

# Fund Sales Benchmarking: 2018

Perspectives on Intermediary  
Sales by Share Class and by  
Distribution Channel

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# Introduction



Evolving distributor business models, shifting adviser preferences, regulatory influence and other transformative factors have all driven significant changes in share class demand over the past decade. Today, however, share class pricing sits on the cusp of the next phase of potentially transformational change.

While the longer-term movement from brokerage to fee-based platforms (and load-bearing to no load share classes) continues to accelerate, the increasing institutionalization of share class demand presents important new considerations for fund managers. In particular, the early stages of expansion of “zero/zero” share classes (defined in this report as shares carrying zero 12b-1 fees and zero sub-transfer agent payments) within retail accounts carries potentially critical implications for fund managers.

In addition to potential changes in share class offerings and/or eligibility parameters, the prospects of expanding zero/zero class use also carries the potential to significantly alter the overall financial ecosystem of payment streams between funds/fund managers, investors and distributors. As costs continue to rise and margins are increasingly squeezed within the intermediary-sold space, the potential profitability impact of such changes is an area which fund firms must monitor closely.

This report (now in its 11<sup>th</sup> year) provides unique and granular data and insights around evolving share class and intermediary distribution dynamics. It includes benchmarking and analysis of fund sales by share class structure and distribution channel, as well as breakouts of such activity at 10 leading broker-dealers (BDs). In addition, this year’s analysis contains expanded focus on zero/zero share class use across distribution channels and key considerations around these shares’ future trajectory.

Some additional background on the data within this report: in the first quarter of 2018, Strategic Insight approached fund firms that sell primarily through financial intermediaries and requested 2017 sales data, segmented by share class pricing structure and distribution channel. This data was analyzed alongside our previous years’ survey results (encompassing annual sales data from 2006 through 2016).

This year’s *Fund Sales Benchmarking* analysis is based on results provided by 31 firms who sell primarily through financial intermediaries. Survey participants managed a total of \$6 trillion in long-term mutual fund assets as of the end of 2017. The median firm controlled roughly \$57 billion. Participants reported in aggregate \$735 billion in open-end stock and bond fund sales during 2017.

This report consists of an executive summary, five sections focusing on key themes in share class use and distribution dynamics, and summaries containing additional data on share class and channel sales trends.

If you are interested in further analysis or have any additional questions, please contact Dennis Bowden ([dennis.bowden@strategic-i.com](mailto:dennis.bowden@strategic-i.com)).

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