

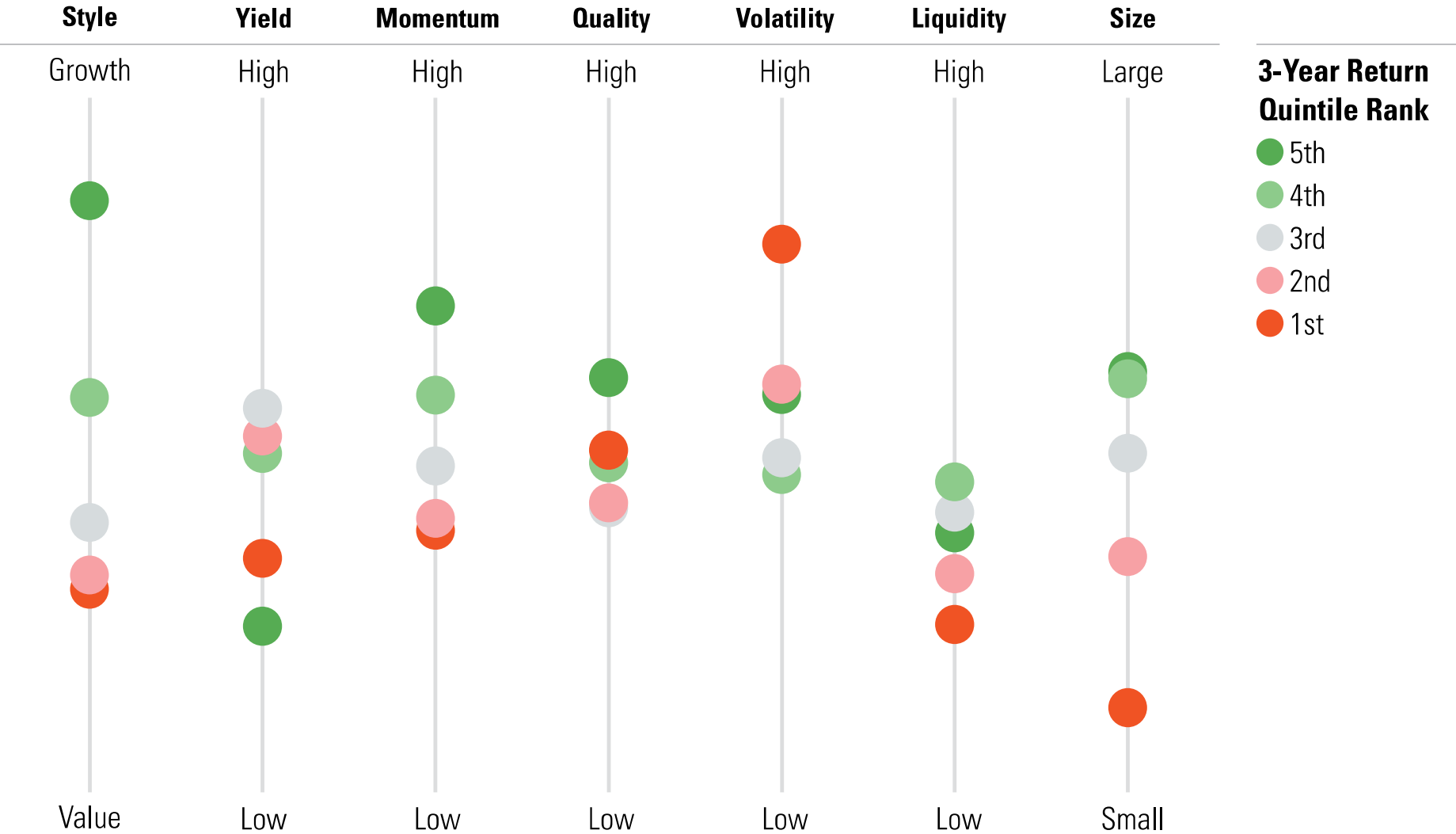
# Stay Competitive in an Evolving Financial Services Industry



