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U.S. EMERGING MARKET FUNDS: HOT MONEY OR STABLE SOURCE OF INVESTMENT CAPITAL?

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Summary

Over the past decade, developing nations have increasingly used debt and equity securities in place of bank loans to finance the expansion of their economies. As a result, securities of emerging countries have become an important asset class for private investors, including U.S. mutual funds.

In the process, concern has arisen that foreign investors generally, and U.S. mutual funds specifically, might be sources of "hot money." In other words, according to this theory, portfolio managers and shareholders might run at the first sign of trouble in a developing economy, and thereby further disrupt its capital markets during a period of financial stress. Although such actions by mutual fund investors or fund portfolio managers have not occurred in U.S. financial markets, some have suggested the high volatility of emerging markets, coupled with the newness of their capital markets, makes them more susceptible to destabilizing investment flows relative to U.S. capital markets.

In order to shed light on this issue, this article considers the pattern of investments in emerging markets by U.S. mutual funds during the 1990s. More specifically, it tracks the net

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flows of new cash to U.S. emerging market equity funds from 1991 through early 1996 and the portfolio investments in 23 emerging countries by 13 large U.S. emerging market equity funds from 1993 to 1995. The principal findings are summarized below:

- For the period 1991-96, shareholders in U.S. emerging market equity funds *did not* redeem shares in large volume during periods of foreign market weakness. In fact, the net inflow of new cash continued during some periods in which equity prices in emerging markets moved sharply lower. In other periods of market downturns, such as the Mexican peso crisis in late 1994, outflows were small and short-lived, and inflows resumed even as equity prices declined further.
- During the 1993-95 period of high volatility in emerging markets, portfolio managers from a sample of large U.S. emerging market equity funds generally did not shift investments between countries in a manner that would exacerbate price swings. Indeed, for the period examined, the managers quite frequently *bought* shares at times when share prices were falling and sold in rising markets. Moreover, when portfolio liquidations of securities in falling markets did occur, they typically were small relative to the size of the positions taken.

Background

In the past decade, less developed countries have made considerable progress in establishing and strengthening domestic capital markets. As a result, the share of world market capitalization accounted for by emerging markets grew from 3.7 percent in 1986 to 10.7 percent in 1995.[2]

Over the same time, U.S. investors have come to view securities issued by companies in emerging nations as a new and attractive asset class. These securities typically offer higher potential investment returns and represent opportunities for further portfolio diversification, as returns on these securities have low correlations with those in developed markets. U.S. investors accordingly have increased their portfolio exposure to developing nations. For example, in 1995, about one third of U.S. holdings of foreign securities were in less developed countries.

[2] "Emerging markets" include all countries in Latin America and the Caribbean, all countries in Asia (except Australia, Hong Kong, Japan, New Zealand, and Singapore), all countries in Africa and the Middle East (except Israel), all former Eastern bloc countries, Russia and the Commonwealth of Independent States, Greece, Portugal, and Turkey.

U.S. mutual funds shared in the trend toward increased overseas investing. Assets of international and global mutual funds grew from just $16 billion in 1986 to a record $285 billion in June 1996, of which about 10 percent was in emerging markets funds.[3] Another $27 billion was invested in international and global closed-end funds in 1995, with approximately $15 billion, or 56 percent, identified as invested in emerging market funds.

The increased presence of U.S. mutual funds in emerging markets has raised concern about their potential to destabilize financial markets in developing economies. This concern has two dimensions. One is that mutual fund shareholders might redeem their shares abruptly, forcing mutual funds *en masse* to liquidate securities and, in the process, placing downward pressure on securities prices. The second is that, even in the absence of shareholder redemptions, fund portfolio managers might suddenly reallocate investments on a large scale from one country to another, causing securities prices to fall sharply in the country subject to the liquidation.

