

VIDEO

February 2, 2018

Focus on Funds: Investor Demand for Funds Remained Strong in 2017

Focus on Funds

Investor Demand for Funds Remained Strong in 2017

What does the 2017 data reveal about where investors are directing their money? In the February 2, 2018, edition of *Focus on Funds*, ICI Senior Director for Industry and Financial Analysis Shelly Antoniewicz explains the year's investment trends and the behavior of Baby Boomer and Millennial investors.

Transcript

Stephanie Ortvals-Tibbs, ICI director, media relations: What can 2017 mutual funds and ETF [exchange-traded fund] investment trends tell us about what might happen in 2018? Recently, I spoke with one of ICI's leading economists, Shelly Antoniewicz, to learn more.

Shelly Antoniewicz, ICI senior director of industry and financial analysis: Investor demand for long-term funds was exceptionally strong in 2017. Combined flows from mutual funds and ETFs looked to total around \$500 billion. Now most of that strength—or all of that strength, really—is coming from investor demand for bond funds and international equity funds. One thing we did see was modest outflows from domestic equity funds.

Ortvals-Tibbs: That must surprise people, particularly in that market. What's behind that?

Antoniewicz: Well, it will be surprising to some, but if you look at it and you think about it, it's natural to expect to see some sort of rebalancing or portfolio reallocation by investors. You have the US stock market up almost 20 percent, and if you're going to try to hit some targets in your portfolio allocation, and you have one asset class going up 20 percent, and another one going up 4 to 6 percent, you're going to have to move some money around to get back to those target weights.

Ortvals-Tibbs: So what's interesting is that this really is not the story that we've seen in some corners, which is that individual investors were somehow missing out on the equity market.

Antoniewicz: Absolutely not. Individual investors, or US households, still have very significant exposure to the equity market, or to stocks. Federal Reserve data indicate that

52 percent of Americans have exposure to stocks, and that percentage has hardly budged—that exposure measure has hardly budged from 2007, which is prior to the financial crisis.

Ortbals-Tibbs: I'm curious if there's any difference in generations? Do older investors make a difference? Do younger investors make hold less stock?

Antoniewicz: Well, one thing that we do have going on right now is, we have this big group of Baby Boomers that are either in retirement now or they're approaching retirement, and when you get to that point, you're naturally going to move or tilt your portfolio from equities, or stocks, into bonds. We're seeing that going on as well, and that is influencing some of the outflows that we're seeing from domestic equity funds, no doubt.

However, I think one thing that gets lost in that story is that these households, these Baby Boomers, still have significant exposure to equities in their portfolios. So when we look at 401(k) account owners over 60 years old, two-thirds of them have 40 percent or more of their portfolios allocated to stocks.

Ortbals-Tibbs: We've talked about Boomers, we also have to talk about Millennials. What are they doing?

Antoniewicz: What we see with younger households is that they also are still participating in the stock market. And I think that story gets a little bit lost sometimes. You know, they're young, they're just starting their careers, they don't quite have the income right now that they're going to have in 30 or 40 years, they haven't accumulated as much assets in their 401(k) account. But what we see in our data is that four in 10 Millennial households have exposure to stocks in their portfolios.

Additional Resources

- [Weekly Estimated Flow Report](#)
- [Monthly Exchange-Traded Fund Assets](#)