Timothy Strauts  
Director of Quantitative Research

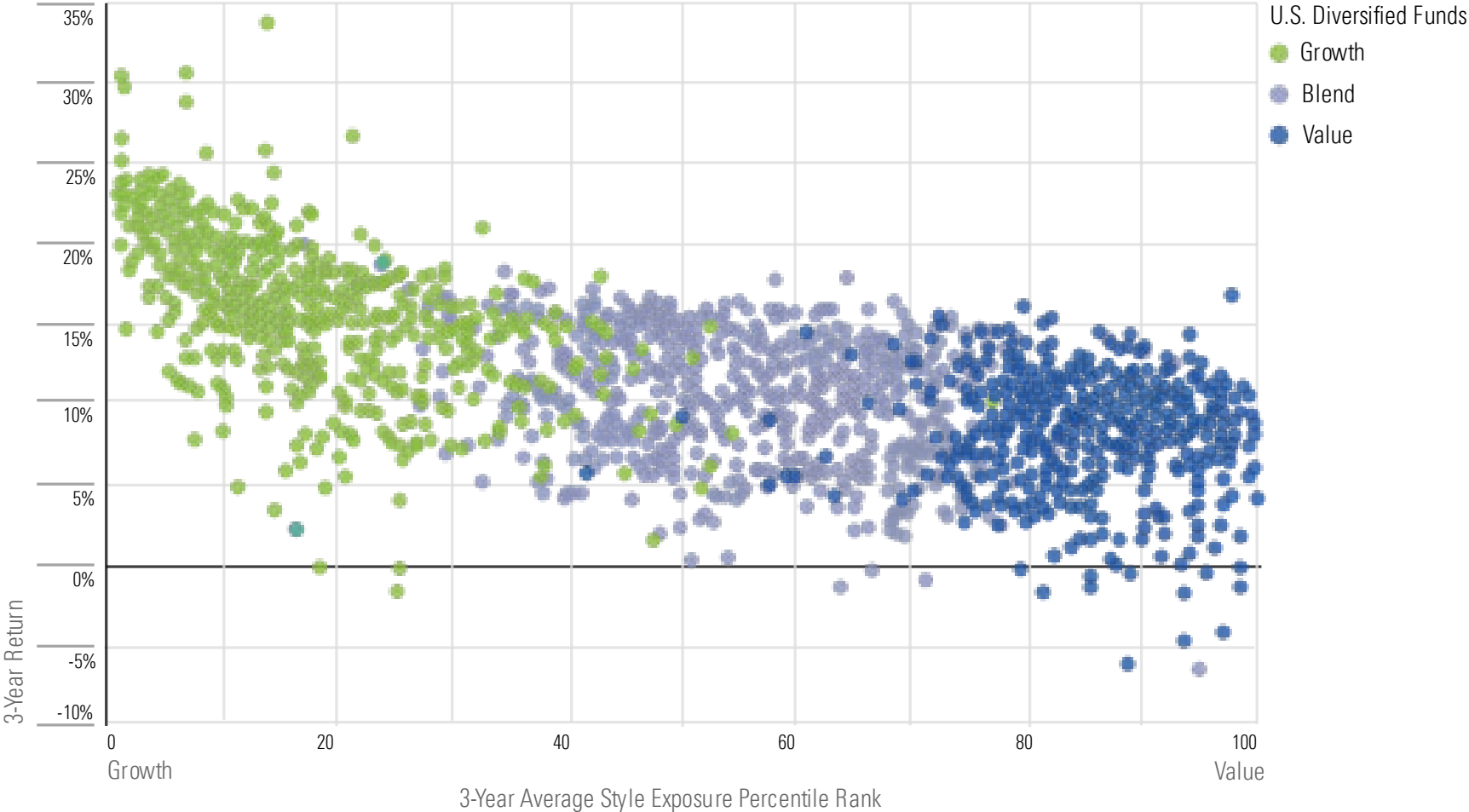
March 11, 2020

# Which Factors Drove Equity Performance in the Last Three Years?



# Growth Funds Dominated Value Funds in the Last Three Years

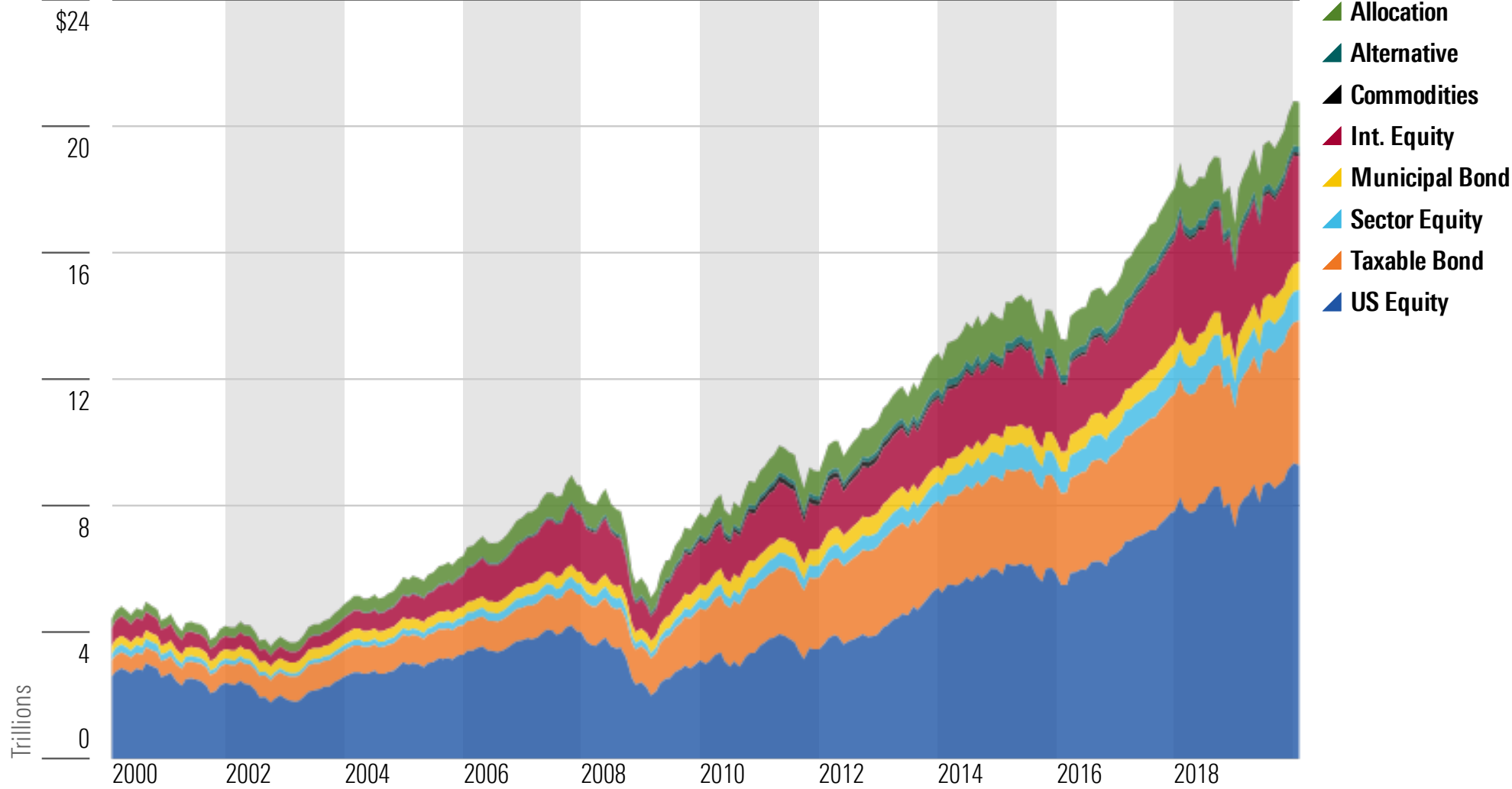
Three-Year Style and Performance Trend



