

VIDEO

February 7, 2014

Focus on Funds: Trends in 2013 Mutual Fund and ETF Investing

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The February 7, 2014, issue of *Focus on Funds* offers a full analysis of ICI's data on 2013 mutual fund and ETF flows.

Video Transcript

Stephanie Ortballs-Tibbs, Director, ICI Media Relations: Welcome to *Focus on Funds*, the Investment Company Institute's weekly roundup of industry news, ICI activities, and research findings.

The full data on 2013 is in, showing mutual funds and ETFs ended the year on a high note.

Gains from soaring stock prices more than offset losses from declining bond prices and helped push total assets of funds to nearly \$14 trillion—a year-over-year increase of close to 20 percent.

ICI senior economist Shelly Antoniewicz takes an in-depth look at the trends.

Shelly Antoniewicz, ICI Senior Economist: In addition to a rising stock market in 2013, fund assets were also bolstered by strong investor demand.

Demand for Funds Remained Strong

**Net new cash flow and net issuance of long-term mutual funds and ETFs
Billions of dollars, year-end, 2009-2013**

Source: Investment Company Institute

Combined net new cash flow of mutual funds and net share issuance of ETFs amounted to \$333 billion last year.

Though still strong, last year's pace of new investment, was down somewhat from 2012, largely due to a mid-year reversal in bond fund flows.

Focusing in on the bond story, investor demand for bond funds started out 2013 at a brisk

pace, very similar to the past several years, and inflows through May totaled around \$110 billion.

As Interest Rates Rose, Demand for Bond Funds Fell
Net new cash flow and net issuance of bond mutual funds and ETFs
Billions of dollars, monthly, 2013

Sources: Investment Company Institute and Federal Reserve Board of Governors

In June, however, long-term interest rates moved up abruptly and continued to rise through the remainder of the year, in anticipation of the Federal Reserve's plans to taper its massive bond-buying program.

In response, investors moved out of bond mutual funds and ETFs in the second half of 2013 and for the year as a whole redeemed \$71 billion, on net.

Meanwhile, equities had a different experience, as major stock indexes steadily climbed to new highs, equity funds received \$358 billion in 2013.

Investors Gravitated Toward World Equity Funds
Net new cash flow and net issuance of equity mutual funds and ETFs
Percent, 2013

Source: Investment Company Institute

While investors continued to gravitate more toward world equity funds, domestic equity funds drew 42 percent of the total new investment. In fact in 2013, domestic equity mutual funds had their first annual inflow in seven years.

Stephanie Ortals-Tibbs: Antoniewicz adds that hybrid funds, which have been popular with investors seeking flexible investment strategies with exposure to the equity and bond markets, had record inflows of \$76 billion.

That's this week in funds. See you next week.

Additional Resources

- [ICI Statistics](#)
- [Graphic: Demand for Funds Remained Strong \(pdf\)](#)
- [Graphic: As Interest Rates Rose, Demand for Bond Funds Fell \(pdf\)](#)
- [Graphic: Investors Gravitated Toward World Equity Funds \(pdf\)](#)