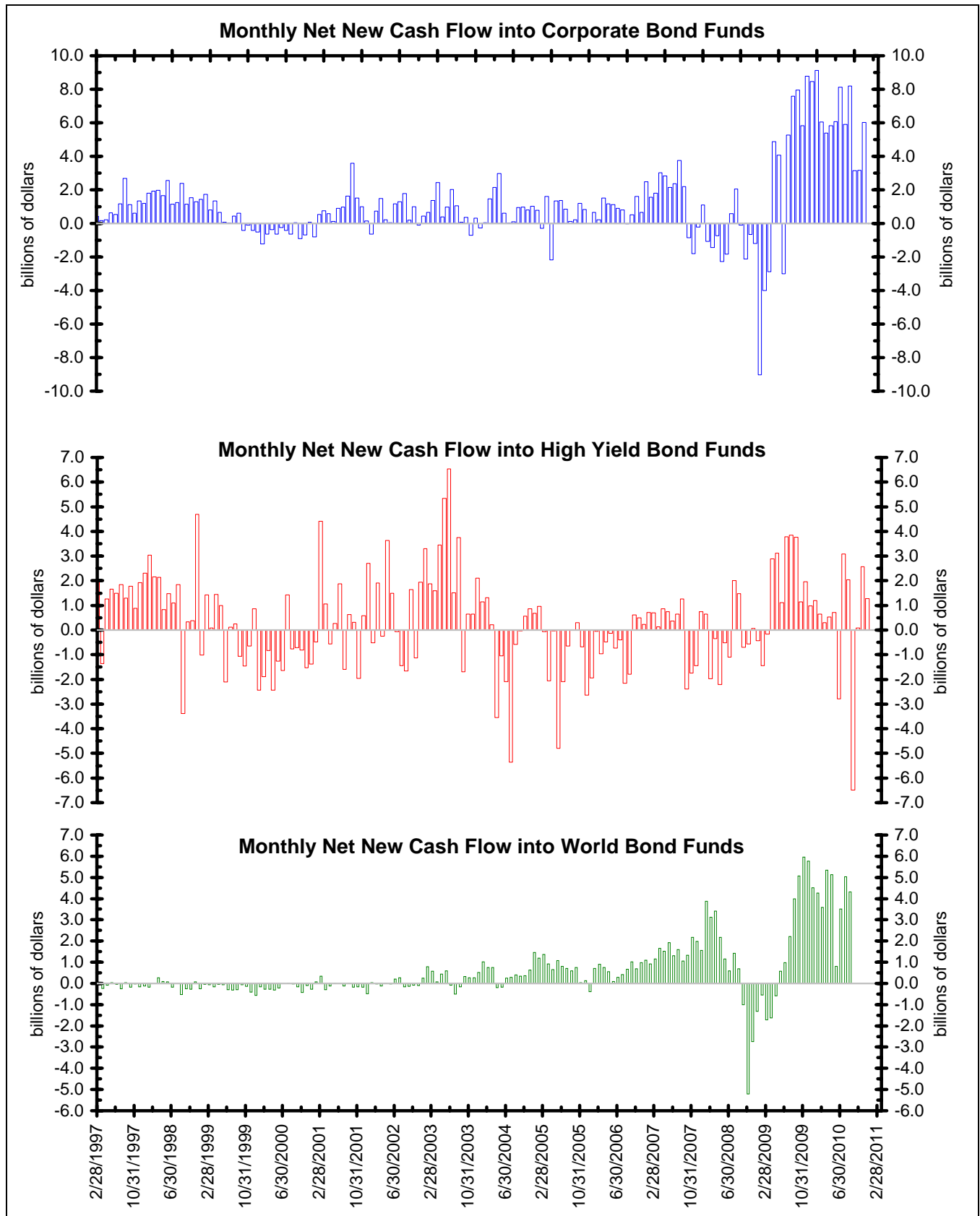


Chart 5

