

# THE DETERMINANTS OF FLOWS INTO RETAIL INTERNATIONAL EQUITY FUNDS<sup>\*</sup>

Xinge Zhao

Associate Professor of Finance  
China Europe International Business School (CEIBS)  
699 Hongfeng Road, Pudong  
Shanghai, China, 201206  
Tel: 86-21-28905601  
Email: [zxinge@ceibs.edu](mailto:zxinge@ceibs.edu)

December 2005

## Abstract

International equity fund investors flee from funds with poor raw returns. In addition, they chase risk-adjusted performance leaders instead of raw return leaders. While international growth fund investors flock into larger funds, regionally focused fund investors invest more in smaller funds presumably due to price impact concerns. Regionally diversified funds tend to receive higher flows if their fund families offer more choices of investment objectives. A stronger U.S. dollar leads investors to increase their investments in European equity funds but to stay away from the riskier developing markets equity funds. International equity fund investors do not appear to be sensitive to expenses or load structures.

*JEL classification:* G23

*Keywords:* International Equity Funds; Investor Behavior; Fund Flows

---

<sup>\*</sup>I would like to thank John Boschen, Li Cui, Bing Liang, Erik Lie, George Oldfield, Chris Taber, Wanda Wallace, and Yuan Xiao for very helpful comments. Any errors are my responsibility.