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Investors Continue to Inject Net New Money Into Equity and Fixed Income Funds in April, While Being Overall Net Redeemers From the Conventional Funds Business

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Investors Continue to Inject Net New Money Into Equity and Fixed Income Funds in April, While Being Overall Net Redeemers From the Conventional Funds Business

- For the second consecutive month, investors were net redeemers of fund assets, removing $0.8 billion from the conventional funds business for April. Investors injected a net $20.6 billion and $2.4 billion into bond funds and stock & mixed-asset funds, respectively, but that wasn't enough to offset the possibly tax-related redemptions from money market funds (-$23.8 billion).
- For the twelfth consecutive month investors were net redeemers of U.S. Diversified Equity Funds, withdrawing $12.7 billion. Large-cap funds (-$ 6.8 billion) experienced their thirty-fifth consecutive month of outflows.
- Overall, exchange-traded funds (ETFs) posted their fifth consecutive month of net inflows. Stock & Mixed Equity ETFs report net redemptions of $2.0 billion while Bond ETFs attract $4.3 billion in net inflows.
- Sector Equity ETFs led all other equity macro-groups with $1.6 billion in net inflows.

Executive Summary

During the month investors ducked for cover after hearing March's employment report, which showed nonfarm payroll numbers increased only 120,000—far short of analyst expectations of 210,000. In addition, investors were disappointed on learning that China's economy slowed more than anticipated. Consumer sentiment was on the decline, consumer prices were on the rise, the Chicago PMI was weaker than expected, and Standard & Poor's downgraded Spain's credit rating. Equity markets improved slightly toward month-end after a slew of positive corporate earnings results overrode global concerns. The Dow Jones Industrial Average (+0.01%) just managed to stay in the black for the month, extending its monthly winning streak to seven (its longest run since January 2007), while the NASDAQ Composite lost 1.46% of its March month-end value. Even with the slight improvement noted toward month-end, investors generally remained risk averse in April, leading Treasuries prices higher. Yields dropped fairly steadily during the month on increased global concerns and some domestic economic weakness.

For the second month in a row investors were net redeemers of fund assets, withdrawing $0.8 billion from the conventional funds business (excluding exchange-traded funds [ETFs]). Investors injected some $20.6 billion into bond funds and $2.4 billion into equity funds, but that was not enough to offset the seasonal net redemptions from money market funds (-$23.8 billion).

Table 1 Estimated Net Flows by Major Fund Types, April Versus March 2012 ($Bil)

	April	March
Stock & Mixed Equity Funds	2.4	6.2
Bond Funds	20.6	30.0
Money Market Funds	-23.8	-69.7
Total	-0.8	-33.5

Source: Lipper, a Thomson Reuters Company
Note: Columns may not sum because of rounding

Table 2 Estimated Net Flows of Major Equity Fund Types, April Versus March 2012 ($Bil)

	April	March
USDE Funds	-12.7	-9.7
Sector Equity Funds	1.2	2.5
World Equity Funds	2.4	2.4
Mixed Equity Funds	11.5	11.0
Total	2.4	6.2

Source: Lipper, a Thomson Reuters Company
Note: Columns may not sum because of rounding

Equity Funds

United States Diversified Equity (USDE) Funds

For April domestic equity funds suffered their twelfth consecutive month of outflows, with investors redeeming $12.7 billion. Only two of Lipper's 4x3-matrix classifications took in net new money for the month: Multi-Cap Growth Funds (+$0.9 billion) and Multi-Cap Core Funds (+$0.8 billion). Large-cap funds suffered their thirty-fifth consecutive month of outflows (-$6.8 billion). Once again Large-Cap Core Funds (-$4.6 billion) suffered the largest net redemptions of the macro-group, while Equity Income Funds (+$1.2 billion) attracted the largest share of investor assets. The non-4x3-matrix subgroup handed back some $2.5 billion net, with S&P 500 Index-Objective Funds (March's subgroup leader) and Equity Market-Neutral Funds (-$0.5 billion) suffering the largest net outflows of $4.2 billion and $0.5 billion, respectively.