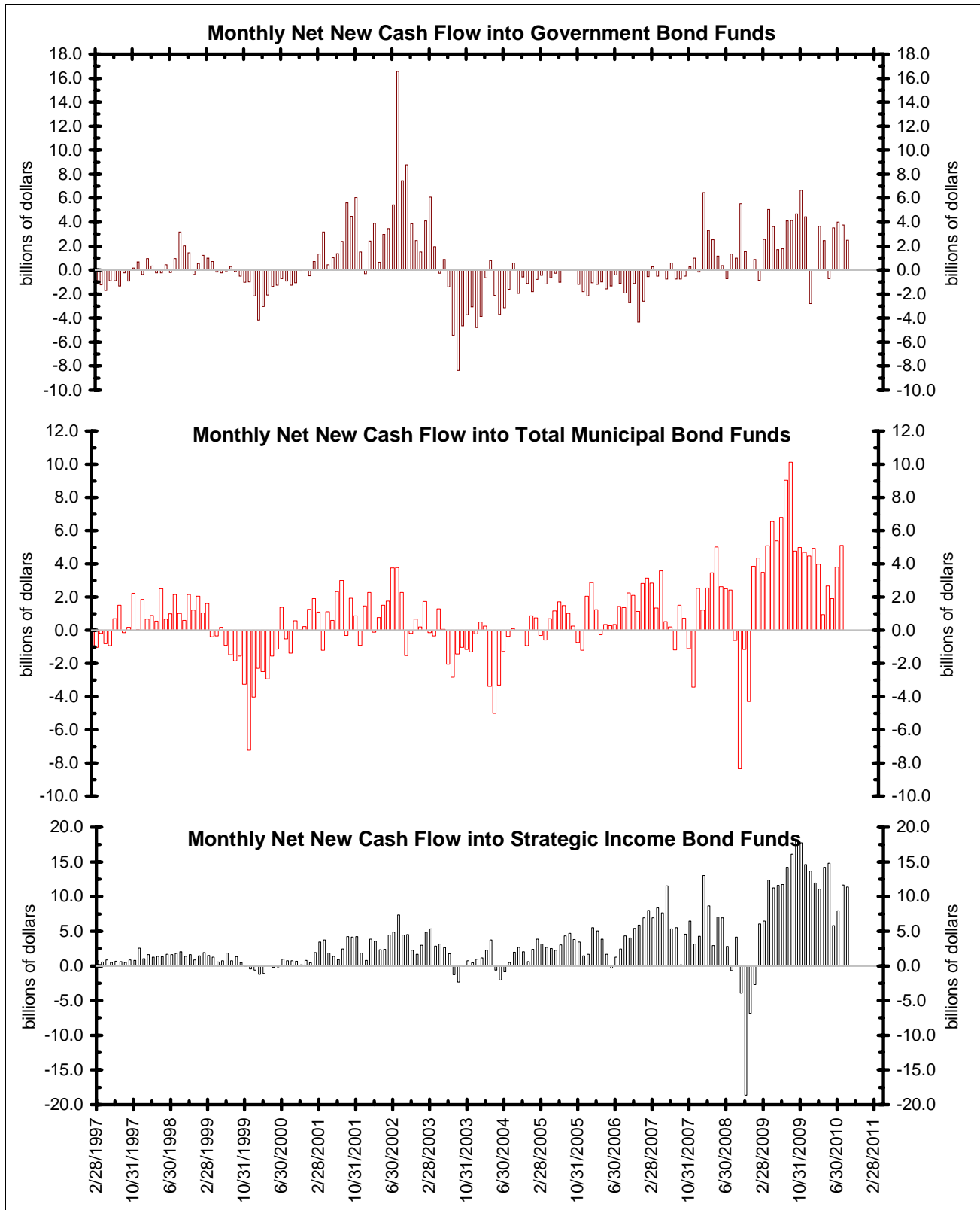


Chart 6

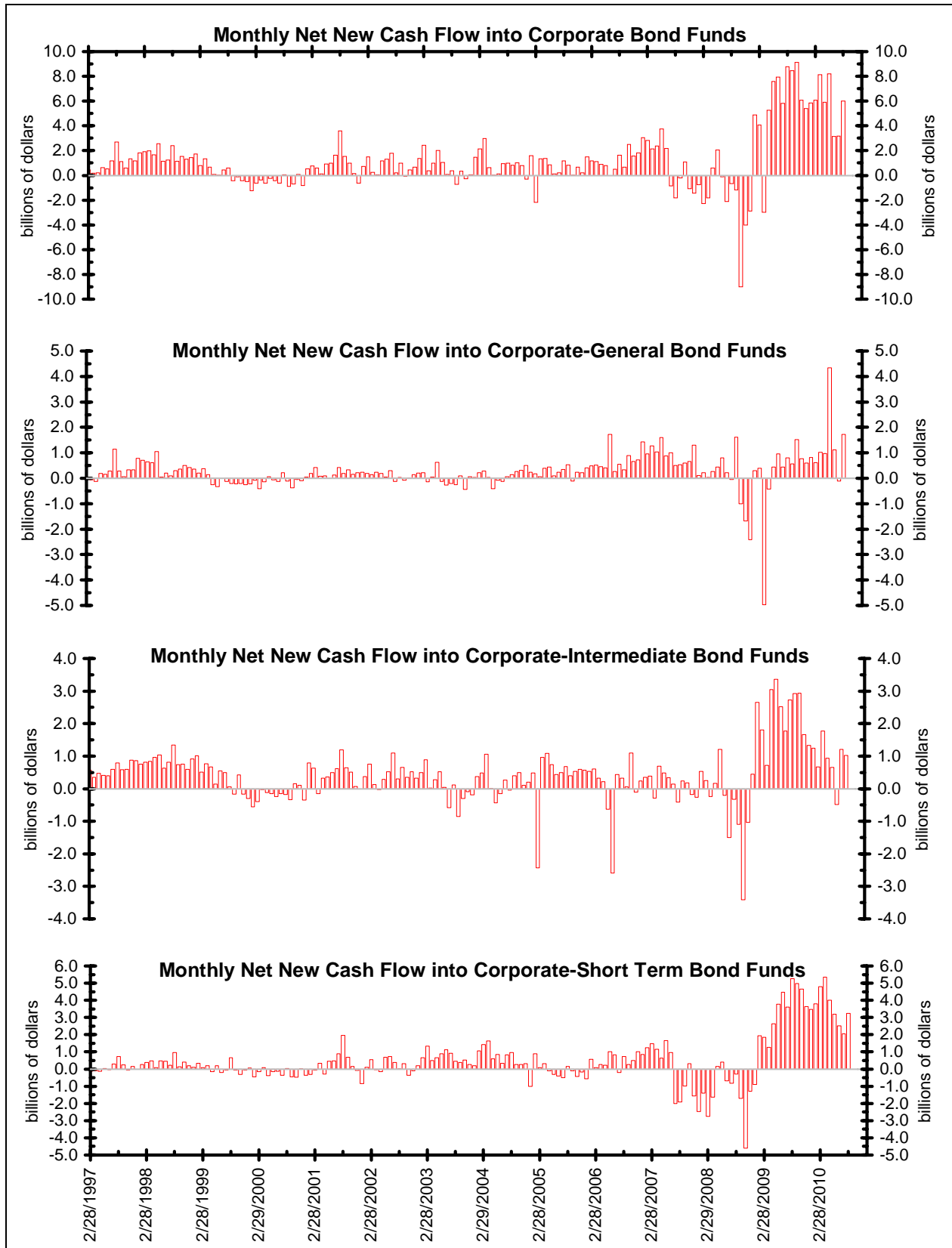
