

FLX NETWORKS

QUARTERLY PERSPECTIVE

January 2023

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Brian Moran

FLX Networks CEO and Founder



New Year's Resolutions

Every January brings a new beginning and an opportunity to personally reflect and establish resolutions for the year ahead. The same is true in business: Companies spend the end of the year prior building budgets and future plans to help ensure year-end reviews support their lofty expectations. Looking at 2023, I believe there are three core concepts for us to discuss:

- Help me help you.
- You can't cut your way to growth.
- So, you want to be great.

Help me help you.

The famous line from Jerry Maguire, "Help me help you" was followed by Jerry saying to his client, "I am out here for you... It is an up-at-dawn, pride-swallowing siege that I will never fully tell you about, ok? Help me...help you." The best growth strategies require the participants of an in-sourced model to play an equal-sum game versus a one-up. Fiercely competitive markets require collaboration. Of course, there is always one paying for the service, while the other provides their time and resources to produce an outcome for that payment. While I know this may sound self-serving, it is important to realize healthy relationships are not transactional but are collaborative and cooperative.

We operate in an ambiguous, complex, and fragmented business, where there is no one-size-fits-all approach to success. It is a given that you must work hard. You must purposefully invest in relationships, technology, data, and services that can help you drive a path towards differentiation. Recognize that innovation and commercial expectations change, and that past approaches and/or plans may no longer be as relevant.

What excites me about the future is that **FLX delivers purposeful tools that help us help you**. In one location, you leverage creative media (FLX Media) and public relations (FLX PR) to build your brand and broaden your reach. You use technology resources like Artificial Intelligence (FLX AI) and FLX Intelligence to enhance your firm's results and workflows. You gain insights from FLX Analytics which provides the broadest registered investment product data set available, ensuring that you are optimally positioned to compete. Lastly, you share personnel to assist in content marketing, relationship building, and/or sales to ensure you increase your ROI, save money, and access your desired markets.

Brian Moran

FLX Networks CEO and Founder



You can't cut your way to growth.

Think of the aspiring athlete trying to reach the next level – in the ultimate competition where a matter of seconds can determine the difference between professional and amateur. To reach that next level they are not saying, “How much training can I remove this year?” Instead, those destined for greatness review their plans, evaluate their results, and identify wasteful habits and opportunities for improvement.

As a business, there are moments where cost-cutting is prudent and necessary. However, it should not be at the expense of future growth and success and should be tied to the elimination of waste and/or low ROI activities. In the Asset Management industry, we have three essential pillars: Manufacturing (i.e. – investing), Operations (i.e. – mid and back office) and Distribution (i.e. – front office – sales, engagement, and marketing). The Distribution vertical is most closely associated with growth. Although it cannot exist without a product and/or operational support, distribution strategy does drive future economic outcomes. While the broader capital markets, P&L's, and traditional business models are challenged by today's economic backdrop, it does not mean that now is the time to stop investing in your growth. In fact, **successful firms seek purposeful growth investments and optimize in these challenging environments.**

Given FLX Networks' operating expertise and deep understanding of the Distribution vertical, we have unmatched insights into how hundreds of companies are approaching their distribution plans. An observation for 2023: There is an opportunity to review workflows and resources internally, while considering areas where outsourcing can be complementary. As it relates to the decision to “outsource,” we would suggest altering the approach to an “in-sourcing” mindset. Think beyond a financially driven relationship and ask yourself if the culture, the people, and the insights your partners bring to you are those that will foster collaboration and growth.

So, you want to be great.

Much of my personal perspective is informed by growing up in a hard-working middle-class family. I remember how much my parents sacrificed and tried to provide on a household income that was routinely stretched to its breaking point. I saw my father work 80 hours a week in a physically demanding role to ensure that millions of people could be able to use the most important communication tool of the time, the home phone. When I joined the Asset Management industry, I was blown away by the economic opportunities and potential – people could make in one year what took my father 20!

Brian Moran

FLX Networks CEO and Founder



Please do not misconstrue my comments to be about the “Main Street vs Wall Street” debate. My point is more about where our industry (asset and wealth management) is today. Our industry is built on investing in future greatness. It is designed to reward those companies and people with great ideas and differentiated products versus those who are average or perceived as a commodity. Any number of industries have experienced periods when profits were outsized due to the lack of competition or innovation. It is in these periods when an industry sees new entrants, competitors, and pricing pressure accompanied by consolidating market share, discussions of scale, and harder challenging degrees of differentiation. Accompanying this environment inevitably will be industry participants saying, “It was so much different when I came up in the business;” “It is so much harder today;” and “I feel like I’m working more to make less.”

