



MUTUAL FUNDS

Investors Pull \$4.4 Billion From Putnam

By KAREN DAMATO
Staff Reporter of THE WALL STREET JOURNAL

Mutual-fund investors, like big institutions, are bailing out of Putnam.

Investors withdrew \$4.4 billion from mutual funds managed by Putnam Investments in the week ended Wednesday, even as they generally pumped money into stock and bond funds at other companies, according to calculations by AMG Data Services of Arcata, Calif. This is the first full week of such data since the Securities and Exchange Commission and Massachusetts regulators filed civil securities fraud charges against Putnam on October 28.

The withdrawals from Putnam funds are above and beyond the more than \$4 billion that has been pulled from the Boston money manager by institutional investors, including state pension plans in Vermont, Rhode Island, Iowa and Pennsylvania. Such institutional portfolios are typically managed separately and not invested in mutual funds.

The withdrawals at Putnam, a unit of [Marsh & McLennan](#) Cos., are among the largest experienced by a fund complex in a single week, said Robert Adler, AMG president. "Investors are voting with their dollars," he said, and "they are making a strong statement" about Putnam in the wake of the federal and state charges.

A Putnam spokeswoman declined comment on the past week's redemption activity and said it is generally company policy to not discuss flows.

Putnam has denied wrongdoing. The company is the fifth-largest fund complex by assets, with a total of \$272 billion in mutual funds and other assets under management.

Putnam's stock funds saw the bulk of the week's outflows, as investors pulled out \$3.9 billion, or 3.7%, of the stock funds' assets a week earlier, according to AMG. One of the hardest-hit funds, [Putnam International Equity Fund](#), saw outflows of about \$1 billion.

Industrywide, stock funds experienced net outflows of \$854 million in the latest week, AMG said. But excluding the Putnam outflows, the industrywide figure would have been inflows more robust than in the past few weeks, Mr. Adler said.



Putnam so far is the only fund company charged in the expanding probe into improper and illegal fund-share trading practices. Both the federal and state actions charge that Putnam failed to take adequate steps to prevent some of its portfolio managers from engaging in short-term trading of fund shares, to the detriment of the funds' long-term investors. Putnam International Equity is one of the funds that had been overseen by Omid Kamshad, one of the two former Putnam managers charged. An attorney for Mr. Kamshad has said that his client's trades "didn't violate any rule, regulation or statute."

There could well be further withdrawals from Putnam's funds and institutional accounts in coming days and weeks, as investors large and

small weigh whether to stick with the company.

On Tuesday, California state treasurer Phil Angelides called on the California Public Employees' Retirement System and the California State Teachers' Retirement System to end their relationships with Putnam.

Calpers Chief Investment Officer Mark J.P. Anson has met in recent days with several people at Putnam, "from our own portfolio managers all the way up to the top," said Patricia K. Macht, a spokeswoman for the pension fund. She said Mr. Anson "will be coming back to Sacramento and putting his recommendations together to present to the Calpers board, probably in closed session, on Nov. 17." Putnam manages about \$1 billion for Calpers.

Similarly, the California teachers' retirement system said it will review its relationship with Putnam, which manages \$315 million of the retirement plan's assets.

Some institutional investors also are scrutinizing their use of Janus and Strong funds, after those fund families have been implicated but not charged in the fund share-trading scandal. Oregon Treasurer Randall Edwards is recommending firing Strong Financial Corp. as manager of one of the state's three college-savings plans.

Mutual-fund investors also have withdrawn money from Janus and Strong funds, according to AMG, but those outflows don't approach the magnitude of this week's Putnam pullout. Janus and Strong were among four firms named, but not charged with wrongdoing, in the complaint filed and settled by New York Attorney General Eliot Spitzer charging improper trading in mutual fund shares by hedge fund Canary Capital Partners LLC.

Political considerations are probably part of the motivation for some government officials and bodies to move so quickly to distance themselves from fund companies implicated in the widening fund scandal, says Donald Yacktman, president of Yacktman Funds. Rather than risk being "tainted" by involvement with a particular fund company, Mr. Yacktman says, some governmental investors are apparently deciding to "just eliminate these managers [from our investment portfolio] and put them behind us really quick."

Some investors also see shifting money as the moral thing to do. **Richard Winer**, a financial adviser in Woodland Hills, Calif., says he is moving client money away from fund firms that have allegedly been involved in improper or illegal fund-share trading because "I have no interest in rewarding them for that kind of behavior."

However, it is by no means certain that investors are doing the best thing for themselves financially by bailing out of Putnam or other fund companies currently under a cloud.

Indeed, John Sullivan of securities firm Ryan Beck & Co. in West Palm Beach, Fla., warns that "any change from Putnam, or any of the other funds involved, could cause adverse tax consequences as well as additional charges for the investor."

--Arden Dale and Kathy Chu contributed to this article.

Write to Karen Damato at karen.damato@wsj.com

Updated November 7, 2003

Copyright © 2003 Dow Jones & Company, Inc. All Rights Reserved.