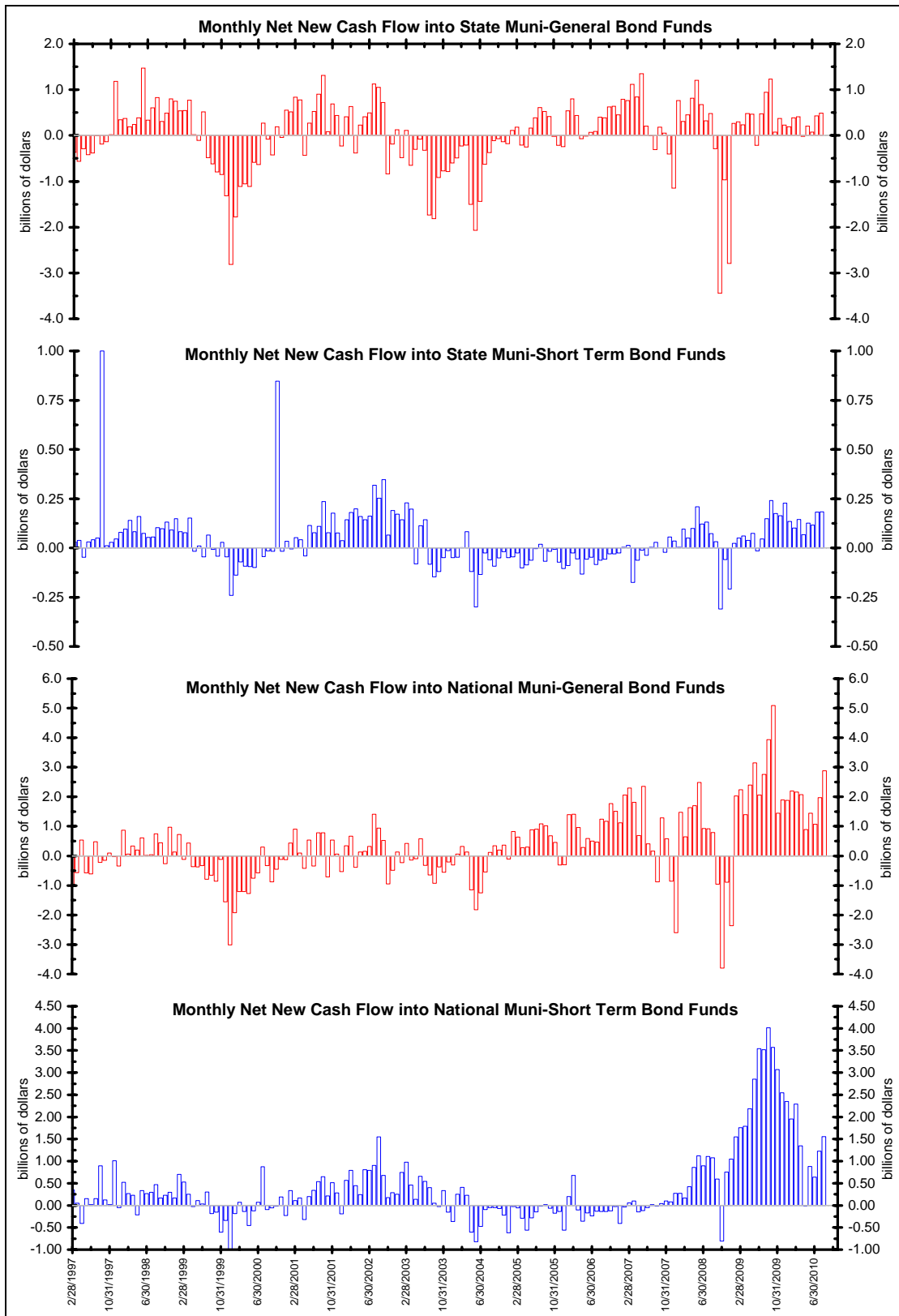




