The 10 Top-Selling Active Fund Shops of 2019

By Carmen Germaine January 7, 2020

Lord Abbett’s active fund line pulled in $16.7 billion in net sales last year, the most of any fund shop, data shows.

Baird, meanwhile, took the second spot, with $12.5 billion in inflows over the same January-to-November period examined, Morningstar Direct data shows. The Milwaukee, Wisc.-based fund shop also organically grew 26.6% during the period, the fastest of any active complex.

Overall, the 10 shops with the highest sales for their active lines collected a combined $115.2 billion in net flows between Jan. 1 and Nov. 30, Morningstar data shows. Comparably, the biggest-bleeding firms lost a combined $140.3 billion during the same period.

Bond funds boosted demand for products at other shops, including Pimco, PGIM Investments, DoubleLine Capital and Nuveen.

Both broad-based and specialty fixed-income providers were "well positioned for where active demand was over the year," says Tyler Cloherty, senior manager at Casey Quirk by Deloitte. Industrywide, active fixed-income funds collected $230.2 billion year-to-date through November, according to Morningstar Direct.

That demand comes in part as baby boomers, already risk-averse since the last financial crisis, approach retirement and move to more conservative positions, says Laton Spahr, president of SS&C Alps Advisors. Investors are also increasingly likely to rebalance their portfolios, reallocating away from equities after periods of strong performance, he says.

Meanwhile, the Federal Reserve's recent rate cuts have made fixed-income returns more attractive, Spahr says.

"You had a perfect backdrop for flows into fixed-income funds through the year," he says.

Fixed income accounted for most of Lord Abbett's net flows. In all, investors piled $20.1 billion into the firm's fixed-income products. They pulled a net $3.4 billion from all of the firm's other funds.

"We expect this growth to continue, as we continue to broaden our offerings in the markets we serve," a company spokesman writes in an e-mail.

PGIM Investments, fifth on the list with $11.8 billion in net flows, likewise saw fixed-income flows outweigh redemptions in other asset classes. Investors added $18.0 billion to the firm's bond funds, and pulled $6.2 billion from its other products.

"PGIM Investments' success is a direct result of strong investment performance across multiple asset classes, particularly fixed income," according to a statement from president and CEO Stuart Parker. Just over half of the firm's bond fund share classes had above-average performance in their category over the three years ended Dec. 31, according to Morningstar data.

American Funds, meanwhile, pulled in $12 billion in new money during the first 11 months of 2019, the third most of any active provider. The Los Angeles–based shop reported net inflows of $14.5 billion during the first half of the year, the most of any fund shop. However, between July and November, investors pulled $14.2 billion from its equity funds, Morningstar data shows.

“Advisors and investors continue to seek low-cost funds that deliver long-term results that are superior to market indexes,” a spokeswoman for American Funds parent Capital Group writes in an e-mail.

More than three quarters of the share classes for American Funds’ products are priced below the average for shares in the same Morningstar category, according to Morningstar data.

Broadly, the shift to low-fee products has impacted fund flows this year, Cloherty says.

Fixed-income investors are particularly price sensitive, says Mary Ellen Stanek, managing director and CIO at Baird, as nominal yields are lower and spreads get tighter. That’s helped Baird’s funds stand out, she says. Two thirds of the share classes for Baird’s funds have fees below the Morningstar category average, Morningstar data shows.

“In a world where there’s increased transparency on fees and a push to lower fees and [finding] lower-cost alternatives, our value proposition shines bright,” she says.

Although the bulk of the firm’s flows were to taxable bond funds, the firm reported higher net sales for equity funds as well, she says. Baird and Edward Jones’s Bridge Builder funds were the only fast-growing fund families that reported positive sales in every asset class during the period examined.

Other fund shops are looking beyond bond funds to buoy their sales.

At Nuveen, for example, investors flocked to ESG products and target-date funds, as well as the firm’s bond funds, says Margo Cook, president of Nuveen Advisory Services.

The firm’s growth stems from “helping our clients address a wide range of needs,” she adds.

Industrywide, investors poured $149 billion into index mutual funds, and pulled $74 billion from their active counterparts.

