

FLX NETWORKS

QUARTERLY PERSPECTIVE

October 2023

CONTENTS

Brian Moran, CEO and Founder	2
FLX Investments Exchange	5
FLX Media	6
FLX News & Highlights	7
FLX Solutions	8
FUSE Industry Research	9



Brian Moran

FLX Networks CEO and Founder

Disrupting the Status Quo

A *disrupter* is defined in business as a company or person causing upheaval to traditional methods of execution in an established industry. FLX's vision to modernize, simplify, and revolutionize the engagement model between asset and wealth management strives to do just that. While our differentiated business model does create a new paradigm in productivity and ultimately drives towards a better tomorrow, like any change, it can also be received with fear and misconceptions.

Fear & Reality

While this may be controversial, I cannot remember a vibe in the industry that is more dire than it feels today. While there may be some recency bias, today feels more tense than during any point in the internet bubble, the GFC, or the beginnings of the pandemic. Why? The sheer volume of challenges. Whether it be the challenge of geopolitics, net asset flows, profitability, or client or employee dissatisfaction, we have clearly entered a new era for asset and wealth management.

Though FLX exists to address many of these challenges, fears still emerge. FLX is often told, "you must receive push back from XYZ departments due to a perceived threat to their jobs". While this type of fear can be justified, it is more often misplaced and rooted in comfort, control, and complacency.

The reality, from FLX's perspective, is straight forward. When there seems to be a prevailing wind of negativity, that typically means there is a need for innovation, new ideas, or different thinking. While many believe that the best days are behind us and easy money is off the table, we simultaneously agree *and* see it differently.

We believe opportunity persists if you can genuinely provide value. If your gut reaction is to dismiss a new approach versus exploring what the possibilities may be, then you may be left behind in a world that is fast evolving. In fact, if you are not open to tactically altering your strategy to address the increasing challenges that come with the existing model, then you may be in a role destined for change.

FLX's Innovative Model

As a recent finalist in the *MMI & Barron's Industry Awards* for Disruption, it feels timely to summarize how FLX views disruption. We recognized the traditional engagement model in our industry was fragmented, ambiguous, expensive, and heavily dependent upon humans. We did not believe the industry wanted another underutilized technology solution or service partner to solve for a narrow vertical of pain points.

It was our view that asset and wealth managers needed a single solution to improve productivity, reduce costs, and provide access to the necessary expertise required to drive future growth. FLX Networks is the first marketplace network of its kind. Through a centralized destination, our members can consume shared technology and business services to better position their companies for the future. We believe a purpose-built network that listens to its members and can be accessed via one contract, one invoice, and one partner is the ultimate time and cost saver.

Through FLX Networks, asset managers:

- Leverage a sales enablement platform that will exhibit and democratize access to their thought leadership, investment insights, and organizational experience.
- Dynamically access wealth management business requirements, investment product needs, and/or desired approaches to engagement.

Wealth managers:

- Leverage an industry utility to streamline their vendor management and engagement.
- Ensure they maintain their unique business practices to engage potential partners.

Our member community of asset and wealth managers and their employees leverage a forward-thinking technology solution that is accompanied by an innovative aggregation of best-in-class business services. There has never been a single network built to provide its membership with this much integration through a single destination.

We are in a fast-evolving industry that has a traditional engagement model dominated by humans or well-resourced sales and marketing departments. While these inputs will still be needed, an omnichannel engagement model empowered by FLX can remove the noise, reduce wasted time, and improve desired outcomes.

Thank you for your support.

Briau Morau

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

FLX's Investments Exchange

69 managers

\$3T in aggregate AUM

FLX's Shared Client Engagement Coverage

22 managers

\$750B in aggregate AUM

70+ investment products

Meet the Latest Additions to the Investments Exchange



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 Community



[Third Avenue](#)



[SEAL Family Foundation](#)



[Focus Partners: COIs](#)



[Astor Active Income](#)

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



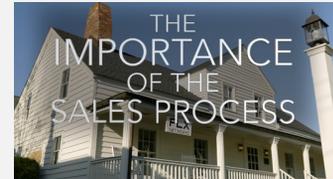
[The Flywheel Effect](#)



[The Importance of Video](#)

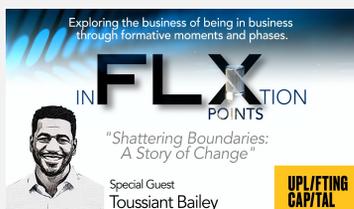


[Brand](#)

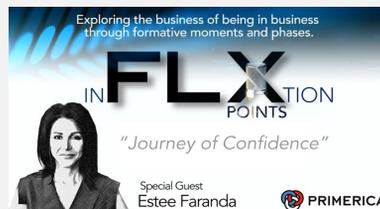


[Sales Process](#)

InFLXtion Points Podcast: Business leaders share unique inflection points in their careers. Now streaming wherever you listen to podcasts.



