

## VIDEO

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# Focus on Funds: A Look at the Future of the Fund Industry

Focus on Funds

## A Look at the Future of the Fund Industry

Industry leaders are examining the forces that will shape asset management in the years ahead. In the July 8, 2016, edition of *Focus on Funds*, moderator Michael Downer offers a recap of a panel discussion at ICI's 2016 Mutual Funds and Investment Management conference.

### Transcript

**Stephanie Ortvals-Tibbs, Director, ICI Media Relations:** Want to look at the future of the mutual fund and ETF industry in five minutes or less? At ICI's Mutual Funds and Investment Management Conference, I gained some insights.

**Michael Downer, Senior Vice President Capital Research and Management**

**Company:** As Yogi Berra said, predictions are tough, particularly about the future, so it's always hard to make predictions. But I think some things are pretty clear: that regulation will have a big impact—a big, continuing impact—on the future of the industry. And if you look back in the past and you think about 30 years ago, the impact that, for example, 401(k) had on the growth of the fund industry, money market funds, 12b-1—it really changed the trajectory of the industry.

Today, with what I would call the tsunami of different regulations coming at us, it will have an impact, particularly the DOL fiduciary rule and the acceleration away from commissions towards fee-based, and what changes that could entail—including possibly disenfranchising some smaller investors and making it more difficult for them to access human beings.

**Ortvals-Tibbs:** So, Mike, let's also talk about active v. passive. That was definitely part of the conversation.

**Downer:** With all of the transparency that comes with the Internet, and with all of the information that's available to people, plus all the access to advice—particularly at the high end, with the high-dollar-balance investor—it's going to be if you can offer good value. That's what's going to prevail. Whether it's active or passive, you have to offer good value, provided you can navigate through the morass of the regulatory environment.

**Ortvals-Tibbs:** It's also clear that the big demand in the market right now is for solutions-

based products.

**Downer:** Today, rather than looking for objectives like growth, or growth and income, people really want solutions. And so, particularly with the big knot of people that are about to retire that are in my generation—the Baby Boomers—people want, for example, retirement income solutions; they want managed-risk solutions; they really would love guarantees, but it's very difficult to obtain guarantees. And so, investment managers are going to have to focus more than ever in the future on providing solutions rather than objective-based investing.

And then, finally, we focused on the evolution of distribution, particularly what they call “robo-advice,” and the impact of new regulations—again, particularly the DOL fiduciary rule and the fact that it may cause human advice to be more difficult to be accessed by small investors. Robo-advice, or automated advice, may be something that comes into play to either supplement humans, to leverage their time, or, in some cases—particularly with Millennials and small-balance investors—it may replace human beings. And that's basically what we talked about.

## **Additional Resources**

- [\*ICI Viewpoints: Industry Leaders Address Changing Industry Terrain\*](#)
- [\*Focus on Funds: Key Investment Trends in the Fund Industry\*](#)

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