'Managed solutions' pass $3tr in assets: MMI

By Editor Test *Thu, Sep 12, 2013*

Morgan Stanley Wealth Management is the leader in managed solution programs with $627 billion in AUM at the end of 2Q 2013 and a 21% market share. The other top five firms are Bank of America Merrill Lynch, Wells Fargo, UBS Financial and Charles Schwab.

The Money Management Institute (MMI) has released *MMI Central 3Q 2013,* a statistical overview of data and trends for the managed solutions industry for the second quarter of 2013. Highlights of this edition include:

- By the end of the second quarter, total MS assets had passed $3 trillion – which marked an all-time high – and were up nearly 140% from $1.3 trillion at the end of 2008. All segments of the MS market have experienced strong growth in the four-and-a-half years since the end of the financial crisis, signaling investor and advisor confidence in professionally managed solutions and their disciplined investment approach.
- Over the same period, Rep-as-Portfolio-Manager programs are up 230%, followed by Rep-as-Advisor with growth of over 190%, Mutual Fund Advisory at 150%, and SMA Advisory at 50%. UMA Advisory assets rose fivefold, but from a much smaller base than the other segments.
- During the volatile market environment of the second quarter, MS assets grew a modest 2%, or $59 billion. For the first six months of 2013, assets grew by $310 billion, about two-thirds of the increase for all of 2012.
- Looking at MS asset growth by market segment, increases – given the 2% overall growth – were lower across the board during the second quarter. UMA Advisory had the largest asset growth of any segment – 4% compared to 8% in the prior quarter. Rep as Portfolio Manager ranked second with a 3% increase, down from 7%, followed by Mutual Fund Advisory at 2%, down from 8%, and SMA Advisory and Rep as Advisor, both at 1% and both down from 10%. Rep as Portfolio Manager continues to display momentum with one-year and three-year annualized growth rates of 31% and 34%, respectively.
- Net MS industry flows slowed from $88 billion in the first quarter to $55 billion in the second quarter, but the six-month flows of $143 billion compare favorably with $184 billion of flows for all of 2012. Flows for the trailing one-year period were $234 billion compared to $220 billion at the close of first quarter 2013.
- Mutual Fund Advisory had $19 billion in net flows during the second quarter, a modest 3% increase, and was the only segment to show an increase in flows over first quarter. Although Rep as Portfolio Manager experienced the largest decrease for the quarter, dropping to $11 billion in flows from $28 billion during the first quarter, it continued to have the largest trailing one-year net flows, some $70 billion. For the trailing twelve months, the market segment net flow leaders were Rep as Portfolio Manager at 30% followed by Mutual Fund Advisory, Rep as Advisor, SMA Advisory and UMA Advisory at 25%, 21%, 13%, and 10%, respectively.
- While not robust, the 2% growth rate of MS assets for the quarter again outpaced other industry segments with Money Market Funds up 0.4%, Long Term Mutual Funds down 1%, and ETFs down 2%. On a net flow basis, Long Term Mutual Funds – a $9.8 trillion market – had net outflows of $27 billion for the quarter and ETFs – a $1.4 trillion market – had net flows of $21 billion. This compares to the $55 billion in net flows for the $3 trillion MS market and $11 billion in net outflows for Money

Market Funds.

- Fixed income investments dropped from 45% of SMA assets at the close of the first quarter to 42% at the end of the second quarter while the share of domestic equity rose 4% to 40% – evidence of the growing apprehension about rising interest rates and the ongoing rotation back into equities. In a similar vein, there were aggregate second quarter net outflows of $41 billion from municipal and taxable bond mutual funds and combined inflows for the quarter of $33 billion into U.S. and international stock funds.
- As it has for a number of years, Morgan Stanley Wealth Management continues to be the leading sponsor of MS programs with $627 billion in assets under management at the end of the second quarter, representing about 21% of industry assets. The other firms ranking in the top five are Bank of America Merrill Lynch, Wells Fargo, UBS Financial and Charles Schwab.
- Among money managers, BlackRock Financial Management leads the rankings with $54 billion in traditional SMA assets and an 8% market share, followed by Nuveen Investments, Legg Mason, Eaton Vance, and J.P. Morgan Investment Management.
- SMA-related program types continue to evolve. In addition to UMA Advisory, dual contract programs, which permit advisors to sign clients up directly with money managers not on their firm's approved list, are also on the rise, growing 5% for the quarter and 36% annualized over the past three years.

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