[A Story of Change](#)



[Journey of Confidence](#)



[Fast Friends to Founders](#)

In the News & On the Scene

- The holidays are fast approaching! Order custom branded gear for your clients, prospects, and employees at a discount through the newly launched [FLX Store](#).
- FLX launches the [Wealth Management Experience](#), a customized network to simplify and centralize a fragmented engagement model between wealth managers and their asset manager partners.
- [20 new asset managers](#) spanning asset class and size join FLX's Investments Exchange.
- Through [FLX's Preferred Access Program](#), advisors and wealth managers gain exclusive access to reduced fees and minimums for select SMAs.
- Brian Moran interviewed by *Mergermarket* on additional [opportunistic buys](#) following FLX's acquisition of Focus Partners.

You're Invited

- Gain up to three CE credits through our next Digital Event: AllianzIM's Breaking Down Buffered ETFs on 11/2 from 11 a.m. – 2 p.m. ET. [Register here](#).
- Don't miss our last FLX Networking Night (FNN) of the year: Thursday, 11/2 from 5:30 p.m. – 7:30 p.m. ET in our historic Bernardsville, NJ office. [RSVP here](#).

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

Spotlight Solution



Powered by **FLX NETWORKS**



[Website](#)



[Email](#)

Providing asset managers, wealth management firms, and financial advisors with a comprehensive and customizable suite of coaching and practice management solutions.

Focus Partners Offerings for Asset Managers



Sponsor Events at Wealth Management Offices and Offsite Events

Sponsor exclusive speaking engagements and events, including keynotes, conferences, advisor round table discussions, FLX Digital Events, and more.



Implement Wholesaler Coaching Programs

Specialized coaching services designed to address the unique needs of distribution throughout the product lifecycle; providing valuable tools, insights, and strategies to optimize operations and drive exceptional results and AUM growth.

Focus Partners Offerings for Wealth Management Firms



Comprehensive Coaching and Practice Management

Personalized coaching services and practice management solutions are designed to address your advisors' specific challenges.



Collaborative Advisor Support

Develop a tailored approach with Focus Partners to help your advisors thrive, while accessing a network of support and expertise.



Hosted Advisor Events

Provide tactical and actionable best practice ideas for your advisors at branch, home office, or virtual events.

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



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/>.

The September Effect struck once again. Overall, the **financial markets** retreated in September for the second consecutive month. The S&P 500's total return dropped 4.8% in its worst month of the year. Despite healthy corporate profits and consumer spending, this was overshadowed by fears of a potential government shutdown, rising oil prices, striking autoworkers, and the prospect of interest rates remaining high for longer than anticipated.

Long-term assets rose 12.5% year-over-year to \$23.9 trillion and 6.3% from year-end 2022. As of September, open-end mutual funds accounted for 70% of long-term assets with \$16.7 trillion, while ETFs comprised the remaining \$7.2 trillion. Open-end fund assets declined \$694 billion in September, thanks to the drop in markets as well as net outflows of \$47.2 billion, close to the \$45.3 billion in net outflows for August. **Net flows** of \$36.0 billion into ETFs represented a \$20.0 billion jump from last month yet failed to surpass outflows from open-end products for the fifth time this year. Much of the flows into ETFs gravitated toward existing passive products, while active ETF launches dominated product development.

At the broad asset class level, mutual funds were in the red across the board in September, while U.S. Equity comprised the lion's share of the ETF demand. Year-to-date (YTD), Taxable Bond mutual funds garnered \$55.1 billion in net inflows despite net outflows of \$8.6 billion in September. U.S. Equity open-end fund YTD outflows (\$195.9 billion) have exceeded net outflows throughout 2022 (\$195.7B). **Among categories**, Large Blend dominated with \$21.5 billion of net inflows into ETFs, while Foreign Large Blend and Long Government occupied the top two respective rankings for mutual funds. State Street Global Advisors and JPMorgan were the **best-selling firms** for September, recording \$7.3 and \$3.5 billion in net inflows, respectively. At the fund level, the month's top draw was the SPDR S&P 500 ETF (\$9.5 billion in net inflows).

Among other recent industry developments, asset managers are increasingly ditching products with ESG labels due to growing political strife, regulator intervention, and investor concerns. [BlackRock and State Street are among managers planning to close certain ESG funds in their lineups](#). Price reductions in the ETF market continued, as [Schwab cut expense ratios on two bond ETFs](#) to bring fees for all nine of its bond ETFs down to 3 basis points. Faced with several spot crypto ETFs seeking approval, [the SEC delayed a host of applications in late August; on](#) Sept. 26, lawmakers wrote to SEC Chairman Gary Gensler urging him to approve the spot bitcoin ETF vehicle.

