

# INSIGHT CREATES OPPORTUNITY

For more than three decades, our research has stood at the forefront of thorough, unbiased, and actionable business intelligence.

Powered by proprietary datasets, published research, and in-person presentations, the Global Research and Advisory team delivers advanced data analytics, comprehensive market intelligence, and insightful thought leadership to help clients identify product and distribution opportunities, monitor trends, and make strategic decisions to thrive in the highly competitive asset management business.

Actionable intelligence creates opportunities for



Distribution



ESG



Product Development



Strategy

Data Coverage

over  
**\$33 trillion**

Assets tracked in the U.S.

over  
**30,000**

Total Active Shareclasses in the U.S.

## Release Calendar

REPORT TITLE	RELEASE DATE	FREQUENCY
Asset Manager Profitability	MAY	ANNUAL
Fund Sales Benchmarking	SEPTEMBER	ANNUAL
Monthly Highlights		MONTHLY
New Fund Filing Review		MONTHLY
<b>Windows Series</b>		
Asset Management		QUARTERLY
Defined Contribution		QUARTERLY
ESG		QUARTERLY
<b>State of the Market</b>		
Defined Contribution	Q2 2021	ANNUAL
Intermediary Distribution	Q3 2021	ANNUAL
Future of Retail Products	Q4 2021	ANNUAL
ESG	Q1 2022	ANNUAL



## Create opportunities with ISS MI Research Insight reports.

### ASSET MANAGER PROFITABILITY

Concentration, intense fee competition, and powerful gatekeepers have put asset manager profitability under pressure. The Asset Manager Profitability Report puts these threats into context and provides competitive intelligence on profitability and other measures of financial success at publicly traded asset managers, enabling business leaders and fund boards to benchmark their firm's performance against other firms.

MAY

ANNUAL

### FUND SALES BENCHMARKING

Incorporating 15 years of historic trend data, this annual report provides unique data on sales by share class type and distribution channel. Based on a proprietary survey of mutual fund managers, it details share class usage within defined contribution investment only and wrap programs and benchmarks sales growth within eight distribution channels, including broker-dealers and RIAs.

SEPTEMBER

ANNUAL

### WINDOWS

#### ASSET MANAGEMENT

Windows into Asset Management is a quarterly publication that explores current, front-of-mind issues facing the asset management industry. With data and support from across the broader ISS organization, this report dives into key topics each quarter and includes quantitative updates centered around Mutual Funds, ETFs, and Liquid Alternatives. Covered topics include the maturing of the smart beta market, consequences of distributor consolidation, global regulatory developments, and historic reactions to market downturns.

QUARTERLY

#### DEFINED CONTRIBUTION

Windows into Defined Contribution will incorporate data from across ISS MI's offerings, taking the form of qualitative briefs fueled by the BrightScope platform as well as a quantitative focus on the lifecycle market powered by Simfund. Previous topics have included the use of ESG within DC plans, the growing market share of CITs within target-date funds, and a long-term look at participation rates.

QUARTERLY

### MONTHLY HIGHLIGHTS

Monthly Highlights recaps the most recent developments in the mutual fund and ETF market. It features an overview of net flows activity over the past month, including top selling managers and categories. It also contains an editorial snapshot of current market conditions and a quarterly case study. Monthly Highlights features Simfund workbook integration for convenient replication of charts and tables.

MONTHLY

### NEW FUND FILING REVIEW

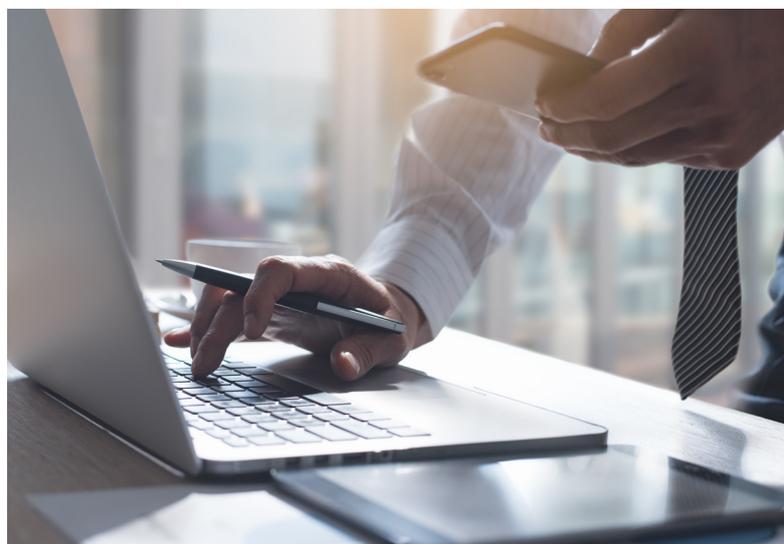
New Fund Filing Review is a concise summary of new fund registrations delivered each month, covering open-end mutual fund and ETF registrations as well as closed-end and interval funds. Powered by the SimfundFiling database, it provides an easy way to stay informed on the latest in product developments.

