



**Flow-percentage
country strategy**

Overview

The EPFR flow-percentage country strategy picks equity markets of countries across the globe

This approach uses the stated allocations of equity funds with a cross-border focus

The strategy developed by EPFR is based on percentage flow into countries

Daily percentage flow is compounded over a trailing 20-day period

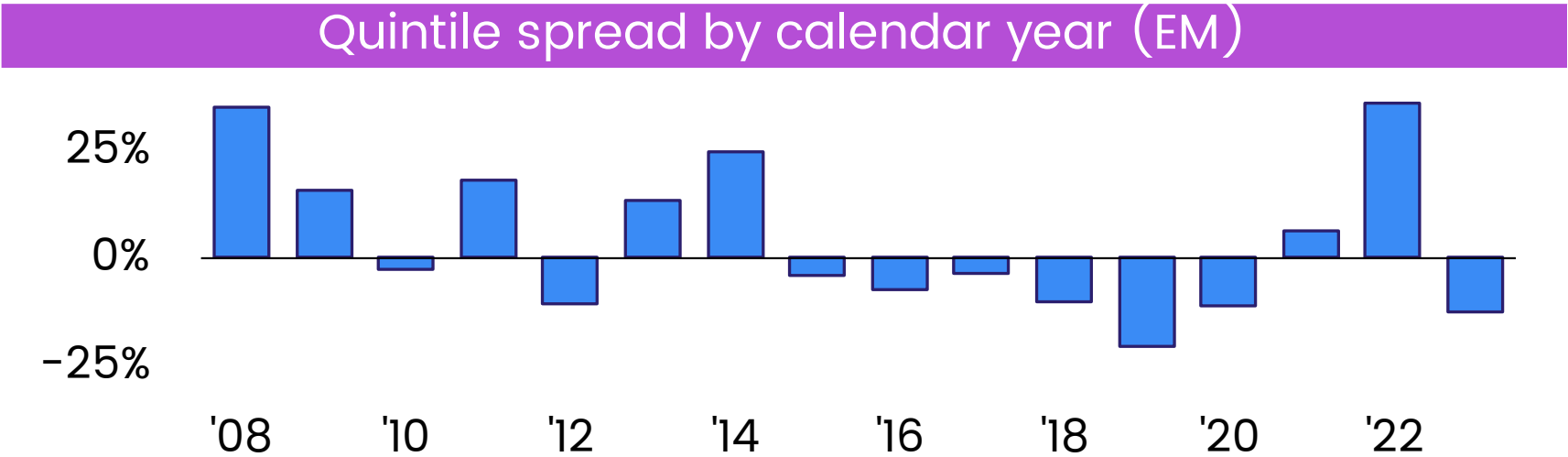
The top fifth of EM countries, in terms of 20-day percentage flows, outperforms the bottom fifth by almost 5% per year

The strategy works well everywhere, but better in emerging markets

Performance

Weekly holding period

Average weekly return (annualized)							
Universe	Q ₁ ex Q ₅		Return over equal-weight country basket				
	Sharpe	Return	Q ₁	Q ₂	Q ₃	Q ₄	Q ₅
ACWI countries ^[1]	0.19	2.4%	1.4%	1.0%	0.7%	-2.3%	-1.0%
EAFE countries	0.04	0.5%	-1.6%	1.9%	-1.5%	3.4%	-2.2%
EM countries	0.28	4.8%	3.4%	0.5%	-2.0%	-0.3%	-1.4%



[1]Srimurthy, V. K., Shen, S., & Smallbach, M. (2018). Fund Flows as Country Allocator. The Journal of Alternative Investments, 21(3), 87–95.