Table 3 Estimated Net Flows of 4x3-Matrix USDE Funds, April Versus March 2012 ($Bil)

	Value	Core	Growth	April	March
Large-Cap	-0.9	-4.6	-1.3	-6.8	-8.9
Multi-Cap	-1.0	0.8	0.9	0.7	-2.9
Mid-Cap	-0.7	-0.5	-0.6	-1.8	-0.1
Small-Cap	-0.5	-1.1	-0.8	-2.4	-1.3
Total	-3.1	-5.4	-1.8	-10.3	-13.3

Source: Lipper, a Thomson Reuters Company

Note: Columns and rows may not sum because of rounding

Table 4 Estimated Net Flows of Other USDE Classifications, April Versus March 2012 ($Bil)

	April	March
Equity Leverage Funds	-0.3	0.3
Dedicated Short Bias Funds	0.4	0.1
Equity Income Funds	1.2	1.3
Extended U.S. Large-Cap Core Funds	0.0	-0.1
Equity Market Neutral Funds	-0.5	-0.1
Long/Short Equity Funds	0.2	0.1
Specialty Diversified Equity Funds	0.7	0.4
S&P 500 Index Objective Funds	-4.2	1.6
Total	-2.5	3.6

Source: Lipper, a Thomson Reuters Company

Note: Columns may not sum because of rounding

World Equity Funds

For the fourth consecutive month World Equity Funds witnessed net inflows for April, drawing in $2.4 billion. Continuing their trend, institutional funds (including underlying variable annuity funds) were the primary attractors of net new money for the month (+$3.1 billion), while loaded funds handed back $2.3 billion and no-load funds took in $1.6 billion. For the twelfth consecutive month Lipper's Global Diversified Equity Funds macro-group suffered net redemptions (-$1.6 billion), while its International Diversified Equity Funds cohort took in net new money (+$2.7 billion) for the third month in a row. Again, Global Flexible Portfolio Funds drew the largest net inflows of the macro-classification, taking in $2.1 billion for April, while the variable annuity classification, International Core Funds, handed back the largest sum (-$2.2 billion).

Table 5 Estimated Net Flows of Global Diversified Equity Funds, April Versus March 2012 ($Bil)

	Value	Core	Growth	April	March
Large-Cap	-0.2	-0.4	-0.1	-0.7	-1.1
Multi-Cap	-0.4	-0.4	0.0	-0.9	-1.7
Small-/Mid-Cap (No Style)		-0.1		-0.1	-0.3
Total (Large & Multi)	-0.6	-0.9	-0.1	-1.6	-3.2

Source: Lipper, a Thomson Reuters Company

Note: Columns and rows may not sum because of rounding

Table 6 Estimated Net Flows of International Diversified Equity Funds, April Versus March 2012 ($Bil)

	Value	Core	Growth	April	March
Large-Cap	0.3	1.6	-0.2	1.7	0.6
Multi-Cap	0.5	0.5	-0.1	1.0	0.4
Small-/Mid-Cap	0.1	0.0	0.0	0.1	-0.1
Total	0.9	2.2	-0.3	2.7	0.9

Source: Lipper, a Thomson Reuters Company
Note: Columns and rows may not sum because of rounding

Table 7 Estimated Net Flows of Remaining World Equity Fund Classifications, April Versus March 2012 ($Bil)

	April	March
China Region Funds	-0.1	-0.1
Emerging Markets Funds	2.1	2.3
European Region Funds	-0.2	-0.1
Global Flexible Portfolio Funds	2.1	3.2
India Region Funds	0.0	0.0
Japanese Funds	0.0	0.0
Latin American Funds	-0.1	0.0
Pacific Region Funds	0.0	0.1
Pacific ex-Japan Funds	0.0	0.1
Total	3.8	5.3

Source: Lipper, a Thomson Reuters Company
Note: Columns may not sum because of rounding

Sector Equity Funds

Despite global concerns during the month, some dividend payers and energy plays grabbed investors' attention. Investors were net purchasers of Sector Equity Funds, injecting $1.2 billion for April. As the result of a slight decline in select commodity prices during the month, in a repeat from March Precious Metal Funds (-$0.1 billion) and Global Natural Resources Funds (-$.05 billion) suffered the largest net redemptions. And once again, Commodities General Funds (+$0.5 billion), Real Estate Funds (+$0.4 billion), and Global Real Estate Funds (+$0.6 billion) drew in the largest net inflows for April. Of the 21 Lipper classifications in the Sector Equity macro-group only 5 witnessed net outflows for the month.