This article examines the record in the 1990s for evidence of instability in emerging financial markets by focusing on both shareholder flows and portfolio activity of U.S. emerging market stock funds.[4] The examination is confined to this period because only recently have emerging market mutual funds become significant investors in developing economies. As recently as the end of 1992, assets of emerging market equity funds represented only 3 percent of the value of equity in emerging markets available for foreign ownership, whereas this figure had reached nearly 10 percent by the end of February 1996.[5] Moreover, prices of equities in these markets exhibited considerable volatility during the period, providing an excellent backdrop in which to analyze the extent to which shareholder flows and fund portfolio investments coincided with sharp movements in equity prices.

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[3] International mutual funds invest in securities of companies located outside of the U.S. In contrast, global mutual funds invest in securities traded worldwide, including those of U.S. issuers. Emerging market equity funds include those that invest in a single country or region (such as Latin America), as well as those that invest in the broad range of emerging market countries.

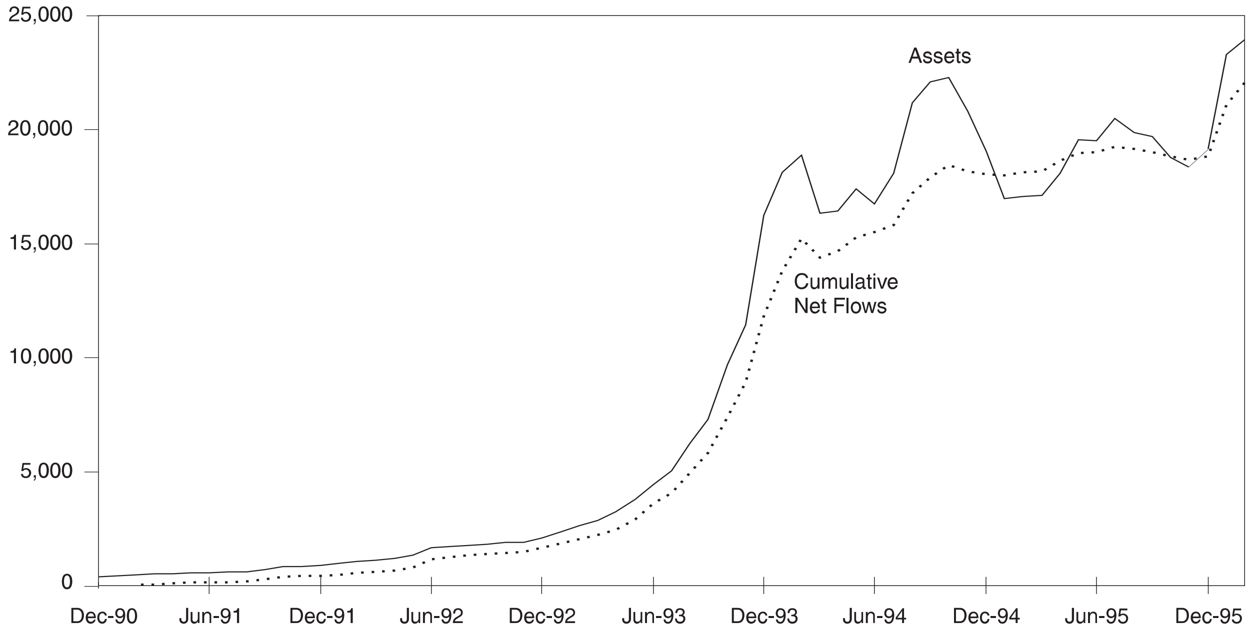
[4] International and global funds also have invested significantly in developing economies, as have some domestic funds. The analysis, however, excludes these funds because of the difficulty in associating fund flows with different types of investments.

[5] The source of this data is ING Baring Securities.

