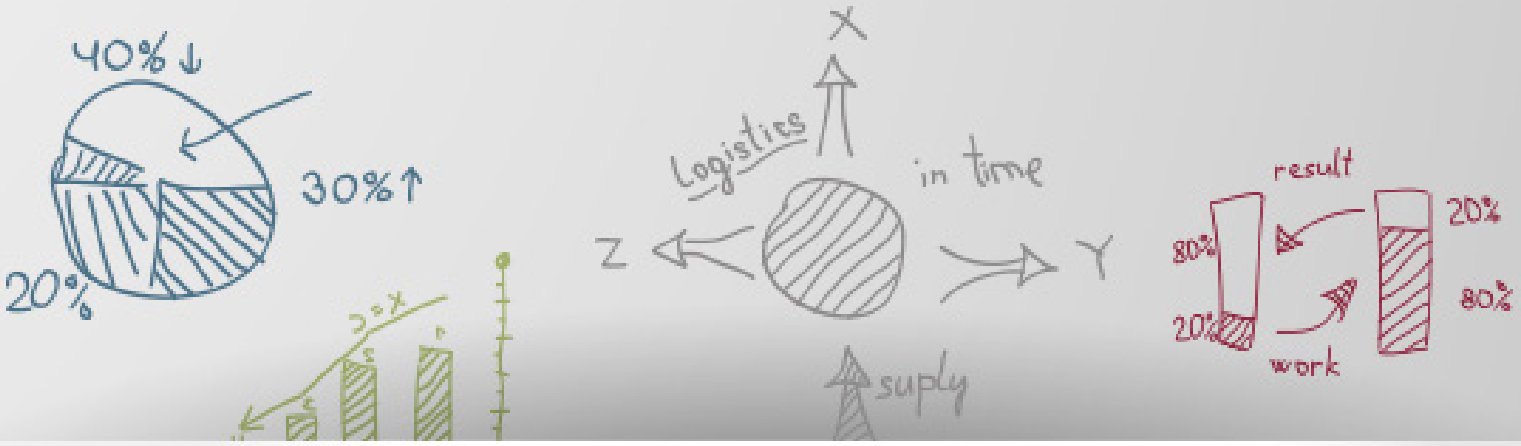
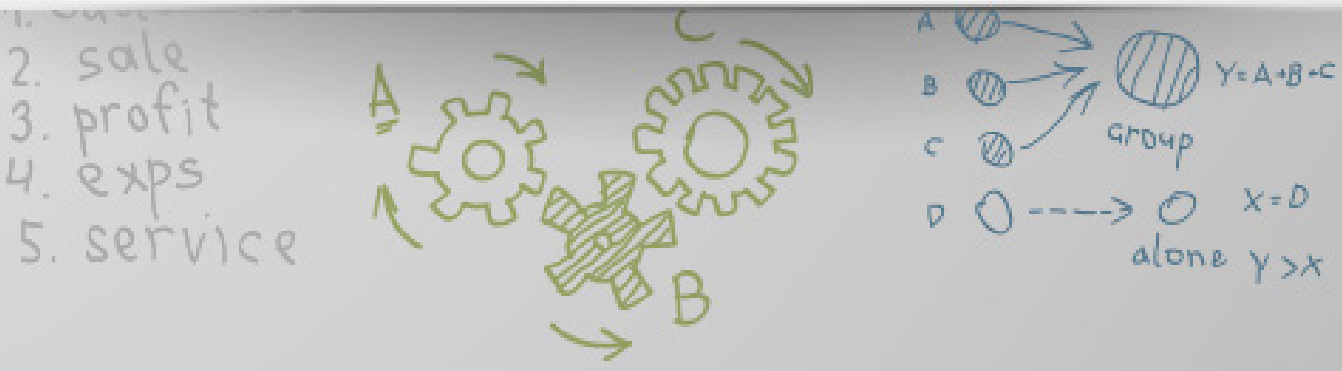


