

U.S. INTERMEDIARY-SOLD FUND DISTRIBUTION REVIEW – Q3'2013

Full report originally published by Strategic Insight, an Asset International company.
Report author: Dennis Bowden, Strategic Insight - dbowden@sionline.com.

EXECUTIVE SUMMARY

Channel Growth Trends

- ▶ The Independent/Regional Broker-Dealer (BD) channel attracted just under \$5 billion of net inflows to stock and bond mutual funds in Q3'13, representing a 0.3% organic growth rate based on beginning period assets. Within these aggregate flows, the top-three largest Independent/Regional BDs tracked within Simfund Pro, 7.0 attracted roughly \$6.5 billion of net inflows during the quarter.
- ▶ The Wirehouse channel (excluding Merrill Lynch) experienced roughly \$5.5 billion of aggregate net outflows from long-term mutual funds during Q3'13. While net attrition within the channel was led by increased redemptions from bond funds, Wirehouses did lead all channels in net demand for liquid alternative strategies during Q3.
- ▶ The Private Bank channel brought in just over \$2 billion of net inflows to stock and bond mutual funds during Q3'13. In addition to strong net deposits within several investment categories, the Private Bank channel also benefited in aggregate from lower relative net redemption pressures within bond funds during the quarter.

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

- ▶ US Equity fund demand increased significantly within the broker dealer and RIA channels during Q3'13. In aggregate across the Independent/Regional BD, Wirehouse and RIA channels, net inflows to US Equity mutual funds increased from \$7.1 billion in Q2'13 to \$11.8 billion in Q3.
- ▶ Alternative mutual fund strategies registered a notable jump in net demand within the intermediary-sold marketplace during Q3'13. Such funds scored their highest quarterly net inflows of the year within each of the Independent/Regional BD, Wirehouse and RIA channels – as some investors and advisors look to Alternative strategies to provide portions of the downside and volatility protection within their portfolios previously accomplished through the use of certain bond funds.

ETFs

- ▶ ETFs attracted \$52 billion of net inflows at an overall industry level in Q3. A large portion of this growth was driven through the more institutionally-influenced market segments of Private Banks, Banks and Trust Co.'s (with these channels totaling \$33 billion of net deposits to ETFs during the quarter).
- ▶ The RIA channel continues to be an area of strong ETF growth. RIAs net deposited roughly \$10 billion into ETFs during Q3'13, and led all channels with approximately \$30 billion of net inflows over the first nine months of 2013.
- ▶ The large majority of net flow activity within ETFs during Q3'13 took place within equity strategies. US Equity ETFs led net inflows in each channel except Private Bank, where International Equity ETFs registered a slight flow advantage.

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 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 Q3'2013 report 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]

For more information about Strategic Insight or to request a full copy of this report, contact us at info@sionline.com or call +1 212 217 6864.

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