What you need to know: Rolling coverage of how the industry is reacting to Covid-19

We'll be posting regular updates on how your peers, vendors and clients are reacting to the pandemic

Fund Intelligence March 26, 2020, 7:45 am

Due to the huge weight of information coming through related to the coronavirus outbreak, we are collating highlights of our coverage and anything of interest that we are spotting across the market in one place.

We are in regular contact with a huge range of asset managers, distributors and servicing firms and will be keeping you abreast of the tactics of your peers, vendors and clients during these difficult times. If you would like to speak to any of the team on a confidential basis about how your firm is handling the current situation, or spotting issues you think we should be flagging, we would love to hear from you. Our contact details are here.

Thursday March 26

Active managers spotting value but remain cautious

We've been hearing more from active managers spotting opportunities following huge market falls, although there is plenty of caution about continued dangers.

Eaton Vance CIO **Eddie Perkin** warns of the impact of private equity and other distressed managers moving into public equities given deeply discounted valuations. He also warned the government may look to ownership stakes in companies that are receiving federal aid.

Colin Moore, global CIO for **Columbia Threadneedle**, sees the possibility of a 20%-plus upside 12 months from now, while **Jason Vaillancourt**, co-head of global asset allocation at Putnam, said his team is unwilling to add risk back into portfolios just yet. As of March 18, his division was underweight commodities, high yield and risk assets.

Others see value now in bank loans or floating rate loans, as valuations are pricing in a 50% default rate of portfolios – five times what it was in the financial crisis. Read more.

SS&C draws down on credit facility to increase liquidity

Servicing giant **SS&C** has drawn down on most of an agreed revolving credit facility, "as a precautionary measure in order to increase liquidity and preserve financial flexibility in light of current uncertainty resulting from the Covid-19 pandemic."

Bill Stone's Nasdaq-listed firm, which yesterday announced a deal to acquire California-based fintech company Captricity, the latest in a long line of buys, revealed in an 8-K SEC filing that it had drawn down the remaining $211m of a $250m credit facility arranged in April 2018, at an interest rate of around 3%.

Fund groups donate stockpiled masks

Prudential Financial, **T.Rowe Price**, **American Century** and **Goldman Sachs** are among the firms answering calls from politicians and medical professionals to handover supplies of masks and ventilators that had been stockpiled as part of their own emergency planning.

We've spoken to the firms about their efforts to support front line medical workers, and also hear from other groups who have been having to move emergency supplies across their global locations as the pandemic has spread. Read more here.

Big drops in financial sector bonuses expected

Bonuses in the financial sector could drop by 40% or more this year, amid the fallout from the coronavirus pandemic, according to a Bloomberg interview with compensation consultant **Alan Johnson**, managing director of **Johnson Associates**.

He described the situation as a perfect storm of a looming global recession and broader industry shakeups, name checking asset managers, hedge funds, banks and private equity firms as being in the crosshairs.

In a Tuesday note, New York state comptroller **Thomas DiNapoli** said that last year the average bonus paid to employees in New York City's securities industry increased by 3% to $164,100, but that the pandemic "will sharply reduce industry profits this year," adding that he anticipates bonuses will fall heavily.

He pointed to 2001, when bonuses fell 33% following 9/11, and 2008 when bonuses fell 47%.

The securities industry accounts for one-fifth of private sector wages in New York City, and in 2019 accounted for 17% of state tax collections.

American Beacon chief urges innovation to meet post-outbreak needs

We'll be looking to speak to fund group leaders in the coming weeks to hear how they have been reorganizing their firms as a result of the coronavirus outbreak, reassessing business assumptions and looking for ways to take advantage of the evolving landscape.

First up is **Gene Needles**, chair and CEO of **American Beacon** parent **Resolute Investment Managers,** who urges firms to think about the types of products investors will be looking for coming out of the crisis.

