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## ETFs and alternatives offer hope amid soft variable annuity sales

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By Editorial Staff    Thu, May 25, 2017

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Variable annuity (VA) sales continue to slow, reducing flows into the VA subaccounts managed or sub-advised by asset managers, according to the May 2017 issue of The Cerulli Edge - U.S Monthly Product Trends Edition.

ETFs offer a thin silver lining to that cloud, however. Insurers believe that the inclusion of ETFs as subaccount options in VAs will bring in assets. ETFs, which are passively managed, are attractive because of their generally lower cost and their ability to match up with insurer hedges, the report said.

Overall, ETF assets surpassed \$2.8 trillion in April, after a robust 2.3% monthly growth. Net flows were \$34.9 billion, equating to organic growth of 1.3%.

Despite the negative effect of the DOL fiduciary rule on VA sales to rollover IRA clients, "VAs will still represent an area of opportunity for liquid alternative asset managers," Cerulli said. "Firms looking to get into the business should consider the opportunity for VITs over sub-advised arrangements, despite the overall industry's migration to unaffiliated sub-advisors. Additionally, alternative managers should specifically consider IOVA (investment-only variable annuity) opportunities."

The net flow into mutual funds was a collective \$10.1 billion in April. The YTD total for the first four months of 2017 was \$102.9 billion. Taxable bond funds received the most net flows, grabbing \$15.9 billion in April.

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