

FLX NETWORKS

QUARTERLY PERSPECTIVE

April 2023

CONTENTS

Brian Moran, CEO and Founder 2

FLX Investments Exchange 5

FLX Media 6

FLX News & Highlights 7

FUSE Industry Research 8

Brian Moran

FLX Networks CEO and Founder



Offense or Defense?

What wins championships: offense or defense? That answer most likely depends on the respondent's perspective. Aaron Judge and Saquon Barkley may say offense, while Micah Parsons and Garret Cole may suggest defense (apologies if you are not picking up the Penn State or NY sports team references). This age-old debate amongst sports fans is no different than answering what makes a successful business: product manufacturing or distribution?

In this quarterly perspective, we'll review the table stakes required to compete today, what to do whether you do or do not meet them, and how you harness FLX Networks to implement your business model in the future.

Table Stakes

Warning: all investment product manufacturers must have the required minimum AUM, fees, track record, and shelf space for your product to even participate in a conversation. On top of that disclosure, and as the data supports, if your brand is unknown and you do not have shelf space, I am sorry to share that you have very low probabilities of short-term success. College relationships, steak dinners, golf outings will only guarantee two things: a T&E submission and a potential meeting to discuss the above. FYI – if you get the meeting, be prepared to most likely hear, "You do not meet the required minimums for us to consider you at this time."

We live in a new era of wealth management. No longer do "stockbrokers" trade client accounts while sitting at a desk making calls all day. The overwhelming majority of financial advisors operate with a fiduciary mindset and/or have become planners. As you service, solicit, and/or prospect this advisor audience, you need to do more than:

- Stop by, knock on their window, and then share a fact sheet with great one-year performance
- Send a six-paragraph email with a 20+ page presentation book highlighting the pedigree of investment management team and their five best case studies
- Say, "You around next week as I have my multi-sector bond manager with me?"

Brian Moran

FLX Networks CEO and Founder



All of the above represent an early 2000s playbook. While I know I'm being harsh, I'm doing so to make the following point: every advisor, allocator, and professional buyer assumes you are asking for time, interrupting their day, or soliciting their investment because you understand the table stakes to participate and can meet their expectations.

Do Not Meet Table Stakes

First, investment product teams should not scream at distribution. The reality, if you do not meet the table stakes, probabilities of success are minimal. Second, product (and senior management) should not pack up their toys and go home. We are in a business where winners and losers change by the day, and those that can sustain the fight may have the best chances of monetizing their strategies. If you believe in the people and the asset class, then address those items in your control. While you may wait years before an opportunity is presented, you will need to leverage all components of distribution to keep your firm visible across multiple alternative mediums.

Third, distribution teams need to be more creative than ever. These teams operate in the most competitive time period in industry history. Differentiating your value to a buyer requires more than the investment product. You need to help address real pain points while consultatively positioning your investment product offering to be eventually adopted. Distribution teams (including marketing, national accounts, wholesale, public relations, media, and data delivery) need to aggressively pursue a strategy that builds visibility with perceived value. Meaning, companies have tremendous insights, perspectives, and programs available that can assist the advisor audience with their clients, opportunities, and pain points.

The Table Stakes Align

If many of the stars align, ensure you have built a plan that can provide an omni-channel deliverable. Simply put, you need to be perpetually visible. While dollars may seem to flow in at a greater (and easier) pace than during the tougher periods, the effort required to maximize the opportunity is as significant (if not greater). Investment product teams need to regularly produce written perspectives, record market insights, participate in subject matter expert interviews with journalists, and travel when necessary.

Brian Moran

FLX Networks CEO and Founder



On the other end, distribution needs to deploy this content creation and intellectual participation! All parties involved are best served when they leverage the data, technology, AND relationships in place to drive successful campaigns and results.

Harnessing FLX

We started FLX Networks so asset and wealth managers could convene in a centralized destination. Here, they can harness the power of our network to build stronger relationships, access key information and leverage industry expertise. The initial question around offense or defense cannot be resolved with a single answer. In fact, to win today requires both good investment product and comprehensive distribution strategies working collaboratively in tough and good times.

We know that all sides of our membership are interested in cost savings as well as ways to help them drive better client experiences. The network we've built delivers asset managers between 25% - 75% savings on sales infrastructure, marketing content, and shared personnel. Separately, wealth management firms and their advisors save on average 25% on business services and solutions available in our Solutions Exchange. We have seen that when you combine significant time and cost savings, with the ability to maintain or improve your outcomes, we can deliver a powerful ROI.

