Honorable Mention

By No Author *Thu, May 24, 2018*

Mutual fund assets down again, says Cerulli; TIAA calls for infrastructure lending reforms; MassMutual publishes research on Asian Americans; John Hancock hires Infosys for digital modernization; Apple leads all companies in recent stock buybacks.

U.S. mutual fund assets down for third straight month

Mutual fund assets slid downward for the third straight month, dropping 0.2% in April to close with assets totaling just more than $14.5 trillion, according to the may 2018 issue of The Cerulli Edge – US Monthly Product Trends Edition.

While the mutual fund asset slide continued into April, ETFs reversed course during the month, increasing total assets by 1.2%. Propelling assets forward were net flows of $28.9 billion, which equate to 0.8% organic growth.

Across all affluent-focused advisory practices, which have a core focus of $2 million or greater, Cerulli finds that almost one-third (29%) of client assets are allocated to passive strategies. HNW-focused registered investment advisors (RIAs) continue to be the largest adopters of ETFs, with 93% of active and passive asset managers citing demand.

Advisors reported that strategic beta would grow from 17% of their allocation to ETF products in 2017 to 22% over the next two years. This is significant as ETFs continue to make up a growing part of client portfolios. Though ETF issuers tend to position strategic beta as a diversification tool and alpha generator, the primary reason financial advisors report choosing them is to mitigate risk in client portfolios.

Life insurers want to invest more in infrastructure, but…

While the Trump administration favors using public-private partnerships (P3s) alongside federal funds, private investment and municipal bonds to finance infrastructure projects, regulatory hurdles still discourage life insurers from investing in P3s and infrastructure, says a new TIAA white paper.

The paper suggests adopting consistent regulations, preserving key tax tools, and streamlining the project-approval process.

Infrastructure projects are attractive to life insurers because of their lower risk, longer, stable terms and generally predictable, steady returns. As of 2017, life insurers had collectively invested over $1 trillion in infrastructure projects.

But the current patchwork of federal and state P3 rules, regulations, structures and procedures often deters greater private-sector investment. TIAA, which manages more than $1.35 billion in municipal bonds, recommended four policy reforms:

Define consistent rules and methodologies across geographies. Harmonize the regulations governing P3s to create a more structured market.

Form an industry working group at the National Association of Insurance Commissioners (NAIC). Create new incentives, remove regulatory impediments, and expedite approvals for insurance companies' infrastructure investments.

Preserve key tax tools. Maintain or broaden tax exemptions on certain governmental bonds.

Expedite approval processes. Streamline the permitting and review processes to ensure infrastructure projects advance in a more coordinated, efficient manner, while maintaining appropriate oversight.

Through Nuveen, TIAA's investment manager, the life insurer today manages more than $135 billion in municipal fixed income assets.

To download a copy of TIAA's white paper on opportunities for infrastructure investment by life insurers, visit http://www.tiaa.org/infrastructure.

John Hancock hires Infosys to digitize operations

John Hancock has engaged Infosys, the technology firm, for a four-year project that will give the insurer's life and annuity customers a consolidated digital experience and will digitize operations generally, a John Hancock release said.

Upon completion, several legacy systems will be consolidated and John Hancock will be able to provide a more digitally enabled experience across insurance products. John Hancock will retain direct responsibility for all customer interactions, including through its contact center.

"Consolidating multiple legacy systems into a single, integrated platform will reduce the cost of supporting closed in-force blocks of business and increase opportunities to leverage advanced analytics to reengineer the customer experience," said Naveed Irshad, head of

North American Legacy business.

MassMutual publishes market research on Asian Americans

Asian Americans are more concerned about making mistakes with their retirement savings in the years just before and just after retirement, yet are more confident about their investments than other retirees and pre-retirees, new research from MassMutual finds.

Asian American retirees and pre-retirees worry more than other Americans about taking too much risk (69% vs. 44%) or making a poor investment decision (67% vs. 54%) within 15 years before or after retirement, according to the MassMutual Asian American Retirement Risk Study. Asian American pre-retirees (75%) are especially concerned about taking too much investment risk, the study shows.

More so than others, Asian American retirees and pre-retirees believe workers approaching retirement should reduce their investments in equities (64% vs. 53%). Asian Americans are more likely to have more conservative investment goals, aiming to “match the market” (43% vs. 32%) rather than outperform it (55% vs. 65%).

Asian Americans are much less likely than other Americans to reduce retirement savings by making withdrawals or hardship loans or suspending contributions, according to the study. While one in four American retirees and pre-retirees (25%) report engaging in those behaviors, on 11% of Asian American respondents say the same.

Compared to the general population of retirees, for instance, Asian American retirees are more likely to enjoy managing their own money (80% vs. 59%). Only two in five retired Asian Americans (42%) prefer an investment that allows them “set-it-and-forget-it,” compared with nearly three in four pre-retired Asian Americans (72%).

More than half of Asian Americans (53%) are uncertain about the length of their retirement compared to a little over one-third of Americans overall (36%). Fewer Asian American retirees (63%) are confident they know how to claim Social Security at the right time to maximize its benefits, than American retirees overall (75%), according to the study.

Greenwald & Associates conducted the internet-based study for MassMutual, polling 801 retirees who have been retired for no more than 15 years and 804 pre-retirees within 15 years of retirement. Pre-retirees were required to have household incomes of at least $40,000 and retired respondents had at least $100,000 in investable assets and participated in making household financial decisions. The survey included an oversample of Asian

Americans for a total of 199 Asian Americans surveyed. Asian American is defined in this research as Chinese, Asian Indian and Korean. The research was conducted January 2018.

Apple leads in stock buybacks with $100 billion in April/May 2018

U.S. companies announced $6.1 billion in daily stock buybacks this past earnings season, according to TrimTabs research. The rate was second only to the $6.6 billion daily announced in the previous earnings season.

New stock buybacks totaled $183.4 billion in the April/May 2018 earnings season, second only to the $191.4 billion in the January/February 2018 earnings season. The volume of buybacks in the latest earnings season was the second highest on record, although the average of 3.7 announcements per day was not much higher than the 3.5 per day in the previous eight earnings seasons.

Five companies—Apple ($100 billion), Broadcom ($12 billion), Facebook ($9 billion), Qualcomm ($8.8 billion), and T-Mobile ($7.5 billion)—accounted for 75% of the $183.4 billion volume.

“The buyback boom early this year confirms our view that the main use of corporate America’s tax savings will be takeovers and stock buybacks rather than capital investment or hiring,” said the TrimTabs release.