

Cramer Peer Benchmarking Report

JUNE 2022 REVENUE & ASSETS UNDER MANAGEMENT

With market volatility, rising interest rates, climbing inflation, and fears of a recession dominating our thinking and activity, the first half of 2022 has been anything but boring. We assist B-Ds in measuring the results of their actions in comparison to their peers through our monthly Benchmarking Report. Below are our key takeaways from June's report:

- **23 Bank BDs Reporting:** Revenue results are based on reporting of 23 Bank B-Ds, representing over \$2.1b in Total Annual Revenue (based on 2021 year-end revenue results).
- **YTD REVENUE UP +9.8%:** Year to date Total B-D Revenue has increased **+10.3%** overall. This is up from 8.9% YTD that we saw at the end of Q1. Bank B-Ds with <\$25m in Total Annual Revenue are growing revenue at the highest rate YTD, up **+11.5%** YoY.
- **Assets Under Management see Significant Loss:** 21 Bank Broker-Dealers (representing \$360b in AUM at the end of 2021) reported that Total B-D AUM YTD is down **-7.9%**. Compared to June 2021, AUM has decreased **-5.3%**. When it comes to Managed Money, Bank B-Ds have lost **-11%** of assets under management since Jan 1.
- **Staying the Course:** While Managed Money AUM has fallen, reports are that this is almost entirely market driven. While new managed money sales are very low, redemptions have not increased. Clients who were already invested, are choosing to remain invested. This tells us that as product election has shifted significantly in the previous decade to managed money, Advisors continue to have the right conversations with their clients and are preparing them for the ebbs and flows of the market.
- **Transactional Business on the Rise:** While the market has cooled and is impacting fee-based revenue, transactional revenue has seen an increase primarily due to the rising interest rate environment. Short term fixed annuities are the workhorse, with 3-year fixed annuities continuing to be the most popular. Firms reported record annuity sales in May, with new records set again in June.
- **What we're hearing:**
 - Managed Money is being hit on multiple fronts. Market is down, and new sales are slow. Expectedly, new money is weary of market exposure.
 - Mutual Fund and Equity trading has slowed considerably. Some firms are seeing some of the lowest levels of trading in May and June.
 - While the market drop has significantly harmed the equity side of the business, Fixed Income Portfolios have also been negatively impacted. The two asset classes are not usually negatively correlated.
 - Structured Products are picking up at firms, as coupons are making them a bit more attractive. Market Linked CDs have returned to market and are displaying strong sales that have not been realized since the beginning of 2020.
- **Our Closing Thoughts:** Through the first two quarters, the results demonstrate that YTD B-D revenue continues to grow at a double-digit rate. This is primarily due to an uptick in transactional revenue and the lag of the decline of fee-based revenue due to quarterly billing on fee-based accounts. The short-lived market rally at the end of Q1 has helped to alleviate negative market impacts on revenue... so far. Assets Under Management which does not experience the same lag as revenue, paints an ominous picture for Q3 fee-based revenue. With Total AUM down **-8%** and Managed Money AUM down **-11%** since Jan 1, we have yet to experience the true market impact on revenue.

Bank BD Revenue thru June*

Bank BD Size	YoY June	MoM May-June	YoY June YTD
All Bank BDs	+7.9%	-1.7%	+9.8%
75m+	+2.5%	-5.9%	+9.3%
25-75m	+11.0%	+1.9%	+8.4%
<25m	+8.5%	-1.8%	+11.5%
Top Quartile	+19.5%	+9.1%	+14.7%

* 23 Bank BDs reporting. Representing \$2.271b in Revenue.

Bank BD AUM thru June*

Bank BD Size	YoY BD AUM	YTD BD AUM	YoY MM AUM	YTD MM AUM
All Bank BDs	-5.3%	-7.9%	-6.5%	-11.0%
75m+	-5.1%	-11.6%	-8.1%	-15.4%
25-75m	-4.7%	-3.3%	-6.6%	-6.1%
<25m	-6.1%	-8.4%	-4.2%	-10.9%
Top Quartile	-1.0%	-7.0%	-3.0%	-10.4%

* 21 Bank BDs reporting. \$359.6B in 2021 AUM.