Chart 7



## Bianco Research L.L.C.

1731 North Marcey, Suite 510  
Chicago IL 60614

Phone: (847) 304-1511

Fax (847) 304-1749

e-mail: [research@biancoresearch.com](mailto:research@biancoresearch.com)

<http://www.biancoresearch.com>

### **For more information about the contents/ opinions contained in these reports:**

**President** (847) 756-3599

James A. Bianco [jbianco@biancoresearch.com](mailto:jbianco@biancoresearch.com)

**Strategist/Analyst** (847) 304-1511

Howard L. Simons [hsimons@biancoresearch.com](mailto:hsimons@biancoresearch.com)

Greg Blaha [gblaha@biancoresearch.com](mailto:gblaha@biancoresearch.com)

Ryan Malo [rmalo@biancoresearch.com](mailto:rmalo@biancoresearch.com)

### **For subscription/service Information:**

**Arbor Research & Trading, Inc.**

**Director of Sales & Marketing** (800) 606-1872

Fritz Handler [fritz.handler@arborresearch.com](mailto:fritz.handler@arborresearch.com)

## Arbor Research & Trading, Inc.

1000 Hart Road, Suite 260

Barrington IL 60010

Phone (847) 304-1560 Fax (847) 304-1595

e-mail [inforequest@arborresearch.com](mailto:inforequest@arborresearch.com)

<http://www.arborresearch.com>

### **Domestic - For more information about Arbor Research & Trading and its services:**

#### **New York Sales Office**

The Chrysler Building, 405 Lexington Ave

New York, NY 10174

Edward T. McElwreath [ed.mcelwreath@arborresearch.com](mailto:ed.mcelwreath@arborresearch.com)

Phone (212) 867-5326 Fax (212) 370-1218

### **International - For more information about Arbor Research & Trading and its services:**

#### **London Sales Office**

3<sup>rd</sup> Floor

4 Broadgate

London England EC2M 2QY

Phone 44-207-100-1051

Neil Tritton [neil.tritton@arborresearch.com](mailto:neil.tritton@arborresearch.com)

Ben Gibson [ben.gibson@arborresearch.com](mailto:ben.gibson@arborresearch.com)

#### **Chicago Sales Office**

James L. Perry [james.perry@arborresearch.com](mailto:james.perry@arborresearch.com)

Phone (847) 304-1560 Fax (847) 304-1595

#### **Geneva Sales Office**

Rich Kleinbauer [rich.kleinbauer@arborresearch.com](mailto:rich.kleinbauer@arborresearch.com)

Phone (41) 22 363-9229

#### **Far East Sales**

Robert Reynolds [robert.reynolds@arborresearch.com](mailto:robert.reynolds@arborresearch.com)

Phone (847) 756-3680 Fax (435) 647-3073