Performance

Longer holding periods

Hold Period	Q ₁ ex Q ₅		Return over equal-weight country basket				
	Sharpe	Return	Q ₁	Q ₂	Q ₃	Q ₄	Q ₅
ACWI							
Fortnightly	0.22	2.7%	1.0%	1.3%	0.9%	-1.6%	-1.7%
Monthly	0.21	2.5%	0.7%	1.6%	1.0%	-1.7%	-1.7%
Bimonthly	0.25	2.9%	1.0%	1.0%	0.8%	-1.0%	-1.9%
Quarterly	0.19	2.3%	1.1%	1.0%	0.3%	-1.1%	-1.3%
Semi-annual	0.11	1.4%	0.6%	0.9%	-0.1%	-0.7%	-0.7%
EAFE							
Fortnightly	0.04	0.5%	-1.4%	0.8%	0.6%	1.7%	-1.9%
Monthly	0.12	1.5%	0.0%	0.2%	0.1%	1.1%	-1.5%
Bimonthly	0.21	2.3%	0.1%	0.3%	0.5%	1.1%	-2.2%
Quarterly	0.13	1.6%	-0.2%	0.3%	0.4%	1.0%	-1.7%
Semi-annual	-0.15	-1.6%	-1.2%	-0.5%	0.3%	1.0%	0.4%
Emerging Markets							
Fortnightly	0.14	2.4%	2.3%	0.1%	-2.0%	-0.3%	-0.1%
Monthly	0.13	2.2%	2.6%	-0.2%	-1.2%	-1.5%	0.4%
Bimonthly	0.13	2.0%	1.6%	-0.7%	0.7%	-1.1%	-0.4%
Quarterly	0.15	2.5%	1.3%	-0.2%	0.3%	-0.4%	-1.2%
Semi-annual	0.12	1.8%	0.4%	1.2%	0.7%	-0.6%	-1.4%

Filters

Weekly holding periods

filter	Cross-Border			Single-Country			All Funds		
	ACWI	EAFE	EM	ACWI	EAFE	EM	ACWI	EAFE	EM
Quintile Spreads									
All	2.4%	0.5%	4.8%	-5.7%	-3.1%	-7.8%	-0.2%	-2.1%	-0.8%
Active	5.7%	1.0%	6.8%	-0.3%	-2.5%	0.3%	3.9%	-0.9%	7.2%
Passive	2.3%	-2.2%	3.1%	-5.9%	1.1%	-11.8%	-5.3%	-4.0%	-10.1%
ETF	3.8%	-1.7%	2.8%	-5.6%	-0.9%	-10.9%	-5.0%	-3.0%	-8.7%
Mutual	4.0%	-0.4%	8.5%	-0.6%	-4.0%	-0.3%	3.1%	-0.1%	6.0%
Inst. MF	2.8%	1.0%	4.4%	-0.6%	-3.2%	-0.5%	2.4%	-1.0%	4.2%
Retail	7.0%	1.5%	3.2%	-1.2%	0.0%	-2.4%	4.7%	2.1%	1.1%
Local	1.9%	-2.1%	NA	-0.6%	1.2%	-1.8%	-0.3%	0.5%	4.4%
Foreign	2.7%	0.6%	4.9%	-2.8%	-0.4%	-10.5%	-1.5%	-2.4%	-4.0%
SRI	-4.2%	-2.2%	-6.3%	-6.3%	-5.2%	-0.5%	-2.8%	-3.6%	-3.4%
Non-SRI	-2.4%	-4.1%	-1.3%	-8.4%	-3.4%	-8.2%	-5.8%	-4.8%	-10.3%
Sharpe Ratios									
All	0.19	0.04	0.28	-0.57	-0.29	-0.53	-0.02	-0.18	-0.05
Active	0.48	0.07	0.40	-0.03	-0.23	0.02	0.36	-0.08	0.45
Passive	0.19	-0.16	0.17	-0.59	0.10	-0.69	-0.49	-0.35	-0.62
ETF	0.32	-0.12	0.16	-0.55	-0.08	-0.64	-0.46	-0.26	-0.53
Mutual	0.33	-0.03	0.50	-0.06	-0.37	-0.02	0.28	-0.01	0.37
Inst. MF	0.22	0.08	0.26	-0.06	-0.27	-0.02	0.19	-0.09	0.24
Retail	0.61	0.12	0.19	-0.12	0.00	-0.14	0.44	0.19	0.07
Local	0.14	-0.16	NA	-0.05	0.11	-0.10	-0.03	0.04	0.22
Foreign	0.21	0.05	0.29	-0.28	-0.04	-0.67	-0.13	-0.20	-0.25
SRI	-0.34	-0.17	-0.45	-0.46	-0.39	-0.02	-0.25	-0.31	-0.24
Non-SRI	-0.19	-0.34	-0.08	-0.69	-0.26	-0.50	-0.53	-0.46	-0.75

