

# U.S. INTERMEDIARY-SOLD FUND DISTRIBUTION REVIEW – Q1'2014

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

### Channel Growth Trends

- ▶ The RIA channel saw a strong increase in net demand for mutual funds during Q1'14, attracting \$19 billion of net deposits. This total represented a 1.5% organic growth rate, based on beginning period total assets.
- ▶ The Private Bank channel continued its strong growth in Q1'14, attracting \$11 billion of net inflows within stock and bond mutual funds during the quarter. Since the start of 2012, Private Banks have attracted nearly \$85 billion of cumulative net deposits to long-term funds.
- ▶ The largest Independent/Regional BDs were key beneficiaries of increasing net demand during Q1'14. The top-five largest Independent/Regional BDs captured within Simfund Pro 7.0 garnered roughly \$14 billion of aggregate net flows in Q1.

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

- ▶ Flows to U.S. Equity funds were the highest of any fund type within both the Independent/Regional BD and Wirehouse channels during Q1. Independent/Regional BDs, in particular, continued to contribute strong net flows to U.S. Equity funds – adding just over \$8 billion of net deposits.
- ▶ International Equity funds garnered the highest net inflows in aggregate across channels during Q1'14, led by RIAs' \$6.1 billion of net commitments. In a continuation of 2013 demand, such flows were led by Foreign Large Cap and Diversified Emerging Markets strategies across a number of channels.
- ▶ Bond fund demand rebounded during Q1'14. Net outflows slowed within the broker dealer channels, while RIAs and Private Banks net deposited over \$4 billion each to Taxable Bond mutual funds.

## ETFs

- ▶ The RIA channel continued to lead the expanding adoption of ETFs within the intermediary-sold marketplace. On the heels of just under \$40 billion of net inflows to ETFs during 2013, RIAs net deposited an additional \$8 billion during Q1'14.
- ▶ Private Banks and Trust Co.'s absorbed the brunt of ETF outflows during Q1'14 – experiencing \$6 billion and \$7 billion of aggregate net redemptions, respectively. The majority of such net withdrawals were concentrated within Emerging Markets Equity and S&P 500 exposures.
- ▶ U.S. Equity-centered plays led ETF net flows within Independent/Regional BDs and Wirehouses during Q1'14. These net deposits were driven primarily by sector-focused exposures, while core U.S. Equity

(i.e. style box) ETFs experienced aggregate net outflows within both of these broker dealer channels in Q1.

## 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 \$7.8 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](#).

This report focuses on Q1'2014 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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