FIGURE 1

Assets and Cumulative Net Flows of Emerging Market Equity Funds

(millions of dollars, 1991-96, monthly)



Sources: Fund Data - Micropal ICDI, Market Returns - International Finance Corporation

Shareholder Investment Activity in Emerging Market Funds

The measure used to examine the investment patterns of shareholders in emerging market equity funds and their responses to market developments is the net flow of new cash to these funds—that is, sales of mutual fund shares to investors (other than through reinvested distributions) less redemptions plus net exchanges by shareholders. A positive value of net flow indicates that shareholders on balance made new investments in emerging market funds, thereby providing cash for the funds to purchase additional securities. A negative value indicates that shareholders on balance withdrew cash, thereby reducing the resources available for investments in emerging markets.[6] The monthly net flow for U.S. emerging market equity mutual funds is used for the analysis.[7]

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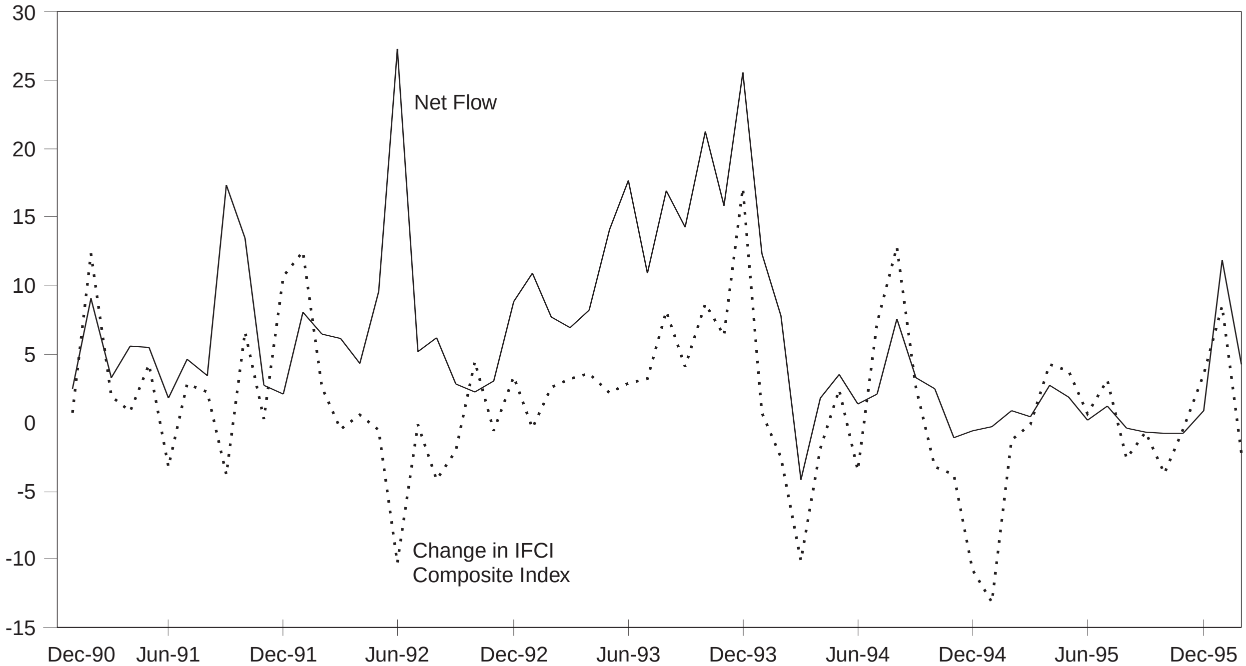
[6] Such an outflow may cause mutual funds to liquidate securities, but whether sales of portfolio securities actually occur depends upon the amount of cash assets available to meet the outflow and the portfolio strategy of investment managers. Nonetheless, an outflow is an important indicator of potential pressure on securities prices.

[7] The source of the data is Emerging Markets Funds Research, Inc. Net flows are estimated by subtracting the performance component from the change in net asset value.