Calculation of daily percentage flow

We calculate a fund's impact on a country by multiplying that fund's flow by its country allocation

We calculate the assets held in a country by a fund by multiplying that fund's assets by its country allocation

Sum assets held in and impact on a country across funds

These sums are computed only across all equity funds with a cross-border focus that report both daily flows and country allocations

Divide total impact on by total assets held in a country to get daily percentage flow into a country

Strategy implementation

For each country, compound daily percentage flow over the trailing 20 days

Rank countries into five equal baskets based on 20-day percentage flow

Go long the top fifth and short the bottom fifth

Rebalance weekly

Coverage

	AUM (\$BB) of Equity funds			
	All Funds		Cross-border	
	Monthly Flows	Daily Flows	Daily Flows	Dly Flows & Ctry Alloc
2007	6,241	2,717	1,173	446
2008	5,798	2,743	1,116	355
2009	4,794	2,273	887	303
2010	5,889	2,840	1,143	362
2011	7,595	3,932	1,601	449
2012	7,945	4,107	1,502	359
2013	10,109	5,525	1,964	606
2014	12,488	6,879	2,556	850
2015	13,561	7,575	2,755	927
2016	13,748	7,672	2,833	964
2017	16,148	9,385	3,656	1,326
2018	18,459	10,845	4,203	1,560
2019	19,075	11,096	4,063	1,718
2020	20,245	12,247	4,516	1,809
2021	28,451	17,390	6,494	2,611
2022	25,406	15,694	5,479	2,258
2023	28,154	17,451	6,134	2,609

** At the end of July of each year*

EM/DM

Strategy applied to two “countries”

Average weekly return and Sharpe
(top over bottom investment, annualized)

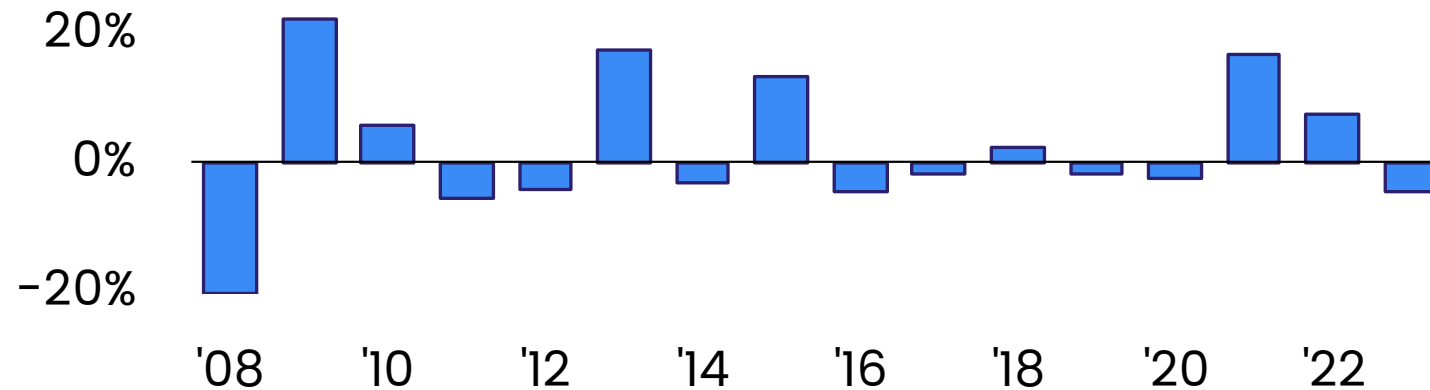
Return

2.9%

Sharpe

0.23

Total return by calendar year



About EPFR

EPFR is 'the intelligence behind intelligent decisions'. Our fund flows and asset allocation data track over 150,000 traditional and alternative fund shares classes with more than \$50 trillion in total assets, delivering a complete picture of institutional and retail investor flows and fund manager allocations driving global markets.

EPFR's market-moving data services include equity and fixed income fund flows on a daily, weekly and monthly basis and monthly fund allocations by country, sector and industry, providing financial institutions around the world with an unparalleled understanding of where money is moving.



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