Special Brief

FUSE Forecast 2026



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FUSE Forecast 2026

Product Development

Active ETFs. Active ETFs will have another strong year in 2026, with asset growth of at least 55% as advisors prioritize ETFs' tax efficiency over traditional mutual funds. Nearly 90% of all ETF launches will be new active strategies (e.g., buffered offerings), as adoption of an ETF share-class remains limited due to operational challenges. ETF liquidations are expected to double from 2025 levels as under-scaled funds exit – a function of firms launching funds by the handful and then seeing what clicks. Active ETFs will remain the primary source of asset growth for traditional managers.

ETF as a Share Class. Wirehouse platforms are unlikely to support ETF share classes in 2026 due to system limitations, uncertain economics, and Reg BI concerns. In contrast, RIA custodians are expected to build support, driving more than $30B in net sales from the RIA channel by year-end.

Sub-Advisory. Captive sub-advisory (i.e., Bridge Builder) assets will grow by 15% to $1.3T in 2026. Third-party sub-advisory (i.e., American Beacon) AUM may rise modestly to $3.1T, driven largely by market appreciation.

Buffered / Defined Outcome. Assets will exceed $100B in 2026, supported by retirement-focused demand for downside protection and broader advisor adoption. New entrants are expected to challenge established providers…spurred by Goldman's purchase of Innovator Capital.

Tax Alpha. The need for overlay services to help place product will make tax efficiency (including direct indexing) a key competitive battleground in 2026. Investment firms that deliver measurable tax alpha and actionable tax-planning support will expand their edge.

Crypto Investments. Cryptocurrencies are increasingly seen as a security that will propel the shift from experimentation to allocation in 2026. Growth will come from new investors seeking exposure and existing holders who prefer the benefits of holding "bitcoin" in a fund. Low fees with a relatively small market ($150B) will limit competition, and volatility might temper growth. But expect assets to increase 20% in 2026.

Interval & Tender-Offer Funds. Assets will grow by more than 20% in 2026, reaching $300B by year-end. Private credit has driven much of the recent growth, but momentum will expand to a broader array of investment strategies during the year, including multi-alternative, private equity, and real assets. Advisors will take a closer look at the underlying investments – especially the level of public markets exposure, which serves primarily to meet liquidity requirements. Pricing sensitivity will increase to force outliers into a tighter range of total expense.

Alternative Investments:

- Wealth Channel. Alternatives in wealth management are expected to grow 12%-15% in 2026, reaching $1.8T, despite recent relative underperformance versus public markets. Expanding platform adoption will support even faster growth in 2027.
- Partnerships. Traditional asset managers will continue to strike deals that enhance their offerings in private investment categories. Most alts managers will continue to resist building out their own distribution. Expect more creativity (e.g., Lincoln and Bain Capital) in the arrangements. Intermediary-oriented firms will struggle to raise assets through product offerings crafted with 2nd- and 3rd-tier alternative shops.
- Alts in 401(k)s. Adoption will expand only modestly in 2026, as plan sponsors remain overly cautious about the risk / reward trade-off of including "high" fee options even with a CIT structure.

Distribution

Sales Coverage & Productivity:

