Financial Advisers Crave Fee Flexibility from Active Management in 2019

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AB survey finds large majority of advisers would consider performance-fee mutual funds
Advisors cite fees, stock selection and downside protection as top priorities for active management in 2019

NEW YORK, Dec. 13, 2018 /PRNewswire/ -- If you had the option to invest in an actively managed mutual fund that only charged more when it outperformed the index, while giving you flexibility to pay low, ETF-like fees when it underperformed or matched the index, would you consider it?

The answer is "yes," according to a large majority of financial advisers who participated in a survey AllianceBernstein (AB) conducted at the recent Schwab IMPACT Conference in Washington, D.C. Of the 150 advisers surveyed by AB, nearly three quarters (74 percent) said they would consider recommending to their clients an active mutual fund whose fees start at passive-like levels and only increase when the fund outperforms its benchmark.

In fact, advisers ranked lower or "flexible" fees that are commensurate with performance (30 percent) nearly as important as individual stock selection and downside protection (both 35 percent) as factors that could make active funds more competitive with passive funds in 2019.

"There is continued interest in active strategies, but their added value must be better demonstrated to fee-conscious investors and their advisers," said Christopher Thompson, Head of the Americas Client Group at AB. "A newly designed, performance-based fee model takes fees out of the equation and gives investors what they want – to pay only for outperformance. We are committed to changing the active versus passive debate and helping advisers understand the benefits of performance-based fees for their clients."

Advisers were also confident that having actively managed strategies in their portfolios helped clients outperform the broader market in 2018. Of the advisors surveyed, 61 percent indicated that some, if not all, of their active portfolios outperformed the market this year. However, only 39 percent of advisors indicated that their clients had increased their allocation to active in 2018.

Added Thompson, "The continued market volatility and prospect of lower future returns present investors and their advisers with critical decisions. Investors should think twice about rotating out of active strategies into passive ones, which could potentially eliminate the opportunity to generate excess returns and protect against downturns."

AB currently offers six mutual funds with performance-based fees. The lineup includes equity and fixed income strategies that have proven track records of strong investment performance. To learn more: https://bit.ly/2xhzqcb.

About the Survey
The survey was conducted on October 29 and 30, 2018 with responses drawn from a random sample of 150 financial advisers attending Schwab IMPACT in Washington, D.C.

About AllianceBernstein

AllianceBernstein is a leading global investment management firm that offers high-quality research and diversified investment services to institutional investors, individuals and private wealth clients in major world markets.

As of September 30, 2018, including both the general partnership and limited partnership interests in AllianceBernstein, AllianceBernstein Holding owned approximately 35.5% of AllianceBernstein and AXA Equitable Holdings, Inc. ("EQH"), directly and through various subsidiaries, owned an approximate 65.1% economic interest in AllianceBernstein.

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