Table 8 Estimated Net Flows of Sector Equity Funds, April Versus March 2012 ($Bil)

	April	March
Precious Metals Funds	-0.1	-0.4
Basic Materials Funds	0.0	-0.1
Consumer Goods Funds	0.0	0.1
Commodities General Funds	0.5	1.7
Commodities Precious Metals Funds	0.0	0.0
Commodities Specialty Funds	0.0	0.0
Consumer Services Funds	0.1	0.2
Financial Services Funds	-0.1	0.2
Global Financial Services Funds	0.0	0.0
Global Health/Biotechnology Funds	-0.1	-0.1
Global Natural Resources Funds	-0.5	-0.3
Subtotal	-0.1	1.6

Source: Lipper, a Thomson Reuters Company
Note: Columns may not sum because of rounding

	April	March
Global Real Estate Funds	0.6	0.4
Global Science/Technology Funds	0.0	0.0
Health/Biotechnology Funds	0.2	0.1
Industrials Funds	0.0	-0.1
International Real Estate Funds	0.0	-0.1
Natural Resources Funds	0.0	0.1
Real Estate Funds	0.4	0.6
Specialty/Miscellaneous Funds	0.1	0.1
Science &Technology Funds	0.1	0.2
Telecommunication Funds	0.0	0.0
Utility Funds	-0.1	-0.1
Subtotal	1.3	0.9

Source: Lipper, a Thomson Reuters Company
Note: Columns may not sum because of rounding

Mixed-Asset Funds

For the fifth consecutive month Mixed-Asset Funds witnessed net inflows for March, taking in $11.5 billion (the largest net inflows of the four Lipper equity macro-groups–for the fifth month in a row). Continuing its strong run, Flexible Portfolio Funds took in a net $2.5 billion, while investors withdrew $493 million and $163 million from Absolute Return Funds and Convertible Securities Funds, respectively. The mixed-asset target date funds group attracted about $5.6 billion, while the primarily broker-recommended mixed-asset target allocation funds group took in a net $4.1 billion. In the subgroup none of the classifications suffered net redemptions for the month. Mixed-Asset Target Allocation Conservative Funds (+$1.6 billion) and Mixed-Asset Target Allocation Moderate Funds (+$1.5 billion) had the biggest draws for the month.

Table 9 Estimated Net Flows of Lifecycle and Lifestage Funds, April Versus March 2012 ($Bil)

	April	March
Mixed Asset Target 2010 Funds	0.0	-0.1
Mixed Asset Target 2015 Funds	0.5	0.3
Mixed Asset Target 2020 Funds	0.9	0.7
Mixed Asset Target 2025 Funds	1.0	0.8
Mixed Asset Target 2030 Funds	0.9	0.9
Mixed Asset Target 2035 Funds	0.7	0.7
Mixed Asset Target 2040 Funds	0.7	0.7
Mixed Asset Target 2045 Funds	0.5	0.5
Mixed Asset Target 2050+ Funds	0.4	0.5
Mixed Asset Target Alloc Conserv Funds	1.6	1.6
Mixed Asset Target Alloc Growth Funds	0.9	1.1
Mixed Asset Target Alloc Moderate Funds	1.5	1.4
Retirement Income	0.0	0.0
Grand Total	9.7	9.0

Source: Lipper, a Thomson Reuters Company
Note: Columns may not sum because of rounding

Fixed Income Funds

Given the general mood of the market, it wasn't surprising to see investors pad the coffers of fixed income funds. For the eighth consecutive month investors were net purchasers of bond funds (+$20.6 billion for April). On the taxable bond (nonmoney market) funds side (+$18.6 billion) 20 of Lipper's 25 classifications witnessed net inflows, while on the tax-exempt side (+$2.0 billion) 22 of the 28 classifications in the municipal bond funds universe saw net inflows for April. Short Investment-Grade Debt Funds attracted the largest draw of investor assets (+$2.5 billion), followed again by High Current Yield Funds (+$2.2 billion) and Emerging Markets Debt Funds (+$1.6 billion). Treasury Inflation-Protected Securities Funds suffered the largest net redemptions (-$0.4 billion) of the taxable group. On the municipal bond funds side High Yield Municipal Debt Funds (+$0.7 billion) received the largest net inflows, while Short Municipal Debt Funds (-$307 million) witnessed the largest net redemptions.

