

Top News

ReFlow Launches Volatility Tools



Paul Schaeffer

ReFlow Management has developed an index and “barometer” tool to help managers understand asset flow volatility and its impact on performance. Paul Schaeffer, president, told *FA* the ReFlow Fund Flow Volatility—or FLIX—Index will help funds manage the effects of large redemptions or subscriptions on portfolio strategies, cash positions and fund expenses. The FLIX Flow Barometer charts the ratio of inflows to outflows as an indicator of investor sentiment regarding mutual funds, he added. “It gives portfolio managers a context around which to think about managing...Should they be adopting strategies to mitigate the impact of those dynamic flows?”

Both tools are based on analysis of data published by in the Investment Company Institute’s *Monthly Trends in Mutual Fund Investing*, and the index is updated monthly. ReFlow will look more granularly at asset classes on a less regular basis—likely once per quarter, Schaeffer said, noting that analysis would be based on data published by Morningstar and Strategic Insight.

Schaeffer believes that mutual fund managers should pay attention to the volatility of asset flows across the industry and tailor their behavior accordingly. A number of factors have contributed to an uptick in volatility of flows in recent years, he told *FA*, including the growth of no-load funds, lower fees for switching from one fund to another and an increase in rollovers and withdrawals within 401(k) plans.

SSgA Stands Defiant On GLD

Jim Ross, managing director of State Street Global Advisors, told *FA* the firm has no plans to reduce the expense ratio of its \$50 billion SPDR Gold Shares exchange-traded fund, following in BlackRock’s footsteps. BlackRock last week cut the expense ratio on its similar iShares COMEX Gold Trust Fund from 40 basis points to 25 bps. While SSgA does have a policy of constantly reviewing the pricing of its ETFs, the firm isn’t planning on reducing the cost of the gold fund because “it still has an extreme value to investors” when the costs of buying and selling the fund are factored in, Ross said. “GLD is by far the most liquid gold ETF on the market.”

Both gold ETFs hold physical gold rather than mining or gold-related equities. “The funds have the exact same fund structure,” Paul Justice, analyst at Morningstar, told *FA*. “There needs to be a primary differentiator, and for these funds, it can be the price,” he said, adding that cutting the cost was a smart move

by iShares because gold is one of the few asset classes that has shown strong performance over the past decade.

iShares also recently executed a 10-1 split for the ETF, something the firm looks at when share prices rise to more than \$100, to make the fund more accessible to investors.

BlackRock: ETFs Best Suited For Small Plans

BlackRock’s executives in charge of iShares believe exchange-traded funds are best suited for small retirement plans with about \$50 million or less in assets. Small plans are most impacted by cost savings and increased selection provided by using ETFs, Christine Hudacko, spokeswoman, told *FA*. She added that she didn’t see mega-plans moving towards ETFs since they can use the leverage of their assets to get better options.

iShares is currently working on expanding its presence in small 401(k) retirement plans and 529 college savings plans by meeting one-on-one with small- to medium-sized recordkeepers that focus on financial advisors who work directly with the plans. Cost savings, increased transparency and the increased options that come with using ETFs in the plans are topics of discussion, Hudacko said.

iShares has \$3.3 billion assets in its 401(k) and 529 products.

T. Rowe Tweaks Target-Date, Income Funds

T. Rowe Price instituted changes to its Retirement Funds target-date series and Retirement Income Fund, as well as an underlying income fund. The firm will add exposure to the T. Rowe Price Real Assets Fund to its Retirement Funds target-date series and Retirement Income Fund.

The Real Assets Fund will add exposure to industries such as real estate, energy and precious metals and mining. “We aren’t adding exposure to inflation-sensitive securities because we expect an immediate surge in inflation,” a spokesman for T. Rowe told *FA*. “These are strategic changes to enhance the diversification benefits of our glidepath and to ultimately improve retirement outcomes for our clients.”

Harry Milling, mutual fund analyst at Morningstar, told *FA* that if the goal is to give the target-date series an alternative exposure with less correlation to the broader equity market, the Real Assets Fund “falls short.” He noted T. Rowe could have done better investing directly in the commodities themselves than stocks, which come with all the operating risks of companies.

In response, the spokesman for T. Rowe said: “We continue to