

Final Release
March 5, 2015

Contact: Howard Schneider
978-590-7290

Despite Growing Use, Financial Advisors Not Satisfied With Performance or Support for Liquid Alternatives

Annual study tracks use of liquid alternatives and key needs among advisors

BOSTON, March 5, 2015 – Financial advisors use of alternative investments through vehicles such as mutual funds, ETFs, and variable annuity sub-accounts has reached critical mass, yet many are not satisfied with the education, support, and training available from product providers and platforms or with the recent performance of key strategies according to a new report released today by **Practical Perspectives**, an independent consulting, competitive intelligence, and research firm working with wealth management providers and distributors.

The 95 page report “**Financial Advisors and Liquid Alternatives 2015 – Insights and Opportunities**” is the fourth annual study by Practical Perspectives that examines key factors and patterns in advisor use of liquid alternatives and their needs for enhanced education and support from product providers and distribution platforms. The analysis reviews how advisors use mutual funds, ETFs, and variable annuity sub-accounts across a variety of alternative strategies including real estate, commodities/natural resources, strategic income, managed futures, multi-strategy, macro global absolute return, long/short, market neutral, hedged equity, managed volatility, bear market, and private equity strategies.

Key findings of the research report include:

- The vast majority of advisors (more than 9 in 10) have some assets in liquid alternatives, although most use these solutions selectively for retail clients
- For nearly 3 in 4 advisors, liquid alternatives represent just 10% or less of total assets they currently manage
- There is high familiarity with many of the leading liquid alternative strategies, with real estate the most widely used at present followed by strategic income and commodities/natural resources

- The most important factors driving advisors to use liquid alternatives are diversification and the desire to manage portfolio risk/reduce volatility
- Most advisors do not expect to significantly increase their overall use of liquid alternatives in the next 12 months, with 9 in 10 advisors expecting a modest increase or no change compared to current investment levels
- Blackrock/iShares is the provider most often mentioned as the provider with which advisors have the most liquid alternative assets, followed by PIMCO, Jackson National, John Hancock, and Mainstay/Marketfield
- Satisfaction with the performance of liquid alternatives is modest, with only 1 in 6 advisors very satisfied and many advisors not satisfied with the absolute or relative return achieved in the past year
- During the past 12 months, the vast majority of advisors have received education or support related to liquid alternatives with greatest reliance on wholesalers/field contacts and peers/colleagues
- Satisfaction with current education and support is modest, with more advisors less satisfied with capabilities than those who are very satisfied
- Providers identified as offering the most useful support and training are Blackrock, PIMCO, Jackson National, First Trust, and Invesco
- Non-users are a limited audience and are unlikely to begin using liquid alternatives unless clearer benefits emerge

“Liquid alternatives are increasingly important to advisors in serving retail investors. This growth has been spurred by the evolving capital markets environment and the expanded availability of these strategies in mutual fund, ETF and VA vehicles,” says Howard Schneider, President of Practical Perspectives author of the report. *“While virtually all advisors now have some assets invested in liquid alternatives, only a limited number of advisors have fully integrated liquid alternatives into their practices. A large number of advisors that use liquid alternatives have minimal assets invested or use these solutions for only a portion of their client base.*

Advisor satisfaction with available support and education is modest, at best, with many users less satisfied with the assistance offered by providers and platforms. Advisors also are less satisfied with how many strategies have performed recently. It’s critical for providers and distributors of these solutions to deliver education,

support, and training resources that do a better job of helping advisors understand and apply these solutions.”

The analysis is based on over 525 on-line surveys conducted in February 2015 with financial advisors and representatives, as well as interviews with advisors and industry executives. Those surveyed include full service brokers, independent brokers, financial planners, Registered Investment Advisors (RIAs), and bank/insurance representatives.

The detailed report includes 86 Exhibits and is available for purchase by contacting: howard.schneider@practicalperspectives.com

For more information or for a press copy of the full report, call Howard Schneider at 978-590-7290.

About Practical Perspectives

Practical Perspectives provides customized strategic and tactical support to companies involved in the creation and distribution of asset management products and services. Our support is provided for a variety of challenges including marketing, marketing research, competitive intelligence, product, and retirement issues. We issue several reports each year that focus on key issues from the perspective of financial advisors.

www.practicalperspectives.com