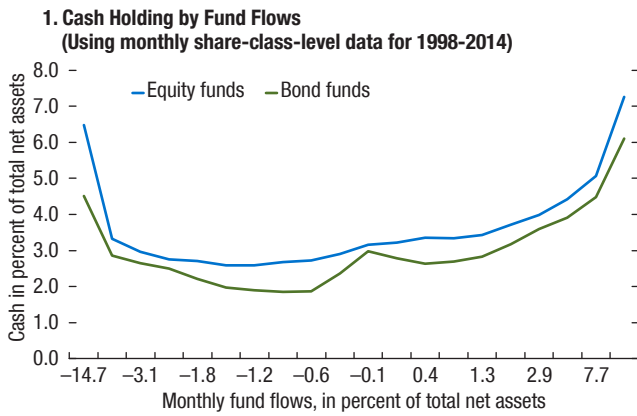
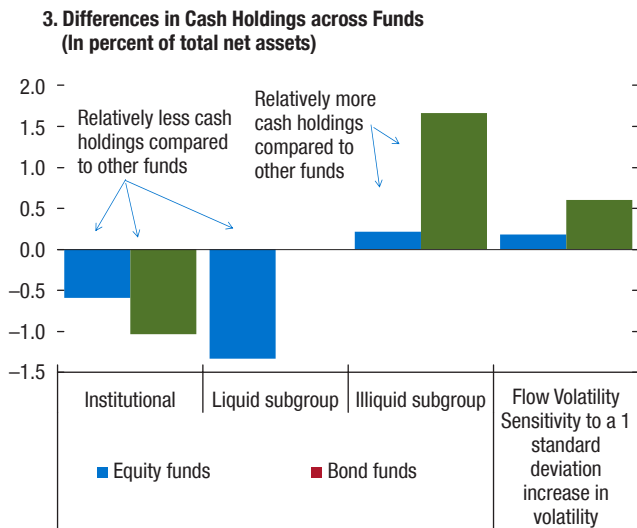


### Figure 3.12. Funds' Liquidity Risk Management

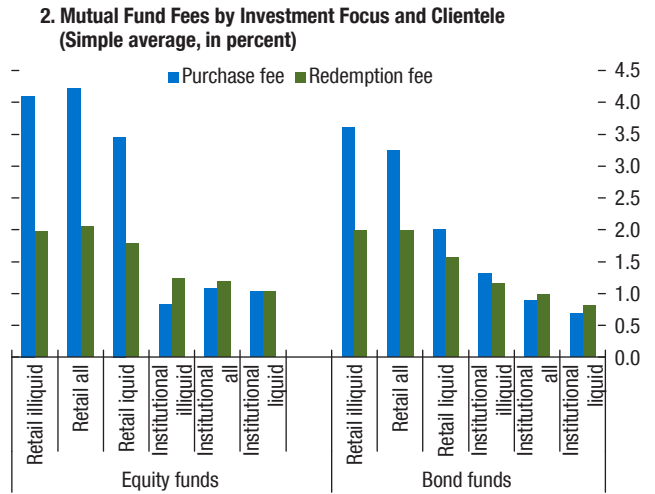
Cash holdings are high for those funds experiencing large in- or outflows.



...and hold more cash when investing in relatively illiquid assets, facing higher fund flow volatility. They hold less cash when they have predominantly institutional clients.



Funds charge higher fees to retail investors and when investing in illiquid assets...



Sources: Calculated based on data from the survivor-bias-free US mutual fund database ©2014 Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; and IMF staff estimates.

Note: Panel 1 is based on monthly data from 1998 to 2014 for each fund share class. It splits observations into 20 quantiles based on net fund flows (in percent of total net assets). For each of these quantiles, the panel shows the percentage of cash in the quantile portfolio. In panel 2, fees are maximum reported fees in the prospectus. Redemption fees include narrowly defined redemption fees and contingent deferred sales charges. Estimates in panel 3 are based on a regression of cash holdings (in percentage of total portfolio) as a function of net inflow volatility, lagged net inflows, and the reported fund characteristics dummies.