Table 10 Estimated Net Flows of Major Fixed Income Fund Types, April Versus March 2012 ($Bil)

	Taxable	Municipal	April	March
Long-Term Bond	13.4	1.5	14.9	14.6
Short & Intermediate	5.2	0.5	5.7	15.3
Money Market	-14.0	-9.8	-23.8	-69.7
Total	4.7	-7.9	-3.2	-39.7

Source: Lipper, a Thomson Reuters Company
Note: Columns and rows may not sum because of rounding

Money Market Funds

As a result of the April 17 tax-filing deadline for individuals, investors redeemed a net $23.8 billion from money market funds during the month of April, with 13 of the 16 Lipper classifications experiencing net redemptions. On the taxable side (-$14.0 billion net) only three of the classifications witnessed net inflows: Institutional Money Market Funds (+$48.6 billion), Institutional U.S. Government Money Market Funds (+$0.9 billion), and U.S. Government Money Market Funds (+$0.7 billion), while Institutional U.S. Treasury Money Market Funds (-$9.5 billion) and Money Market Instrument Funds (-$9.0 billion) suffered the largest net redemptions. On the tax-exempt side (-$9.8 billion net) all ten classifications handed back money, with Other States Tax-Exempt Money Market Funds (-$45.2 million) handing back the smallest net redemptions and Institutional Tax-Exempt Money Market Funds (-$4.0 billion) suffering the largest net redemptions.

Despite Market Uncertainty, Bond ETF Investors Keep Flows Net Positive

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ETF Executive Summary

As April came to an end it seemed the concerns of many investors were well founded. After a spectacular first quarter U.S. equity markets began to show signs of weakness as economic unease once again came to the forefront. Weaker-than-expected U.S. GDP and employment numbers paired with a resurgence of Greek debt concerns helped validate those who decided to take some money off the table at the end of Q1. Despite this, investors continued to show confidence in the bond markets as a risk-off environment began to develop going into May.

Overall, exchange-traded funds (ETFs) posted their fifth consecutive month of net inflows. That said, April was the weakest month as equity ETFs (-$2.0 billion) reported their first monthly outflows of 2012. Bond ETFs seemed to benefit from this shift; they recorded their strongest month of net inflows in the past three at $4.3 billion. Investors looked mostly toward investment-grade offerings to help insulate their portfolios.

Table 1 Estimated Net Flows by Major ETF Types, April 2012 Versus March 2012 ($Bil)

	April	March
Stock & Mixed Equity ETFs	-2.0	6.7
Bond ETFs	4.3	3.6
Total	2.3	10.3

Source: Lipper, a Thomson Reuters Company
Note: Columns may not sum because of rounding

Table 2 Estimated Net Flows of Major Equity ETF Types, April 2012 Versus March 2012 ($Bil)

	April	March
USDE ETFs	-3.2	3.5
Sector Equity ETFs	1.6	2.0
World Equity ETFs	-0.5	1.2
Mixed Equity ETFs	0.0	0.0
Total	-2.0	6.7

Source: Lipper, a Thomson Reuters Company
Note: Columns may not sum because of rounding

Equity ETFs

United States Diversified Equity (USDE) ETFs

After posting net inflows for three of the previous four months USDE funds were once again on the ropes; they reported net outflows of roughly $3.2 billion for April. The broad 4x3-matrix group took the brunt of these redemptions as a flight from large-cap products helped push $2.3 billion from the group. Growth ETFs (-$2.5 billion) gave up all their gains from the previous period, while Small-Cap Core ETFs (+$1.1 billion) offered some reprieve from the wide redemptions. Outside the 4x3 table, Equity Income ETFs—with net inflows of $474 million—was the only group that posted any significant inflows. The majority of this movement was attributed to **Vanguard Dividend Appreciation Index ETF (VIG)**, which attracted $288 million for the month. S&P 500 Index-Objective ETFs ended the period with net outflows of $821 million; inflows for **Vanguard S&P 500 ETF (VOO)** (+$625 million) and **iShares S&P 500 Index ETF (IVV)** (+$386 million) were not enough to overcome the $1.8 billion in redemptions from SPDR **S&P 500 ETF (SPY)**.

