Comfort with CITs has grown: Cerulli

By Editorial Staff *Tue, Mar 2, 2021*

Driven by plan sponsors' pursuit of lower-cost alternatives, CITs have captured marketshare from mutual funds, says the latest issue of The Cerulli Edge--US Monthly Product Trends report.

ETF assets grew more than 1% during January, surpassing $5.5 trillion thanks to $55 billion in net flows. Mutual fund assets fell 0.2%, ending the month with just below $18.2 trillion. Mutual funds experienced positive net flows ($38.3 billion) for the third consecutive month.

That's from the latest issue of The Cerulli Edge—US Monthly Product Trends. The report analyzes mutual fund and exchange-traded fund (ETF) product trends as of January 2021, explores the attributes of collective investment trusts (CITs), and covers the growth of outsourced chief investment officer (OCIO) assets managed in separate accounts.

Driven by plan sponsors' pursuit of lower-cost alternatives, CITs have captured marketshare from mutual funds, Cerulli found. Unlike mutual fund, CITs need a seed investor. To build out a CIT business, managers must have a strategy for acquiring seed investors; they must incentivize an existing mutual fund client through favorable terms, or enlist consultants to serve as matchmaker.

Results from Cerulli's 2020 partnership survey with the Coalition of Collective Investment Trusts show that, in addition to drawing upon existing relationships to source seed investors, CIT sponsors report finding new clients to seed CITs, suggesting that comfort with the vehicle has grown.

Cerulli observes a trend of larger clients (greater than $100 million in AUM) turning to the OCIO model and bringing new demands to OCIO providers, such as fully customized portfolios. Responding to this demand, almost all OCIO providers (90%) offer a service model that includes a fully customized portfolio using separate accounts.

Cerulli expects that as the typical client size of an OCIO provider grows, the use of separate accounts will increase. Growth in the use of separate accounts is not only driven by the demand for customization, but also by the demand for lower fees.