

NEWS

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Advyzon Releases Asset Allocation White Paper Showing ETFs Are Now More Popular Than Mutual Funds

Special report looks at how advisors shifted client assets during the 2022 market downturn

CHICAGO, IL (July 13, 2022) – [Advyzon](#), a comprehensive service and technology platform and portfolio management solution for financial advisors and investment managers, recently released [“The New Diversification: Asset Allocation Into 2023”](#), a white paper that looks at how advisors have invested client funds over the past five years, with a particular focus on the shifts made during 2022.

Among the highlights: The amount of money in alternative investments jumped more than 400% compared to previous years; advisors pulled money out of equities; cash equivalents and individual bonds benefited from higher yields; and ETFs dethroned mutual funds as the top investment vehicle for financial advisors.

While [last year’s white paper](#) highlighted the flaw in the conversation around the 60/40 portfolio, this year’s report digs deeper into subtle shifts around asset allocation, with deep dives into how advisors are using alternative investments with clients.

At the end of 2022, advisors had 53.7% of client assets in stocks, 20.3% in bonds, 0.6% in commodities, 2.7% in alternatives, 6.7% in cash, and 16.1% in other assets. This is compared to the end of 2021 when advisors held 60.1% in stocks, 20.3% in bonds, 0.5% in commodities, 0.6% in alternatives, 9.5% in cash, and 9.0% in other investments.

[Advyzon Investment Management](#) (AIM) Chief Investment Officer Brian Huckstep helped make sense of a few of those trends. First, he notes lackluster stock market performance only explains about half of the decline in equity allocations last year. Second, he posits that higher yield on cash

equivalent products may be driving some of the shift toward “other investments” and the decline in cash allocations. Certain cash equivalents, including certificates of deposit, can be classified based on advisor discretion. Alternatives that are not easily classified as such may also fall into, and have bolstered, the other category.

To read a summary of the report’s findings on overall allocations and alternatives, [please click here](#). To read the full report and download the white paper, [please click here](#).

EVOLVING THE TRADITIONAL 60/40 PORTFOLIO

The white paper also spotlights how one firm – CrossGrain Family Investments – uses private market investments alongside more traditional assets to benefit a roster of high to ultra-high net worth clients. Co-founder William (Biff) Pusey explains that while private markets face similar risks to public markets, these companies often face less pressure to eke out earnings beats each quarter, meaning they may be less volatile for investors with an extended time horizon.

Shana Sissel, CEO of Banrion Capital Management, also weighed in on Advyzon’s findings: “The availability of alternatives is far greater than ever before, from hedge-fund-like mutual funds to ETFs and the advent of interval funds.” She added that “2022 demonstrated the value of evolving the traditional 60/40 portfolio to include an allocation to low-correlation alternatives.”

In addition to proprietary data, the Advyzon white paper dives into overall asset performance and what to consider when managing portfolios in 2023. To that end, it provides an update on how advisors were allocated in the first quarter of the year.

STUDY METHODOLOGY AND DETAILS

Advyzon's cloud-based platform combines portfolio management, customizable performance reporting, trading and rebalancing, client web portals, client relationship management (CRM), client billing, and document storage – plus a model marketplace with access to third party strategists via turnkey asset management with Advyzon Investment Management – making it easy for advisors to run their financial planning and investment advisory firms while managing their client accounts with efficiency and ease. Advyzon currently serves more than 1,300 advisory firms. Data for this study was pulled anonymously from all firms to protect client data.

The white paper features insights from Brian Huckstep, CIO of Advyzon Investment Management, a TAMP under the Advyzon umbrella. Last year, Huckstep made this prediction: “I expect that our database will show mutual fund and ETF exposures close to parity at the end of 2022.” That prediction turned out to be accurate, and then some. While investments in ETFs remained steady at roughly 28%, the amount of money invested in mutual funds fell from 30% at the close of 2021 to 24% at the close of 2022.

This year, Huckstep reflected that this inflection point has been roughly 30 years in the making: “From the start, the tax benefits, liquidity, and relatively low cost made ETFs attractive to investors.”

While investments in individual equities declined slightly at the close of 2022, the opposite was true for fixed income. Advisors put 9% of client assets directly into fixed income in 2022, up from

5% at the end of 2021. Given bond fund performance in 2022 (the Bloomberg U.S. aggregate bond index fell 13% in 2022), it makes sense that advisors might buy bonds directly in an attempt to capture higher yields without suffering from the commensurate price decline.

To read a summary of the report's findings on investment vehicles, including the shift toward ETFs, [please click here](#). To read the full report and download the white paper, [please click here](#).

ABOUT ADVYZON

Advyzon provides comprehensive, intuitive, cloud-based wealth management technology and investment management services for independent financial advisors and registered investment advisors (RIAs). The Advyzon tech platform combines portfolio management, customizable performance reporting, trading and rebalancing, client web portals, client relationship management (CRM), client billing, and document storage, along with investment management services and a model marketplace offered by Advyzon Investment Management, LLC. A team of entrepreneurs led by CEO Hailin Li, Ph.D., CFA®, Advyzon strives to innovate in strategic and useful ways. Financial advisors inspire Advyzon's innovation and integrations. Their exceptional technology and unmatched service exist to improve the advisor experience – whether it's via portfolio and firm management or client relationships and growth. To learn more about Advyzon, visit www.Advyzon.com. To learn more about Advyzon Investment Management, visit www.AdvyzonIM.com.

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