

Envestat Report

February 2018



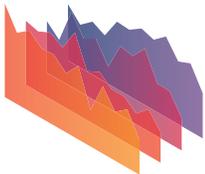
Managed Accounts: Trend-Based Forecast For 2018

How are managed account assets projected to grow over the next 6 months? In this **Envestat** report, we analyzed past managed account data to come up with a forecast for gross sales, redemptions, and net flows for the first half of 2018.

In this edition, we offer insights about:

- **Growth in assets by program, security type, and investment style**
- **Gross sales, redemptions, and net flows by the top 10 investment styles**
- **How gross sales were distributed by program and security type**

Using **Envestnet Analytics** forecasting tools, we ran data based on actual results for three different time periods: prior 3 months, prior 6 months, and prior 12 months. The forecasting tool factors in actual trends relative to sales, redemptions and flows. It also incorporates seasonality of data and further assumes flat markets; in other words, no capital markets assumptions were added that might skew the analysis.



Asset growth for the first 6 months of 2018 is expected to total \$29 billion, which is a 9% increase over 12/31/17 assets.



Investnet Observations

After studying the output, it became clear that there was a great deal of similarity in the forecasts for June 2018 based on data for the three time periods.

Honing in on the prior 6-months' data in Exhibit 1, we can see that asset growth for the first 6 months of 2018 is expected to total \$29 billion, which is a 9% increase over 12/31/17 assets. This asset growth is driven by nearly \$65 billion in new sales and assumes a 1.9% average monthly redemption rate.

Growth rates for assets and net flows ran somewhat higher over the last 3 and 6 months versus the past 12 months, owing to stronger markets in the second half of 2017.

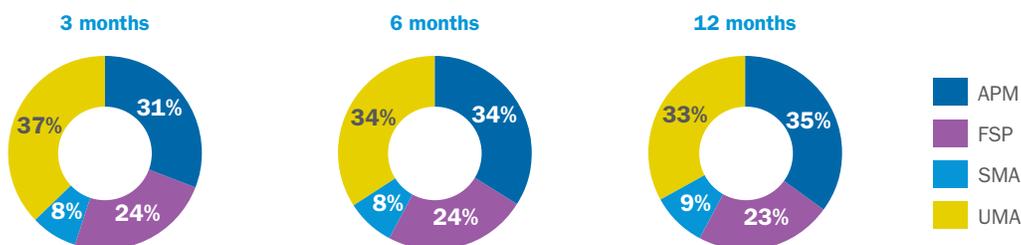
EXHIBIT 1: YTD June 30, 2018 Forecast Based on Actual Data For the Prior:*

	3 months	6 months	12 months
Asset Growth (\$ bns)	\$30	\$29	\$27
Growth over 12/31/17 assets	9.6%	9.1%	8.7%
Gross sales (\$ bns)	\$64.2	\$64.6	\$67.8
Sales as % of 12/31/17 assets	20%	20%	21%
Redemptions (\$ bns)	\$33.9	\$35.7	\$40.4
Monthly Redemption rate	1.8%	1.9%	2.1%
Net flows (\$ bns)	\$30.2	\$28.9	\$27.4
Flows as a % of 12/31/17 assets	9.6%	9.1%	8.7%

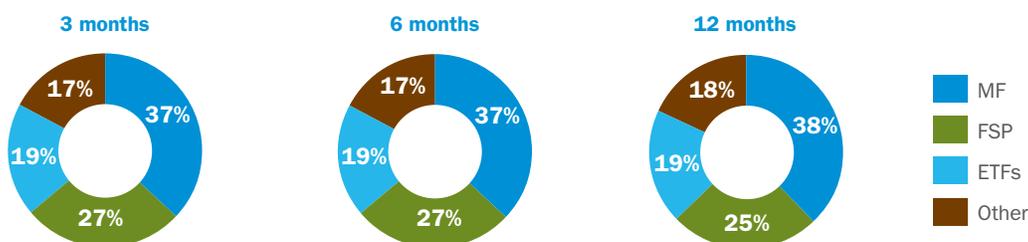
Additionally, APM and UMA programs are expected to capture 68% of gross sales as shown in Exhibit 2. Mutual funds and FSPs are predicted to be the preferred investment vehicles.

EXHIBIT 2: YTD 6/30/18 Forecast—Distribution of Managed Account Gross Sales by:*

Program Type—Based on Data From Prior:



Investment Vehicle—Based on Data From Prior:



* Note: Forecasts represent AUM/A excluding performance reporting. Data excludes managed positions (i.e., stock holdings for which ENV does not have details on these positions) and manager data not captured through the Investnet Analytics tool.



EXHIBIT 3: YTD 6/30/18 Forecast of Gross Sales and Net Flows by Top 10 Investment Styles Based on Data From:*

Prior 3 months		Prior 6 months		Prior 12 months	
Gross Sales	Net Flows	Gross Sales	Net Flows	Gross Sales	Net Flows
Moderate	Interm. Bond	Moderate	Mod. Growth	Moderate	Mod. Growth
Interm. Bond	Moderate	Interm. Bond	Moderate	Interm. Bond	Interm. Bond
Mod. Growth	Mod. Growth	Mod. Growth	Interm. Bond	Mod. Growth	Moderate
Large Cap Core					
Large Cap Gr	Large Cap VI	Large-Cap Gr	Growth	Large Cap VI	Growth
Large-Cap VI	Growth	Large-Cap VI	Int'l Dev. Mkts	Large Cap Gr	Large-Cap VI
Growth	Int'l Dev. Mkts	Growth	Large-Cap VI	Growth	Int'l Dev. Mkts
Int'l Dev. Mkts	Large-Cap Gr	Int'l Dev. Mkts	Conservative Gr	Int'l Dev. Mkts	Interm. Muni
Conservative Gr	Conservative Gr	Conservative Gr	Interm. Muni	High Yield	Conservative Gr
Balanced	Interm. Muni	Balanced	Large-Cap Gr	Balanced	Aggressive Gr

Top 10		Top 10		Top 10	
59% of Gross Sales	61% of Net Flows	59% of Gross Sales	62% of Net Flows	58% of Gross Sales	61% of Net Flows
59% of Redemptions		59% of Redemptions		58% of Redemptions	

In Exhibit 3, we highlight the top 10 investment styles expected to attract the most sales. These investment styles capture an even larger share of net flows, which suggests that they are likely to experience fewer redemptions than other styles. You can also see that risk tier categories such as Moderate, Moderate Growth, Growth, etc. are included in the top 10 investment styles as these categories are prevalent in fund strategist portfolios (FSPs).

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The top 10 investment styles for sales bear a close resemblance to the asset distribution ranking as of year-end 2017. There were two noteworthy shifts in projected sales though: large cap growth sales rank lower on the top 10 sales list vs. assets; and moderate growth assets are middle of the list, whereas moderate growth sales are closer to the top.

Only time will tell which of these forecasts is closest to reality come June 30, 2018, because markets can be very unpredictable.

About Investat

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