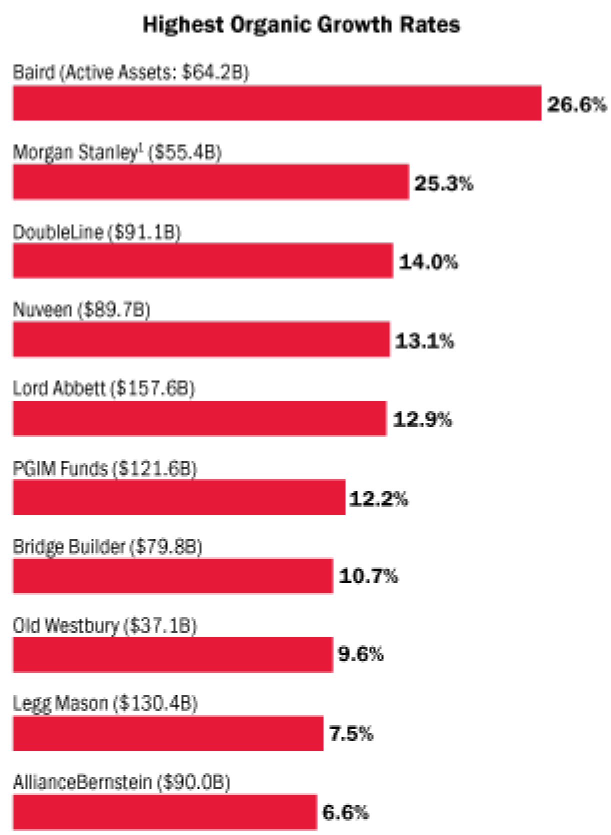
Some firms, such as AllianceBernstein, were able to capture sales because they have products that aren't easily replicated in passive strategies, says Mark Gessner, a senior managing director at the firm.

In 2020, investors are likely to continue to search for "more efficient income" as the Fed keeps rates low, Gessner says. And advisors are looking for high-active-share, high-conviction products, he says.

"We expect increased volatility and moderate levels of returns on equities and fixed income," he says. "So that should create some opportunities for active managers that can actually generate that differentiated source of returns."

Growing Up

Baird's 26.6% organic growth rate outpaced the rest of the industry, according to data from Morningstar Direct. Industrywide, active assets organically shrunk by 0.7% during the same period. Below is a look at the shops that organically grew the most.



Source: Morningstar Direct. Data is as of Nov. 30, and includes only fund complexes with $25 billion or more in active mutual fund assets, as of Dec. 31, 2018. Data does not include index mutual funds, ETFs, money market funds or fund of funds. [1]Includes both MSIM products and Pathway Funds used exclusively within Morgan Stanley Wealth Management.

Other top-selling fund shops include intermediaries with their own subadvised funds.

Morgan Stanley's funds, including the Pathway funds used exclusively within Morgan Stanley Wealth Management, organically grew by 25.3% during the 11-month period examined, as investors piled $9.8 billion into the firm's funds. Edward Jones's Bridge Builder and Bessemer Trust's Old Westbury funds also grew by 10.7% and 9.6%, respectively.

Taking greater control over the packaging of funds used with clients is an attractive proposition for distributors, Cloherty says.

"For the packager of the fund, having those tied distribution channels is obviously a very meaningful way to drive product flows," he says.

Some fast-growing active managers also reported net sales into other products.

Legg Mason's active mutual fund line, for example, organically grew by 7.5% during the period examined, the ninth most of any fund shop with more than $25 billion in assets as of Dec. 31, 2018. The firm also reported strong sales in other vehicles, including separately managed accounts, collective investment trusts and ETFs, says Ed Venner, the firm's acting head of U.S. sales.

"Our distribution strategy, which focuses on providing our clients with a choice of strategy, vehicle and access to solve their investment and business challenges, is proving effective," Venner writes in an e-mail.

Broadly, the industry has moved to a more "experience-based sales process," says Matt Fronczke, director of strategic business consulting at SS&C.

Firms always need to have products with high performance, he says. But they also need to shift to focus more on how they work with advisors in a consultative process.

"Experiences matter," Fronczke says. "The firms that are able to have strong and deep partnerships, and strong relationships through customer experiences, are going to be the winners."