

# U.S. Intermediary-Sold Fund Distribution Review – Q2'2014

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## Executive Summary

### Channel Growth Trends

- The RIA channel attracted \$25 billion of net inflows to long-term mutual funds during Q2'14 – the highest of any channel. Year-to-date, RIAs have deposited just under \$45 billion to such funds on a net basis.
- Independent/Regional BDs contributed \$16 billion of net inflows to stock and bond funds during Q2'14, down slightly from roughly \$20 billion in Q1.
- The Private Bank channel experienced a slowdown in overall mutual fund demand during Q2'14, recording slight net outflows in aggregate (following roughly \$11 billion of net inflows to long-term funds in Q1). These net redemptions were spurred by June's \$4.3 billion of net withdrawals within the channel.

### Investor Demand Trends

- International/Global Equity funds led net demand within the intermediary-sold space for the second straight quarter during Q2'14 – led by net deposits of \$6.7 billion via RIAs and \$4.9 billion within the Independent/Regional BD channel.
  - Net flows within the RIA channel were led by Emerging Markets exposures (which attracted \$2.2 billion), while International Large Cap funds enjoyed strong demand via RIAs and Independent/Regional BDs.
- Multi-asset Allocation offerings attracted strong interest from advisors within each of the Independent/Regional BD, RIA and Wirehouse channels during Q2'14. Such demand was led by income-focused funds offering global exposures.
- Flows to liquid Alternative funds remained strong in Q2'14, but relatively flat in aggregate across channels as compared to Q1 totals. These top-line flow results, however, were impacted by decreasing commitments to several top 'Alt' strategies in Q2 (while many other individual funds continued to see increasing traction).

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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.

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## ETFs

- Private Banks led demand for ETFs during Q2'14, depositing \$18 billion on a net basis into such funds (and reversing the trend of aggregate net outflows within the channel during each of the previous two quarters).
- RIAs committed roughly \$17 billion to ETFs in Q2 and held \$385 billion in such funds as of the end of June (up 31% since mid-2013).
- S&P 500 and Emerging Markets were among the top net inflow ETF categories driving growth in Q2. Notably, these categories led net *outflows* during Q1 – as tactical use of ETFs within these two heavily traded segments (particularly by institutions) can lead to volatile flow swings amid market fluctuations.

## About this 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 \$8.3 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 Q2'2014 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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