FIGURE 2

Net Flow of New Cash to Emerging Market Stock Funds as a Percent of Assets and the Percent Change in the IFCI Composite Index of Equity Prices in Emerging Markets

(1991-96)



Sources: Fund Data - Micropal ICDI, Market Returns - International Finance Corporation

For the period January 1991 through February 1996, the net flows of new cash from shareholders to emerging market equity funds accounted for much of the growth of the assets of these funds (Figure 1). Virtually all of the asset growth for the five-year period came from the net flow into these funds rather than from asset appreciation, even though the total return on emerging market funds was a healthy 16 percent per annum. Importantly, at times, new cash flows to these funds ran counter to movements in share prices in these markets, and thus helped to maintain the level of investment in these funds and offered stability to these markets.

Emerging market equity funds experienced monthly inflows from January 1991 through February 1994 (Figure 2). The monthly inflows were substantial, ranging from 2.4 percent to 27.3 percent of the preceding month's assets. Moreover, the persistence of the inflows occurred even when monthly returns in emerging markets turned negative. For example, the IFCI composite index of equity prices in emerging markets declined 16.5 percent between April 1992 and September 1992, yet emerging market funds experienced an inflow in each of the five months.[8] This period included the month of June when the IFCI index fell 10.3 percent but the inflow of new cash was 27.3 percent of assets at the end of May. For the entire five-month period, the cumulative inflow was 60 percent of assets at the end of April.

Since the end of 1993, mutual fund investors have, on occasion, withdrawn funds from emerging markets when securities prices declined, but the outflows were generally small relative to the price swings. The first such outflow in the sample period occurred in March 1994 when securities markets worldwide experienced heightened volatility owing to a tightening of monetary policy in the United States. Given the 10.1 percent decrease in the IFCI index in March, the outflow was modest, amounting to only about 4.3 percent of assets. Furthermore, the outflow was short-lived—inflows resumed in April, even though stock prices in emerging markets continued to drift downward through June of that year.

In late 1994 and early 1995, emerging market funds again experienced outflows, but they were remarkably small in view of market developments. The IFCI index of emerging market equity prices dropped 3.3 percent in October 1994. This negative return was followed by a small outflow in November that amounted to 1.1 percent of assets at the end of October. The Mexican peso crisis in late December accelerated the downward movement in the IFCI index, which fell 22.5 percent over December 1994 and January 1995. Despite the sharp drop in securities prices, the two-month outflow in December and January was less than that in November. Inflows resumed in February, and in April alone exceeded the sum of outflows between November and January.[9]

The IFCI index of emerging market equity prices continued to decline through March 1995 and, as a result, posted six consecutive monthly decreases on the way to a cumulative 29.1 percent drop between September 1994 and March 1995. The cumulative outflow in November, December, and January, however, amounted to only 2.4 percent of average assets for the three months. Moreover, when combined with inflows in February and March,

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[8] The International Finance Corporation Investible (IFCI) indexes are the most widely used performance measures for equity markets in developing countries. These indexes are weighted by capitalization and take into account restrictions on foreign investors. Both the IFCI Price and Total Return Indexes are available by region and by composite.

[9] For further discussion of the response of mutual fund owners to the Mexican peso crisis, see Marcis, West, and Leonard-Chambers, "Mutual Fund Shareholder Response to Market Disruptions," *Perspective*, Vol. 1, No. 1 (Investment Company Institute, July 1995).

emerging market equity funds experienced a cumulative outflow over the five months of only 1.4 percent of average assets.

A final round of outflows occurred between August 1995 and November 1995. During this period, the IFCI index of emerging market equity prices declined about 7.6 percent, but as in two previous periods of falling securities prices, the magnitude of the outflow was small, amounting to 2.7 percent of assets.

Despite the outflows that occurred at a few points during the two-year period from March 1994 to February 1996, shareholders continued to invest substantial amounts in emerging market equity funds. The cumulative net inflow during this period was $8.3 billion or 44 percent of assets at the beginning of the period. Not only did the investment occur during a period of substantial volatility, but it also occurred in the presence of a 15 percent decline in the IFCI index.

