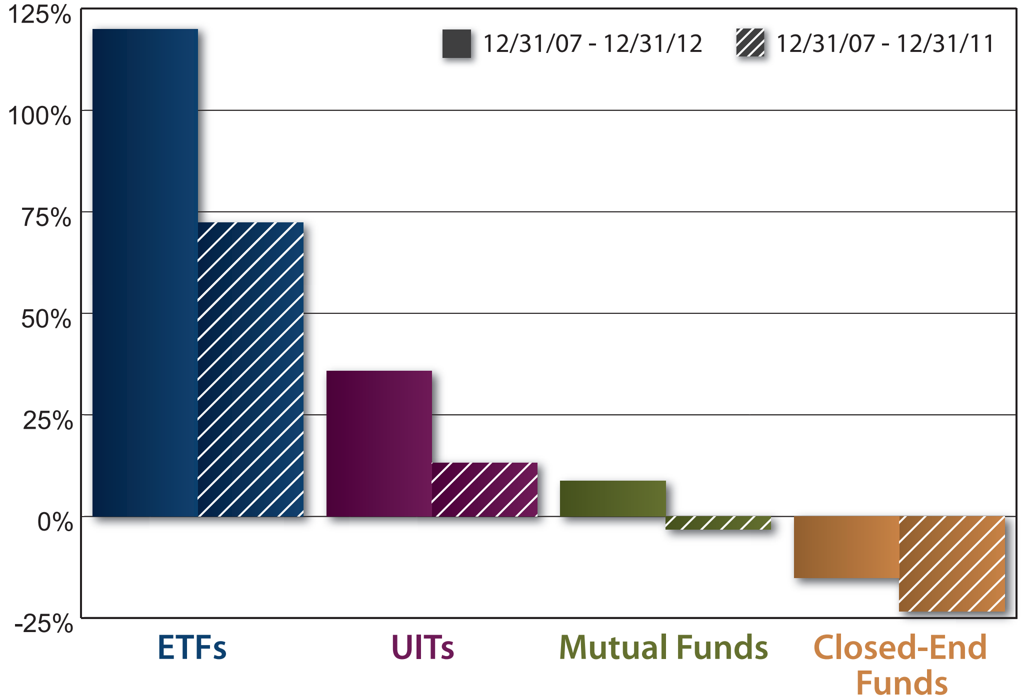
Passive Investing Posts Big Gains In Asset Growth In 2012

Percentage Change in Total Assets by Type of Packaged Product



Sources: Investment Company Institute, Strategic Insight Simfund

View from the Observation Deck

1. Today's blog post is an update of one we did last May. We have included last year's data for comparative purposes.
2. We chose the end of 2007 as our start date in an effort to capture investor sentiments after experiencing the fallout from the global financial crisis of 2008.
3. The percentage changes in the total assets invested in packaged products from 12/31/07 to 12/31/12 were as follows (chart): Exchange Traded Funds (ETFs) (+120.0%); Unit Investment Trusts (UITs) (+35.8%); Mutual Funds (+8.7%); and Closed-End Funds (-15.1%).
4. The percentage changes in the total assets invested in packaged products from 12/31/07 to 12/31/11 were as follows (chart): Exchange Traded Funds (ETFs) (+72.4%); Unit Investment Trusts (UITs) (+13.2%); Mutual Funds (-3.2%); and Closed-End Funds (-23.4%).
5. ETFs and UITs are passive investments (not actively managed), with the exception of a small percentage of ETFs that employ some degree of active management.
6. Last May we asked the following question: Could this be a changing of the guard where ETFs supplant mutual funds as the preferred packaged product?
7. Sure is starting to look that way.

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