

U.S. INTERMEDIARY-SOLD FUND DISTRIBUTION REVIEW – 2013

Full report originally published by Strategic Insight, an Asset International company.
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EXECUTIVE SUMMARY

Channel Growth Trends

- ▶ The Independent/Regional BD channel – encompassing both large and small players – held roughly \$1.7 trillion of stock and bond mutual fund assets as of the end of 2013. While these BDs contributed nearly \$80 billion of total net deposits to such funds over the course of the year in aggregate, the largest firms in the space drove a significant proportion of this overall channel growth in 2013.
- ▶ The RIA channel attracted over \$30 billion of net inflows to long-term mutual funds during 2013. While down in aggregate as compared to 2012, this overall net flow decline was driven entirely within the bond fund space – as RIA net deposits actually increased in 2013 to each of equity, balanced/allocation and alternative funds.
- ▶ Banks & Trusts saw a cumulative \$47 billion flow into stock and bond funds in 2013 – led by roughly \$35 billion of net commitments within Private Banks. For fund managers with the appropriate capabilities, this unique channel could offer interesting opportunity for potential growth as well as valuable diversification in their intermediary-sold efforts.

Data included in this report is sourced from Strategic Insight's Simfund Pro, 7.0 database. The data includes open-end mutual funds and ETFs, and excludes money market and closed-end funds.

Investor Demand Trends

- ▶ International Equity funds led net demand within nearly all intermediary-sold avenues during 2013 – with net inflows to Foreign Large Cap and Emerging Markets Equity funds pacing demand across channels.
- ▶ The Independent/Regional BD channel was the largest contributor to rebounding equity fund demand in 2013 – far outpacing other intermediary-sold avenues with nearly \$55 billion of net inflows to U.S. and International Equity funds combined, plus an additional \$25 billion in net commitments to Balanced/Allocation strategies.
- ▶ Wirehouses were the largest net redeemers of bond funds during 2013. Following the mid-year bond market dislocation, our Wirehouse channel (which excludes Merrill Lynch) net redeemed \$14 billion (or 6.5% of beginning period assets) from Taxable Bond funds during June through December, and nearly \$13 billion (or 15% of beginning period assets) from Municipal Bond funds.

ETFs

- ▶ The RIA channel inched past Private Banks as the largest holders of ETFs as of the end of 2013. ETF assets increased by nearly 30% via RIAs during the year to roughly \$340 billion, spurred by just under \$40 billion of net deposits to such funds.
- ▶ Net flows to ETFs within Wirehouses (excluding Merrill Lynch) translated to a 14% organic growth rate during 2013 – the highest of any channel.
- ▶ Expanding use of U.S. Equity ETFs led net demand within each of the retail advisor-focused channels in 2013, led by flows to core large cap exposures.

About the Report

This ongoing report series from Strategic Insight provides highlights of mutual fund and ETF distribution trends by channel, based on the intermediary-sold fund distribution data transparency contained in Simfund Pro, 7.0. This data encompasses asset and net flow information (updated monthly) for roughly \$7.5 trillion of open-end stock and bond mutual fund and exchange-traded fund (ETF) assets across nearly 800 distributors and nine distribution channels (descriptions of each channel and of the top distributors can be found [here](#)). More information on Simfund Pro, 7.0 can be found [here](#).

This report focuses on full year 2013 results. It contains an executive summary and two main sections:

- ▶ Section I – Assessing the Intermediary-Sold Marketplace
 - Mutual Fund Growth Trends by Distribution Channel
 - Mutual Fund Demand Trends by Distribution Channel
 - ETF Growth Trends by Distribution Channel
 - ETF Demand Trends by Distribution Channel
- ▶ Section II – Channel Snapshots
 - RIA
 - Independent/Regional Broker Dealer
 - Wirehouse
 - Bank & Trust

[Note that all Wirehouse channel data in this report excludes Merrill Lynch data – except where SI estimations are specifically noted in footnotes to certain graphs in Section I. In addition, all references to the RIA channel include both the RIA and Dual Registered channels within Simfund Pro, 7.0]

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