"I always view things like this, although they're gut wrenching at the time, as opportunities to either bring products or take specific actions that other people were unwilling to take at the time," he said. "Most people get entirely distracted by the task at hand… But I go back to what investors ought to be thinking about, what asset managers ought to be thinking about – what type of products are we going to need coming out of this?" Read the interview here

Delta Data to offer corporate action data free of charge

Georgia-based fintech company **Delta Data** said it is offering all its mutual fund corporate action data free of charge for at least three months to help keep the industry up to date with critical product events during the current pandemic

Delta Data's Data as a Service cloud-based tool provides access to over 60 types of corporate action events – ranging from dividend modifications to fund distributions and mergers – communicated by over 550 fund groups.

"Our industry's workforce is experiencing an upheaval in how and where they work, yet are still required to process critical information on which to base the best decisions for their investors," Delta Data CEO **Whitfield Athey** said. "We feel that the best way we can support the industry in this time of need is to freely share critical data through a cloud-based tool that eases the recent complications from our dislocation of the work environment." Firms can register for free access here.

Wednesday March 25

Bottom-up stock pickers "salivating at the mouth"

Investment pros at large asset managers have been highlighting what they consider the huge investment opportunities across credit and equity markets right now, albeit with caveats over the continued volatility likely.

On a panel discussion hosted yesterday by **Envestnet PMC, Federated Hermes** CIO **Stephen Auth** said his bottom-up stock pickers were "salivating at the mouth for the attractive securities that are available."

"It's very, very hard to call a bottom to a market like this, but we are down 35% and that's fairly unusual," he added. "For active investors, there are big opportunities because a lot of the selling is coming out of the quant area, which is mostly passive across the board index-type selling, indiscriminate, to raise cash. That's creating great opportunities."

Monica Erickson, head of investment grade credit and a member of **DoubleLine Capital**'s asset allocation committee, also spoke of credit opportunities triggered by the sell off, whilst highlighting the raft of downgrades expected.

As you might expect, active managers have been strongly pushing the "time for active" message as part of their evolving distribution strategies. Read more here.

Introducing the Fund Intelligence Virtual Symposium

We're excited to launch the *Fund Intelligence* Virtual Symposium, designed to keep asset management professionals informed on the latest developments regarding the coronavirus outbreak, with a focus on how your peers, clients and vendors are reacting.

Fund Intelligence will be hosting a range of industry experts to delve into the key issues facing the sector, highlighting new opportunities that are starting to emerge and providing practical insights for navigating these uncertain times.

All sessions will be interactive with Q&As with our expert panels throughout. The series kicks off at 12:00 p.m. ET/ 9:00 a.m. PT on April 2, with **Sales best practice: How distribution strategies are evolving through the pandemic**

Click here for the full agenda and to register.

ICI cancels General Membership Meeting

The ICI has cancelled its 2020 General Membership Meeting, perhaps the biggest event in the US asset management calendar.

A note on the trade body's website said it has cancelled the GMM, due to take place in Washington, DC on May 6-8, and a range of other events held in conjunction with it until further notice.

"The health and safety of our industry community – ICI's members, staff, guests, conference speakers and attendees, service providers, and all our families – is our highest priority at this time. Under the circumstances, the need to delay the 2020 GMM until the pandemic has passed is crystal clear."

Fed hires BlackRock to manage bond buy-back program

The Federal Reserve has asked $7trn-plus **BlackRock** to manage its bond buy-back programs, including one that includes buying investment grade ETFs.

The move may raise some eyebrows given that BlackRock's iShares is the biggest provider of bond ETFs, including the $28.2bn iShares iBoxx USD Investment Grade Corporate Bond ETF (LQD), which has traded at a significant discount during the recent market volatility.

BlackRock will also be in charge of a scheme to purchase commercial mortgage-backed securities on behalf of the New York Federal Reserve, according to *The Wall Street Journal*, which reports that BlackRock will be working with the Fed through its financial markets advisory business, and not its asset management arm.

BlackRock will use its portfolio management software system Aladdin to assess risks and price investments, according to the *WSJ*.

