

FUND SALES BENCHMARKING: 2016

*Perspectives on
Intermediary Sales
By Share Class and
By Distribution Channel*

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PREFACE AND BACKGROUND

The intermediary-sold fund distribution market sits at an important crossroads from several angles. Shifting adviser demand, new regulation and emerging technologies are among the key forces driving current and future potential change. Within this context, certain aspects of the evolution in mutual fund pricing structures—as well as the avenues through which advisers engage such funds—will continue to accelerate in the years ahead.

The unique data and analysis within this annual study, which is now in its ninth year, provides valuable clarity and benchmarking of share class pricing and distribution channel trends within the adviser-sold space. This report also includes analysis of fund sales at 10 leading broker-dealers—allowing for more granular benchmarking of sales trends within these important firms.

Such fact-based transparency of current marketplace realities is critical in assessing and anticipating change ahead—including change resulting from the DOL fiduciary rule (technically, the DOL now refers to it as the conflict of interest rule, but for clarity we still use the earlier and more widely recognized moniker).

In the first quarter of 2016, Strategic Insight (SI) approached fund firms that sell primarily through financial intermediaries and requested 2015 sales data (along with 2014 data from those firms who had not participated in last year's survey), broken out by share class pricing structure and distribution channel. We analyzed this data alongside previous years' survey results, which encompass annual sales data from 2006 through 2014.

This year's Fund Sales Benchmarking analysis uses results provided by 35 mutual fund companies that sell primarily through financial intermediaries. The 35 participants include most of the large companies distributing primarily through financial advisers, as well as many small- and mid-sized firms.

Survey participants managed a total of \$5.2 trillion in long-term fund assets (as of the end of 2015), representing 45% of total industry long-term assets and more than one-half of actively managed holdings. The median sized firm controlled more than \$65 billion in fund assets. Participants reported in aggregate over \$1 trillion in open-end stock and bond mutual fund sales during 2015.

We are thankful to the firms that participated in this survey and confidentially shared their data with SI, enabling us to assemble a representative snapshot of important industry distribution trends—some documented uniquely within this annual survey. SI welcomes any suggestions to improve this analysis in future years.

This report consists of an executive summary, sections on share class use and distribution channel trends (including a section on potential DOL fiduciary rule implications to share class pricing), and an appendix that includes a copy of the survey questionnaire.

If you are interested in further analysis or have additional questions, please contact Dennis Bowden (dbowden@sionline.com).

Analysis based on survey results from 35 mutual fund firms.

Survey participants managed a total of \$5.2 trillion in long-term fund assets, or 45% of total industry long-term assets.

Surveyed firms sold more than \$1 trillion in open-end stock and bond mutual funds in 2015.

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