Source: Morningstar, Author's Calculations; Data as of Dec. 31, 2019

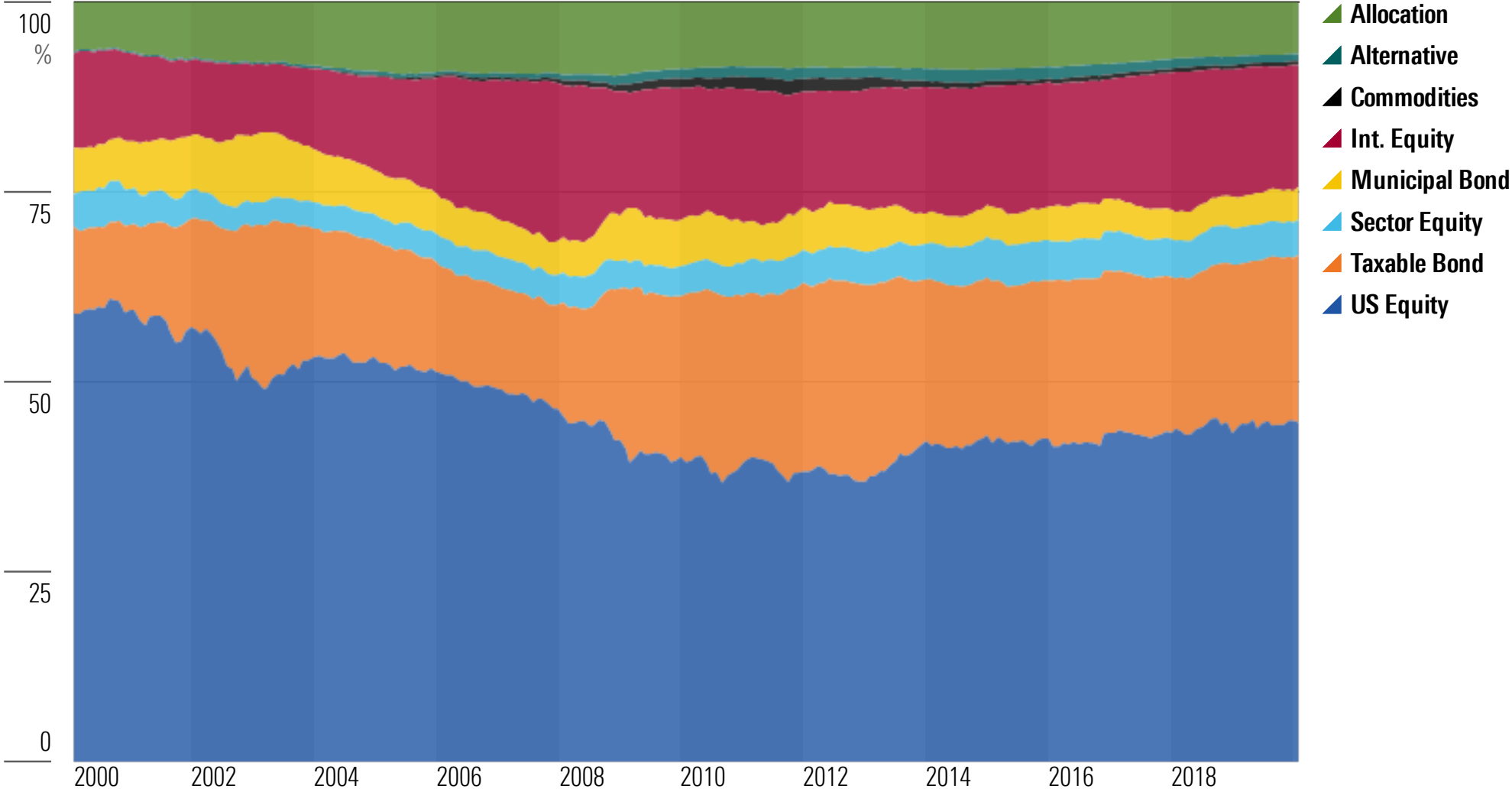
# Overall Assets Grew 23% in 2019

Total U.S. Mutual Fund and ETF Assets



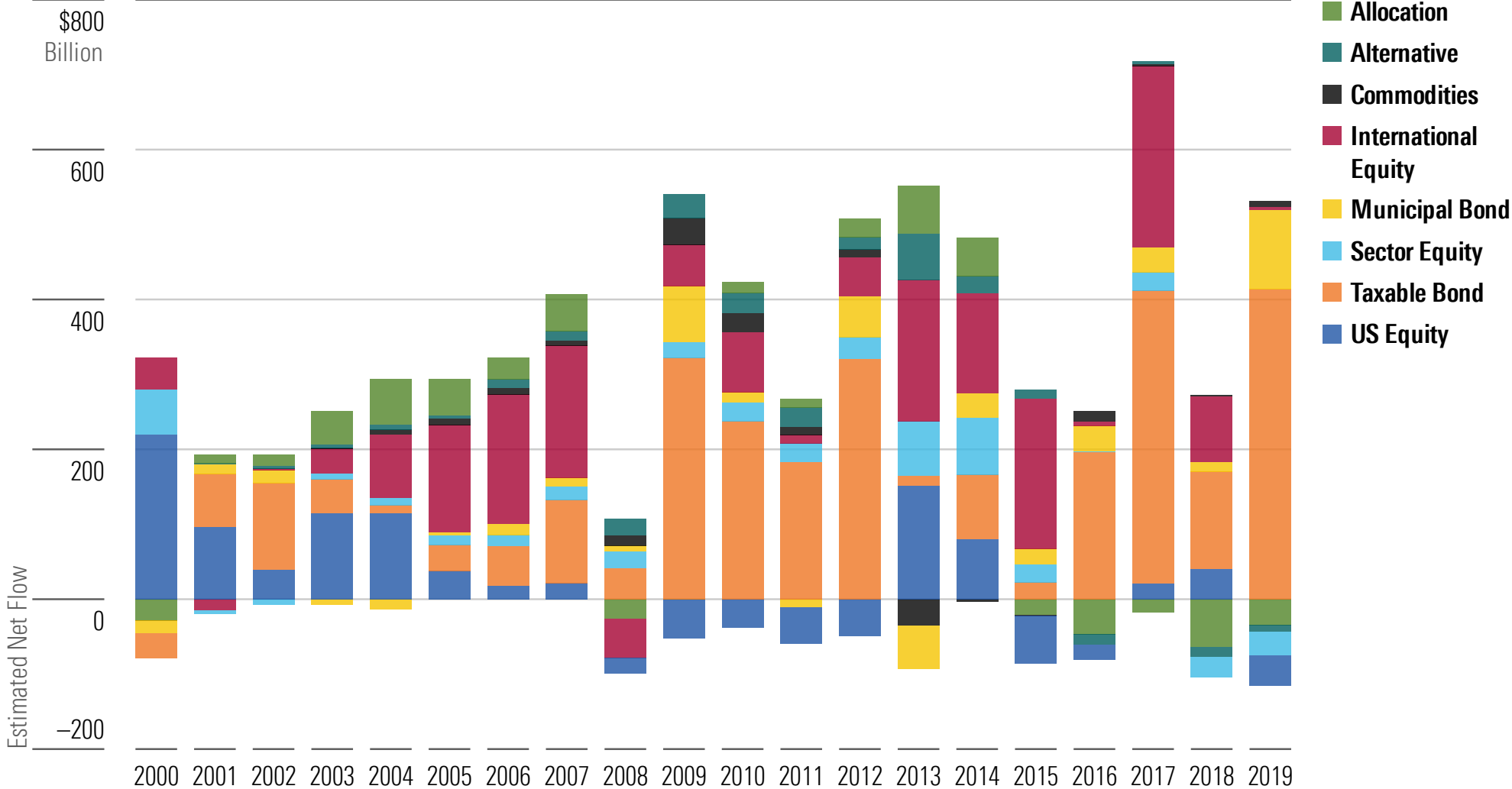
# Asset Class Market Share was Relatively Stable In the Last Few Years

