ICI VIEWPOINTS

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Why Long-Term Fund Flows Aren't a Systemic Risk: Multi-Sector Review Shows the Same Result

Fourth in a series of Viewpoints on long-term funds and systemic risk

In a recent blog post discussing why we believe flows from long-term mutual funds do not pose risk to the financial system, we posted a chart showing that outflows from bond funds are modest even during periods of stress in the financial markets.

Since then, we have been asked whether we could provide similar charts for sub-categories of funds, such as high-yield or investment-grade bond funds.

To accommodate such requests, we have created similar charts for the following eight fund categories: domestic equity, emerging markets equity, investment-grade bond, high-yield bond, government bond, multi-sector bond, world bond, and tax-exempt bond.

Within these finer categories, the broad conclusions that we made in the earlier blog post continue to hold. In each category:

- outflows from funds tend to be muted, even during periods of financial market turmoil;
- some funds experience greater than average outflows, but even these are not extreme; and
- even during periods of stress when funds in aggregate are seeing outflows, some funds typically are seeing inflows.

For more detail, see the charts below.

Modest Outflows from Domestic Equity Funds Even During Times of Market Stress
Net new cash flow as a percentage of assets; monthly, February 2000–December 2014

Note: Data exclude funds with less than $10 million in total net assets over the February 2000–December 2014 period, mutual funds that invest primarily in other mutual funds, and data for funds in any fund-month where a merger or liquidation takes place.

Source: Investment Company Institute

Modest Outflows from Emerging Markets Equity Funds Even During Times of Market Stress
Net new cash flow as a percentage of assets; monthly, February 2000–December 2014

Note: Data exclude funds with less than $10 million in total net assets over the February 2000–December 2014 period, mutual funds that invest primarily in other mutual funds, and data for funds in any fund-month where a merger or liquidation takes place.

Source: Investment Company Institute

Modest Outflows from Investment-Grade Bond Funds Even During Times of Market Stress
Net new cash flow as a percentage of assets; monthly, February 2000–December 2014

Note: Data exclude funds with less than $10 million in total net assets over the February 2000–December 2014 period, mutual funds that invest primarily in other mutual funds, and data for funds in any fund-month where a merger or liquidation takes place.

Source: Investment Company Institute

Modest Outflows from Government Bond Funds Even During Times of Market Stress
Net new cash flow as a percentage of assets; monthly, February 2000–December 2014

Note: Data exclude funds with less than $10 million in total net assets over the February 2000–December 2014 period, mutual funds that invest primarily in other mutual funds, and data for funds in any fund-month where a merger or liquidation takes place. One observation for the top 10th percentile of funds in July 2002 is hidden to preserve the scale.

Source: Investment Company Institute

Modest Outflows from Multi-Sector Bond Funds Even During Times of Market Stress
Net new cash flow as a percentage of assets; monthly, February 2000–December 2014

Note: Data exclude funds with less than $10 million in total net assets over the February 2000–December 2014 period, mutual funds that invest primarily in other mutual funds, and data for funds in any fund-month where a merger or liquidation takes place. One observation for the top 10th percentile of funds in July 2002 is hidden to preserve the scale. Data also exclude funds designated as alternative strategies.

Source: Investment Company Institute

Modest Outflows from High-Yield Bond Funds Even During Times of Market Stress
Net new cash flow as a percentage of assets; monthly, February 2000–December 2014

Note: Data exclude high-yield funds designated as floating-rate funds. Data exclude funds with less than $10 million in total net assets over the February 2000–December 2014 period, mutual funds that invest primarily in other mutual funds, and data for funds in any fund-month where a merger or liquidation takes place. One observation for the top 10th percentile of funds in January 2001 is hidden to preserve the scale.

Source: Investment Company Institute

Modest Outflows from World Bond Funds Even During Times of Market Stress
Net new cash flow as a percentage of assets; monthly, February 2000–December 2014

Note: Data exclude funds with less than $10 million in total net assets over the February 2000–December 2014 period, mutual funds that invest primarily in other mutual funds, and data for funds in any fund-month where a merger or liquidation takes place.

Source: Investment Company Institute

Modest Outflows from Tax-Exempt Bond Funds Even During Times of Market Stress
Net new cash flow as a percentage of assets; monthly, February 2000–December 2014

Note: Data exclude funds with less than $10 million in total net assets over the February 2000–December 2014 period, mutual funds that invest primarily in other mutual funds, and data for funds in any fund-month where a merger or liquidation takes place.

Source: Investment Company Institute

Read the other entries in this Viewpoints series:

- Why Long-Term Fund Flows Aren’t a Systemic Risk: Past Is Prologue
- Why Long-Term Fund Flows Aren’t a Systemic Risk: Plus Ça Change, Plus C’est La Même Chose
- Why Long-Term Fund Flows Aren’t a Systemic Risk: Understanding the Data on Institutional and Retail Investors