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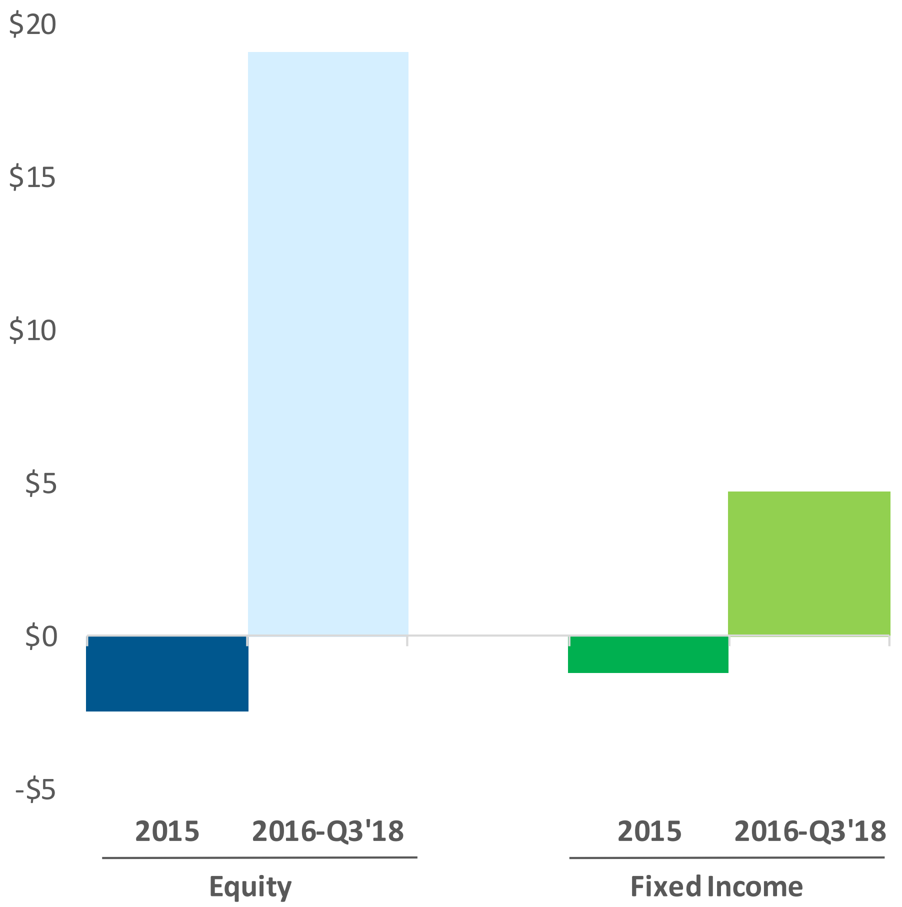
Distribution Insight

INSIGHT OF THE WEEK

US E&Fs seeing flow divergence from active to passive

NOT-FOR-PROFIT NET FLOWS IN PASSIVE EQUITY & FIXED INCOME

$BN, 2015 & 2016 – Q3 2018



Broadridge Americas Market Insight

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Not-for-profits shied away from Index in 2015 but have since embraced these strategies especially from an equity stand point, with low cost being the main reason and also boosted by underperformance in active.

Within the assets tracked in MiM, the Not-for-Profit universe is embracing passive management in a way not seen before. The bifurcating flows, especially between active and passive equity, is giving way to a secular trend – that passive could surpass active if the level of usage in passive continues. Assuming an average growth rate from the last three years continues, the convergence could likely happen in the next decade or so.

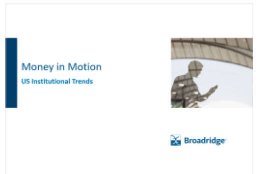
The growing popularity in passive investing is also supported by industry analytics and investor surveys, such as a recent NEPC survey focusing on endowments and foundations has found that more than 60% of respondents are passively managing between 11% and 30+% of their portfolios, a 43% increase in usage level from three years ago, and 78% of respondents plan to maintain or increase their usage in the next year.

As fee pressure continues to put a damper on active and even some esoteric strategies, more investors might look to this route for solutions-based strategies.

Insights drawn from our Americas Insight team

An intelligence service focused on the institutional landscape

- Analysis of markets, products and distribution
- Current and future opportunity analysis



For more information about our data or insights on this topic

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