Percentage of Mutual Fund and ETF Assets by Category Group

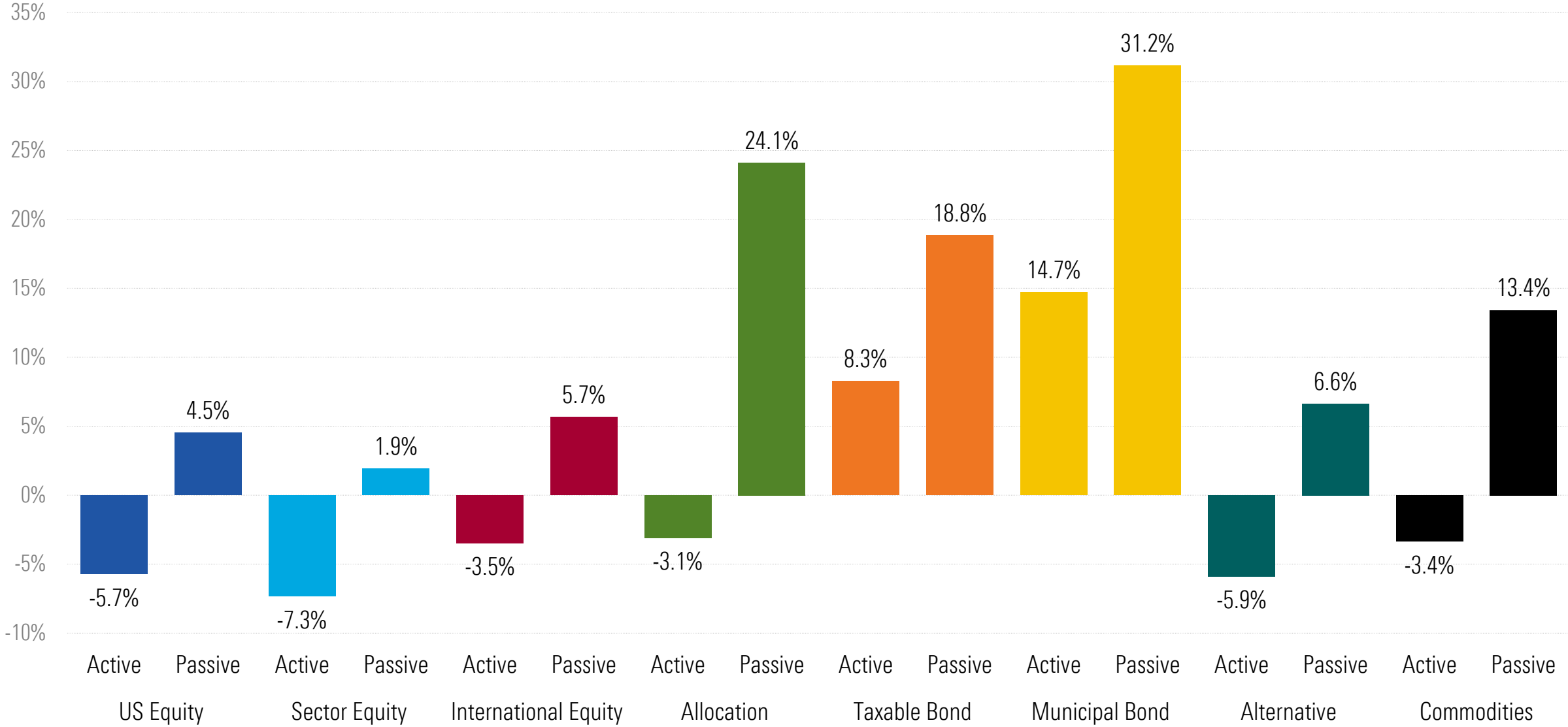


# Fixed Income Flows Dominated Again in 2019

Annual Mutual Fund and ETF Flows by U.S. Category Group

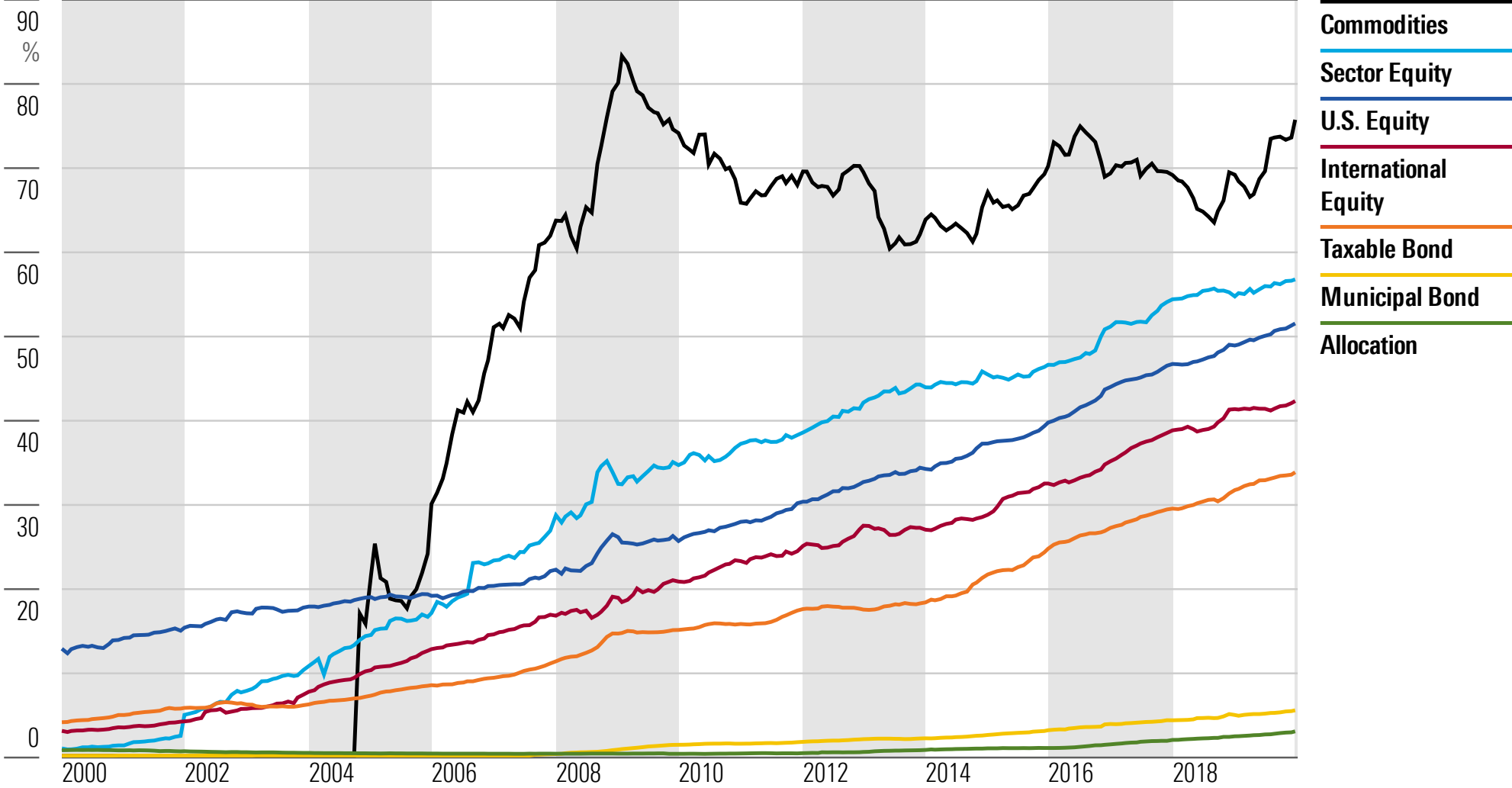


# 2019 Organic Growth Rate by Category Group



# Passive Investing Is Increasing Everywhere

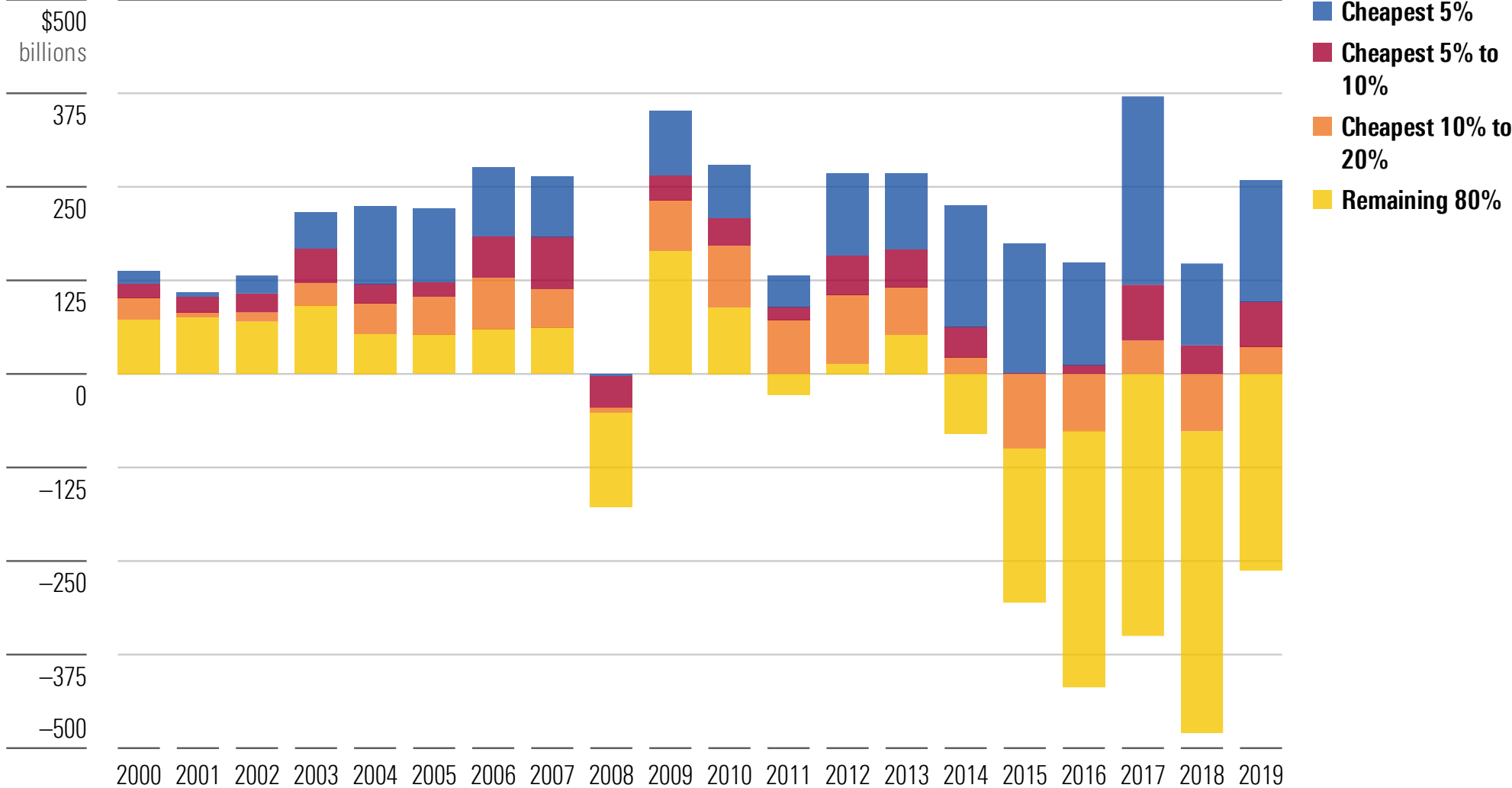
Percentage of Assets Invested Passively by Category Group





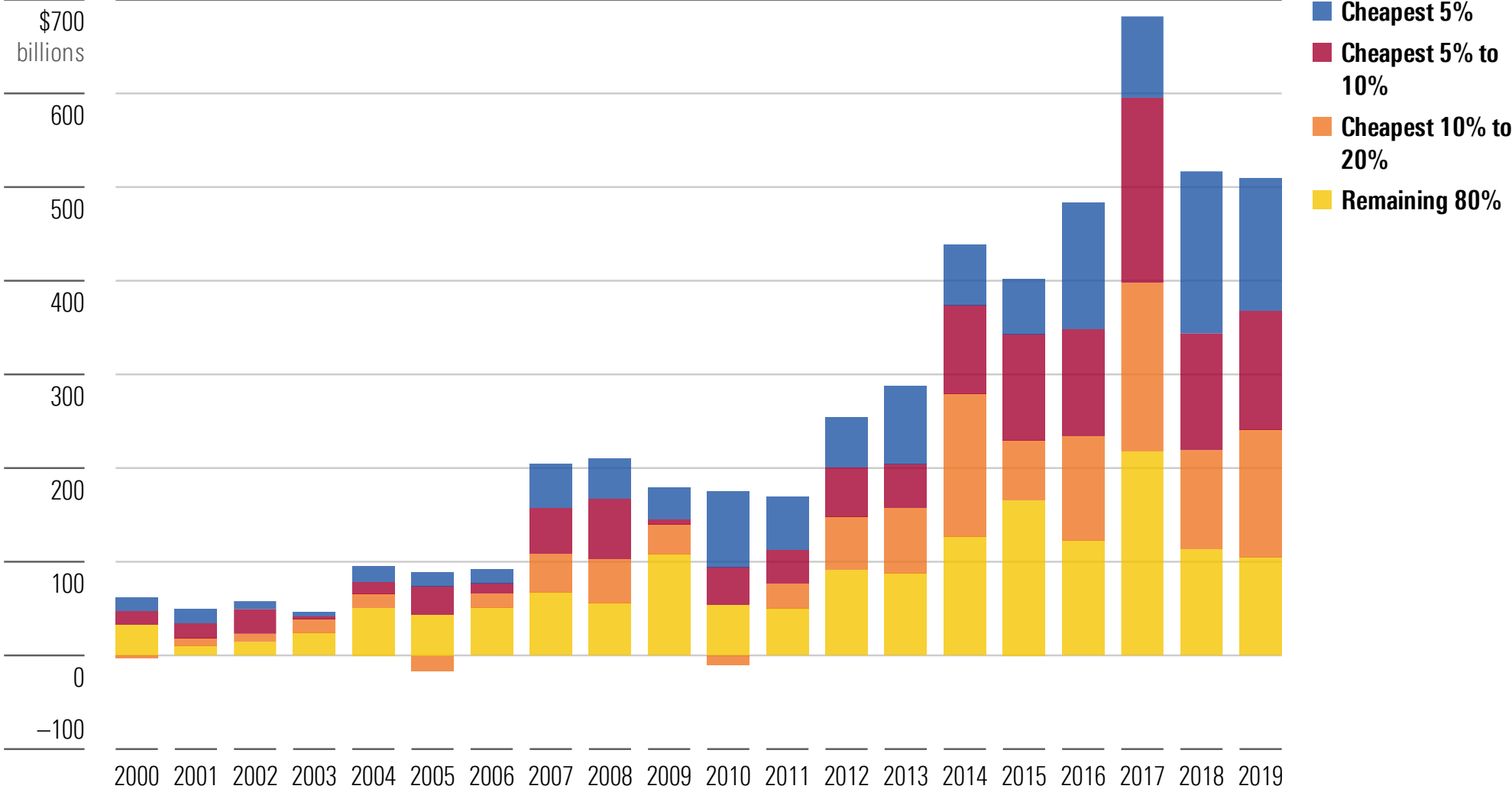
# Only the Very Cheapest Active Funds Get Flows