Thus, the weight of the evidence from the examination of shareholder activity suggests that mutual fund investors have taken a long-term view to investing in emerging market funds. Over the five-year period, shareholders made substantial new investments despite considerable short-term volatility in returns. Although investors tended in the past two years to redeem small portions of their holdings as markets weakened, subsequent investments more than offset redemptions. These responses of shareholders in emerging market funds to market developments and their long-term investment horizon are very much in line with other evidence of general mutual fund shareholder behavior.[10]

Portfolio Activity of Emerging Market Equity Funds

Precipitate liquidations of securities by managers of mutual fund portfolios also are a potential source of financial instability in emerging markets. To determine how fund portfolio managers have reacted to market volatility, the investment activity of a group of 13 U.S. emerging market equity funds is examined for the period September 1993 through December 1995.[11] For each fund in the sample, the net purchase of equity securities is estimated each quarter for each emerging market country held in the portfolio. The quarterly estimates of net purchases are then

[10] See Marcis, West, and Leonard-Chambers, "Mutual Fund Shareholder Response to Market Disruptions"; and Rea and Marcis, "Mutual Fund Shareholder Activity During U.S. Stock Market Cycles, 1944-95," *Perspective*, Vol. 2, No. 2 (Investment Company Institute, March 1996).

[11] This sample of global emerging market equity funds includes three closed-end funds and ten open-end funds.

FIGURE 3

Net Purchases of Stocks by 13 Emerging Market Funds, by Country

(millions of dollars, 1993:Q4 - 1995:Q4)

	1993	1994				1995				
Country	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Total
China	52	-7	11	96	71	35	7	21	55	342
Hong Kong	233	-11	-79	-23	45	94	103	-4	-40	319
India	87	79	111	128	82	63	72	121	34	777
Indonesia	8	47	16	91	31	-31	62	118	-14	328
Korea	128	76	-21	62	-61	34	44	178	-77	364
Malaysia	83	66	-60	207	-47	12	130	-85	-68	238
Pakistan	12	4	-10	57	52	5	-16	21	9	134
Philippines	-127	53	-30	17	78	-17	9	105	-34	54
Singapore	53	-16	-14	36	-72	12	-32	37	-12	-8
Sri Lanka	1	3	-3	3	-3	5	-2	1	-5	0
Taiwan	5	37	14	6	-10	11	54	130	-19	228
Thailand	-175	70	16	75	26	-114	77	-52	2	-76
Argentina	101	48	31	46	44	32	104	-51	-27	328
Brazil	240	-189	141	-606	-103	-303	11	115	3	-691
Chile	34	32	-38	-1	-39	-5	-104	7	30	-83
Colombia	4	52	-14	7	2	-8	-3	6	-6	40
Mexico	254	166	44	95	-184	-161	36	20	111	380
Peru	3.7	10	7.4	25	10	-1	-25	0	-17	13
Venezuela	17	16	-8	2	-2	11	1	2	7	46
Greece	42	7	3	-1	5	12	-12	48	-34	99
Portugal	18	17	-21	16	2.6	-13	21	22	1.9	64
S. Africa	7	27	3	67	91	87	73	83	-24	414
Turkey	-34	-34	41	-17	15	-10	25	26	9	20
Total	1,046	554	142	387	64	-252	635	870	-114	3,330

Source: Micropal Emerging Market Fund Monitor. Figures represent estimated net purchases of emerging market stocks by the 13 funds surveyed. Net flows are calculated by taking the difference between the beginning-of-quarter and end-of-quarter value of holdings for each country, adjusted for the market performance of the country's stock market. IFC Investible Indexes were used for each country except Hong Kong and Singapore (Morgan Stanley Indexes) and South Africa (Baring Securities Index). Figures may not necessarily add due to rounding.

aggregated across the 13 funds by country. Altogether, there are net purchase estimates for 23 emerging market countries. [12]

Although the small sample of funds and the short timeframe are important limitations to the analysis, an examination of the portfolio activity of these funds should, for several reasons, provide insight into the response of fund asset managers to developments in emerging markets. The 13 funds accounted for about 30 percent of the assets of U.S. emerging market equity funds at the end of 1995. Furthermore, the time period under consideration contains three episodes of significant declines in equity prices—early 1994, late 1994, and the fall of 1995—the combination of which provides a dynamic setting in which to study the responses of fund portfolio managers.

