

## Low Fee Products Lead the Way for Advisors in First Half of 2017, According to Broadridge Financial Solutions

Released : 07 31 2017

LAKE SUCCESS, N.Y., July 31, 2017 /PRNewswire/ -- Advisors invested client assets in actively managed funds in the first half of 2017, but net new flows were driven entirely by low fee and institutionally priced share classes, according to data released today by [Broadridge Financial Solutions, Inc.](#) (NYSE:BR) via its [Fund Distribution Intelligence](#). In the first six months of 2017, advisors from independent broker dealers and wirehouse firms added net new assets of \$150 billion and \$40 billion, respectively into institutionally priced actively managed funds. The majority of these positive flows were the result of conversions out of load funds (share class A, B and C), which decreased by \$122 billion and \$37 billion from independent and wirehouse broker dealers, respectively.

"Actively managed funds saw positive flows during the first half of 2017, even as advisors continue to invest client assets into passively managed ETFs and index funds at an increased rate," said Frank Polefrone, senior vice president of Broadridge's data and analytics business. "Net new asset flows into institutional shares of actively managed funds in the first half of 2017 is further proof that price and performance are the driving factors in advisor fund selection. We expect to see the move to lower fee share classes continue throughout 2017 as the majority of advisors move to a fee based practice, and the broker dealer home office realigns the mix of share classes offered to meet both client demand and regulatory requirements related to the DOL fiduciary rule."

### Lower Fee Products Take Hold in 2017

Virtually all net new assets in 2017 flowed to lower fee products – ETFs, index funds, and institutionally priced actively managed funds.

- In the first half of 2017, net new asset growth increased by \$566 billion, or 5.5 percent.
- Almost 77 percent of fund and ETF net new assets, \$433 billion, went into lower fee passive products during the first half of 2017.
- Of the remaining \$133 billion of net new assets that flowed to actively managed products, all net new assets went into lower fee institutional share classes.
- The growth of lower fee products has been especially prominent in distribution channels supporting fee based advice, such as the RIA and online channels.

Net new assets into actively managed funds from all retail channels – independent broker dealer, wirehouse, RIA and online retail – were up \$87 billion versus \$48 billion for passively managed funds.

- The fastest growing channel on a percentage basis for the first half of 2017 was the direct online channel, up 20 percent.
- Net new flows of mutual funds increased by \$67 billion, or 22 percent, for the online channel, with more than half of net new assets (\$36 billion) going into actively managed funds.
- Vanguard and Schwab drive the growth of the online channel, offering a wide range of index and lower fee actively managed funds.

"Today's advisors march to the drum beat of 'fees, fees, fees' and fund manufacturers without a low-cost solution are, at best, being ignored and at worst, getting trampled," Jeff Tjornehoj, Broadridge's director of fiduciary and compliance research. "While equity mutual funds have outflows of \$69 billion collectively, those with an expense ratio of just 20 basis points or less have inflows of \$93 billion. The battle ahead is about how fund sponsors will accept a fraction of what they historically collected. Even channels that traditionally supported premium priced products, such as wirehouses and broker dealers have shifted strategies based on fees."

In the first half of 2017, overall assets for ETFs increased by 11.6 percent to \$3.1 trillion.

- The largest increase of ETF assets in the first half of 2017 occurred in the RIA channel, with net new assets of \$78 billion, up 11.4 percent.
- The RIA channel remains the largest channel for ETFs with over \$800 billion invested in ETFs.

Broadridge's [Fund Distribution Intelligence](#) comprises the most complete sales and asset data collection in the industry, creating transparency into more than \$10 trillion of long-term mutual fund and ETF assets across a majority of mutual fund distributors.

### About Broadridge

Broadridge Financial Solutions, Inc. (NYSE:BR) a global fintech leader, is the leading provider of investor communications and technology-driven solutions for broker-dealers, banks, mutual funds and corporate issuers globally. Broadridge's investor communications, securities processing and managed services solutions help clients reduce their capital investments in operations infrastructure, allowing them to increase their focus on core business activities. With over 50 years of experience, Broadridge's infrastructure underpins proxy voting services for over 90 percent of public companies and mutual funds in North America, and processes more than \$5 trillion in fixed income and equity trades per day. Broadridge employs approximately 10,000 full-time associates in 16 countries. For more information about Broadridge, please visit [www.broadridge.com](http://www.broadridge.com).

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