Active Fund Flows by Fee Level



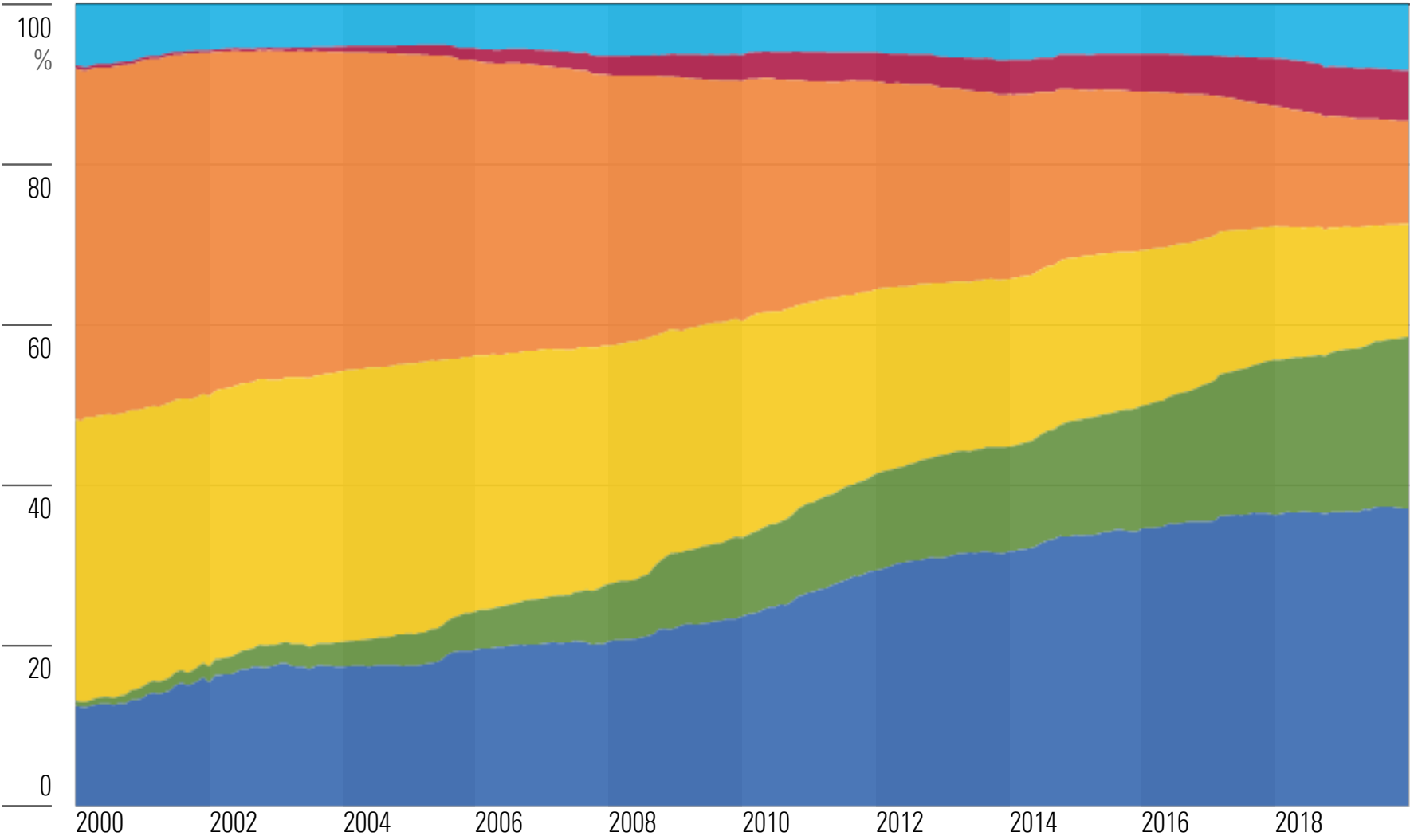
# Surprisingly Even Higher Cost Passive Funds Get Positive Flows