A variety of evidence indicates that the 13 funds have been a stable and consistent source of finance in emerging markets. Over the entire nine-quarter period, these funds made net purchases of $3.3 billion of equity securities in emerging markets (Figure 3). In only two quarters, 1995:Q1 and 1995:Q4, were the funds net sellers of securities, but these net sales were low, amounting to less than 2 percent of the total assets of the 13 funds in the quarter preceding the net sales. Furthermore, the 13 funds did not liquidate securities during either the first or second quarter of 1994 when financial markets were highly volatile.

In addition, over the entire period, the 13 fund companies made net investments in 19 of the 23 countries. In the four countries for which net sales occurred—Brazil, Chile, Singapore, and Thailand—the dollar value of investments nonetheless increased significantly between the end of September 1993 and the end of December 1995 (Figure 4). In percentage terms, the increases ranged from 52 percent to 64 percent (not shown).

The evident long-run investment commitment does not mean that these funds did not make sizable portfolio adjustments on a quarterly basis. The pattern of quarterly net purchases of securities, however, does not reveal a bias in investment activity that would consistently cause or add to downward movements in securities prices within individual countries. To the contrary, of the six largest quarterly net sales of securities for individual countries, which ranged from 31.1 percent to 42.4 percent of holdings, the top five occurred during quarters of sharply higher equity prices (Figure 5). For example, in the second quarter of 1995, the 13 funds overall liquidated 42.4 percent of their holdings of securities in Chile, but the net sales occurred during a quarter in which stock prices in Chile rose 26.5

[12] The estimates are formed by adjusting the quarterly change in asset holdings for price changes.

FIGURE 4

Market Value of Portfolio Investment of 13 Emerging Market Funds, by Country

(millions of dollars, end of period)

Country	Sept. 1993	Dec. 1995	Net New Investment between Sept. 1995 and Dec. 1995
China	34	268	234
Hong Kong	240	740	500
India	138	704	566
Indonesia	250	686	436
Korea	258	758	500
Malaysia	419	796	377
Pakistan	24	130	106
Philippines	390	710	321
Singapore	114	173	59
Sri Lanka	20	18	-3
Taiwan	55	325	270
Thailand	420	690	270
Argentina	295	751	456
Brazil	1,043	1,691	648
Chile	132	208	76
Colombia	3	44	40
Mexico	857	1,066	210
Peru	16	71	55
Venezuela	17	51	34
Greece	140	289	149
Portugal	122	214	92
South Africa	4	532	528
Turkey	331	313	-18

Source: Micropal Emerging Market Fund Monitor. Figures represent estimated net purchases of emerging market stocks by the 13 funds surveyed. Net flows are calculated by taking the difference between the beginning-of-quarter and end-of-quarter value of holdings for each country, adjusted for the market performance of the country's stock market. IFC Investible Indexes were used for each country except Hong Kong and Singapore (Morgan Stanley Indexes) and South Africa (Baring Securities Index). Figures might not necessarily add due to rounding.

