



Surviving the Passive Tide

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New Greenwich Associates Study Analyzes Strategies to Reignite Demand for Active Investing

A new study from Greenwich Associates recommends that active managers should be experimenting with new products, alternative data sets and other innovative investment tools to make their offerings more attractive relative to low-cost passive strategies.

"Economic uncertainty will benefit those active managers that can take advantage of mispriced securities and emerging economic trends," says [Richard Johnson](#), Vice President of Market Structure and Technology at Greenwich Associates and author of the new report [Competitive Strategies for Active Managers](#). "However, managers should explore new products and approaches to differentiate their product suite and grow assets."

This study was conducted by Greenwich Associates and sponsored by FactSet. The results are based on interviews conducted between March to May 2017 with 68 portfolio managers, chief investment officers and analysts at asset management firms in the U.S., Europe and Asia.

Innovation Can Stoke Demand for Active Strategies

Portfolio managers in the study agree that innovative products and approaches can make active strategies more attractive to clients. Among the many ways to differentiate, study participants suggest:

- Alternative data can help active managers find alpha, but only 28% are currently using this data.
- Approximately 50% of all study participants believe that active ETFs are an innovative product that can help managers differentiate and attract assets. However, only 20% currently manage or plan to manage active ETFs.
- Factor (smart-beta) ETFs are innovative products that can be an important part of an investor's portfolio, according to a majority of fund managers in the study. However, only one-fifth were currently managing factor ETFs or had plans to launch one in the next 12 months.

"Introducing new products tied to new investment themes—such as active or factor ETFs—or products targeting a new demographic can be an effective way to increase demand for active products and combat fee pressure," says [Richard Johnson](#). "But to partner with clients over the long term, it is important for active managers to develop customized investment products tailored to clients' specific requirements."

Justin Rousseau, FactSet's Director of Portfolio Management Strategy, notes that the shift is not without its challenges. "For many firms, technology remains a barrier as they aim to combine traditional measures with alternative data sets across multiple asset classes. As our clients modernize their product lineup and incorporate new methods across their investment processes, they are being pushed to innovate in other ways as well."

FactSet

Media Relations Contact:

Amy Bowman

203.810.2144

Abowman@factset.com

Investor Relations Contact:

Rima Hyder

857.265.7523

Rima.hyder@factset.com