An interesting blog today by **Dave Nadig**, CIO and director of research at **ETF Trends & ETF Database**, calls on BlackRock CEO **Larry Fink** to be bold, broad and transparent about its work here, and suggests a move he could make to solve the NAV discrepancies in ETFs and Mutual Funds overnight.

In the nick of time

Top brass at US-traded companies – including the world's largest asset manager – sold a combined $9.2n in shares of their own firms between the start of February and the end of last week, according to an analysis by *The Wall Street Journal*.

BlackRock CEO **Larry Fink** was among the executives who sold shares just before markets nosedived because of the coronavirus pandemic. Fink dumped $25m of his company shares on Feb. 14, avoiding losses of more than $9.3m.

BlackRock representatives pointed out that Fink sold a similar amount of shares around this time last year. The sales were about 5% of his overall holdings in the firm.

The report also comes less than a week after several members of Congress, their spouses and financial advisers came under public scrutiny because they sold stock after the lawmakers met to discuss the threat of Covid-19. The **SEC** on Monday warned against trading on nonpublic information related to the pandemic. The *WSJ* said there is no suggestion that executives sold shares based on any inside information.

Tuesday March 24

SEC offers new borrowing relief to meet mutual fund redemptions

The **SEC** has offered a new relief to mutual funds struggling to handle the huge outflows triggered by the coronavirus outbreak.

Under a new order, open-end funds, other than money market funds, can borrow from affiliated entities to meet redemption requests, as long as the board of the fund approves the loan. A separate relief for MMFs was granted last week, which Goldman Sachs took advantage of.

"ICI did not request this relief, but we welcome the SEC's initiative to protect shareholders' interests during this challenging market environment," said **Investment Company Institute** General Counsel **Susan Olsen**. "The SEC previously has granted relief allowing affiliated funds to borrow from—and lend to—one another where it is mutually beneficial. This new, temporary action extends this potentially useful tool to funds that could not utilize the prior relief, and gives additional flexibility to funds' borrowing arrangements, subject to fund board oversight." Read more here

Top boutique distro pros on dealing with grounded sales teams

In part two of our series looking at how asset management sales professionals are adapting to the new environment, execs discuss the challenges of repurposing grounded wholesalers and what the new environment means for hiring plans and strategic drives.

Although new working conditions have been challenging, some are finding that tech-enabled communications are working very well, and this is making them rethink working strategies for when the pandemic ends.

Offering staff support and keeping up morale

One of the biggest challenges execs we have spoken to have mentioned is keeping up morale the longer the pandemic lasts and as more staff start to become personally impacted.

Goldman Sachs reminded employees in its latest update on the coronavirus pandemic that resilience support and counseling services are available to them and their families during this "difficult time."

"As a firm, we continue to be committed to comply with government guidelines and take steps to ensure your health and wellbeing," said a memo to staff from **Goldman Sachs International** CEO **Richard Gnodde**. "Therefore, we reiterate our previous advice that only staff performing office essential functions are to operate from Goldman Sachs premises, otherwise they should be working from home."

The Wall Street giant has broadly increased transparency since the pandemic began, sharing memos sent to all employees about Covid-19 and updated public relations portals more frequently. The company has seen a slate of Covid-19 cases itself.

How has your firm been keeping up morale and offering support to staff through the pandemic? Email b.strack@fundintelligence.global to talk on background.

Asset managers continue to add new risk disclaimers

The flood of asset managers adding pandemic or Covid-19 specific risk disclaimers to fund prospectuses is continuing, after firms including **Invesco**, **John Hancock** and **Franklin Templeton** scrambled to include specific language last week across hundreds of funds.

Steward Funds, **Eaton Vance** including affiliate **Calvert** and **Amundi Pioneer Asset Management**, and **Alger** have all now added new wording with lots of similar language used across firms.

"The impact of the outbreak may be short term or may last for an extended period of time and may have significant adverse consequences for the fund," said a filing from **Edward Jones**' Bridge Builder range. It also included new wording on the risk posed by liquidity issues, noting that "structural or regulatory changes could decrease liquidity and/or increase volatility in the fixed income markets."