FIGURE 5

Net Stock Purchases by 13 Emerging Market Funds, by Order of Largest One-quarter Net Sale and Change in Total Return Index

Country	Quarter	Net Purchase (percent of previous period assets)	Change in Total Return Index (percent)
Chile	1995:Q2	-42.4	26.5
Thailand	1993:Q4	-41.6	76.7
Brazil	1994:Q3	-39.6	80.0
Philippines	1993:Q4	-32.6	75.4
Peru	1995:Q2	-31.4	37.1
Singapore	1994:Q4	-31.1	-0.6

Source: Micropal Emerging Market Fund Monitor; International Finance Corporation; Morgan Stanley Capital International. Figures represent estimated net purchases of emerging market stocks by the 13 funds surveyed. Net flows are calculated by taking the difference between the beginning-of-quarter and end-of-quarter value of holdings for each country, adjusted for the market performance of the country's stock market. IFC Investible Indexes were used for each country except Hong Kong and Singapore (Morgan Stanley Indexes) and South Africa (Baring Securities Index).

percent. The only exception occurred for Singapore in the fourth quarter of 1994. In this case, however, the equity index declined less than 1 percent, while net sales were 31.1 percent.

Although the funds tended to make large-scale sales during periods of rising securities prices, they did sell securities on a number of occasions during periods of market weakness. These sales, however, were generally small, especially given the magnitude of the drops in stock prices. For example, in those quarters in which a country market index declined by at least 10 percent, the largest net sale of securities by the 13 funds was in Brazil for only 14.3 percent of holdings (Figure 6). This net sale occurred in the first quarter of 1995, as stock prices in Brazil declined 32.0 percent. There were also 13 other instances of quarterly price declines in excess of 10 percent, and for these, net sales as a percentage of assets ranged from 1.2 percent to 13.1 percent. For all 14 cases, net sales averaged 7.8 percent. For comparison, the quarterly decreases in the country stock price indexes ranged from 11.1 percent to 54.2 percent and averaged 26.3 percent.

Even measured over two quarters, net sales of securities were not typically large despite significant quarterly declines in stock prices. Again focusing only on those quarters in which a country stock price index dropped at least 10 percent, there were 14 instances in

FIGURE 6

Net Stock Purchases by 13 Emerging Market Funds During Quarter for Which Total Return Index Declined at Least 10 Percent

Country	Quarter	Change in Total Return Index (percent)	Net Purchases (percent of previous period assets)
Brazil	1995:Q1	-32.0	-14.3
Mexico	1995:Q1	-41.3	-13.1
Venezuela	1994:Q2	-41.0	-12.1
Portugal	1994:Q2	-15.5	-10.4
Turkey	1994:Q1	-54.2	-9.5
Mexico	1994:Q4	-38.1	-9.1
Sri Lanka	1994:Q4	-16.7	-8.4
Korea	1995:Q4	-11.1	-8.3
Singapore	1994:Q1	-12.3	-7.4
China	1994:Q1	-33.3	-5.3
Malaysia	1994:Q4	-13.4	-5.0
Brazil	1994:Q4	-14.7	-4.0
Hong Kong	1994:Q1	-23.6	-1.5
Peru	1995:Q1	-20.8	-1.2

Sources: Net flows data - Micropal Emerging Market Fund Monitor. Market returns - International Finance Corporation. Figures represent estimated net purchases of emerging market stocks by the 13 funds surveyed. Net flows are calculated by taking the difference between the beginning-of-quarter and end-of-quarter value of holdings for each country, adjusted for the market performance of the country's stock market. IFC Investible Indexes were used for each country except Hong Kong and Singapore (Morgan Stanley Indexes) and South Africa (Baring Securities Index).

which net sales cumulatively took place over two quarters starting with the one in which the country index declined and extending to the subsequent quarter (Figure 7). The two largest instances of net sales over a six-month period were 39.6 percent for Brazil in 1994:Q2-Q3 and 31.4 percent for Peru in 1995:Q1-Q2. In both cases, the selling of securities largely or totally occurred in the subsequent quarter when stock prices rose. In the remaining 12 instances, net sales over the six-month period averaged 11.8 percent and ranged from 1.4 percent to 21.0 percent. None of these percentages indicates a wholesale liquidation of investment positions.

