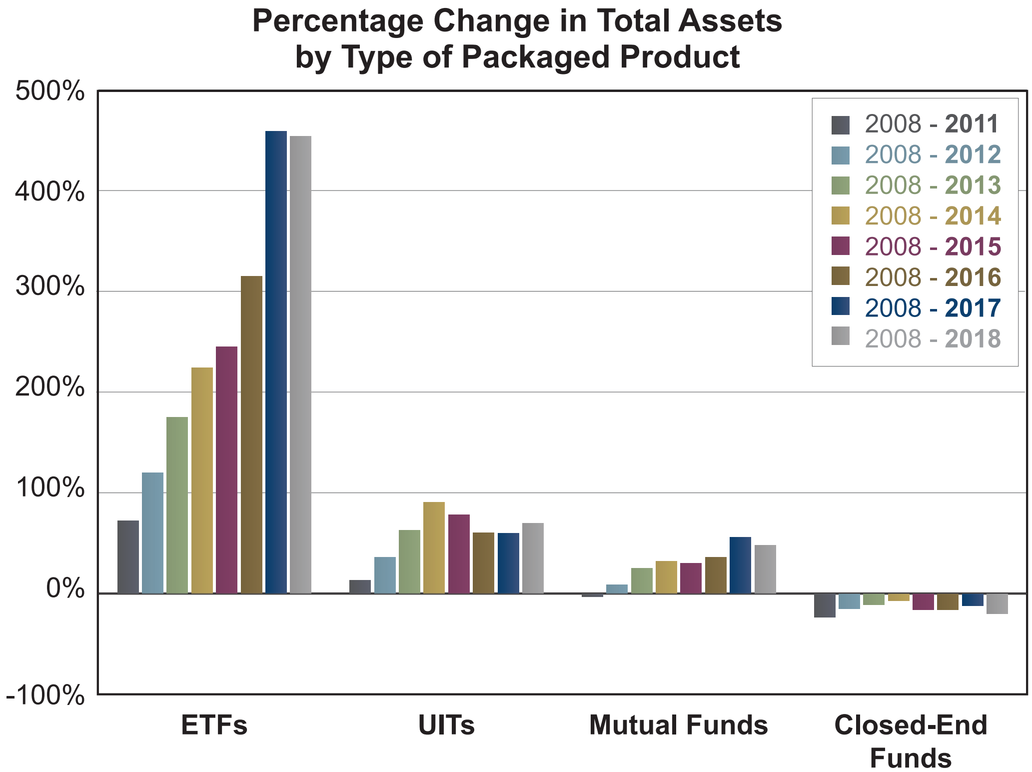
Passive Investment Vehicles Have Posted The Strongest Asset Growth Since The End Of 2007



Source: Investment Company Institute, Strategic Insight Simfund

View from the Observation Deck

1. This marks the eighth calendar year in which we have tracked the asset growth of the four major types of packaged products since the close of 2007 (prior to financial crisis in 2008-2009).
2. The percentage change in the total assets invested in packaged products from 2008 to 2018 were as follows (see chart): Exchange-Traded Funds (ETFs) (+454%); UITs (+32%); Mutual Funds (+48%); and Closed-End Funds (-20%).
3. With respect to mutual funds, Morningstar data indicates that assets held in passive funds rose six-fold from 2008 through 2018, while active assets roughly doubled, according to *InvestmentNews*.
4. From 2017 to 2018, total assets in each of the four major types featured in the chart fluctuated as follows: ETFs ($3.40 trillion vs. $3.37 trillion); UITs ($85 billion vs. $70 billion); Mutual Funds ($18.75 trillion vs. $17.71 trillion); and Closed-End Funds ($275 billion vs. $250 billion).
5. In 2018, investors favored passive investing over active management. Data from Morningstar shows that estimated net flows to all "Active" long term mutual funds and ETFs totaled -$300.7 billion, while estimated net flows to all "Passive" funds and ETFs totaled $457.7 billion.
6. We have noted in previous blog posts that some industry pundits have predicted that ETFs, in time, will supplant mutual funds as the most popular packaged product. While ETF assets have grown substantially over the past decade, thus far it has not come at the expense of mutual funds.

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