Passive Fund Flows by Fee Level

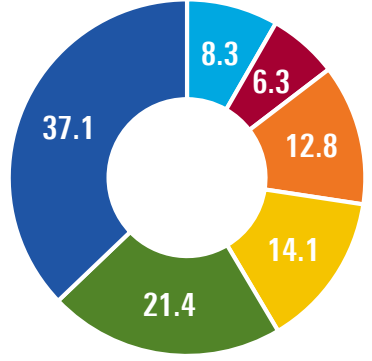


# Share Class Leadership Has Changed Dramatically In The Last 20 Years

Market Share By Fund Share Class Type

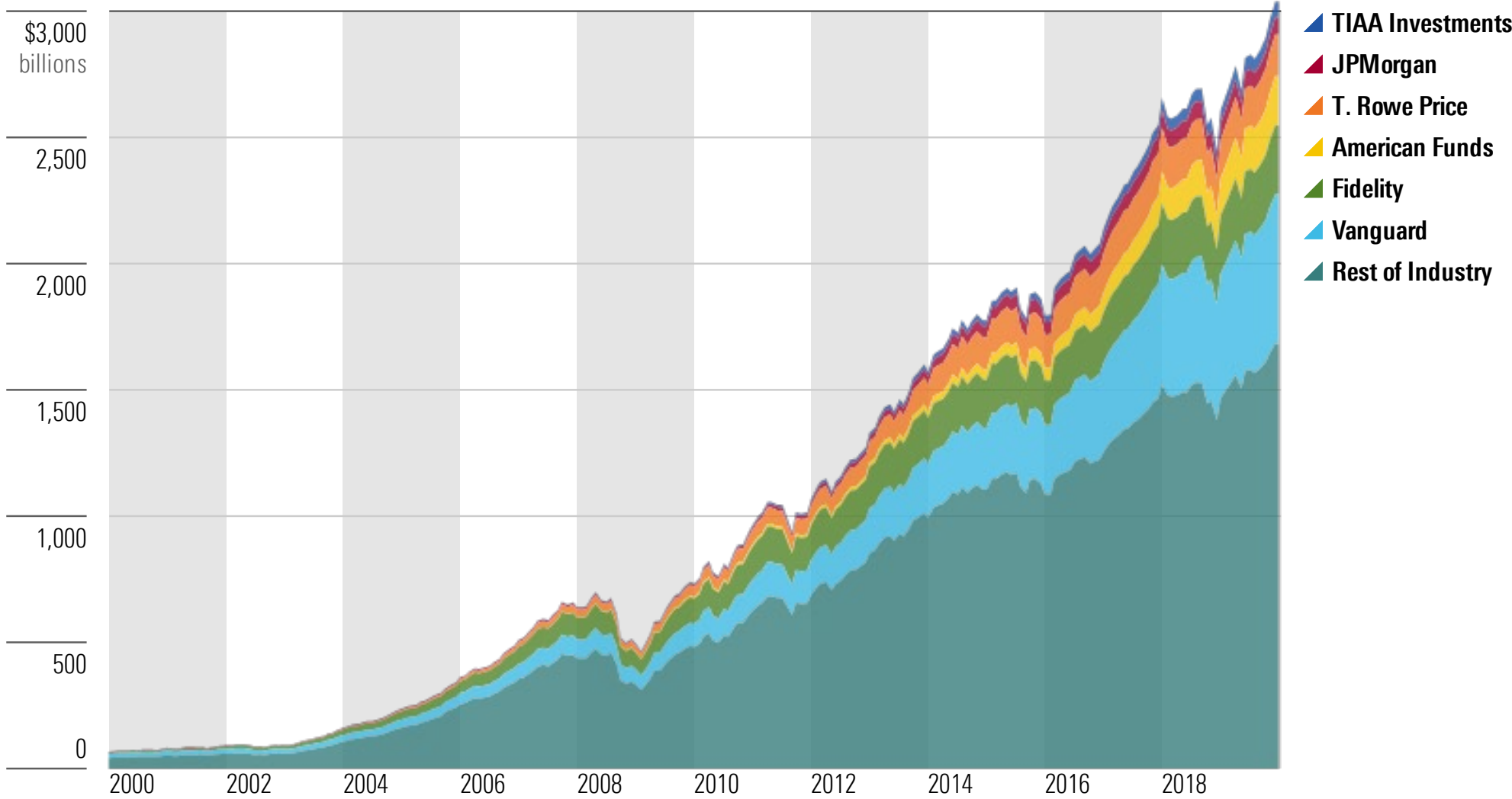


- Other
- Retirement
- Load
- No Load
- ETF
- Institutional

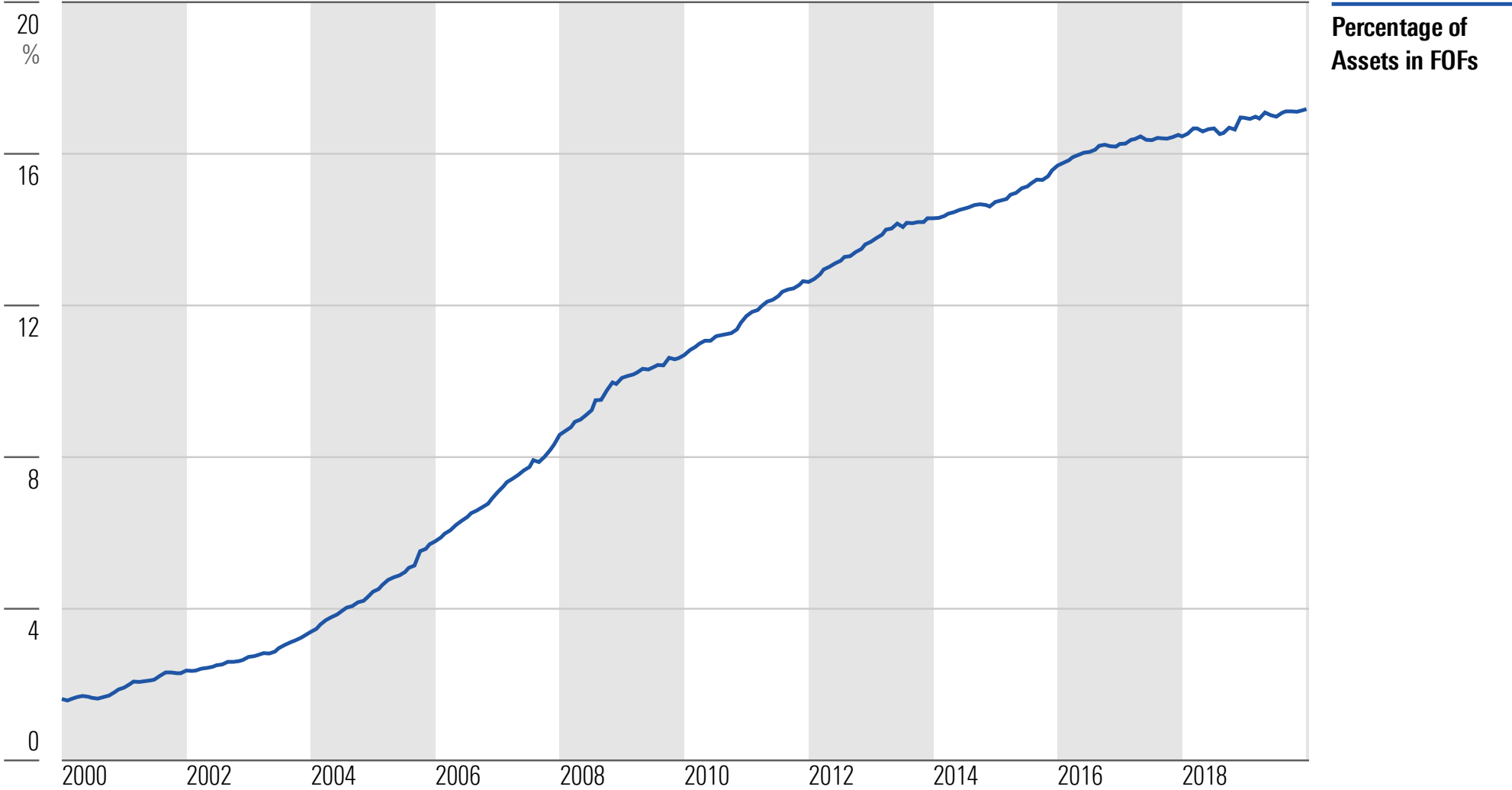


# Fund of Funds Assets Grew 24% in 2019

Fund of Funds Assets

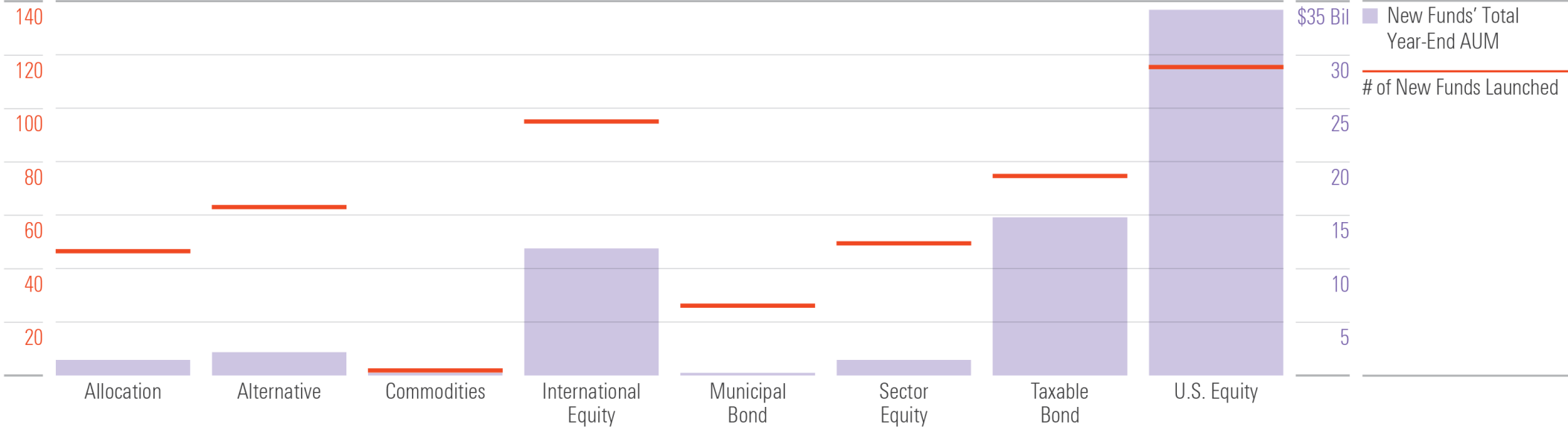


# Fund of Fund Market Share Growth Has Slowed

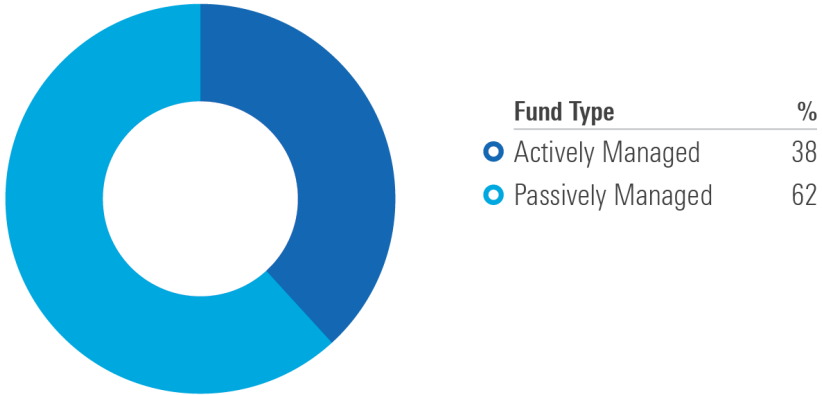


# New Funds Launched in 2019

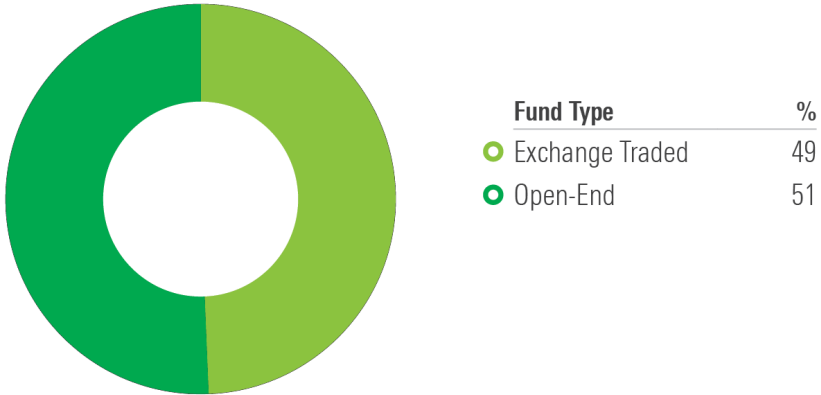
New Funds Launched by U.S. Category Group 2019