MONTHLY

### ESG

Growing awareness of the risks posed by climate change, inequality, and social unrest have created a ripe environment for ESG-oriented strategies. This series, new for 2021, is designed to guide clients through the increasingly complex ESG landscape. Windows into ESG provides data analysis on product development, asset growth, and flow trends in the mutual fund and ETF universe, in addition to commentary on broader industry and regulatory issues.

QUARTERLY



# STATE OF THE MARKET

## DEFINED CONTRIBUTION

The retirement market has been a consistent, steady source of demand for asset managers. However, demographics and uncertain prospects for the employment market could dampen flows into defined contribution plans. This report describes how these factors impact our long-term asset growth outlook for funds held within DC plans. Analysis of trends in plan design and product structure guides asset managers toward opportunities in the retirement space.

Q2 2021 ANNUAL

## INTERMEDIARY DISTRIBUTION

Thanks to technology, increasingly powerful gatekeepers, and heavy pricing pressures, the intermediary-sold marketplace is in a state of flux. Built to help asset managers craft their distribution strategy, this report describes our flow and asset growth expectations for the distribution channel over the next five years. As investor access to versatile product wrappers like unified management accounts continues to broaden, the report explores how intermediary use of mutual funds, ETFs, and SMAs is likely to evolve.

Q3 2021 ANNUAL

## FUTURE OF RETAIL PRODUCTS

Drawing upon expertise from across ISS Market Intelligence, this report details our long-term outlook for retail investment funds in the US. Based on deep analysis of market dynamics and fund buyer behavior, the report outlines our five-year sales and asset growth projections for retail fund products, including mutual funds, ETFs, and SMAs. Demographics, household wealth, and capital market forecasts frame our expectations for long-term asset growth, new flows, and asset class demand. This report is designed to help asset managers align their long-term corporate and product development strategies with the likely realities of the future.

Q4 2021 ANNUAL

**Asset Managers Navigate Wild 2020 to Higher Profitability**

In Figure 4 below, we compare this ratio to operating expenses as a percentage of average AUM across managers. Viewed together, we can compare the relative costliness of each business in the context of how efficiently they generate income from their expenses.

**4 Cost Structure Durable Indicator of Profitability**  
Income relative to expenses versus operating expenses as percentage of average assets, 2020

**U.S. Asset Manager Profitability Report 2020**

Operating expenses for the top five income/expense generators on one end to 14.4% at the other. Despite differences in cost structure, the top five asset managers (T. Rowe Price) services firm Goldman Sachs, an operator of independent (Pena Investments and Artisan Partners). The presence of a dividend bar to profitability.

While there may be many paths to profitability, high operating costs are in common. The bottom five scores on an index of our dataset. Here, too, the single business model of Franklin Resources and boutique Manning and Napier. Two wealth managers in the U.S. stands out with operating expenses while earning 10 cents in operating earnings for a mile likely explains the firm's 2020 decision to sell its asset management business to U.S. Finance.

**Section 2: The Future Starts Now: The Evolving Market of DC Plans**

and the increasing use of target-benefit funds appear to have tipped investor markets in their favor over the course of 2020. The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided increased flexibility around retirement plan withdrawals, though evidence suggests that they were not used extensively at the height of market downturns. A notable exception was from the DC, for example, found that just 2.9% of participants had taken distributions. Beyond those newly created withdrawal categories, redemption activity remained within normal parameters, if slightly higher than average. For example, 2.8% of participants took withdrawals during the first half of 2020, compared to 2.5% during H2 2019 and 1.8% in H1 2019. Levels of holding withdrawals were effectively unchanged between H1 2020 and H1 2019, at 1.5%.

While mutual funds have held a dominant role within DC plans, they are not the sole vehicle benefiting from rebounding markets and relative investor stability. Collective investment trusts (CITs) have become an increasingly popular vehicle and have significantly boosted their market share. Figure 2 below displays assets in mutual funds, CITs, and separate accounts from ERISA plans with over 100 participants. The growth of CITs has been particularly pronounced within certain plan types compared to mutual funds. As of year end 2018, the number of DC plans using mutual funds rose five times higher than the number of plans implementing CITs as investment options.

**2 CITs Narrow Assets Gap with Mutual Funds**  
Assets in billions of U.S. dollars

Large employers have used CITs much more extensively, as they possess the requisite scale to more fully take advantage of the cost savings and customization options offered. Their investment within target-benefit funds (TBFs) has been so extensive that the 20 largest DC plans by TDF assets at the close of 2018 held the entirety of their assets within CITs. In 2019, on the other hand, eight of the 20 largest plans held all of their TDF assets in mutual fund structures, though CITs played a critical role in the majority of the target plans.

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ISS Market Intelligence (ISS MI) provides critical data and insight to global asset managers, insurance companies and distributors to help them make informed, strategic decisions to manage and grow their business. Through its combination of proprietary and integrated datasets, in-depth global research and trusted executive engagement, ISS MI delivers solutions for market sizing, competitor benchmarking, product strategy and opportunity identification across a wide range of financial products including funds, annuities, insurance, mortgages, and other instruments. The ISS MI solutions include the industry-leading data platforms Simfund, BrightScope, Local Market Share, and Financial Clarity, as well as a full collection of global research and analytics services including Investor Economics, Market Metrics, and Plan for Life.