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**Target-Date Assets Expand Again in 2018, Despite Stock Market Turmoil**  
*Gains Made in Collective Trust-based Vehicles, While Mutual Fund Solutions Declined*

**March 4, 2019, Newton, NH**—Assets in Target-Date funds grew again in 2018, though growth was somewhat muted thanks to a down market for U.S. stocks. Mutual fund and CIT-based Target-Date solutions<sup>1</sup> reached \$1.77 trillion at year-end, up from \$1.75 trillion at the end of 2017 — a year-over-year gain of 1.1%. CIT-based solutions began 2018 with \$638 billion in assets and ended the year at \$677 billion for a gain of 6.1%. Mutual fund-based solutions declined 1.9% — from \$1.11 trillion to \$1.09 trillion — amid the stock market dip and a trend of Target-Date assets being shifted from mutual funds to lower-cost CITs. These are just a few of the findings featured in the latest in-depth research report from Sway Research—*The State of the Target-Date Market: 2019, Examining Asset Trends Across Providers, Products, Vehicles, Management Styles, and Glide Path Structures*.

***Shift to Passive from Active Continues Unabated***

Assets in Target-Date series that invest in Passively-managed underlying funds reached 53.3% of MF and CIT Target-Date assets in 2018, up from 51.2% a year prior, and 47.0% at the end of 2015. Target-Date solutions that invest in Actively-managed funds finished 2018 with 38.0% market share, down from 41.7% one year prior, and 46.1% at the end of 2015. Hybrid series, which invest in both Active and Passive underlying investments, reached 8.6% of the Target-Date market at year-end 2018, up from 7.2% a year prior, and 7.0% at year-end 2015. The jump in Hybrid is largely the result of recent shifts from Active to Hybrid by a number of Target-Date series as they seek to lower expenses through greater allocations to Passive investments.

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<sup>1</sup> This data includes assets managed in pre-packaged Target-Date offerings and does not include solutions that are customized to the requirements of a specific plan sponsor or consultant. Assets also include only products offered in the U.S.

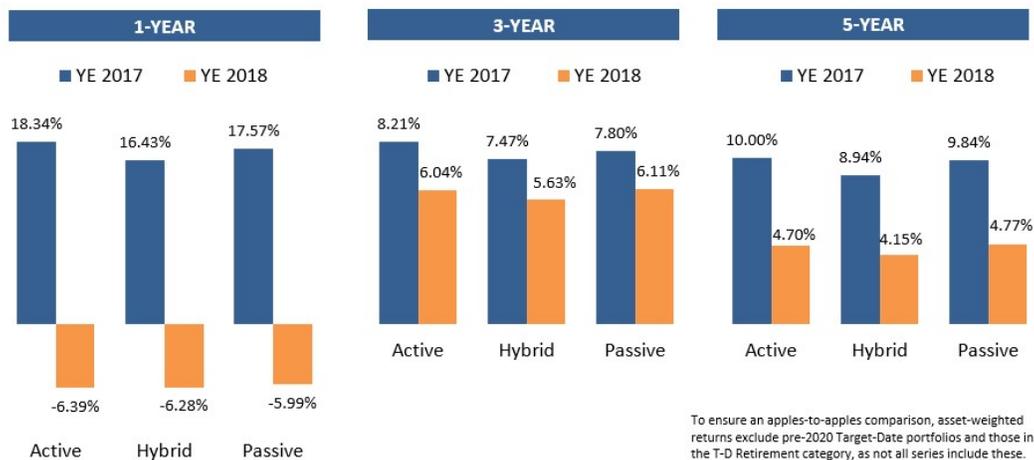
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The largest manager of Target-Date assets remains Vanguard, which managed \$649B at the end of 2018, up 4.1% from \$623B a year earlier. The 800-pound Target-Date gorilla managed 69% of the assets in Passively-managed Target-Date solutions at the end of 2018, while controlling 36.4% of the assets in mutual fund-based Target-Dates and 37.3% of the assets in CIT-based Target-Dates (36.7% overall). There was no change in the top-10 providers this year. Following Vanguard is Fidelity (\$245B AUM, 13.9% market share), T. Rowe Price (\$223B, 12.6%), BlackRock (\$151B, 8.5%), American Funds (\$104B, 5.9%), J.P. Morgan (\$85B, 4.8%), Principal (\$56B, 3.2%), SSgA (\$51B, 2.9%), Nuveen (\$45B, 2.6%), and American Century (\$21B, 1.2%).

### A Down Stock Market Was No Panacea for Active T-Ds in 2018

While some believe a down market is needed to stem the tide of assets flowing from Actively-managed funds to Passively-managed ones, negative stock market returns in 2018 (the S&P 500 Index was down 4.4%) did not improve the attractiveness of Target-Date mutual fund series that invest in Actively-managed underlying funds. “Active” Target-Dates ended 2018 with lower asset-weighted returns than Passive Target-Dates for 1-, 3-, and 5-years. This is a reversal from the end of 2017, when Actively-managed Target-Date series finished with higher returns for the same periods, as shown in the graph below. Managers of Actively-managed series need to outperform in down markets for their products to remain attractive when compared to lower-cost Passively-managed competitors.

### Comparison of Asset-Weighted 1, 3, and 5-Year Returns of Target-Date Mutual Fund Series: Year-end 2018 vs. 2017



Source: Sway Research, LLC

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### ***Bulk of Target-Date Assets Controlled by a Handful of Providers***

At year-end 2018, 63% of Target-Date AUM was controlled by the top-3 providers and 78% by the top-5. Furthermore, only 7.7% of non-custom Target-Date assets were controlled by a firm not among the top-10 providers. The top-3 level remains unchanged since 2015 at 63%, but the top-5 controlled 76% of Target-Date assets at the end of 2015, and 10.5% of Target-Date assets were controlled by providers outside of the top-10 that year. The rich keep getting richer in the Target-Date space, while smaller managers are effectively being shut out. Some of this stems from the confluence of assets and recordkeeping possessed by seven of the top-10 Target-Date providers — BlackRock, SSgA, and American Century are the exceptions. Roughly half (49%) of Target-Date series are offered by firms with both asset management and DC recordkeeping businesses, yet these firms control 85% of non-custom Target-Date assets. Pure Asset Managers offer nearly a third of the series (29%) but control only 14% of the assets.

### ***About this Research Study***

Sway's annual in-depth study of the Target-Date market is based on a proprietary database of mutual fund and collective investment trust Target-Date portfolio and asset data, which includes 150 different Target-Date series spread across nearly 6,000 individual mutual fund share classes and CITs. This data is harnessed to provide insights into shifts within the \$1.77 trillion Target-Date market, including across products and providers, investment vehicles, underlying investments, management styles, glide paths, and so on. Data is gathered from an array of sources, including Target-Date providers, plan intermediaries, public filings, and marketing collateral, such as fact sheets, brochures, and websites.

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### ***About Sway Research LLC***

Sway Research provides market data and analysis that empowers financial services executives to make decisions, effect change, and grow revenue. Leading manufacturers and distributors of investment products purchase Sway's research in syndicated reports, custom research projects, and strategy engagements. Sway is the leading provider of research and intelligence on the

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