FLX Networks is about building a community that can save its members time and money, while providing the foundation for members to maintain or grow revenue. It's officially three years since our first employee joined FLX (Eric Nastri). In that time, we have seen 1,000 wealth and asset management professionals join the membership. We have more than 60 managers participating in our community, and we have over 30 service providers in our Solutions Exchange. While there have been countless obstacles and challenges in the macro environment, our value proposition has clearly resonated and driven meaningful savings and results for our members.

FLX's Investments Exchange

As of 2Q 2023

FLX Networks' Investment Exchange showcases 60+ asset managers across the spectrum of asset class, vehicle, size, and specialty.

Over \$2 trillion in AUM

180° CAPITAL CORP



16th AMENDMENT



ADVISORS LLC

Agility

AIS
ALTERNATIVE INCOME SOLUTIONS

ALPHA ASSET ADVISORS
INVESTMENT MANAGEMENT

ALPS ADVISORS

ASTOR
INVESTMENT MANAGEMENT

BALLAST EQUITY
MANAGEMENT, LLC

BARINGS

Berkshire
ASSET MANAGEMENT, LLC

BLUE SQUARE
ASSET MANAGEMENT

BondBlox

CONVEXITAS



Cramer Rosenthal McGlynn

CREDIT SUISSE

Destra

EAGLE GLOBAL ADVISORS

EMPIRICAL
ASSET MANAGEMENT

FolioBeyond

FULLER & THALER
ASSET MANAGEMENT, INC.

GOLDEN EAGLE STRATEGIES

GOODHAVEN
CAPITAL

Global Beta

GRINNELL
CAPITAL, LLC

GULFSTREAM

HCM HILLMAN CAPITAL
MANAGEMENT

Inherent
WEALTH FUND

Innealta
CAPITAL

INNOVATIVE
portfolios

Invesco

KIRKLAND
CAPITAL GROUP

The Leuthold Group



Lyrical
PARTNERS, L.P.

Matrix Asset Advisors, Inc.

Mesirow

Millennia

Muxinich & Co

NORTHEAST
INVESTORS TRUST

NXG
INVESTMENT MANAGEMENT

osmosis
INVESTMENT MANAGEMENT

OWS

Palisade
CAPITAL MANAGEMENT

PMV

PrinCap
Princeton Capital
Management LLC

QSV
QSV EQUITY INVESTORS

Renaissance
Investment Management

Ridgedale
Advisors

RIVERNORTH

ROBINSON CAPITAL

SAM
PARTNERS

Seeds Investor

SUBVERSIVE

VIDENT

VINEYARD
GLOBAL ADVISORS

WAKEFIELD
ASSET MANAGEMENT

TACTICAL
FOUND ADVISORS

THIRD AVENUE
MANAGEMENT

TRUEMARK
INVESTMENTS

V-SQUARE
QUANTITATIVE
WEALTH

Weitz
INVESTMENT
MANAGEMENT

VOYA
INVESTMENT MANAGEMENT

FLX
NETWORKS

www.FLXnetworks.com

New Content from FLX Media

On-demand content and the ability to showcase your brand are essential to maintaining an omnichannel presence. FLX Media can help you deliver differentiated content to increase your visibility and convey key information about your firm and products.

Contact [Matt Novello](#), Head of FLX Media, to learn more.

Get to Know Our Members & Their Products



Welcome To
FLX
ANALYTICS
powered by Knowledge



Friday Film Series: Catch up on thought leadership and key firm updates in this weekly series from CEO Brian Moran



Now Streaming- Podcast series featuring FLX's own Jillian DelSignore and Mark Spina: *InFLXtion Points*





Newsorthy Highlights

FLX Welcomes New Advisory Board Members

FLX Networks is pleased to welcome three respected industry leaders to our Advisory Board: Kimberly Beck, Dan O'Lear, and Brett Wright.

Read more about the appointment of Beck and Wright in Financial Advisor [HERE](#).

