

# Bulk of Net New Assets Flow to Major Diversified Firms According to Broadridge Financial Solutions

Released : 05 02 2017

LAKE SUCCESS, N.Y., May 2, 2017 /PRNewswire/ -- Firms with diversified and fully integrated product and distribution platforms are dominating asset gathering, according to data released today by [Broadridge Financial Solutions, Inc.](#) (NYSE: BR) via its [Fund Distribution Intelligence](#). In the 12 months ending March 31, 2017, the leading fully integrated product and distribution firms - Vanguard and Charles Schwab - have experienced organic asset growth of over 10 percent compared to all other firms that had a combined organic growth of 2 percent over the same time period.



"A diversified product mix – index funds, ETFs and actively managed funds – combined with digital distribution in the form of robo-advice is a winning hand today, and gaining momentum," said Frank Polefrone, senior vice president of Broadridge's data and analytics business. "More and more firms are following this model of diversification, whether it is traditional distributors such as Edward Jones and Raymond James entering the asset management business, or asset managers such as Blackrock and T. Rowe Price establishing robo-advisor platforms. The move to a fully integrated approach of asset management, distribution and advice seems to be underway among large financial services firms."

The fastest growing channel on a percentage basis for the last twelve months ending March 31, 2017 was the direct online channel, formerly referred to as discount brokerage. Driven by the success of Vanguard's Personal Advisor Services, and Charles Schwab's Intelligent Portfolios, the online channel has seen an overall asset increase of 61 percent in the past year, with ETF and mutual fund growth up 36 percent and 76 percent, respectively. Charles Schwab recently reported that its two year old Intelligence Portfolios grew to \$16 billion, while Vanguard's Personal Advisor Services reportedly exceeded \$50 billion in assets by the end of 2016.

## Online Channel Growth Surges

The overall assets for the online channel today accounts for more than \$500 billion. In the first quarter of 2017, net new asset growth increased by \$39 billion, or 8.6 percent. The growth of the online channel exceeded the growth of the independent and wirehouse broker/dealer channels on both a percentage and net new dollars basis in the first quarter of 2017, and was slightly behind the RIA channel, which had net new assets of \$52 billion in the first quarter of 2017. The majority of growth for both the RIA and online channels has come from passive products – index funds and ETFs.

The right mix of passive and active products is also impacting growth in market share across all distribution channels. Vanguard and Charles Schwab have two thirds of their assets in passive products, with the remaining third made up of actively managed mutual funds. This mix of passive/active products for the overall market is the exact opposite, with one-third passively managed and two-third actively managed. Vanguard continues to increase market share across all distribution channels and Charles Schwab has reported that one-third of its \$62 billion ETF assets is from channels outside of the Charles Schwab platform.

In the first quarters of 2017, overall net new assets for ETFs increased by 4.3 percent to \$2.9 trillion. The largest increase of ETF assets in the first quarter occurred in the RIA channel, with net new assets of \$38 billion, up 5.4 percent. The RIA channel is by far and away the largest retail channel for ETFs with \$768 billion. Net new assets for mutual funds were also up in the RIA market, with net new fund assets of \$15 billion (+1 percent) for total fund assets of \$1.75 trillion. The combined growth of funds and ETFs makes the RIA channel the largest retail channel with combined fund and ETF assets of \$2.5 trillion.

Additional key findings for the RIA and online channel include:

- Today, more than 53 percent of RIA channel equity fund assets are passively managed and over the past 12 months it has seen nearly \$37 billion in estimated net sales go into passive equity products—a figure that leads all channels
- Investors in the online channel are the most enthusiastic consumers of passive products: over the last year they've put 92 percent of their net sales into passive products across all asset classes
- More than half (56 percent) of online channel assets are in passive products—the first channel to cross that threshold

"Although it may be tempting to sound the death knell for active products, savvy portfolio managers have been able to keep investors by doing things that many passive

products can't, such as holding low-liquidity and over-the-counter assets," said Jeff Tjornehoj, Broadridge Director of Fiduciary and Compliance Research. "Perhaps the best way to compete with passive is to not compete head-on. Managers in the alternatives space use futures contracts and derivatives, for example, to build their portfolios. Advisors in the RIA channel rely heavily on active managers for their 'alt' allocations, using them for 79 percent of their alternative assets."

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) 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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