

# FLX NETWORKS

## QUARTERLY PERSPECTIVE

July 2023

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**Brian Moran**  
FLX Networks CEO and Founder

## The Future is Now. Act Accordingly.

The future is upon us, just not everyone is choosing to recognize it: fees are lower, costs are higher, and market share is consolidating. Despite this, many firms continue with the traditional playbook. The time to explore alternatives and shape a different future is not when you absolutely need to do it, but when you have the luxury to do it. In this quarter's perspective, I will address the importance of establishing your brand, identifying your core, and collaborating to effectively compete going forward.

### Brand

A strong brand increases competitive advantage, influences perception, and drives revenue growth. Within the world of asset and wealth management engagement, it has become undeniable that more well-known brands have a distinct competitive advantage: they are believed to be less risky. By less risky, I am not referring to their investment strategy, but the implications of selecting a specific company:

- **Advisor perspective:** "If this investment underperforms, is my client more likely to fire me over this lesser-known investment company versus a household brand? Is the potential upside investment outperformance worth the downside business risk?"
- **Manager research perspective:** "I really like this approach, but will it be recognized by advisors, are they able to support the necessary distribution infrastructure, and if it underperforms versus a well-known and widely-used brand, will I be impacted?"

Many more factors are included in this complex and highly diligent process by wealth management firms and financial advisors. However, in an extremely competitive business where product performance is often differentiated by basis points, fees are compressing, and time is limited, brand will consciously or subconsciously drive investment decisions.

Brand building requires more than a logo, design template, or a salesperson. It is a complex undertaking that requires your business to be committed, persistent, and adaptive. Your current and future clients consume your company's information via more channels than ever. Ensuring you have an appropriate message and vehicle to meet them where they want to engage is critical.

## Core

PWC recently shared, “By 2027, 16% of existing asset and wealth management (AWM) organizations will have been swallowed up or have fallen by the wayside—twice the historical rate of turnover.” According to this, *one in six companies will disappear!*

While that number is stark, I think that prediction may be low. The math is undeniable; fees have dropped, costs to income ratios have increased, and market share is consolidating. Given these inputs, the key questions are the following:

- Will asset management leaders be able to assess and prioritize their business functions, while also finding the necessary time to implement any necessary adjustments today?
- Will they delay and be forced to make more urgent and precarious decisions?

While all businesses would prefer to have 100% control over the process and people via insourced operations and full-time employees, that may not always be the most appropriate financial path to pursue. Whether it be shared personnel (e.g., sales, trading, marketing, etc.) or shared infrastructure (i.e., sales reporting, data services, event budgets, etc.), experimenting with potential outsourcing that delivers similar results at a fraction of the costs will become critical to avoiding potential tougher business channel discussions in the future.

## Collaboration

In the 80s and 90s, Microsoft and Apple had their share of competition and legal disputes. They also recognized opportunities for collaboration and partnership in areas that benefit both companies and their clients (e.g., Microsoft Office for iOS, Gaming, Azure, etc.).

A mix of competition and cooperation enhances the ecosystem and improves the overall client experience. Our industry’s clients, whether individual investors or financial advisors, are time constrained and overwhelmed by choices. While we’ve witnessed tremendous innovation over the past decade, it has been fragmented, nonintegrated, and messy. We’ve reached the point where collaboration has shifted from being a choice to being a crucial necessity.

How do we believe we will achieve our vision of “modernizing, simplifying and revolutionizing engagement”? It is simple: our open-architecture platform offers services, technology solutions, and actionable data, helping asset and wealth managers enhance their brands, focus on their core differentiators, and collaborate. Through a single network, single relationship, and single invoice, FLX provides optionality while simplifying choice.

This quarter’s perspective represents the three-year anniversary of our first asset managers joining our network. While our learnings are vast and the evolution is never ending, our consistent commitment towards growing the membership, driving down costs, increasing actionable data, and improving access for all has never wavered.

The industry and technology are changing at an increased velocity, and the importance of FLX Networks delivering an industry utility has never been greater. We encourage you to join the revolution, explore the network, and understand why hundreds of companies and over a thousand members have joined in the pursuit of a better engagement model of the future.

Showcasing 60+ asset managers across the spectrum of asset class, vehicle, size, and specialty.

## FLX's Investments Exchange

**63**

managers

**\$2.5T**

in aggregate AUM

## FLX's Shared Client Engagement Coverage

**26**

managers

**\$870B**

in aggregate AUM

**93**

investment products

## Meet the Latest Additions to the Investments Exchange



BondBloxx™

CONVEXITAS



MILLENNIA CAPITAL



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



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



## InFLXtion Points Podcast: Jillian DelSignore and Mark Spina talk with business leaders about unique inflection points in their careers. Now streaming wherever you listen to podcasts.