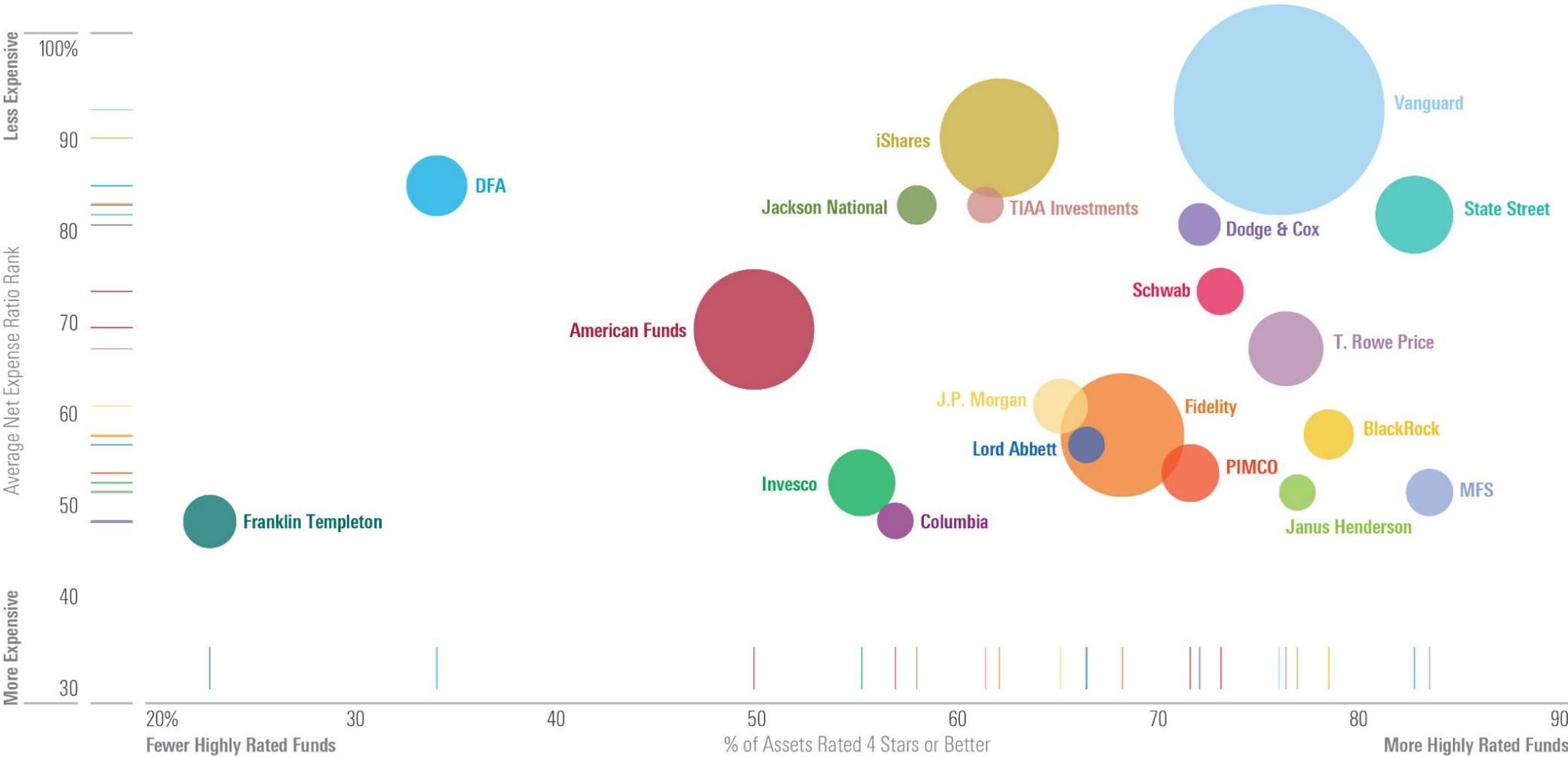
New Funds Launched by Active and Passive Total Net Assets 2019



New Funds Launched by Investment Type 2019



# Top 20 Fund Companies: Relationship Between Ratings, Expenses, and Assets

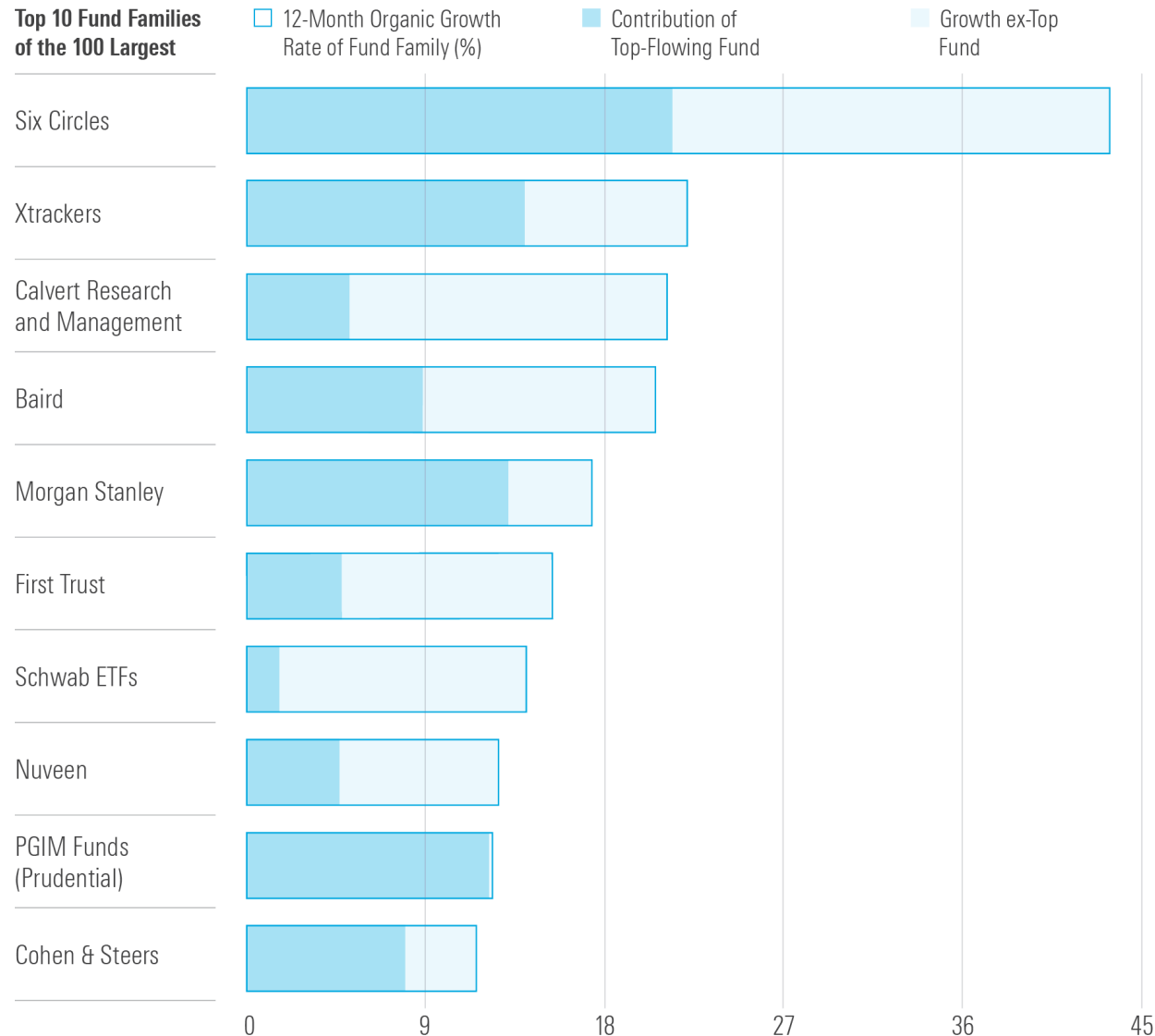


## Top 10 Fund Companies: Flows

Fund Family	Net Flows (bil)		Total Assets (bil)
	Trailing 1 Year	Trailing 3 Years	
Vanguard	206	690	5,354
BlackRock/iShares	152	487	2,034
Fidelity Investments	68	140	1,836
American Funds	3	35	1,759
SPDR State Street Global Advisors	33	59	722
T. Rowe Price	-18	-45	667
Invesco	-25	-47	552
Dimensional Fund Advisors	1	50	434
PIMCO	16	52	397
JPMorgan	19	28	362



# Fastest Growing Fund Families



Top Fund for Each Family	Morningstar Category	Firm Active/Passive
Six Circles U.S. Unconstrained Equity	Large Blend	Active
Xtrackers USD High Yield Corporate Bond ETF	High Yield Bond	Passive
Calvert Emerging Markets Equity	Diversified Emerging Markets	Active
Baird Aggregate Bond	Intermediate Core Bond	Active
Morgan Stanley Institutional Ultra-Short Income	Ultrashort Bond	Active
First Trust Value Line Dividend	Large Value	Passive
Schwab International Equity ETF	Foreign Large Blend	Passive
Nuveen High Yield Municipal Bond	High Yield Muni	Active
PGIM Total Return Bond	Intermediate Core-Plus Bond	Active
Cohen & Steers Preferred Securities and Income	Preferred Stock	Active

# 53% of Advisors Use Model Portfolios

## What Pct. of Advisors Use Model Portfolios?

	All Advisors	FT 400 Advisors	FT 300 Advisors
Use prepackaged model portfolios mixed with own investment ideas	38%	44%	29%
Use mix of prepackaged models as they come & prepackaged models mixed with own ideas	10%	15%	3%
Use prepackaged models as they come	4%	5%	2%
Don't use model portfolios	47%	37%	66%