SEC confirms off-site exam move

The **SEC**'s exam team has announced a move to entirely off-site exams during the coronavirus outbreak, confirming a story first reported by *Fund Intelligence* last week.

In a statement posted on its website, the agency's Office of Compliance Inspections and Examinations said that "In light of health and safety concerns and other circumstances, OCIE has moved to conducting examinations off-site through correspondence, unless it is absolutely necessary to be on-site." Ordinarily, the SEC already conducts a significant portion of its examinations remotely as so-called correspondence exams, former OCIE officials have noted, and the agency has existing systems in place to coordinate confidential electronic document delivery.

The exam team didn't provide an estimated timeframe within which it anticipated resuming on-site inspections. OCIE noted that it would work with the firms under examination when it came to complying with document requests or meetings with key staffers, understanding that such exam activities might take longer under the circumstances.

A top regulatory pro at one of the largest US asset managers told *FI* last week that he would prepare for the SEC to conduct exams of firms continuity planning and compliance with Regulation SCI in the near future, much as regulators did in the wake of Hurricane Sandy.

Bank of America overturns internal WFH trading ban

Bank of America has overturned an internal ban on trading from home, joining rivals including **Goldman Sachs** and **JPMorgan Chase** in allowing traders the flexibility, according to the *Financial Times*.

An internal memo sent out to BofA's global markets staff on Monday replaced previous guidance that traders could not take or execute orders at home without approval from senior management. That meant traders who did work from home had to phone colleagues to put through orders.

Sources cited by the *FT* said staff had become uncomfortable after rumors of coronavirus cases on the trading floor, and that there had been "very direct feedback" to business heads and the HR department.

In a statement, the bank said: "After significant testing of remote capabilities and compliance controls that were put in place to accommodate for this unprecedented situation, we are now allowing some employees to expand what they can do from home, including execution of trades."

ETF issuers react to Fed action and liquidity concerns

With the **Federal Reserve** announcing yesterday that it would buy investment grade corporate bond ETFs a part of its latest stimulus package, and plenty of attention around the pricing dislocation seen in the fixed income ETF space, we spoke to some experts about the likely next steps.

Firms have been ramping up their investor education efforts to hammer home the reason for the pricing disparity, including a video by **Vanguard Group** CEO **Tim Buckley**, while other commentators like **State Street Global Advisors' Matthew Bartolini** outline some of the technical drivers for the differences. One ETF strategist also questions whether issuers themselves should be backing their own ETFs more with capital, as is happening in the prime money market fund space. Read more here.

Monday March 23

RIAs report little panic from clients with some assessing market opportunities

We've been speaking to a range of RIAs late last week and today, and all report that clients have not reached 2008 levels of panic. Some, particularly younger clients, are pushing them for more aggressive stances to take advantage of any market rebound.

A number of advisers say they have been looking at opportunities in US large cap equities and high-yield debt as they assess tactical allocations despite the continued downward pressure on markets.

"We've been checking in with a bunch of managers to make sure we don't have any canaries in the coal mine with the potential to blow up," the manager research head of one $5bn RIA told *Fund Intelligence*. "We want to get on the offensive as well in terms of what investments we can be making."

"It feels to me more like 9/11 than it does 2008, in terms of the sell-off. It's more of a traumatic event that came out of left field and hit us," said **Shirl Penney**, CEO of **Dynasty Financial Partners.** "We're in a much better financial state, both at the corporate level and banking system ... still, it's unnerving for a lot of people, so there's a lot of over-communication that needs to happen with clients." Read more here.

Prudential donates over 150,000 protective masks

New Jersey-headquartered **Prudential Financial** donated over 150,000 protective face masks and respirators to the state over the weekend, according to local news reports.

According to an NJ.com report, **Bill Barrett**, Prudential's vice president of corporate real estate, was tasked with looking for inventory and found 153,000 face masks, including 73,000 with N95 respirators, that had been bought as part of emergency planning following 9/11. Three hundred bottles of hand sanitizer were also found and have been donated.

