To increase sales of active funds, bundle them with passive: Cerulli

By Editorial Staff *Thu, Sep 28, 2017*

'Asset managers must be able to shift and reshape as the industry does. As advisors' needs are changing, so must the product lines,' said Brendan Powers, senior analyst at Cerulli Associates, in a release.

Asset managers need to better align their product development plans with the processes that financial advisors use when constructing portfolios out of various funds, investment vehicles and assets classes, according to new research from Cerulli Associates.

“Asset managers are looking to provide asset allocation to differentiate themselves,” said Brendan Powers, senior analyst at Cerulli, in a release. “Asset managers must be able to shift and reshape as the industry does. As advisors’ needs are changing, so must the product lines.”

With product commoditization and platform consolidation is making it tougher for standalone products to compete, 58% of asset managers are offering asset allocations that consist entirely of their own underlying strategies, Cerulli found. Firms with multi-asset-class capabilities may want to combine active and passive funds within quantitative or strategic beta strategies as way to increase sales.

“These capabilities can be offered at a lower cost compared to active, with upside potential over the index,” the release said.
Asset managers need to recognize where active management has advantages over passive (e.g., municipal bond, emerging markets equity), and where passive management holds an advantage (e.g., U.S. equity), Cerulli noted.

Cerulli’s latest report, *U.S. Product Development 2017: Advisor Product Demand in a Model-Driven Environment*, provides tactical data for understanding advisor product use, continued coverage of active versus passive, and advisors’ increased reliance on investment models.