Financial Advisors Concerned about Inflation; Year-Over-Year Economic Confidence Holds Steady, New Survey Shows

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WINDSOR, Conn., Dec. 10, 2018 /PRNewswire/ -- SS&C Technologies Holdings, Inc. (Nasdaq: SSNC), a global provider of financial services software and software-enabled services, today released the results of its Q4 2018 Fixed Income survey of financial advisors regarding fixed-income investing, economic confidence and market performance. Respondents were asked to reflect on key financial issues, including inflationary concerns, Federal Reserve actions and benchmarking strategies.
The survey was conducted by ALPS Advisors, a division of SS&C Technologies, and Smith Capital Investors, online in late October/early November 2018. Results are based on responses from 313 financial advisors at independent broker-dealers, banks, wirehouses and in sole practice as registered independent advisors.

"The survey's results show an interesting dichotomy in that the vast majority of financial advisors expressed concern about the specter of inflation dogging 2019, yet those same respondents' confidence in the broad economy remains on par with where it was at this time last year," said Gibson Smith, Founder & CIO of Smith Capital Investors. "If fixed-income allocations can be considered a bellwether for overall portfolio reallocations, then our consensus is advisors are taking a wait-and-see approach to the coming year before making any meaningful modifications to how they think about their clients' overall market exposure," Smith noted.

Key takeaways from the survey include:

- **Inflation in Focus:** 75% of respondents are either "somewhat concerned" or "concerned" about inflation in 2019; 20% are "not at all concerned."
- **Economic Equilibrium:** 44% of respondents say their confidence level in the economy is about the same as it was this time last year; 38% are less confident; 18% are more confident.
- **Support for Fed:** When asked if the Federal Reserve has moved too quickly or aggressively on interest rate hikes, 64% of advisors said "no;" 31% said "yes," indicating support of the pace of the Fed's rate hikes.
- **Holding Steady:** 60% said they're "not changing" their clients' fixed-income allocations for 2019; 15% are planning to up their fixed-income exposure; 12% are going to ratchet down their fixed-income investments as the new year approaches.
- **Fixed-Income Rationale:** Asked how they view their clients' fixed-income allocations, 18% said capital preservation; 17% - risk reduction; 9% - yield; 7% - risk-adjusted returns; 7% - portfolio insurance; 40% - all the above.
- **Short Duration in Favor:** 51% of financial advisors currently favor short-duration fixed-income investments; 21% - investment grade; 14% - emerging markets debt; 14% - high-yield.
- **Allocation Guides:** Asked to rank the factors that help guide their fixed-income allocations, advisors noted:
  - Interest rate hikes 60%
  - Monetary policy 55%
  - Geopolitical and macroeconomic developments 38%
  - Economic growth 39%
  - U.S. trade tensions 24%
- **Bench Strength:** Asked to name their preferred benchmarking strategy, 52% said "desired or purpose-driven"
outcomes;" 28% noted, "absolute return and away from traditional benchmarking;" only 12% focus on beating a traditional benchmark.

"I think 2019 is going to be a very different year from 2018 in a lot of respects," said Ned Burke, Chief Executive of ALPS Advisors. "Volatility has re-entered the market, and it looks like it's here to stay. The pendulum is swinging back to active management, and advisors are hunkering down, waiting to see how the markets respond to the coming year. All this uncertainty can be daunting, but every market brings opportunities. It will be interesting to see how advisors adapt their portfolio to these changing conditions."

The complete report is available for download here.

ALPS Advisors is a leading provider of innovative investment products and customized servicing solutions to the financial services industry. Founded in 1985, Denver-based ALPS delivers its asset management and asset servicing solutions through offices in Boston, New York, Seattle and Toronto. ALPS is a wholly-owned subsidiary of SS&C Technologies, Inc.

About SS&C Technologies

SS&C is a global provider of investment and financial software-enabled services and software for the global financial services and healthcare industries. Founded in 1986, SS&C is headquartered in Windsor, Connecticut and has offices around the world. Some 13,000 financial services and healthcare organizations, from the world's largest institutions to local firms, manage and account for their investments using SS&C's products and services.

About Smith Capital Investors

Smith Capital Investors, a Colorado-based investment management firm, is focused on income investing with a keen eye on risk-adjusted returns and preservation of capital. Smith Capital Investors deploys an actively managed, fundamentally driven investment process led by an experienced, investment-centric, and proven team of investment professionals. For more information on Smith Capital Investors please visit www.smithcapitalinvestors.com.

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