In the News & On the Scene

- *ESG Investing Awards: Both [V-Square Quantitative Management](#) and [Osmosis Investment Management](#) were recognized at this year's prestigious awards*
- *FLX, HanETF, and Vident Investment Advisory host "ETFs without Borders" webcast, moderated by NYSE – launching the [FLX Digital Events Expert Series](#)*
- *FLX CRO Mark Spina teamed up with Cerulli's Drew O'Hearn to discuss RIA Consolidators at the [MMI Summit](#)*
- *FLX Head of Strategic Growth & Solutions [Jillian DelSignore](#) joined [We Talk Careers](#) podcast host [Kristine Delano](#) to discuss "Mutual Mentoring"*
- *FLX and Peaks Strategies [hosted joint webcast to outline the tools of the trade for a successful PR strategy](#) – get in touch with [Caroline DuRant](#), Head of FLX PR, to learn more!*

March Monthly Industry Data Snapshot

Courtesy of [FUSE Research](https://www.fuse-research.com/)

Content on the following pages is sourced from FUSE Research's Monthly Data Snapshot and Industry Overview. For more information, visit <https://www.fuse-research.com/>.

Financial markets continued to wrestle with newly released economic data. Distress in the banking system created optimism in broader markets as participants inferred potential slowing of the Federal Reserve's rate hike cadence. The S&P 500 gained 3.5% in March and 7.0% during the first quarter. The 10-Year U.S. Treasury fell to 3.5%, down from 3.9% at the end of 2022. While asset values increased on the hope that cracks in the real economy may lead to a less aggressive Federal Reserve, investor sentiment dampened as indicated by outflows from long-term assets.

- Outflows from open-ended mutual funds of \$53.2 billion accelerated during the month after January and February marked some reversal from trend-level outflows set in 2022. ETF sales accelerated during March to net inflows of \$30.5 billion. Once again, fixed-income products excelled while U.S. Equity struggled, as has been the case throughout the first quarter. However, unlike prior months this year, fixed-income ETFs drove sales with the Taxable and Municipal Bond ETF categories generating combined net inflows of \$28.9 billion compared to redemptions of \$19.5 billion for their mutual fund counterparts. Overall, International Equity fell into the red in March after a very strong start to the year, collecting \$12.7 billion during the first quarter.
- Four of the top-five selling categories for ETFs and mutual funds combined were all fixed-income categories: Long Government (\$9.6 billion), Intermediate Government (\$7.7 billion), Intermediate Core Bond (\$6.5 billion), and Intermediate Core-Plus Bond (\$4.0 billion)
- Long-term assets fell 9% year-over-year to \$23.7 trillion as of month end, while Money Market assets grew 14% to \$5.2 trillion.
 - Open-ended mutual funds accounted for 71% of long-term assets with \$16.8 trillion, while ETFs comprised the remaining \$6.9 trillion. Open-ended funds' share of long-term assets declined 2 percentage points from 73% year-over-year.

Assets & Estimated Net Flows by U.S. Broad Asset Class (Open-End Funds & ETPs)(\$'s Millions)

U.S. Broad Asset Class	Assets				Estimated Net Flows				
	Mar-23	Mkt Shr	Dec-22	Mar-22	Mar-23	3mo	YTD	12mo	2022
U.S. Equity	11,328,914	39%	10,701,755	12,541,687	(15,718)	(43,513)	(43,513)	(57,495)	61,905
International Equity	3,613,633	13%	3,364,889	3,921,161	(3,260)	12,713	12,713	(55,787)	(26,980)
Sector Equity	1,165,797	4%	1,134,584	1,389,923	(5,692)	(17,120)	(17,120)	(69,555)	(48,093)
Alternative	190,557	1%	181,290	203,445	(1,283)	(2,635)	(2,635)	11,716	28,375
Commodities	168,197	1%	164,014	212,004	(711)	(1,014)	(1,014)	(28,846)	(6,571)
Nontraditional Equity	75,328	0%	65,402	52,329	2,373	8,654	8,654	28,158	26,229
Miscellaneous	85,042	0%	74,814	92,135	821	4,064	4,064	19,948	26,524
Allocation	1,286,807	4%	1,266,593	1,467,012	(8,701)	(18,928)	(18,928)	(89,585)	(78,846)
Taxable Bond	4,885,058	17%	4,691,283	5,237,304	11,562	70,887	70,887	(102,180)	(222,972)
Municipal Bond	867,377	3%	843,554	977,032	(2,158)	6,227	6,227	(87,634)	(118,756)
Total Long-Term	23,666,709	82%	22,488,179	26,094,031	(22,768)	19,334	19,334	(431,262)	(359,184)
Money Market	5,191,520	18%	4,720,544	4,552,435	360,913	439,773	439,773	548,245	(60,790)
Grand Total	28,858,229		27,208,750	30,646,466	338,145	459,107	459,107	116,982	(419,975)
Fund-of-Fund*	2,247,099	9%	2,113,563	2,395,102	5,117	20,004	20,004	26,655	1,370

