

Trends in Advisor Behavior During Market Volatility

Week of July 20-24, 2020

The S&P 500 and Dow dipped modestly this past week, reversing course from three weekly gains in a row. A handful of big technology stocks weighed on indexes as the NASDAQ underperformed both indexes respectively. Meanwhile, the 10-year U.S. Treasury bond also fell to its lowest level in months. While the market continues to seesaw, advisors are unwavering in their favor of non-risky assets. This week was no different as significant inflows headed into intermediate fixed income funds and ETFs over individual fixed income instruments. However, we observed advisors pulling back on their equity exposure. This week the vast majority of redemptions came from Large Cap Core funds for the second consecutive week. However, the asset class has experienced the second largest flows year-to-date trailing moderately behind intermediate bond funds.

Summary

In addition to changes in asset class exposure, client cash levels have not changed in any meaningful way for the past six weeks. Cash allocations leveled to 4.14% from 4.17% the prior week. Advisors **remain risk averse** as flows into Intermediate Bond styles continue to trend week-to-week by a wide margin. Advisors have experienced several weeks of positive net client acquisition, while this past week retreated modestly. Clients were **less active** from the prior two weeks with net client redemptions migrating back to long-term averages. Client continue to **draw down on their investments** week-to-week.

Key Insights

- Cash allocations have **stabilized**, hovering in the mid 4-percent range for the past six weeks. This week allocations to cash closed the week at 4.14% representing a **0.90% decrease** from prior week.
- We continue to see advisors **favor non-risky assets** with net inflows to intermediate bond MF and ETF styles amassing the most significant inflows this week. Overall advisor sentiment is still risk averse, which over time conforms with our findings that advisors take a **slightly risk off** position.
- Advisors' **sentiment towards large cap core** has taken a short-term turn over the past few weeks, although no noticeable trend has yet to emerge.
- Similar to prior weeks, advisors have been **successful gathering new client assets**. This week advisors are migrating down slightly with net client acquisitions (as measured by the net of new and lost clients) ending in positive territory.
- Clients **continue to redeem from their accounts** with net contributions retreating to long-term averages. We observe clients **gradually drawing down** on their portfolios week-to-week.
- We look at the number of client risk tolerance changes as a proxy for how advisor and clients are engaging around risk conversations. Advisors continue to update clients' expectations around risk and return, but the **number of changes inched up by only 3.53%** this week (and ~9% above the trailing 52-weeks average).

Interested in learning more about our Advisor and RIA Analytics Tools?

215.240.7063

support@investnetanalytics.com



CONTACT US

About the Data

Our goal with this weekly compendium of industry metrics and indices is to inform the report's consumer about the investment, risk and business activities executed by RIAs across the nation. We believe this information will provide advisors with near real time insights that may help them improve their business and client outcomes.

The data included in the RIA Pulse metrics comes from our wealth management solutions databases, which include Investnet and Tamarac data. We filter the data those firms and advisors who we have segmented as Registered Investment Advisors (RIAs). The data is de-identified and aggregated to create a representative set of metrics and indices.

We curate the data to eliminate data which we deem to be incomplete, having insufficient history, or have minimal contribution to the metrics. We reevaluate the components and qualifiers of the metrics and indices on at least an annual basis in an effort to keep our RIA index representative of advisors' inferred attitudes and actual behaviors.

Risk On includes all individual equities (stocks).

We define risky assets as equity focused mutual fund and ETF styles. This includes, but is not limited to US Large Cap, Mid Cap, Small Cap, International, Emerging Markets Equities, Emerging Market Bonds, and High Yield Bonds.

We define non-risky assets as all individual fixed income instruments. Risk Off also includes fixed income focused mutual fund and ETF styles. This includes Taxable, Muni, Bank Loan, and International Fixed Income.

We define risk neutral assets as Cash/Money Markets, Balanced/Asset Allocated, and Alternative styles.

DISCLOSURE:

The information, analysis, and opinions expressed herein are for general information only. Nothing contained in this document is intended to constitute legal, tax, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Investing carries certain risks and there is no assurance that investing in accordance with the portfolios mentioned will provide positive performance over any period of time. Investors could lose money if they invest in accordance with the portfolios discussed herein. Past performance is not indicative of future results.

Index performance is presented for illustrative purposes only and does not represent the performance of any specific investment product or portfolio. Fees and expenses are not included in the performance of an index. Fees and expenses will reduce performance. An investment cannot be made directly into an index. The information contained herein has been obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed. News feeds, data feeds, market quotes, and other links on this Investnet Enterprise Portal are provided by independent third parties and are not guaranteed to be accurate, complete, or timely (including any information or data sources provided by Advisor or provided by third parties at the direction of Advisor). The news, market quotes, and links provided are shown for your convenience only. Linked web-sites are independent and are not owned or operated by Investnet Financial Technologies. Investnet Financial Technologies does not endorse any linked web-sites, nor does Investnet Financial Technologies guarantee the timeliness, accuracy, completeness or adequacy of any information posted on the linked web-sites. Investnet Financial Technologies does not necessarily agree with any opinion, outlook, or forecast stated on any linked web-site.

Investnet Financial Technologies reserves the right to terminate, modify, or change the links, news sources, and market quote sources at any time without notice.