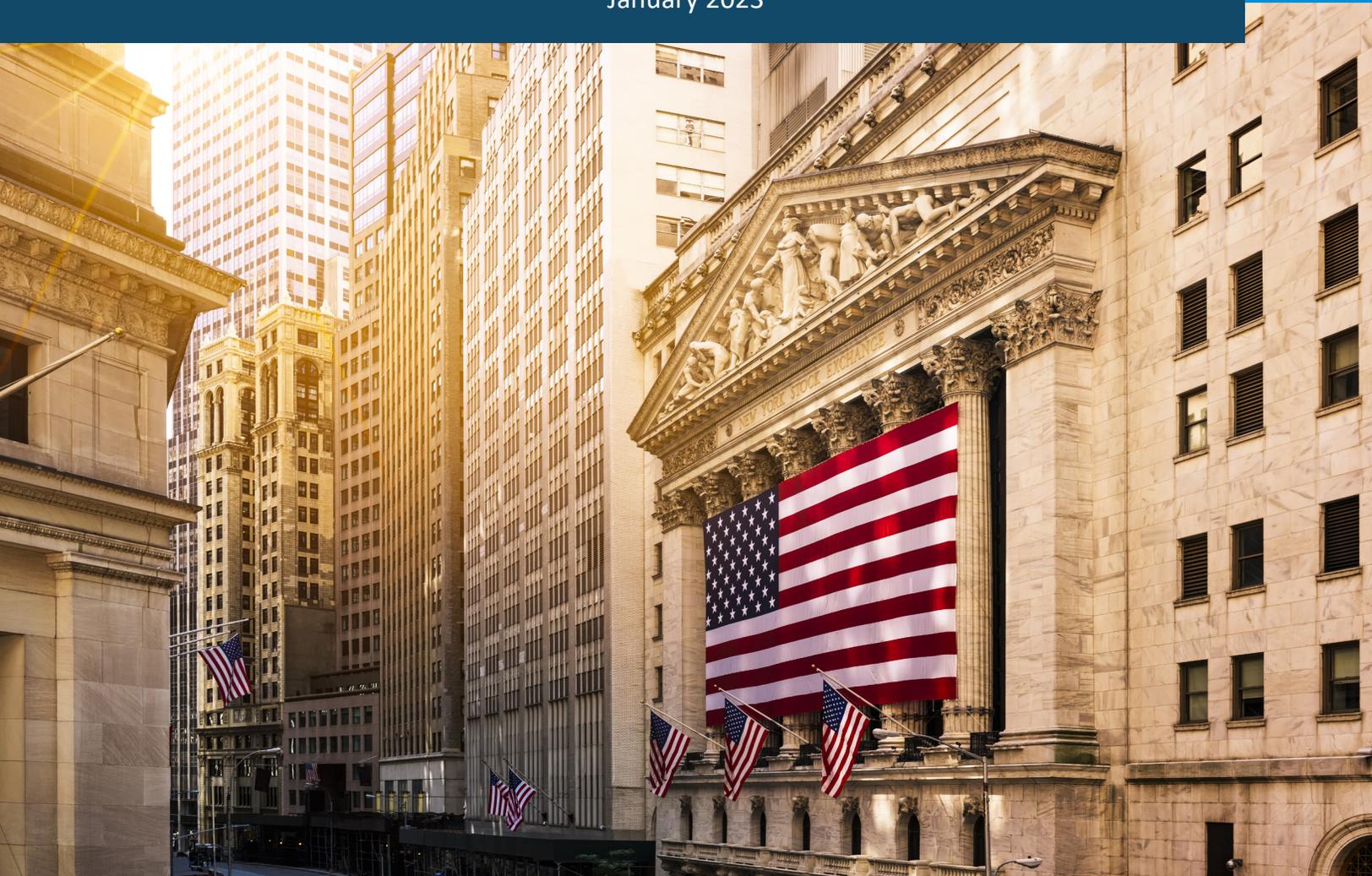


The Advice Nation

The outlook for US financial advisors in 2023

January 2023



CONTENTS

Key Insights	3
Conclusion	4
About Us	5

KEY INSIGHTS



The majority of US advisors think this is the most difficult investment environment since the Global Financial Crisis of 2008. Furthermore, four in 10 expect market volatility to increase over the next 12 months. Adding to the gloomy outlook are expectations of more rate rises to fight inflation — raising the spectre of recession. Half of advisors think the Fed will increase rates above 5% in 2023. These macro and market headwinds present the greatest hurdles for advice businesses. Advisors point to volatile markets, inflation and recession as the top challenges facing their firms this year.



