

## VIDEO

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# Focus on Funds: Fund Investment Remains Strong in 2018

Focus on Funds

## Fund Investment Remains Strong in 2018

The outlook for fund investment remains strong in the first half of the year, following exceptional inflows in 2017. In the June 15, 2018, edition of *Focus on Funds*, ICI Senior Director for Industry and Financial Analysis Shelly Antoniewicz offers a detailed breakdown of the trends in the fund markets.

### Transcript

**Stephanie Ortbals-Tibbs, ICI director, media relations:** What are the latest trend lines in fund investment in 2018? ICI Senior Director of Industry and Financial Analysis Shelly Antoniewicz offered me a recent look at the data.

**Shelly Antoniewicz, ICI senior director of industry and financial analysis:** Although fund flows, overall, are down somewhat from the record pace that we had in 2017, they're still actually quite strong.

**Ortbals-Tibbs:** What do we see on the equity side of things?

**Antoniewicz:** For domestic equities, we have sort of a different picture between domestic equities and international equities. Domestic equities are actually where we are seeing weakness—most of that actual is coming through the [exchange-traded fund] channel. So, we've seen a much less ETF issuance in the first part of 2018 than we did in the previous year.

**Ortbals-Tibbs:** What about on the world equity side—are people putting their money outside the US, then?

**Antoniewicz:** That was actually very strong in 2017, and that pattern has continued into 2018. So, fund investors—both in mutual funds and ETFs—are continuing to diversify abroad. And that's been a long-running trend, and we see that continuing.

**Ortbals-Tibbs:** So, fund investors still see upside outside the US, in particular, and that could be directing some of these flows.

**Antoniewicz:** And another factor is that other markets outside the US, in the first part of 2018—equity markets—held up.

**Ortbals-Tibbs:** With that picture of what is going on in the equity side, can we turn to bond funds? Especially because of the rising interest rate environment in the US, people are quite interested in what to expect.

**Antoniewicz:** Well, bond funds last year in 2017 had very strong inflows—not a record, but a near-record pace. That strength has continued into 2018, and that is despite the 10-year Treasury rate rising about 60 basis points from the end of 2017.

That might seem surprising to some people, but one thing that we have noticed is that bond fund investors—or mutual fund and ETF investors, and fund investors in general—do not react instantaneously to asset price changes. Fund investors have long-term views.

**Ortbals-Tibbs:** Because fixed income is really what older investors want.

**Antoniewicz:** We see this in our [surveys that we do](#)—ICI surveys. We ask people for their willingness to take risk, and your willingness to take above-average, or substantial investment risk—which we tend to think is correlated to your propensity to hold equities—that drops off as you age.

**Ortbals-Tibbs:** Now, having stepped through everything with you, it sounds like the overall big picture is inflows do continue, might not be quiet the firehose rate of last year, and that we can still expect to see growth in assets with the world equity category, if things continue on the pace they have been on, and with bond funds.

**Antoniewicz:** Yes, and I would note that, recently, ETF domestic equity net issuance has started to pick up. So, the weakness that we saw in the beginning of the year could have been just temporary.

## Additional Resources

- [Weekly Estimated Flow Report](#)
- [Monthly Exchange-Traded Fund Assets](#)
- [2018 Investment Company Fact Book](#)

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