## In the News & On the Scene

- The FLX team grows with the addition of [Andy Reid](#) as CFO, [Eric Sheikowitz](#) and [Michael Silver](#) as Co-Heads of Practice Management, and [Darren Cde Baca](#) as Head of Sales Development.
- Introducing [Focus Partners, powered by FLX Networks](#): The acquisition of Focus Partners is the first for FLX and brings members tailored practice management solutions.
- BondBloxx and FLX host "[Why Precision Matters When Investing in Bonds](#)" webcast. Interested in hosting your own digital event? [Contact us](#) to learn more.
- Astor Investment Management hires FLX for an [expanded set of solutions](#).
- FLX rebrands its monthly networking event to FLX Networks. Join us the first Thursday of every month at our headquarters in Bernardsville, NJ to network, socialize, and share ideas. RSVP for August 3 [here](#).
- FLX Media earned a Bronze Telly Award for [The Private Trust Company's](#) brand video.

Empowering you with *cost-efficient solutions* to expand your reach, boost brand visibility and drive exceptional results to grow your business.

Contact [Jay Ramey](#), Director, Solutions Sales, to learn more.

## Spotlight Solution



Powered by Broadridge, FLX Analytics unlocks industry-leading insights from data to drive targeted distribution and growth strategies including advanced product analytics, identifying new opportunities, detailed competitive intelligence, and much more. Watch the video to learn more!



[Learn More Here](#)

## Awareness and Reach

### Digital Events

Drive targeted engagement through a fully customizable digital platform using leading ON24 webcast technology. Includes professional webcast planning, production and coordination, consultative event planning, promotion, and audience targeting, two custom pre-event email invites, and one custom post-event email.

### Podcasts

Professional podcast planning and production with partner ProudMouth, coordination of speakers and run of show, social post reach (LinkedIn and Twitter) of over 90,000, and distribution to 70,000 Advisors and Financial Professionals.

## Lead Generation

### Email Campaigns

Dedicated email campaign distributed to as many as 10,000 advisors or a proprietary list of 1,600 home office personnel. Audience can be targeted based on distribution channel, competitor product holders, etc.

### Website Traffic Insights

FLX Lead Generation, partnered with Discovery Data, uncovers advisors coming to your website and identifies which of your products and solutions they are researching along with when and how often they are visiting. These are high quality leads that can be targeted with personalized sales and marketing follow-up.

*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 witnessed an increase across major equity indices, with the S&P 500's total return up 6.6% in June. The rise came despite a persistently inverted yield curve and a core inflation rate that remains well above the Fed's 2% objective. However, investors seemed to focus more on positive indicators, including declines in jobless claims, rising consumer confidence and some signs of cooling inflation.

Long-term assets rose 9.8% year-over-year to \$24.7 trillion mostly attributed to strong asset appreciation and inflows into ETF products. Open-ended mutual funds accounted for 70% of long-term assets with \$17.4 trillion, while ETFs comprised the remaining \$7.3 trillion. Open-end fund assets rose in value by \$689 billion from the prior month, despite the net outflow impact of \$32.9 billion. Net flows into ETFs outweighed outflows from open-end mutual funds, with much of the ETF demand gravitating toward S&P 500 index funds. Optimism over AI and the continuing popularity of growth stocks lifted mega cap tech names such as Nvidia, which helped push the S&P 500 up to a 14-month high.

At the broad asset class level, U.S. and International Equity ETFs collected a combined \$52.7 billion in net inflows during June. Taxable Bond ETFs also fared well, attracting \$15.5 billion although the Bloomberg Aggregate US Bond Index slipped 0.36% in June, likely because markets felt that an end to the Fed's rate hikes was possibly in sight. Among open-end fund, U.S. Equity was hit the hardest, parting with \$33.8 billion, while Taxable Bond fund inflows (\$14.8 billion) blunted the impact to overall net outflows. Among categories, Large Blend ETFs had a fourth consecutive month of incrementally greater flows, bringing in \$29.6 billion during the month. iShares and Vanguard led the best-selling firms for June by a wide margin, posting \$20.4 billion and \$12.5 billion, respectively, as investors flocked to the commonplace names to increase their equity exposure.

Other recent industry developments include BlackRock's acquisition of private debt manager Kreos Capital as well as PGIM's acquisition of Deerpath Capital, with the latter having more of a private equity focus. Direct indexing continues to expand in the asset management industry, with BNY Mellon announcing the launch of its own solution for financial advisors in early June. Brookstone and Dimensional filed for Active ETFs, while Fidelity will convert six actively managed index mutual funds to ETFs effective November 17, 2023.