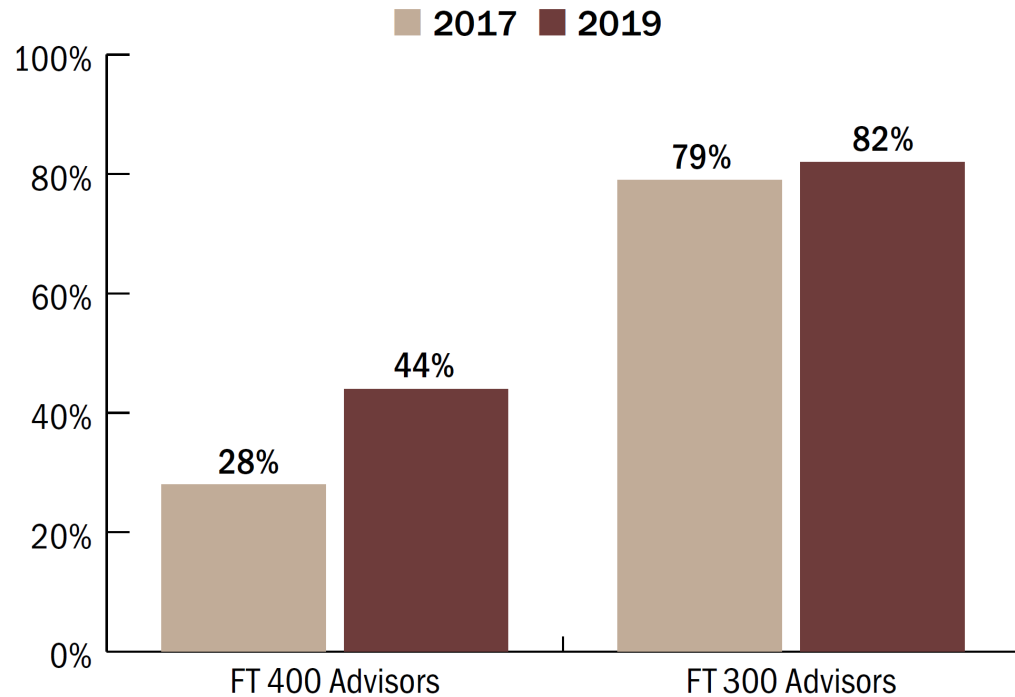
Source: Ignites Research

Note: FT 400 = Top Broker-Dealer Advisors, FT 300 = Top RIA Advisors

"Modernizing National Accounts Strategy for Model Portfolios" by Loren Fox, Ignites Director of Research

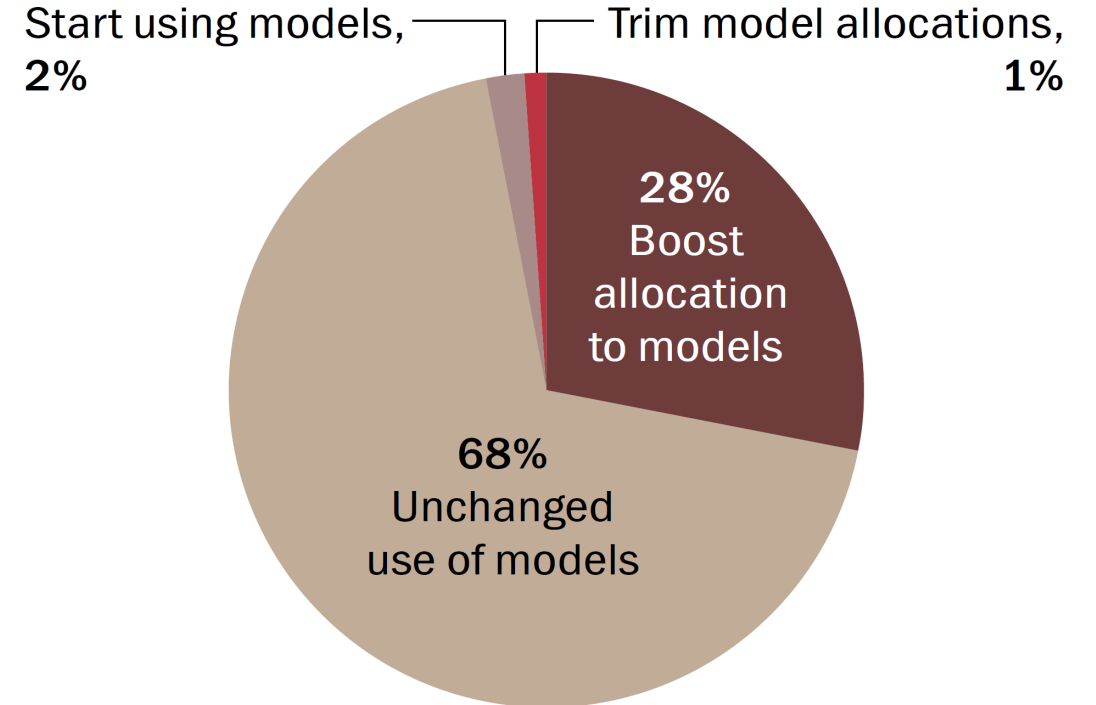
# Model Portfolio Use is Increasing

## Pct. of Advisors with 51%+ of Client AUM in Model Portfolios



Source: Ignites Research

## Advisors' Plans for Model Portfolio Use, 2020-21

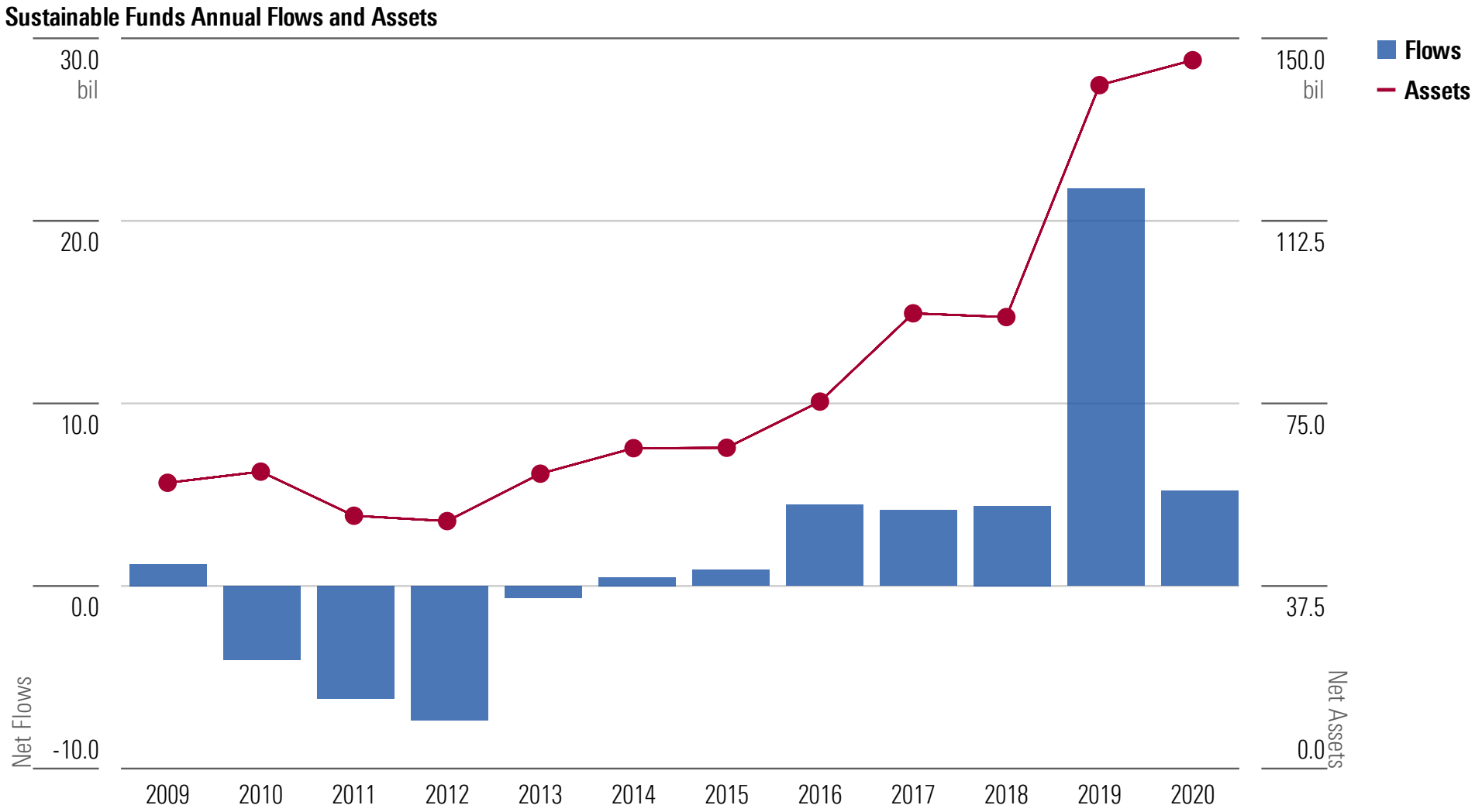


Source: Ignites Research

Note: FT 400 = Top Broker-Dealer Advisors, FT 300 = Top RIA Advisors

"Modernizing National Accounts Strategy for Model Portfolios" by Loren Fox, Ignites Director of Research

# Flows Into ESG Funds Accelerated in 2019



Data as of January 31, 2020.

# Investing in ESG Stocks Doesn't Hurt Returns

