



Do the Ultra-Wealthy Own Mutual Funds?

A study by Prince & Associates was widely reported in the financial press last week (e.g., [View Article](#)). It claims, among other things, that wealthy individuals with more than \$20 million in investible assets prefer not to invest in mutual funds (and only 1% prefer to invest in ETFs). The Prince study was based on a survey of 1,121 HNW and UHNW investors who responded to a questionnaire or a series of questionnaires. Of these investors, 106 identified themselves as having a net worth in excess of \$20 million.

The Advisor Perspectives (AP) data does not support this finding. It is clear that investors with \$20 million or more of investible assets do own mutual funds, with an average of 14.3% of assets invested in these funds. Our analysis ([View Data](#)) shows that these investors find mutual funds (including ETFs) to be a preferred choice for investing in non-US markets.

Here are facts about the AP Universe:

- The AP universe is segmented into three tiers, based on account size. In the tier containing the largest accounts, the average account size is \$3.7 million. A typical investor might have six to ten accounts, and a UHNW investor is likely to have 20-30 accounts. Thus, the largest accounts in the AP universe represent investors with a net worth of at least \$20 million and, in fact, actually represent a demographic with even greater investible assets.
- The AP universe represents approximately \$50 billion of assets managed by RIAs for wealthy individuals. There are no institutional assets in the universe, and no other statistical biases that would affect the objectivity of this analysis. The data is electronically collected and does not rely on surveys or voluntary reporting.
- In the largest accounts, mutual funds represent 14.3% of the assets in marketable securities. This includes ETFs, which represent 21.3% of the mutual fund assets (or 3.0% of total marketable securities).
- In the largest accounts, the average mutual fund position is approximately \$131,000, but positions of \$5 million or greater are quite common, as can be seen in the list of Most Popular Mutual Funds for the largest accounts ([View Data](#))

Advisor Perspectives currently has 196 subscribers that have identified themselves as fee-only independent RIAs and have reported their assets under



management and the percentage of those assets in mutual funds. Here are some statistics from that data:

AUM (\$millions)	Number of firms reporting	Average % of assets in mutual funds
< 100	69	54%
100-250	48	49%
250-500	23	33%
500+	56	34%

Larger RIAs manage assets for larger clients, and the data shows that the percentage of assets in mutual funds trends down as firm size grows. But it is not zero, and among the 56 firms reporting assets greater than \$500 million, 11 report 80% or more of those assets in mutual funds.

The Advisor Perspectives subscribers also include 13 firms that identify themselves as single or multi-family offices, by definition managing the assets of the super wealthy. Of these firms, all but one report the use of mutual funds in their asset mix, and the average percentage of assets in mutual funds is 16%.

Studies, such as the Prince study, based on surveys conducted with individual investors are unreliable unless they encompass a large sample size without any sampling bias. If the average investible assets of the 106 investors surveyed by Prince is \$50 million, the total assets under management (\$5 billion) would be only 10% of that in the AP universe (\$50 billion). In addition, individual investors may be unaware of their mutual fund holdings, or unwilling to provide this information. The Prince data rates investment vehicles (e.g., mutual funds and ETFs) that respondents find “very” or “extremely” important or interesting. So, another explanation is that the UHNW (at least the 106 sampled by Prince) don’t find mutual funds and ETFs interesting or important, but invest in them anyway. Whatever the explanation, the data in the AP universe shows that UHNW investors hold a sizeable portion of their marketable securities in mutual funds and ETFs.

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