Addressing this new environment, FLX provides a modernized and simple way to drive better engagement for our members through the FLX Exchanges. Given the synthetic scale we have developed, the connectivity to wealth management platforms, and our thousands of asset manager relationships, we have concluded there is no “easy button,” there are no “who are your relationships” that can fast track you to greatness, and there aren’t buyers lining up to hear investment stories like they did 30 years ago. (FYI – innovation and the internet provided the ultimate scaled sourcing agent). Here is the reality: Your plans, resources, partners, and people need to be able to sustain and thrive in today’s competitive landscape. Gone are the days of easy money and how things once were. Those that achieve greatness and compensation levels of the past will be those in the year(s) ahead that **incorporate collaborative partnerships, leverage data, challenge existing workflows, and find ways to differentiate their brands**. That said, get ready to work harder and differently than you’re used to!

Wrap Up

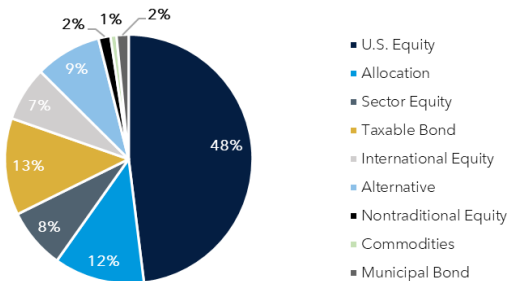
In 2022 FLX hit record highs in asset managers, financial advisors, investment product sales, solutions sales, and overall membership. We also went through a grueling nine-month due diligence process by renowned institutional investors and global organizations. At the end of that process, we furthered our momentum by securing a \$10 million investment in our vision to modernize, simplify, and revolutionize the future of engagement. While there is still a lot to get done, we are committed to partnering with you – the FLX community – to hear your ideas, suggestions, and needs, so that we can ensure your New Year’s Resolutions can be achieved!

FLX's Investments Exchange

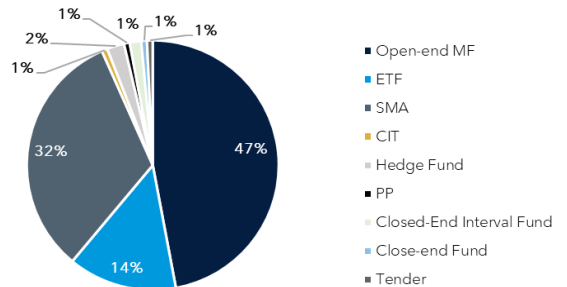
Differentiated and simplified access to investment ideas, platform availability, and collateral from 50+ asset managers representing over \$2 trillion in AUM.



FLX Networks Products by Asset Class



FLX Networks Products by Wrapper

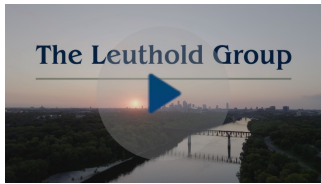


New Content from FLX Media

On-demand content and the ability to showcase your brand are essential to maintaining an omnichannel presence. FLX Media can help you deliver differentiated content to increase your visibility and convey key information about your firm and products.

Contact [Matt Novello](#), Head of FLX Media, to learn more.

Get to Know Our Members & Their Products



Friday Film Series: Catch up on thought leadership and key firm updates in this weekly series from CEO Brian Moran



Now Streaming- Podcast series featuring FLX's own Jillian DelSignore and Mark Spina: *INFLXtion Points*





Newsworthy Highlights

Award Winner...Yet Again!

FLX Media continues to garner critical acclaim, this time earning two Platinum Awards at the 28th annual Viddy Awards, which honor video excellence in digital platforms.

Out of more than 2500 submissions across 20 countries, FLX Media took home top honors in the Directing Category for 180 Degree Capital's Spotlight video as well as in the Cinematography Category for V-Square's Spotlight of Mamadou-Abou Sarr .