Against this bleak macroeconomic backdrop, geopolitical challenges also loom large on the risk radars of advisors. Three in 10 think US-China tensions pose more of a risk than recession. While the Ukraine crisis dominated headlines in 2022, fears over China invading Taiwan and pursuing other territorial ambitions could shape the geopolitical agenda in 2023.



Amid the expected uptick in volatility, more than four in 10 advisors are positioning client portfolios defensively. But they face challenges implementing these strategies and, in particular, identifying investments providing downside protection. Almost half are struggling to find safe-havens as traditional asset class correlations break down. This is raising more questions about the suitability of the 60/40 portfolio, with nearly three in 10 saying the model no longer works. These findings indicate some advisors will re-evaluate traditional multi-asset funds as they seek more innovative solutions to diversify portfolios.



Ongoing market turbulence and uncertainty is propelling US advisors into the arms of active managers. Nearly four in 10 will increase allocations to active funds over the coming year. This suggests advisors are looking to active managers to both navigate and exploit market volatility through tactical asset allocation and bottom-up stock selection.



As US advisors turn to active managers, they are also favouring domestic markets in the year ahead. Nearly six in 10 think US stocks will outperform their global peers in 2023. Driving the home bias is an expectation that tech stocks will stage a recovery, with almost half saying the sector will rebound this year.



More than a fifth of advisors do not invest client money in ESG funds. And enthusiasm for renewables is muted, with more advisors set to increase client allocations to oil and gas stocks than clean energy stocks. Meanwhile, advisors do not expect the anti-ESG sentiment to fizzle out any time soon. Only about a quarter think the ESG backlash will be short-lived.

Methodology:

CoreData Research surveyed 481 US financial advisors in December 2022. Respondents included Registered Investment Advisors, national and regional broker-dealers and independent broker-dealers.



CONCLUSION

US advisors face a challenging year as they look to navigate a hazardous set of macroeconomic headwinds. Uppermost in the minds of advisors will be the need to diversify and protect client portfolios amid escalating volatility.

This climate creates fertile conditions for active managers to flourish by demonstrating their ability to combat and capitalize on volatility through tactical asset allocation and bottom-up stock selection. Active managers' expertise in the private markets arena will also prove a strong pull for advisors seeking uncorrelated diversifiers amid the breakdown in traditional asset class correlations.

ESG is another area where active managers can gain a significant edge through proprietary research and fundamental analysis. Performance issues and an anti-ESG movement have undoubtedly weighed on sentiment. But those active stock pickers able to find undervalued ESG improvers could help deliver both financial and sustainable rewards to advisor clients.

And as advisor clients brace for a turbulent and uncertain year ahead, they will need to be supported, reassured and kept informed. This presents an opportunity for advisors to draw upon their soft, human skills to forge closer and deeper ties with clients.

CoreData

About Us

CoreData Research is a global specialist financial services research and strategy consultancy. CoreData Research understands the boundaries of research are limitless and with a thirst for new research capabilities and driven by client demand; the group has expanded over the past few years into the Americas, Africa, Asia, and Europe.

CoreData Group has operations in Australia, the United Kingdom, the United States of America, Spain, Malta, and the Philippines. The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on six different continents, while still maintaining the high level of technical insight and professionalism our repeat clients demand.

With a primary focus on financial services CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

CoreData Research provides both business-to-business and business to- consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

The team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

CoreData Research has developed a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.

- Experts in financial services research
- Deep understanding of industry issues and business trends
- In-house proprietary industry benchmark data
- Industry leading research methodologies
- Rolling benchmarks

The team understands the demand and service aspects of the financial services market. It is continuously in the market through a mixture of constant researching, polling and mystery shopping and provides in-depth research at low cost and rapid execution. The group builds a picture of a client's market from hard data which allows them to make efficient decisions which will have the biggest impact for the least spend.



Headquarters

AUSTRALIA

CoreData Pty Limited
Suite 7, Level 9, 66 Hunter St
Sydney, NSW, 2000
T: +61 2 9376 9600
E: sydney@coredataresearch.com

UK

CoreData Research Ltd
Office One, 1 Coldbath Square, Farringdon,
London, EC1R 5HL
T: +44 796 910 1179 / +44 779 336 7190
E: london@coredataresearch.com

US

CoreData Research LLC
15 Court Square, #450
Boston, MA 02108
T: +1 857 239 8398
E: boston@coredataresearch.com

PHILIPPINES

CoreData Research Services Inc.
Unit E-1608 Philippine Stock Exchange Centre,
Exchange Rd, Ortigas, Pasig City, 1605
T: +63 998 581 9950 / +63 917 562 5667
E: manila@coredataresearch.com