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2019 *Investment Company Fact Book*: Letter from the Chief Economist

BY SEAN COLLINS

A version of this letter by ICI Chief Economist Sean Collins was released in the Institute's 59th edition of the *Investment Company Fact Book*.

Globalization has hit a few speed bumps in recent years in the form of the global financial crisis, Brexit, trade tensions, slowing growth, and other developments.

But none of this has slowed the globalization of the *Investment Company Fact Book*. Consistent with ICI's mission to represent the interests of regulated funds and their investors worldwide, *Fact Book* is expanding its international presence.

In November 2018, ICI President and CEO Paul Schott Stevens was present in Beijing as the Asset Management Association of China rolled out a version of ICI's 58th annual *Fact Book* in Mandarin. This translation will be made available publicly later this summer.

China's interest in our data is not unique. Across the world there are increasing demands for the kinds of data, analysis, and institutional detail presented in the *Fact Book* and other work ICI's Research Department produces. These demands reflect a range of concerns—how to structure nascent fund industries to best ensure their growth; what kinds of fund products and design features retirement savers may find most helpful and how to assess their preparedness for retirement; how households may respond to tax incentives to save; how regulations in one area may affect funds in another area or across the globe; how investors respond to financial market developments (such as business or interest rate cycles); how funds are reacting to heightened investor interest in environmental, social, and governance (ESG) matters, and, frankly, a thirst for a long, cool drink of hard facts in what—in some regions—may feel like a data desert.

Judy Steenstra, ICI senior director of statistical research, and her group continue to produce more than 300 reports annually on US fund assets, flows, and other characteristics. We summarize many of these reports in data tables in Part 2 of *Fact Book*. On behalf of the International Investment Funds Association (IIFA) and its 40 member associations, ICI also serves as a repository of global data on fund flows and assets. This past year, under IIFA's direction and guidance, we were able to expand the historical data available on the websites of both IIFA and ICI.

Our work on **retirement issues**, long a staple interest for those focusing on the US market, also has gone global. Peter Brady, ICI senior economist, traveled to China this past year for the Mandarin-language launch of his **groundbreaking book** that challenges the notion of an “upside-down” retirement system that only benefits the wealthy, *How America Supports Retirement: Challenging the Conventional Wisdom on Who Benefits*. (A Japanese-language version will be published later this year.)

Sarah Holden, ICI senior director of **retirement** and **investor** research, and her group continue to produce a **range of detailed surveys on households’ holdings of funds and sentiment about funds** and fund investing. Household surveys also shed light on **retirement savers’ motivations** and **views on choice and control of their retirement accounts**. But their analyses and surveys do global duty as well, serving to promote understanding abroad (in venues such as the Organisation for Economic Co-operation and Development) about the **nature** and **successes of the US retirement system** and to help promote better understanding of the advantages and disadvantages of retirement systems in other countries.

Finally, the Research Department continues to project a global presence on key issues for **financial markets**. We have expanded our **global chapter** in *Fact Book* this year to include a more in-depth discussion of investor demand for funds in 2018 and a brief summary of the Chinese money market fund industry. Shelly Antoniewicz, ICI senior director of industry and financial analysis, in coordination with Jane Heinrichs, ICI associate general counsel, helped organize a London-based committee on the global **exchange-traded fund** (ETF) market. Its inaugural in-person meeting in fall 2018 assembled more than 40 participants in the European ETF ecosystem to explore ETF priorities. James Duvall, ICI associate economist, undertook significant work on trends in costs and charges on Undertakings for Collective Investments in Transferable Securities (UCITS). Other ICI economists made a range of visits to regulators, media, and academics around the globe to address policymakers’ concerns about funds and financial stability and about the “common ownership” hypothesis.

No matter how the process of globalization plays out, our efforts to improve understanding of funds and their investors—and to promote public policy that advances their interests—will continue. All too often, commentary about our industry is based on speculation, assumption, and ill-founded theorizing. Sherlock Holmes, perhaps the most globally famous literary detective, put it aptly when he said, “It is a capital mistake to theorize before one has data.” It should thus be no mystery that ICI devotes so much effort each year to putting together data in *Fact Book* to share with the world.