Watch the videos [HERE](#)

In the News & On the Scene

- [MFWire](#): Barings, Allianz, and Broadridge Bet \$10MM on Ally to Fundsters
- [Press Release](#): FLX Networks Announces Largest Hiring Initiative in Firm History
- [Financial Times](#): FLX Head of Strategic Growth & Solutions Jillian DelSignore provides insights on single-stock ETFs
- [MMI](#): FLX COO & President Mark Spina joins State Street Managing Director Steve Camp to discuss model portfolios

December Monthly Industry Data Snapshot

Courtesy of FUSE Research

Content on the following pages is sourced from FUSE Research's Monthly Data Snapshot and Industry Overview. For more information, visit <https://www.fuse-research.com/>

- December did not bring a Santa Claus rally in 2022, as financial markets gave back some strong fourth quarter-to-date performance after rallying through most of October and November.
- Markets' top priority in the month was interpreting sometimes conflicting economic and inflation data, and the 10-year U.S. Treasury rose from 3.7% to 3.9% during the month as optimism around inflation dampened. The S&P 500 slid 6% to close the year down 19%.
- Violent turbulence throughout 2022 resulted in \$363 billion of net outflows from long-term assets, with \$87 billion of net outflows coming in the year's final month. The large outflows contrasted with the record \$1.2 trillion of net inflows to long-term assets in 2021. A dramatic series of rate hikes dealt the most pain to Fixed Income, with the Taxable Bond category and Municipal Bond categories combined for \$342 billion of outflows during the year, including \$30 billion in December. These categories combined for \$632 billion of net inflows in 2021.
- ETF inflows partially offset open-ended mutual fund outflows, as has been the case throughout 2022. ETFs gathered \$44 billion in net inflows while open-end mutual funds ex money markets witnessed \$131 billion in net outflows in December. For the full year, ETF inflows of \$588 billion somewhat mitigated open-ended mutual fund outflows of \$950 billion.
- Long-term assets fell 19% year-over-year to \$22.5 trillion as of December 31, while Money Market assets were flat at \$4.7 trillion.
 - Open-ended mutual funds accounted for 71% of long-term assets with \$16.0 trillion, while ETFs accounted for the remaining \$6.5 trillion. Open-ended mutual funds share of long-term assets declined 3% from 74% at year-end 2021.

Assets & Estimated Net Flows by U.S. Broad Asset Class (Open-End Funds & ETPs)(\$'s Millions)

U.S. Broad Asset Class	Assets				Estimated Net Flows				
	Dec-22	Mkt Shr	Dec-21	Dec-21	Dec-22	3mo	YTD	12mo	2021
U.S. Equity	10,701,414	39%	13,284,112	13,284,112	(7,468)	(19,796)	58,436	58,436	167,853
International Equity	3,365,933	12%	4,239,098	4,239,098	(24,599)	(38,127)	(25,688)	(25,688)	261,481
Sector Equity	1,134,539	4%	1,443,946	1,443,946	(9,893)	(5,621)	(49,015)	(49,015)	96,349
Alternative	175,601	1%	190,009	190,009	(1,273)	(3,895)	25,845	25,845	38,932
Commodities	164,014	1%	168,747	168,747	(3,784)	(11,338)	(6,549)	(6,549)	(1,639)
Nontraditional Equity	65,072	0%	46,397	46,397	1,932	5,843	26,179	26,179	15,339
Miscellaneous	74,814	0%	96,943	96,943	260	729	26,524	26,524	9,777
Allocation	1,272,223	5%	1,535,671	1,535,671	(11,373)	(29,094)	(76,790)	(76,790)	(1,802)
Taxable Bond	4,691,387	17%	5,554,796	5,554,796	(18,397)	(38,059)	(222,909)	(222,909)	525,342
Municipal Bond	843,554	3%	1,062,236	1,062,236	(11,960)	(27,148)	(118,772)	(118,772)	106,220
Total Long-Term	22,488,552	83%	27,621,955	27,621,955	(86,555)	(166,505)	(362,740)	(362,740)	1,217,853
Money Market	4,720,310	17%	4,717,823	4,717,823	79,059	149,945	(64,472)	(64,472)	412,951
Grand Total	27,208,862		32,339,778	32,339,778	(7,496)	(16,560)	(427,212)	(427,212)	1,630,804
<i>Fund-of-Fund*</i>	<i>2,112,997</i>	<i>9%</i>	<i>2,549,728</i>	<i>2,549,728</i>	<i>(2,545)</i>	<i>(12,430)</i>	<i>1,443</i>	<i>1,443</i>	<i>73,390</i>