Table 3 Estimated Net Flows of USDE 4x3-Matrix ETFs, April 2012 Versus March 2012 ($Mil)

	Value	Core	Growth	April	March
Large-Cap	17.9	-1,044.1	-2,407.9	-3,434.1	1,955.8
Multi-Cap	24.1	272.8	81.1	378.0	236.5
Mid-Cap	-146.6	-97.0	47.2	-196.4	-1,061.6
Small-Cap	53.9	1,111.8	-208.6	957.1	-1,800.7
Total	-50.7	243.5	-2,488.2	-2,295.4	-670.0

Source: Lipper, a Thomson Reuters Company

Note: Columns and rows may not sum because of rounding

Table 4 Estimated Net Flows of Other USDE Classifications, April 2012 Versus March 2012 ($Mil)

	April	March
Equity Leverage ETFs	-348.4	-133.6
Dedicated Short Bias ETFs	-158.9	-167.7
Equity Income ETFs	473.5	531.8
Extended U.S. Large-Cap Core ETFs	-6.3	-0.2
Equity Market Neutral ETFs	-8.4	7.2
Long/Short Equity ETFs	13.5	12.6
S&P 500 Index Objective ETFs	-820.8	3,919.6
Total	-855.8	4,169.7

Source: Lipper, a Thomson Reuters company

Note: Columns may not sum because of rounding

World Equity ETFs

The World Equity ETFs macro-group ended the month with net outflows of $510 million. Investors continued to focus their purchases toward Emerging Markets ETFs, which posted its fourth consecutive month of net inflows at $157 million. Japanese ETFs was also able to maintain net positive flows, albeit small, with $60 million for the month. The global diversified equity group ended the month with net inflows of $224 million, while international diversified equity ETFs lost $111 million. Investors continued to move away from Large-Cap Core ETFs (-$287 million) within the international diversified group, while China Region ETFs posted net outflows of $195 million as sustained growth concerns pushed some investors away.

Table 5 Estimated Net Flows of Global Diversified Equity ETFs, April 2012 Versus March 2012 ($Mil)

	Value	Core	Growth	April	March
Large-Cap	0.0	211.9	0.0	211.9	333.5
Multi-Cap	13.1	0.0	-1.2	11.9	190.3
Small/Mid-Cap(No Style)		0.0		0.0	0.0
Total(Large & Multi)	13.1	211.9	-1.2	223.8	523.8

Source: Lipper, a Thomson Reuters Company

Note: Columns and rows may not sum because of rounding

Table 6 Estimated Net Flows of International Diversified Equity ETFs, April 2012 Versus March 2012 ($Mil)

	Value	Core	Growth	April	March
Large-Cap	15.6	-286.8	-75.2	-346.4	-358.5
Multi-Cap	0.0	166.3	1.2	167.5	138.4
Small/Mid-Cap	0.0	67.8	-0.1	67.7	18.3
Total	15.6	-52.7	-74.1	-111.2	-201.8

Source: Lipper, a Thomson Reuters Company
Note: Columns and rows may not sum because of rounding

Table 7 Estimated Net Flows of Remaining World Equity ETF Classifications, April 2012 Versus March 2012 ($Mil)

	April	March
China Region ETFs	-195.4	-343.7
Emerging Markets ETFs	157.2	1,290.1
European Region ETFs	-170.1	39.8
Global Flexible Portfolio ETFs	-10.0	-4.2
India Region ETFs	-36.6	8.6
Japanese ETFs	59.7	631.7
Latin American ETFs	-84.6	-843.4
Pacific Region ETFs	48.8	5.4
Pacific ex-Japan ETFs	-391.4	44.8
Total	-622.4	829.1

Source: Lipper, a Thomson Reuters Company
Note: Columns may not sum because of rounding

