



U.S. Intermediary-Sold Fund Distribution Review – Q3'2014

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Executive Summary

Channel growth trends

- The RIA channel saw roughly \$24 billion of net outflows from stock and bond mutual funds during Q3 – with such withdrawals led by \$15 billion of net redemptions from Taxable Bond funds during the month of September.
 - While outflows within the RIA channel extended beyond Taxable Bond funds in Q3, September's activity reinforces the velocity and decisiveness with which discretionary RIAs can move in and out of fund positions.
 - Despite the aggregate flow pullback in Q3'14, RIAs have contributed \$21 billion of net deposits to long-term mutual funds for the year-to-date period through September – the second highest total of any channel.
- The Independent/Regional Broker-Dealer (BD) channel showed resilient demand in Q3'14 – depositing roughly \$12 billion on a net basis into stock and bond mutual funds during the quarter.
- The Bank & Trust market (encompassing Private Banks, National Banks and Trust Companies) saw roughly \$8 billion of net inflows to long-term funds during Q3'14, up from \$3 billion in Q2.

Investor demand trends

- International/Global Equity fund demand remained strong amid market unrest. Private Banks led net demand for developed-market international strategies during Q3'14, while RIAs continued to lead flows into Emerging Markets Equity funds.
- Balanced/Allocation strategies attracted just under \$5 billion of net deposits within the Independent/Regional BD channel during Q3'14. Leading this demand were income-focused and absolute return-oriented strategies – a shift from the global tactical asset allocation offerings which attracted strong investor interest in the years following the financial crisis.

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.

ETFs

- The Independent/Regional BD channel continued to expand its use of ETFs during Q3'14, depositing nearly \$10 billion into such funds on a net basis (bringing their year-to-date flow total to \$17 billion, trailing only RIAs and Private Banks).
- Taxable Bond ETFs enjoyed their third straight quarter of positive net commitments within the Bank & Trust space during Q3. Over the past two years, ETFs have increased their share of total Taxable Bond mutual fund + ETF assets within Banks & Trusts from roughly 16.5% in Q3'2012 to 18% as of the end of Q3'14.

About this report

This ongoing report series from Strategic Insight provides highlights of mutual fund and exchange-traded fund (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 over \$8 trillion of open-end stock and bond mutual fund and 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 Q3'2014 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: All Wirehouse channel data in this report excludes Merrill Lynch data – except where Strategic Insight 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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