FIGURE 7

Net Stock Purchases of 13 Emerging Market Funds by Largest Net Sales Over a Two-quarter Period and Change in Total Return Index

		Net Purchases (Percent of Previous Period Assets)			
Country	Initial Quarter	Initial Quarter	Subsequent Quarter	Total for Two Quarters	Change in Total Return Index in Initial Quarter (percent)
Brazil	1994:Q2	-21.4	8.1	-39.6	-34.7
Peru	1995:Q1	-20.8	-1.2	-31.4	-32.2
Mexico	1994:Q4	-38.1	-9.1	-13.1	-21.0
Brazil	1994:Q4	-14.7	-4.0	-14.3	-17.7
Sri Lanka	1995:Q3	-16.9	3.0	-19.8	-17.4
Hong Kong	1994:Q1	-23.6	-1.5	-13.8	-15.1
Singapore	1994:Q1	-12.3	-7.4	-7.9	-14.7
Brazil	1995:Q1	-32.0	-14.3	0.8	-13.6
Thailand	1994:Q4	-11.6	3.1	-14.8	-12.2
Pakistan	1995:Q1	-19.9	3.2	-11.5	-8.7
Mexico	1995:Q1	-41.3	-13.1	5.4	-8.4
Venezuela	1994:Q2	-41.0	-12.1	5.0	-7.7
Malaysia	1994:Q4	-13.4	-5.0	1.5	-3.6
Portugal	1994:Q2	-15.5	-10.4	10.1	-1.4

Sources: Net flows data - Micropal Emerging Market Fund Monitor. Market returns - International Finance Corporation and Morgan Stanley Capital International. Figures represent estimated net purchases of emerging market stocks by the 13 funds surveyed. Net flows are calculated by taking the difference between the beginning-of-quarter and end-of-quarter value of holdings for each country, adjusted for the market performance of the country's stock market. IFC Investible Indexes were used for each country except Hong Kong and Singapore (Morgan Stanley Indexes) and South Africa (Baring Securities Index).

Indeed, sharply lower stock prices have not always been associated with sales of securities by fund portfolio managers. For example, the sample period contains six instances in which an index of stock prices for a single country declined over 20 percent within a quarter, yet the 13 funds collectively made net purchases of securities in the quarter in which the price declines occurred (Figure 8). The net acquisitions ranged from 6.5 percent to 33.3 percent of portfolio holdings.

FIGURE 8

Quarters with Large Declines in Equity Indexes During Which 13 Emerging Market Funds Made Net Stock Purchases

Country	Quarter	Change in Total Return Index (percent)	Net Purchases (percent of previous period assets)
Thailand	1994:Q1	-28.0	10.6
China	1994:Q4	-27.9	33.3
Malaysia	1994:Q1	-26.7	9.0
Philippines	1994:Q1	-23.3	8.1
Argentina	1994:Q4	-22.3	6.5
Brazil	1994:Q2	-21.4	8.1

Sources: Net flows data - Micropal Emerging Market Fund Monitor. Market returns - International Finance Corporation and Morgan Stanley Capital International. Figures represent estimated net purchases of emerging market stocks by the 13 funds surveyed. Net flows are calculated by taking the difference between the beginning-of-quarter and end-of-quarter value of holdings for each country, adjusted for the market performance of the country's stock market. IFC Investible Indexes were used for each country except Hong Kong and Singapore (Morgan Stanley Indexes) and South Africa (Baring Securities Index).

In sum, the findings from the examination of the portfolio activity of the 13 emerging market funds does not reveal a pattern of investment activity that tended consistently to contribute to market movements through the selling of securities during falling markets and the buying of securities during rising markets. In fact, the funds quite frequently did just the opposite. Furthermore, liquidations of securities that occurred during periods of market weakness typically were small relative to the size of the positions. Finally, over the long run, the funds have tended to maintain significant investments in a broad range of countries, which is not surprising, given the long-run commitment that mutual fund shareholders appear to have in investing in emerging market funds.

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