*Fund-of-fund market share is as a percentage of total long-term assets

Assets & Estimated Net Flows by U.S. Broad Asset Class (Open-End Funds)(\$'s Millions)

U.S. Broad Asset Class	Assets				Estimated Net Flows				
	Mar-23	Mkt Shr	Dec-22	Mar-22	Mar-23	3mo	YTD	12mo	2022
U.S. Equity	7,886,493	36%	7,443,228	8,947,171	(17,390)	(38,966)	(38,966)	(222,838)	(195,345)
International Equity	2,536,862	12%	2,379,243	2,855,603	(3,371)	(16,711)	(16,711)	(139,503)	(121,717)
Sector Equity	464,652	2%	451,903	562,682	(2,636)	(6,205)	(6,205)	(35,007)	(35,737)
Alternative	137,119	1%	140,748	142,213	(1,733)	(4,323)	(4,323)	443	16,456
Commodities	30,277	0%	31,850	42,199	(753)	(486)	(486)	(5,355)	(2,611)
Nontraditional Equity	33,376	0%	31,693	30,835	262	1,027	1,027	4,293	4,861
Miscellaneous	4,659	0%	4,285	5,231	(460)	(455)	(455)	188	141
Allocation	1,278,095	6%	1,256,705	1,456,397	(7,687)	(17,446)	(17,446)	(89,239)	(78,973)
Taxable Bond	3,623,087	17%	3,511,227	4,099,335	(16,737)	18,145	18,145	(303,930)	(389,808)
Municipal Bond	762,008	3%	739,686	895,152	(2,738)	6,642	6,642	(112,508)	(148,657)
Total Open-End	16,756,628	76%	15,990,568	19,036,819	(53,243)	(58,778)	(58,778)	(903,455)	(951,390)
Money Market	5,191,520	24%	4,720,544	4,552,435	360,913	439,773	439,773	548,245	(60,790)
Grand Total	21,948,148		20,711,140	23,589,253	307,670	380,995	380,995	(355,211)	(1,012,181)
Fund-of-Fund*	2,217,078	13%	2,083,057	2,361,779	5,153	20,642	20,642	26,795	(204)

*Fund-of-fund market share is as a percentage of total long-term assets

Assets & Estimated Net Flows by U.S. Broad Asset Class (Exchange-Traded Products)(\$'s Millions)

U.S. Broad Asset Class	Assets				Estimated Net Flows				
	Mar-23	Mkt Shr	Dec-22	Mar-22	Mar-23	3mo	YTD	12mo	2022
U.S. Equity	3,442,421	50%	3,258,527	3,594,517	1,672	(4,547)	(4,547)	165,342	257,250
International Equity	1,076,771	16%	985,646	1,065,557	110	29,424	29,424	83,715	94,737
Sector Equity	701,145	10%	682,681	827,240	(3,056)	(10,915)	(10,915)	(34,549)	(12,357)
Alternative	53,438	1%	40,541	61,232	450	1,688	1,688	11,273	11,920
Commodities	137,920	2%	132,164	169,804	42	(529)	(529)	(23,492)	(3,960)
Nontraditional Equity	41,952	1%	33,710	21,494	2,111	7,626	7,626	23,865	21,368
Miscellaneous	80,382	1%	70,530	86,903	1,281	4,519	4,519	19,760	26,384
Allocation	8,712	0%	9,889	10,615	(1,014)	(1,482)	(1,482)	(346)	128
Taxable Bond	1,261,971	18%	1,180,056	1,137,968	28,298	52,742	52,742	201,750	166,836
Municipal Bond	105,369	2%	103,868	81,881	580	(415)	(415)	24,874	29,901
Total ETP	6,910,081		6,497,611	7,057,212	30,475	78,112	78,112	472,193	592,206
Fund-of-Fund*	30,021	0%	30,506	33,323	(37)	(638)	(638)	(139)	1,574

*Fund-of-Fund market share is as a percentage of total long-term assets