

U.S. INTERMEDIARY-SOLD FUND DISTRIBUTION REVIEW – Q2'2013

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EXECUTIVE SUMMARY

Channel Growth Trends

- ▶ The RIA channel attracted \$2.3 billion of net inflows to stock and bond mutual funds during Q2'13 (after bringing in roughly \$26 billion during Q1'13). This Q2 total was suppressed by \$11 billion of net outflows from stock and bond funds in June (including approximately \$13 billion of net redemptions from bond funds during the month, the largest of any channel).
- ▶ Private Banks continued to see substantive activity within mutual funds during Q2'13, tallying \$7 billion of net inflows to stock and bond strategies. The Private Bank channel garnered \$36 billion of total net deposits within long-term funds during the first half of 2013, good for a 7% organic growth rate.
- ▶ The Independent/Regional Broker Dealer (BD) channel saw \$17 billion of net inflows to stock and bond funds during Q2'13. While the channel did suffer from bond fund redemption pressures in June, continued strong demand for equity funds within several larger BDs helped to offset this stress within fixed income strategies.

Data included in this report is sourced from Strategic Insight's newly enhanced 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

- ▶ Independent/Regional BDs saw \$16 billion flow to equity and hybrid funds in Q2. This was led by \$6.4 billion of net deposits within Balanced/Allocation funds – where a range of multi-asset income strategies ranked among the top asset gatherers within the channel.
- ▶ RIAs showed strong demand for actively managed International/Global Equity strategies in Q2'13, depositing \$3.7 billion of net inflows to such funds during the quarter (led by emerging markets offerings, as well as foreign large cap strategies).
- ▶ Wirehouses contributed roughly \$3 billion of net deposits to liquid Alternative funds over the first half of 2013 (even when excluding Merrill Lynch) – already surpassing 2012's full year flow total.

ETFs

- ▶ RIAs led ETF demand in Q2'13 – depositing just over \$7 billion to ETFs during the quarter (bringing these advisors' total net inflows for the first half of 2013 to roughly \$20 billion).
- ▶ US Equity ETFs led investor demand across nearly all channels during Q2'13, with such offerings attracting roughly \$26 billion of net inflows within our intermediary-sold universe.
- ▶ Conversely, investor activity within International Equity ETFs fell considerably during Q2'13 – spurred significantly by net redemptions from ETFs focused on emerging market regions.

About the Report

This ongoing quarterly report series from Strategic Insight provides highlights of mutual fund and ETF distribution trends by channel, based on the new 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 trillion of open-end stock and bond mutual fund and exchange-traded fund (ETF) assets across over 900 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](#).

The Q2'2013 report 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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