

U.S. INTERMEDIARY-SOLD FUND DISTRIBUTION REVIEW – Q1'2013

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EXECUTIVE SUMMARY

Channel Growth Trends

- ▶ The Private Bank channel experienced strong growth during Q1'13 – garnering \$29 billion of net inflows to mutual funds and \$10 billion within ETFs. Private Banks held \$550 billion of long-term mutual fund assets as of the end of March 2013 and \$300 billion within ETFs.
- ▶ Independent/Regional Broker-Dealers (BD) saw \$43 billion of net deposits to stock and bond mutual funds during Q1'13, representing a 3% organic growth rate based on beginning period assets.
- ▶ RIAs led all channels with over \$12 billion of net inflows into ETFs during Q1'13, after bringing in roughly \$30 billion during 2012. Within stock and bond mutual funds, the RIA channel attracted \$26 billion of net inflows during Q1'13 – spurred in part by strong flows to International Equity funds.
- ▶ The Discount channel benefitted significantly from retail investors' increasing confidence in Q1'13, garnering nearly \$17 billion of net inflows to stock and bond mutual funds during the quarter (representing an organic growth rate of over 9%) – led by \$5 billion of net deposits to US Equity funds.

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

- ▶ International Equity fund demand surged across channels in Q1'13, led by flows to emerging markets equity strategies, as well as international large cap stock funds. The Private Bank channel saw \$9.2 billion of net inflows to International Equity mutual funds in Q1, good for an 8.3% organic growth rate.
- ▶ U.S. Equity funds also enjoyed positive net inflows across channels during Q1'13 (after suffering net redemptions within all channels except Discount over the full year 2012 period). Demand for U.S. Equity mutual funds was led by the Independent/Regional BD, Private Bank and Discount channels – which each garnered roughly \$5 billion of net inflows to such funds during Q1.
- ▶ Bond fund demand remained substantive during Q1'13, as investors' increasing engagement in equity strategies did not derail the continued desire for income solutions. This demand was led broadly across channels by net inflows to bank loan and alternative bond strategies.

ETFs

- ▶ Retail investors and advisors led overall ETF growth in Q1'13, as the more “retail-oriented” channels (RIA, Independent/Regional BD, Wirehouse and Discount) accounted for \$41 billion of aggregate net inflows during the quarter.
- ▶ Demand for equity exposure dominated ETF activity across channels during Q1'13. Flows to equity ETFs were especially strong within the three most prominent advisor-focused channels – Independent/Regional BD, Wirehouse and RIA.

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 Q1'2013 report covers:

- ▶ 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
- ▶ 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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