Sector Equity ETFs

Sector Equity ETFs (+$1.6 billion) was the only equity macro-group that posted net inflows for April. Of Lipper's 25 Sector Equity ETF classifications 13 had positive flows, with investors focusing on real estate- and natural resources-based products. Real Estate ETFs (+$812 million) fared best, with most of the new money going to **Vanguard REIT Index ETF (VNQ)**—$551 million. Despite downward price pressure on energy over the past few months, Natural Resources ETFs attracted net inflows of $707 million, with increasing interest in Master Limited Partnership-based products. Precious Metals ETFs (+$655 million) rounded out the top finishers of the group. At the bottom were Financial Services ETFs (-$676 million) and Commodities Precious Metals ETFs (-$625 million) as investors were once again concerned about the earning power of the banking sector and as gold prices ended the month down 0.35%.

Table 8 Estimated Net Flows of Sector Equity ETFs, April 2012 Versus March 2012 ($Mil)

	April	March
Precious Metals ETFs	654.7	208.2
Basic Materials ETFs	388.6	-647.2
Consumer Goods ETFs	-29.5	615.2
Commodities Agriculture ETFs	-130.9	-7.9
Commodities Energy ETFs	-204.1	96.0
Commodities General ETFs	9.9	179.2
Commodities Base Metals ETFs	-15.2	31.5
Commodities Precious Metals ETFs	-625.2	-513.4
Commodities Specialty ETFs	-78.4	75.0
Consumer Services ETFs	133.2	100.1
Financial Services ETFs	-676.4	1,266.2
Global Financial Services ETFs	4.9	47.3
Global Health/Biotechnology ETFs	43.4	-18.2
Subtotal	-525.0	1,432.0

Source: Lipper, a Thomson Reuters company
Note: Columns may not sum because of rounding

	April	March
Global Natural Resources ETFs	-56.3	36.8
Global Real Estate ETFs	4.3	14.9
Global Science/Technology ETFs	3.1	3.2
Health/Biotechnology ETFs	358.7	-96.1
Industrials ETFs	593.7	-1,108.4
International Real Estate ETFs	58.1	86.4
Natural Resources ETFs	706.9	-223.1
Real Estate ETFs	812.1	185.9
Specialty/Miscellaneous ETFs	-78.1	1,299.8
Science &Technology ETFs	-4.6	564.7
Telecommunication ETFs	-128.9	27.2
Utility ETFs	-142.2	-192.8
Subtotal	2,126.8	598.5

Source: Lipper, a Thomson Reuters company
Note: Columns may not sum because of rounding

Fixed Income ETFs

Bond ETFs (+$4.3 billion) continued to benefit from concerns in the equity markets; they posted their strongest month of net inflows in the last three. On the taxable bond ETFs side 19 of the 23 Lipper classifications attracted net new money for the month, while the tax-exempt offerings reported net inflows to 6 of the 8 classifications. Intermediate Investment-Grade ETFs (+$1.4 billion net) once again attracted the most assets as investors continued to focus on quality. **Vanguard Total Bond Market Index ETF (BND)** fared best in the group, with net inflows of $268 million. Emerging Market Debt ETFs (+$685 million) and High Current Yield ETFs (+$434 million) rounded out the top three spots. Outflows on the taxable side were once again mostly attributed to moves out of U.S. Treasury-based products, with General U.S. Treasury ETFs reporting redemptions of $233 million. For the tax-exempt side High Yield Municipal Debt ETFs (+$60 million) attracted the most interest as investors reached for yield. Intermediate Municipal Debt ETFs (+$21 million) and Short-Intermediate Municipal Debt ETFs (+$16 million) rounded out the three top spots for the month. Overall, municipal debt ETFs attracted net inflows of $103 million.

Table 9 Estimated Net Flows of Major Fixed Income ETF Types, April 2012 Versus March 2012 ($Mil)

	Taxable	Municipal	April	March
Long-Term Bond	1,810.2	83.0	1,893.2	2,705.5
Short & Intermediate	2,422.6	20.0	2,442.6	850.7
Total	4,232.8	103.0	4,335.8	3,556.2

Source: Lipper, a Thomson Reuters company
Note: Columns and rows may not sum because of rounding

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