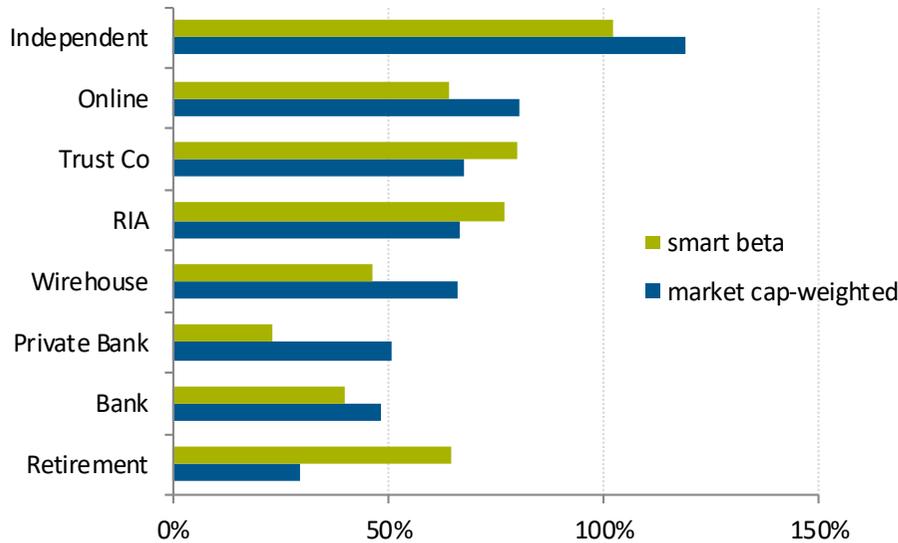


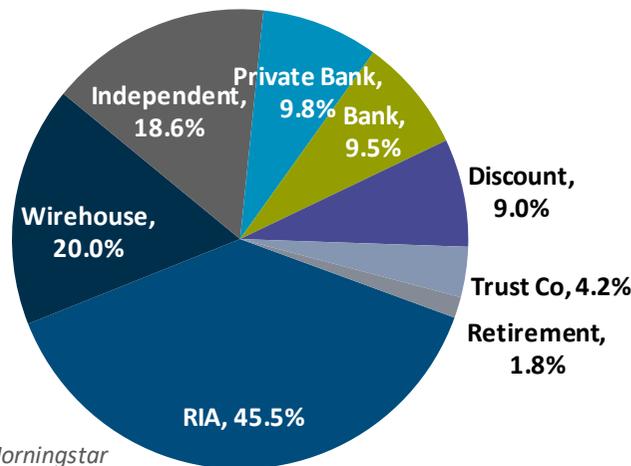
INSIGHT OF THE WEEK

Smart beta growing unevenly across channels

Asset growth by channel, 2016-Present



Smart beta asset location by channel, current



Broadridge data and analytics, Morningstar

Broadridge Insights

Despite high profile, smart beta only matching growth of much larger traditional market-cap weighted

The past three years to mid- 2018 have been a period of substantial growth in passive strategies across mutual funds and ETFs. Smart (or strategic) beta and traditional market cap-weighted passive products have seen similar asset growth (64% vs 65%) while traditional passive has maintained a roughly 5-to-1 asset advantage over smart beta.

We combined our channel data with Morningstar’s strategic beta attribute to see which channels have been the most fruitful for smart beta manufacturers and which ones need more attention. In terms of asset growth, independent broker/dealers sit atop the channels where they’ve seen smart beta assets double (+102%) since mid-2016. Bankers (both private and retail) and wirehouses have been less interested and their smart beta assets have grown 20-40%—solid figures, but well down the list.

The trust company and RIA channels have actually seen smart beta growing about 3% faster than traditional passive, while the most enthusiastic channel may be the retirement space, where traditional passive has been the very slowest and smart beta assets have grown over 65%.

The retirement channel controls a small portion—about 2%—of all smart beta assets (see pie chart) and depends almost entirely on mutual funds as their preferred vehicle. Fund managers already in the retirement space will find a receptive audience for new products that demonstrate the factor-style investing that DC plans crave today.

Data drawn from our Market Analytics product

Market Analytics provides unparalleled insight into the U.S. market

- Fund and ETF data for all third-party distribution channels
- Advanced visualization and analytics capabilities
- Pre-built dashboards empower sales teams with tools to drive decisions
- Customizable with your own dashboards, visualizations, and analytics
- Ability to integrate CRM activity data for display and analysis

For more information about our data or insights on this topic please contact Jeff.Tjornehoj@broadridge.com.

Visit the Distribution Insights Hub at broadridge.com/resource/distribution-insights