- Wholesalers. Sales management will face multiple challenges in 2026:
  - Recruiting from competitors will continue to be the primary means of filling open territories. The need to "hit the ground running" comes with a high cost (including guarantees). High turnover on the internal sales desk limits the historical default choice for field sales.
  - As sales concentrate among mega firms and passive use increases, mid- and small-sized firms will need to rely more heavily on sales analytics to sustain productivity.
  - Formerly static compensation plans are now adjusted annually and are becoming more customized to the individual salesperson.
- Specialists:
  - Long-only. Investment strategy specialists used to support sales will continue shifting to a generalist model, with coverage broadly assigned across equity and fixed income. Allocation of these specialist resources will align with the focus list, given that the vast majority of marketplace engagement occurs in these 3-10 offerings.
  - Alts. Conversely, demand will continue to grow for dedicated investment specialists supporting alternative strategies (private debt, private equity, infrastructure, etc.). These individuals will maintain deep, product-level expertise while supporting FA / platform relationships in parallel with the wholesaler.
  - Product Structure. As ETF and SMA adoption becomes ubiquitous among advisors, the need for dedicated product-structure specialists will continue to decline (not so for the ETF Capital Markets team).
  - Value-Add. The need to assist product placement activities with overlay service will drive growth in value-add specialists. While wholesalers will continue to "own" the relationship with the FA, sales professionals will rely more heavily on these specialists to secure initial meetings and to deepen existing relationships.
    - NOTE. Asset managers will pivot from content-heavy value-add to execution-focused programs that drive advisor practice growth, particularly in referrals and marketing support.
- Data Analytics / Utilization. AI will improve the value of data, but implementation will remain a challenge for most firms. After years of overspending (often justified as part of the revenue-sharing requirements), dozens of firms will reevaluate their data spend and its impact, leading many to pursue an outsourced solution. Utilization (% of potential impact realized) may reach a new high of 68% in 2026.

Marketing

- Branding / Positioning. CMOs will face intense pressure to prove marketing's direct impact on business results (asset growth, sales, retention, salesforce productivity, etc.). Marketing groups will prioritize sales campaigns for focus products and reduce broad branding initiatives. Similarly, headcount will shift toward digital and AI specialists focused on customized engagement.
- Staffing. Marketing staffing is expected to grow in 2026 as the marketing function continues to develop and prove its significant tactical importance, with firms prioritizing channel, product, and digital marketing roles in 2026.

National Accounts

- Due Diligence / Research Support. Dedicated due diligence support will be a defining advantage in 2026, widening the gap between large and smaller firms. As model portfolios and packaged solutions drive demand, research teams will favor firms that deliver faster, tailored, and consistent support. Firms relying on National Accounts Managers to also cover due diligence analysis will face mounting capacity and scalability constraints.
- Staffing. Hiring in 2026 will focus on adding Junior National Accounts Managers, prioritizing executional capacity and creating a pipeline of future talent. This shift reflects a continued move toward a tiered staffing model, similar to what we see in wholesaling. Distribution partners demand incredibly responsive, high-touch service, which has effectively reduced the number of firms an individual can cover.

Other Issues

Direct Indexing. Improvements in technology and automation will further reduce operational friction and broaden adoption. Direct indexing assets crossed $1T in 2025 (MMI), and we expect assets to grow at least twice the rate of the overall investment industry. The market appears near saturation as fees have become a major selection criteria.

M&A Trends. Large sums of available capital will boost M&A activity in the U.S. by at least 10% in 2026, despite frictions caused by sellers' rising valuations. The top theme in asset management will be "organic growth," delivered through bolt-on acquisitions that strategically expand a buyer's audience and/or product line. Expect creativity to carry the day (similar to Bain Capital and Lincoln…or Janus Henderson with Guardian), as scale plays will be few and far between. Private equity financing will accelerate consolidation in wealth management, especially among RIA firms.

OCIO. Assets are expected to grow at a double-digit rate in 2026, supported by rising adoption across large institutions but especially DC plans. Scale matters and more business will be concentrated with "mega-manager" platforms whose technology investments and pricing power will result in higher market share. Demand is shifting toward specialized sleeves (particularly in private markets).

Top-Performing Public Company. After delivering a 17.24% total stock return through 2025, despite a 12.09% decline in 4Q25 that left shares at $12.19, WisdomTree's stock is positioned in 2026 to recover its late-year losses and to exceed its 52-week high of $14.96. This outlook is supported by steady AUM growth across a diversified product lineup with strong long-term performance, as well as one of the highest operating profit margins in the industry.

