BUSINESS INTELLIGENCE FOR FUND BOARDS

INDUSTRY TRENDS SPOTLIGHT

Third Quarter 2026

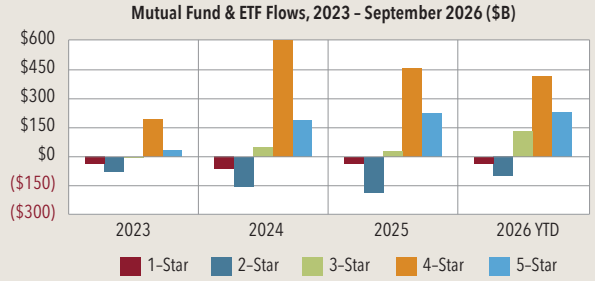
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Industry Outlook

4- and 5-Star Funds Shine Brightest

Through 3Q26, 4- and 5-star funds and ETFs attracted $648.7B in net inflows, while 3-star funds gained momentum with $133.1B and lower-rated funds continued to experience outflows.

Mutual Fund & ETF Flows, 2023 – September 2026 ($B)

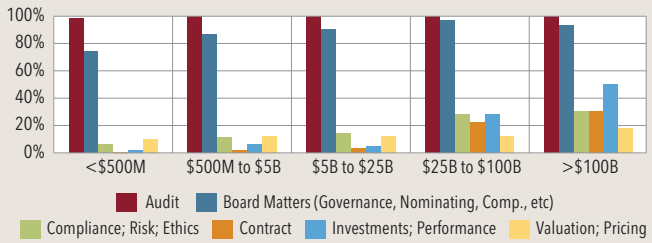


Board Matters

Committee Complexity Grows with Scale

Audit and governance committees remain standard across fund boards, while adoption of additional committees rises sharply among larger fund families, reflecting increasingly complex oversight needs.

Percentage of Boards with Committee by AUM Range

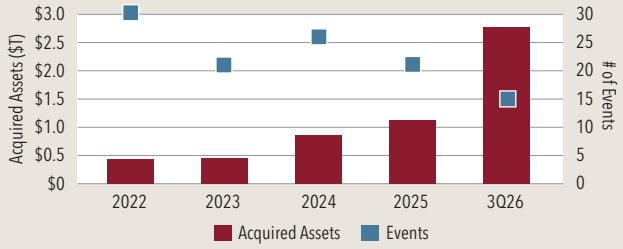


Asset Manager Health

M&A: Fewer Deals, Bigger Impact

M&A activity through 3Q26 was characterized by record acquired assets of $2.8T, more than double the full-year 2025 total, despite deal volume remaining relatively subdued at just 15 transactions.

M&A Activity

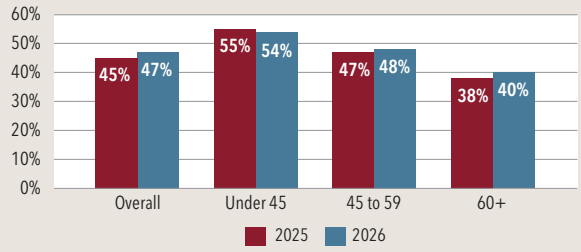


Distribution Landscape

Younger Advisors Fuel Model Growth

Model adoption has risen to 47% of client assets from 45%, with younger advisors leading usage and positioning models as an increasingly important route to market.

Advisor Asset Allocation to Models by Age

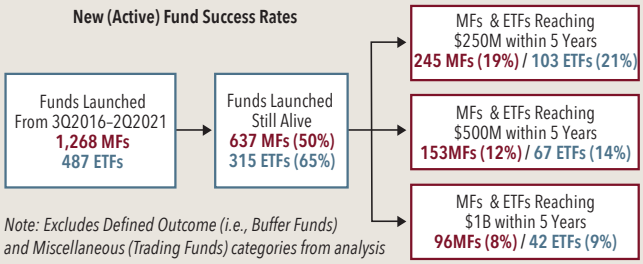


Product Innovation

Scale Eludes Most Active Launches

Between 3Q16 and 2Q21, success rates for new active mutual funds and ETFs were nearly identical: 81% of active mutual funds and 79% of active ETFs failed to gain traction within five years.

New (Active) Fund Success Rates



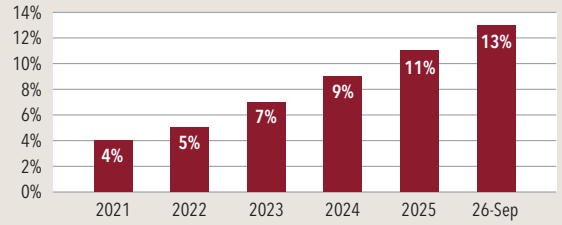
Note: Excludes Defined Outcome (i.e., Buffer Funds) and Miscellaneous (Trading Funds) categories from analysis

Trending

Active ETFs Triple Their Share

Active ETFs continue to gain market share, accounting for 13% of total ETF assets as of 3Q26, up from just 4% in 2021. This steady growth underscores advisors' prioritizing ETFs' tax efficiency over traditional mutual funds.

Active ETF AUM as % of Total ETF Assets



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Business Intelligence for Fund Boards, FUSE Research Network's service for fund boards, is the source to meet the need for objective, in-depth, business expertise necessary to more fully understand the competitive environment in which their advisors operate today. Business Intelligence for Fund Boards delivers customized insights related to issues such as:

- Pricing Trends
- Product Line Marketability
- Distribution Effectiveness,
- Implications of M&A Activity

This service also provides guidance and insight on a wide array of internal board matters including board compensation, structure, and other best practices.

- **Board Benchmarking Series:** Providing a highly refined and distinctive quantitative view into aspects of fund board structure, composition, and independent director compensation—offering details not available in other independent director data surveys.
- **Asset Manager Profitability Analysis:** A timely snapshot of the financial results of publicly held asset managers, offering a valuable benchmark to assess the reasonableness of advisory profits, and a basis for asset manager comparisons over time.
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- **Industry Research Briefs:** In-depth analyses of market-driven events and topics gathered from the FUSE Network.
- **Management Company Insights:** Revealing today's impactful trends based on asset manager surveys created to help optimize the sales, marketing, product, and national accounts functions.
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- **Industry Headlines:** Topical press links related to innovation, initiatives, and changes impacting the industry and fund oversight.
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A subscription to Business Intelligence for Fund Boards allows independent directors the ability to incorporate into their decisions an external view of the overall health of the investment firms that serve their funds and their shareholders.

For more details, please email Jason Heinhorst at jheinhorst@fuse-research.com or call him at (720) 221-5223.