# Asset and Net Flow Information

Courtesy of [FUSE Research](#), as of June 2023

## 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				
	Jun-23	Mkt Shr	Dec-22	Jun-22	Jun-23	3mo	YTD	12mo	2022
U.S. Equity	12,158,267	40%	10,701,568	10,470,543	7,068	(22,102)	(66,307)	(79,588)	61,382
International Equity	3,719,516	12%	3,365,086	3,357,017	9,415	6,924	19,681	(33,368)	(26,315)
Sector Equity	1,204,290	4%	1,134,673	1,141,924	(2,278)	(13,591)	(30,709)	(55,638)	(48,050)
Alternative	193,413	1%	180,758	179,408	(1,707)	(3,452)	(5,977)	(1,599)	28,469
Commodities	158,793	1%	164,014	195,874	(3,189)	(2,988)	(3,874)	(28,647)	(6,571)
Nontraditional Equity	83,987	0%	64,873	53,715	2,459	7,334	15,954	28,168	26,039
Miscellaneous	95,194	0%	74,914	73,058	696	1,116	5,531	12,598	26,576
Allocation	1,303,280	4%	1,265,236	1,294,907	(5,446)	(19,292)	(38,573)	(85,001)	(78,449)
Taxable Bond	4,942,931	16%	4,704,580	4,868,221	30,311	72,445	143,073	76,986	(221,328)
Municipal Bond	853,206	3%	832,496	880,258	1,056	(372)	4,618	(38,505)	(120,226)
<b>Total Long-Term</b>	<b>24,712,878</b>	<b>82%</b>	<b>22,488,197</b>	<b>22,514,925</b>	<b>38,388</b>	<b>26,022</b>	<b>43,418</b>	<b>(204,595)</b>	<b>(358,472)</b>
Money Market	5,413,629	18%	4,720,544	4,494,530	14,416	173,391	598,243	764,777	(60,954)
<b>Grand Total</b>	<b>30,126,506</b>		<b>27,208,741</b>	<b>27,009,455</b>	<b>52,804</b>	<b>199,413</b>	<b>641,661</b>	<b>560,183</b>	<b>(419,427)</b>
Fund-of-Fund*	2,335,203	9%	2,113,602	2,105,092	1,130	8,518	28,632	40,662	1,318

\*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				
	Jun-23	Mkt Shr	Dec-22	Jun-22	Jun-23	3mo	YTD	12mo	2022
U.S. Equity	8,413,388	37%	7,443,130	7,406,418	(33,810)	(85,792)	(124,987)	(270,433)	(195,810)
International Equity	2,605,878	11%	2,379,496	2,417,450	(2,401)	(15,027)	(31,681)	(123,315)	(120,991)
Sector Equity	474,376	2%	451,903	469,929	(2,996)	(9,514)	(15,726)	(36,667)	(35,741)
Alternative	135,274	1%	140,691	144,894	(2,030)	(5,301)	(9,597)	(11,847)	16,412
Commodities	27,874	0%	31,850	40,615	(532)	(1,247)	(1,604)	(7,839)	(2,611)
Nontraditional Equity	34,532	0%	31,693	30,355	(20)	151	1,179	2,430	4,875
Miscellaneous	5,201	0%	4,285	4,181	26	(28)	(109)	336	141
Allocation	1,293,730	6%	1,255,294	1,285,149	(6,041)	(19,777)	(37,577)	(84,401)	(78,628)
Taxable Bond	3,650,346	16%	3,523,658	3,754,551	14,822	28,987	46,963	(131,325)	(388,162)
Municipal Bond	746,219	3%	728,627	791,587	43	(2,584)	2,821	(56,127)	(150,127)
<b>Total Open-End</b>	<b>17,386,819</b>	<b>76%</b>	<b>15,990,627</b>	<b>16,345,128</b>	<b>(32,940)</b>	<b>(110,131)</b>	<b>(170,318)</b>	<b>(719,188)</b>	<b>(950,643)</b>
Money Market	5,413,629	24%	4,720,544	4,494,530	14,416	173,391	598,243	764,777	(60,954)
<b>Grand Total</b>	<b>22,800,448</b>		<b>20,711,171</b>	<b>20,839,659</b>	<b>(18,524)</b>	<b>63,260</b>	<b>427,925</b>	<b>45,590</b>	<b>(1,011,597)</b>
Fund-of-Fund*	2,303,333	13%	2,083,056	2,074,788	679	7,905	28,688	40,747	(198)

\*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				
	Jun-23	Mkt Shr	Dec-22	Jun-22	Jun-23	3mo	YTD	12mo	2022
U.S. Equity	3,744,879	51%	3,258,438	3,064,125	40,878	63,690	58,680	190,846	257,192
International Equity	1,113,638	15%	985,590	939,567	11,816	21,951	51,362	89,947	94,676
Sector Equity	729,914	10%	682,770	671,995	719	(4,077)	(14,983)	(18,971)	(12,309)
Alternative	58,139	1%	40,067	34,514	323	1,849	3,621	10,249	12,057
Commodities	130,920	2%	132,164	155,259	(2,657)	(1,741)	(2,270)	(20,808)	(3,960)
Nontraditional Equity	49,454	1%	33,180	23,359	2,480	7,183	14,775	25,738	21,165
Miscellaneous	89,993	1%	70,630	68,877	671	1,143	5,640	12,262	26,435
Allocation	9,550	0%	9,941	9,758	595	485	(996)	(601)	179
Taxable Bond	1,292,585	18%	1,180,922	1,113,670	15,490	43,459	96,110	208,310	166,834
Municipal Bond	106,987	1%	103,868	88,672	1,014	2,212	1,797	17,622	29,901
<b>Total ETP</b>	<b>7,326,058</b>		<b>6,497,570</b>	<b>6,169,796</b>	<b>71,328</b>	<b>136,153</b>	<b>213,736</b>	<b>514,593</b>	<b>592,170</b>
Fund-of-Fund*	31,870	0%	30,546	30,304	451	612	(57)	(85)	1,516

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