Net Flows

2026 Mutual Fund and ETF Net Flow Forecast by Select Broad Objective ($B)

	2025	2026 Forecast (E)			
Broad Objective	Total ($B)	Total ($B)	Active ($B)	Passive ($B)	Comment
Taxable Bond	547	300	120	180	Fed rate reductions hit popular short and ultra-short category flows
Non-Traditional Equity	71	80	75	5	Continue to gain momentum, and flows increase into actively managed products
Municipal Bond	62	-30	-40	10	Lower rates sour interest in muni bonds
Alternative	56	55	20	35	Liquid alts continues at 2025's elevated rates as investors remain nervous about a potential equity bubble
Commodities	58	80	5	75	Passive ETF investing in focused areas remains positive, while broad basket investing is an afterthought
International Equity	62	120	-60	180	Passive international beta is attractive, with concerns around a weakening dollar
Sector Equity	21	20	-20	40	
Miscellaneous	-1	20	10	10	
Allocation	-60	-75	-75	0	Products in-line with their long-term, multi-year trend
U.S. Equity	-5	-66	-372	306	Active U.S. Equity continues to bleed in 2026, led by large-growth open-end funds. Need for exposure to U.S. Equity continues to migrate to passive ETF products
Overall Flows	**811**	**504**	**-337**	**841**	

Note: Mutual funds and ETF Net Flows (excludes fund-of-funds and money markets) sourced from Morningstar.

2026 Mutual Fund and ETF Net Flow Forecast for Specialty Categories ($B)

Broad Objective	2025 Total ($B)	2026 Forecast (E) Total ($B)	Active ($B)	Passive ($B)	Comments
Thematic Funds	28	25	20	5	Has evolved beyond ARK-era offerings to target discrete themes like uranium and quantum computing
Externally Sub-Advised	-8.5	2	-46	48	Net flows are expected to turn modestly positive in 2026 as passive inflows slow in a weaker market and active outflows, namely Vanguard, moderate
Defined Outcome (Buffer Funds)	13	13	13	0	Remains at a consistent 3-year range bound level of approximately $11B-$14B
Target Date Funds/ETFs	-42	-45	-45	0	Flows into longer-horizon funds continue to soften while outflows from shorter-dated funds persist
Proprietary Funds	42	28	16	12	Flows are expected to be muted with activity roughly split between active and passive and a slight tilt toward active
Mutual Funds Converted to ETFs	40	50-60	50-60	0	Conversions are now mainstream, with nearly 200 to date, and are expected to continue through 2026 alongside strong ETF inflows

Note: Mutual funds and ETF Net Flows (excludes fund-of-funds and money markets) sourced from Morningstar.

2026 Asset Projections by Product Structure

Vehicle Type	Assets	Growth Rate	Net New Flows	Comments
Mutual Funds	$23.0T	5%	-$700B	Market appreciation drives overall growth, but flows remain negative for the 5th consecutive year
ETFs	$15.4T	17%	$1.2T	ETFs continue to narrow the gap with mutual funds as the industry shifts toward more tax-efficient vehicles
SMAs	$4.9B	18%	$200B	Market gains are boosting balances and sharpening focus on tax management, with 351 exchanges worth watching
Listed Closed-End Funds	$350B	8%	-$3.5B	Limited IPO activity, ongoing rationalization, and outflows due to ETF and semi-liquid competition; modest AUM growth supported by 2–3 expected rate cuts in 2026
CITs	$5.7T	11%	$154B	Lower operating and management costs continue to make CITs attractive for DC plans
Tender Offer & Interval Funds	$281B	22%	$25B	Despite headwinds in private markets, product development accelerates
Non-Traded BDCs & REITs	$390B	26%	$40B	BDCs are expected to grow steadily, while REIT assets remain stable or rise modestly

Note: Mutual funds and ETF Net Flows (excludes fund-of-funds and money markets) sourced from Morningstar.