Asset and Net Flow Information

Courtesy of [FUSE Research](#), as of September 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				
	Sep-23	Mkt Shr	Dec-22	Sep-22	Sep-23	3mo	YTD	12mo	2022
U.S. Equity	11,737,896	40%	10,703,073	9,976,135	10,861	(4,413)	(71,016)	(87,966)	61,482
International Equity	3,563,950	12%	3,365,364	3,013,243	(1,286)	1,017	21,288	(18,639)	(27,973)
Sector Equity	1,142,360	4%	1,134,158	1,057,161	(7,530)	(8,547)	(39,218)	(43,926)	(47,944)
Alternative	188,225	1%	178,044	184,908	205	349	(5,831)	(11,937)	23,842
Commodities	152,411	1%	164,014	165,911	(2,162)	(7,585)	(11,265)	(22,625)	(6,571)
Nontraditional Equity	86,622	0%	65,564	56,820	1,500	4,048	19,698	25,310	25,756
Miscellaneous	87,192	0%	74,914	74,531	(577)	(928)	4,604	5,361	26,576
Allocation	1,247,772	4%	1,265,032	1,206,542	(6,370)	(17,921)	(56,510)	(86,213)	(78,490)
Taxable Bond	4,877,774	16%	4,712,844	4,674,629	(589)	38,071	182,754	144,509	(221,505)
Municipal Bond	819,267	3%	832,496	835,172	(5,246)	(4,172)	446	(26,799)	(120,231)
Total Long-Term	23,903,469	81%	22,495,503	21,245,053	(11,194)	(81)	44,949	(122,924)	(365,058)
Money Market	5,689,003	19%	4,779,822	4,542,610	59,535	182,622	779,727	927,038	(67,403)
Grand Total	29,592,475		27,275,325	25,787,663	48,341	182,541	824,676	804,114	(432,461)
Fund-of-Fund*	2,257,636	9%	2,116,045	1,988,510	(2,066)	(1,995)	26,212	14,156	2,939

*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				
	Sep-23	Mkt Shr	Dec-22	Sep-22	Sep-23	3mo	YTD	12mo	2022
U.S. Equity	8,070,934	36%	7,443,984	7,019,342	(19,264)	(70,927)	(195,931)	(285,793)	(195,660)
International Equity	2,485,643	11%	2,379,774	2,170,885	(2,737)	(8,479)	(39,586)	(114,688)	(122,649)
Sector Equity	443,256	2%	451,388	432,747	(2,482)	(7,437)	(23,143)	(35,408)	(35,636)
Alternative	131,030	1%	138,374	146,502	(745)	(3,031)	(12,909)	(22,377)	11,592
Commodities	28,131	0%	31,850	36,362	(480)	(1,187)	(2,791)	(8,174)	(2,611)
Nontraditional Equity	33,846	0%	31,765	29,842	(30)	(446)	468	475	4,635
Miscellaneous	4,679	0%	4,285	4,480	(84)	(312)	(421)	(520)	141
Allocation	1,238,228	6%	1,255,146	1,196,938	(6,212)	(18,305)	(55,893)	(85,783)	(78,617)
Taxable Bond	3,591,619	16%	3,531,922	3,553,201	(8,568)	7,782	55,106	(40,371)	(388,339)
Municipal Bond	712,060	3%	728,627	748,901	(6,632)	(7,962)	(5,138)	(48,014)	(150,132)
Total Open-End	16,739,426	75%	15,997,115	15,339,200	(47,236)	(110,303)	(280,238)	(640,653)	(957,277)
Money Market	5,689,003	25%	4,779,822	4,542,610	59,535	182,622	779,727	927,038	(67,403)
Grand Total	22,428,429		20,776,936	19,881,810	12,299	72,319	499,489	286,385	(1,024,680)
Fund-of-Fund*	2,225,910	13%	2,085,521	1,959,850	(2,144)	(2,987)	25,209	12,754	1,369

*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				
	Sep-23	Mkt Shr	Dec-22	Sep-22	Sep-23	3mo	YTD	12mo	2022
U.S. Equity	3,666,962	51%	3,259,089	2,956,793	30,126	66,514	124,914	197,828	257,142
International Equity	1,078,307	15%	985,590	842,358	1,452	9,496	60,874	96,049	94,676
Sector Equity	699,104	10%	682,770	624,414	(5,048)	(1,110)	(16,075)	(8,519)	(12,309)
Alternative	57,195	1%	39,670	38,406	950	3,379	7,077	10,441	12,251
Commodities	124,280	2%	132,164	129,549	(1,682)	(6,398)	(8,474)	(14,451)	(3,960)
Nontraditional Equity	52,776	1%	33,800	26,978	1,530	4,493	19,230	24,835	21,121
Miscellaneous	82,514	1%	70,630	70,051	(493)	(616)	5,024	5,881	26,435
Allocation	9,544	0%	9,886	9,604	(158)	384	(617)	(430)	128
Taxable Bond	1,286,155	18%	1,180,922	1,121,428	7,979	30,289	127,649	184,881	166,834
Municipal Bond	107,207	1%	103,868	86,271	1,385	3,789	5,585	21,214	29,901
Total ETP	7,164,043		6,498,388	5,905,853	36,042	110,222	325,187	517,729	592,219
Fund-of-Fund*	31,726	0%	30,523	28,659	78	992	1,004	1,402	1,570

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