Large corporations across the US are coming under increasing pressure to pass over to state authorities protective gear and medical support that they may have stockpiled for disaster recovery purposes.

"Prudential is a great example of huge corporate citizenship, delivering a big amount of masks," said Governor **Phil Murphy**. "They have really stood tall among others, coming out of this moment of crisis as extraordinary citizens."

Pru is also donating $1.5m to organizations working to support small businesses and families in need.

To rebalance or not to rebalance? ETFs wait for answers

Given the extreme volatility, some index providers have postponed quarterly rebalances due to concerns that carrying out moves in the current environment won't give a true ongoing reflection of the benchmark, and could increase transaction costs.

Nasdaq and **S&P Dow Jones Indices** have both postponed rebalancing activity. **FTSE Russell** went ahead with a global index rebalance, albeit with some adjustments to China and Saudi Arabia holdings, but is still deciding on whether to go ahead with the rebalancing of its FTSE fixed income indices at the end of this month.

Industry experts say they can understand the decisions, but point out the changes undercut the indices' efficacy as benchmarks for the market. Read more here

Fidelity CEO pledges to continue with hiring plans

Fidelity Investments CEO **Abby Johnson** has told staff the firm will continue with its "current staffing and hiring plans" despite the coronavirus pandemic.

The Boston-headquartered financial services giant has around 2,000 open positions globally, according to a Bloomberg report. The firm has over 40,000 staff globally and hired 6,000 new starters ast year.

"We are well-capitalized, and our private ownership means that we are not dependent on public security markets for liquidity needs," Johnson said, in remarks seen by Bloomberg. "We are looking ahead and continuing to invest in our business to put us in a position of strength for when we come out of this current situation."

Fidelity was one of the first asset managers to enforce mandatory remote working for most staff, from Mar.12. The firm recently announced a 9.5% jump up in profits for 2019 to $6.9bn, despite ongoing price wars and outflows from its active funds stable.

Relief for transfer agents facing turnaround difficulties

The **SEC**'s Division of Trading and Markets has issued new relief for transfer agents having difficulty complying some regulatory requirements on account of the Covid-19 outbreak.

Under the Securities Exchange Act, transfer agents are usually required to turnaround and process items within tight timeframes. They ordinarily have to process 90% of items by the next business day, for instance, and are obliged to keep detailed receipts and logs of the information they process. "This temporary relief recognizes that circumstances related to Covid-19 may prevent certain transfer agents and other persons from complying with all requirements within required timeframes," said DTM Director **Brett Redfearn**.

Regulators have now temporarily absolved them of those obligations until May 30. The SEC stressed that the relief does not exempt transfer agents from Rule 17ad-12, which outlines how they must safeguard funds and securities in their possession.

The agency's relief also temporarily exempted transfer agents from fingerprinting requirements. The Exchange Act requires all employees engaged in transfer agent functions to be fingerprinted. Those rules also apply to some broker-dealers.

FED to buy up corp bond ETFs as part of new package

As part of its latest round of action to stimulate the US economy during the coronavirus pandemic, the **Federal Reserve** has announced it would buy investment grade corporate bond ETFs.

The central bank established two new facilities to support credit to large employers – the Primary Market Corporate Credit Facility for new bond and loan issuance and the Secondary Market Corporate Credit Facility to provide liquidity for outstanding corporate bonds.

The latter will buy ETFs that provide broad exposure to the market for US investment grade corporate bonds. "These funds have diversification and liquidity, but demand for underlying bonds has weakened," **Todd Rosenbluth**, director of ETF and mutual fund research at **CFRA**, remarked on **Twitter** while expressing surprise at the announcement. "This is a whole new world."

One such fund, Rosenbluth pointed out, is **BlackRock**'s $28.2bn iShares iBoxx USD Investment Grade Corporate Bond ETF (LQD).

Unprecedented volatility in fixed income markets has led to pricing dislocations in this and other large bond ETFs; for instance, LQD traded 5% below its net asset value on a particularly rough day for markets, March 12. Bond ETFs tend to trade more frequently than the securities they hold.