*Fund-of-fund market share is as a percentage of total long-term assets

Assets & Estimated Net Flows by U.S. Broad Asset Class (Open-End Funds)(\$'s Millions)

U.S. Broad Asset Class	Assets				Estimated Net Flows				
	Dec-22	Mkt Shr	Dec-21	Dec-21	Dec-22	3mo	YTD	12mo	2021
U.S. Equity	7,442,469	36%	9,574,385	9,574,385	(25,223)	(89,367)	(195,507)	(195,507)	(221,695)
International Equity	2,380,287	11%	3,141,317	3,141,317	(35,771)	(73,308)	(120,473)	(120,473)	93,539
Sector Equity	451,858	2%	601,799	601,799	(5,139)	(12,285)	(35,762)	(35,762)	(5,761)
Alternative	135,177	1%	127,981	127,981	(1,953)	(6,870)	13,978	13,978	28,611
Commodities	31,850	0%	32,148	32,148	(2,367)	(5,346)	(2,574)	(2,574)	3,610
Nontraditional Equity	31,717	0%	29,692	29,692	(163)	179	4,882	4,882	2,684
Miscellaneous	4,285	0%	6,686	6,686	(34)	(100)	141	141	(315)
Allocation	1,262,304	6%	1,523,255	1,523,255	(11,686)	(29,333)	(76,961)	(76,961)	(2,794)
Taxable Bond	3,511,375	17%	4,375,423	4,375,423	(32,791)	(95,348)	(389,531)	(389,531)	336,872
Municipal Bond	739,685	4%	980,144	980,144	(15,728)	(42,775)	(148,671)	(148,671)	85,473
Total Open-End	15,991,007	77%	20,392,831	20,392,831	(130,855)	(354,552)	(950,477)	(950,477)	320,224
Money Market	4,720,310	23%	4,717,823	4,717,823	79,059	149,945	(64,472)	(64,472)	412,951
Grand Total	20,711,317		25,110,654	25,110,654	(51,797)	(204,607)	(1,014,949)	(1,014,949)	733,175
<i>Fund-of-Fund*</i>	<i>2,082,491</i>	<i>13%</i>	<i>2,515,707</i>	<i>2,515,707</i>	<i>(3,188)</i>	<i>(12,854)</i>	<i>(201)</i>	<i>(201)</i>	<i>63,875</i>

*Fund-of-fund market share is as a percentage of total long-term assets

Assets & Estimated Net Flows by U.S. Broad Asset Class (Exchange-Traded Products)(\$'s Millions)

U.S. Broad Asset Class	Assets				Estimated Net Flows				
	Dec-22	Mkt Shr	Dec-21	Dec-21	Dec-22	3mo	YTD	12mo	2021
U.S. Equity	3,258,946	50%	3,709,726	3,709,726	17,756	69,571	253,943	253,943	389,548
International Equity	985,646	15%	1,097,781	1,097,781	11,172	35,180	94,784	94,784	167,943
Sector Equity	682,681	11%	842,147	842,147	(4,754)	6,664	(13,253)	(13,253)	102,109
Alternative	40,424	1%	62,029	62,029	680	2,975	11,867	11,867	10,321
Commodities	132,164	2%	136,598	136,598	(1,417)	(5,992)	(3,975)	(3,975)	(5,248)
Nontraditional Equity	33,355	1%	16,705	16,705	2,096	5,664	21,297	21,297	12,655
Miscellaneous	70,530	1%	90,256	90,256	294	828	26,384	26,384	10,093
Allocation	9,919	0%	12,416	12,416	313	239	171	171	992
Taxable Bond	1,180,012	18%	1,179,373	1,179,373	14,394	57,289	166,622	166,622	188,470
Municipal Bond	103,868	2%	82,092	82,092	3,768	15,627	29,898	29,898	20,747
Total ETP	6,497,544		7,229,124	7,229,124	44,301	188,047	587,737	587,737	897,629
<i>Fund-of-Fund*</i>	<i>30,506</i>	<i>0%</i>	<i>34,021</i>	<i>34,021</i>	<i>643</i>	<i>424</i>	<i>1,644</i>	<i>1,644</i>	<i>9,515</i>

*Fund-of-Fund market share is as a percentage of total long-term assets