Bond mutual funds seeing huge performance drops

With mutual fund data lagging ETFs, more details are coming through on some of the huge drops being seen in the fixed income space.

This *Financial Times* article highlights bond funds run by **Pimco**, **Amundi** and **Ashmore** that have suffered performance losses of up to 33% over one month. Investors across taxable and muni bond funds have rushed for the door recently *(see below post)*, particularly hedge funds and other asset managers looking for liquidity amid the extreme market volatility.

Financial experts on Twitter have also been highlighting examples of huge NAV drops among bond mutual funds.

Meanwhile more than 30 Nordic bond funds have blocked redemptions due to the weight of requests and the strain on underlying markets. **Danske Invest**, **Carnegie Fonder**, **Forte Kreditt**, **Spiltan** and **Cicero** all suspended redemptions late last week, according to the *FT*.

MMFs under pressure – Goldman follows BNY in buying

assets

Stress is evident in the prime money market fund space, with **BNY Mellon** and **Goldman Sachs** pumping in capital to shore up vehicles and funds beginning to waive fees.

In an attempt to reassure investors, the **Treasury Department** asked Congress last week to use an emergency reserve account to backstop MMFs, as what happened during the financial crisis, while the **Federal Reserve** established a commercial paper funding facility.

On Wednesday, BNY Mellon purchased $1.2bn of the securities in the $5.4bn Dreyfus Cash Management fund (DICXX), according to a regulatory filing, which had seen close to $6bn in net outflows over the two weeks to the transaction date, per Lipper data.

The fund is an institutional prime money market fund that invests in a mixture of bank debt, commercial paper, and other fixed income securities.

In the face of the current volatility, investors have been piling out of prime strategies and into government treasury options. **JPMorgan Asset Management**'s $48.8bn Prime Money Market Fund, for instance, saw $11.7bn in net outflows in the week to March 18 alone. Prime MMFs saw outflows of $85.4bn last week, according to **ICI** data.

By comparison, Dreyfus's Government Cash Management fund (DGCXX) took in more than $6bn over the three weeks to March 18, and the $170.5bn JPMorgan US Government Money Market Fund (MJGXX) took in more than $12bn in the two weeks to March 18.

The redemption demands on prime funds raise the risk of them breaching the liquidity rule requirement to maintain at least 30% of money market funds in weekly liquid assets.

Buying assets to support prime funds' liquidity is one way for them to avoid having to enact drastic measures such as redemption fees or gating. According to data from BNY Mellon, as of March 19 the Dreyfus Cash Management fund's weekly liquid assets figure stood at 36.8%.

Meanwhile Goldman Sachs injected over $1bn into two prime MMFs that had suffered over $8bn of outflows, according to a Bloomberg report over the weekend.

SEC filing made late on Friday revealed the bank bought $722m from its Goldman Sachs Financial Square Money Market Fund (FSMXX) last week and $301m from its Goldman Sachs Financial Square Prime Obligations Fund (FPOXX).

The moves increased weekly liquid assets to 42% from 34% for FSMXX and to 49% from 44% for FPOXX.

"These actions underscore our commitment to the GSAM funds providing liquidity to clients focused on the near-term implications of the current market environment," said David Fishman, head of the Liquidity Solutions portfolio management team within Goldman Sachs Asset Management, in an emailed statement to Bloomberg.

Elsewhere, **Delaware Funds** will introduce a fee waiver on the Delaware VIP Government Cash Management Series in an effort to maintain a positive yield, something that could become more common across the industry.

Per the fund's latest annual report, the fund had management fees of 45 basis points, and a net expense ratio of 83bps.

David Snowball, editor of the **Mutual Fund Observer**, told *Fund Intelligence* asset managers would do everything in their power to prevent operating expenses pushing net asset values below $1 per share.

"Fund advisers are about as willing to let their MMFs break the buck as they are to raffle off their own children," he said.

Leveraged ETNs liquidated due to vol surge

Citi has become the latest issuer to warn it will liquidate leveraged exchange-traded note products in surging market volatility.

The bank has suspended creations of two leveraged ETNs, offering triple long (UWT) and short (DWT) exposure to S&P's GSCI Crude Oil Index, ahead of their expected redemption on April 3.

A press release issued by the bank warned: "The discontinuance of creations of the ETNs may impact the trading price of the ETNs, which may result in a premium of the trading price over the indicative value of the ETNs … purchasing ETNs at a market price over the indicative value of the ETNs is likely to lead to significant losses."

On Friday, **UBS** said it will redeem all securities of its 3x long Crude ETN (WTIU), as well as its VelocityShares 1x long (EVIX) and short (EXIV) ETNs on April 9.

On Thursday, leveraged ETF specialist **Direxion** warned that volatility and short-selling restrictions meant its Daily Gold Miners Index Bear 3X (DUST) and Junior Gold Miners Index Bear 3X (JDST) would have inverse exposure of approximately 140% and 130% to their respective markets, rather than their usual 300%.

Friday March 20

Bond funds suffer record breaking outflows

Taxable fixed income funds (including ETFs) and municipal bond funds suffered record-setting weekly net outflows of $55.9bn and $12.2bn, respectively, according to **Lipper** data.

Weekly est. net flows ($bn) taxable bond funds (inc. ETFs)

Source: Refinitiv Lipper

Fund Intelligence

For the week ended Wednesday March 18, the average taxable bond fund lost 6.8%, with flexible income funds, loan participation funds, and emerging markets hard currency debt funds suffering the largest declines of the group, losing 19.4%, 10.3%, and 12.9%, respectively.

It seems investors are growing increasingly concerned about the credit worthiness of corporations – especially those highly leveraged – and municipalities. At the same time, hedge funds and other asset managers are dumping fixed income ETFs as a means of gathering cash.

Our sister title *Alt Credit Fund Intelligence* reports that credit managers are seeing ETFs as a key space to watch as liquidity dries up in the wider corporate bond market. "There's basically zero liquidity on huge swathes of corporate bond market right now," said a fixed income head at a large asset manager. "If you want to move risk then ETFs or CDS indices are the only things that are trading regularly."

Bond ETF and mutual fund managers, including **Vanguard Group**, have also started introducing transactions fees given the underlying volatility of portfolios.

ICI urges state governments to designate AMs as 'essential workers'

ICI President and CEO **Paul Schott Stevens** has penned a blog urging state governments to ensure asset management staff are included as "essential workers" as part of any "shelter in place" moves.

He said indications are that governors have granted exemptions to large fund complexes, "but hundreds of smaller fund sponsors and operations for complexes headquartered in other states could still be vulnerable to orders that would keep critical personnel from maintaining essential investor services."

Schott Stevens said in his blog that although fund groups have been implementing extensive remote work capabilities, some vital functions cannot be performed from home.

“Critical information technology and data security activities – such as maintaining optimal performance of computer systems and protecting sensitive information from cybercriminals – require personnel physically present at a facility,” he said. “Staff also need to pick up and process mail to ensure that transactions are executed quickly and efficiently. If staff are unable to perform these vital functions, the harm to fund shareholders could be severe.”

Fund groups step up charity efforts to help those impacted by coronavirus

The philanthropic efforts many asset managers are undertaking will be remembered by the public long after the crisis is over, say industry watchers.

“If there’s any truth to that assertion that companies are about more than simply their own bottom line and their owners, then a moment of crisis is where that gets tested and the truth is revealed,” said **Arik Ben-Zvi**, CEO of consultancy **Breakwater Strategy.**

Asset managers from across the US have been providing extra support, particularly stepping in to support favored charities impacted by the crisis and vulnerable local people. Read more here.

Retail investors appear to be holding their nerve

As institutional investors and asset managers rushed to dump positions and gain liquidity this week, retail investors seem to be holding their nerve, so far.

Retail clients have been primarily looking to increase positions, according to **Vanguard Group** and **Fidelity Investments**. A spokesperson for Fidelity said that on Wednesday, retail customers were making 2.13 purchases for every sale.

Advised high-net-worth clients are broadly adopting similar behaviors, according to **Shirl Penney**, CEO of **Dynasty Financial Partners**.

Boutique sales pros look to adjust to the new climate

Boutique asset manager distribution execs are trying to establish best practice for handling the current situation, and adapting their sales teams to work effectively on a remote basis.

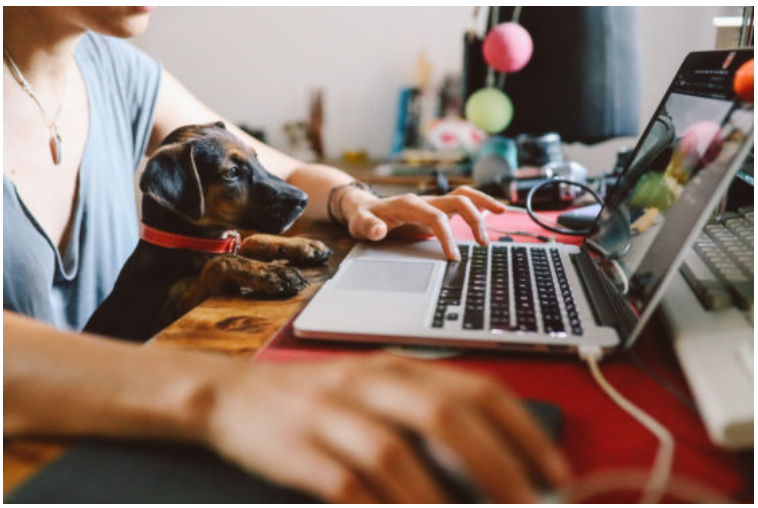
“People want to hear directly from the PMs, and if not then they want a salesperson who is in direct contact with the PMs,” **Parnassus Investments** CMO and sales head **Joe Sinha** said. He added that there is significant value right now in wholesalers stuck at home simply making sure clients are aware that they are there and available. “We have made a ton of calls saying that.”

Brian Moran, CEO of **FLX Distribution** and former national accounts head at AMG Funds, said that sales teams who show a combination of awareness of needs and caring will not be forgotten in the long run.

“If you have an ETF that last week was trading at a discount on the bond side to the NAV, I’d want to ensure every adviser and gatekeeper understands what’s happening, because they’re stressed beyond belief,” he said. “People won’t forget that in a hurry … if your product is doing what it’s meant to be doing, that’s great news, and your message should be reaffirming exactly what it’s doing. That adviser only has a few minutes to convey that to their end stakeholders … don’t go into a 10-page whitepaper on the virus.”

Early stresses, strains and best practice for fund groups in a Covid-19 world

With asset managers now requiring most staff to work from home, the *Fund Intelligence* team has been speaking to senior pros across the US to hear how things have been working out. Our polling indicates that half of readers are making assumptions that WFH policies will need to be in place for three months. Click here to vote and see the current results.



Here are few takeaways from a range of background interviews we’ve conducted and an insightful Nicsa webinar we tuned into on Wednesday. Click here for a full roundup.

- Overall WFH transitions have gone smoothly although a few stresses and strains are starting to show
- Big concern over bad actors trying to use WFH situations to expose frailties and commit fraud
- Asset managers and fund admins are being challenged by ops stresses around daily valuations
- Co-worker comms tools working well but some dial in video conf services have been a struggle at times
- Firms have been evaluating staff skillsets across the board so people can be redeployed if necessary
- Strong focus on clear, regular and compassionate communications across the business and between teams

- Industry pros impressed by the way the sector has come together with competitors sharing intel and experiences
- Lots of flexible hour working conditions are being offered to allow for parental duties, caring for older relatives
- West Coast managers say they are particularly well-equipped given experience with earthquake planning
- Some asset managers are leaning on service providers to fill holes left by absenteeism
- Keeping up staff morale, particularly if the crisis lengthens, is a top concern of many execs we have spoken to