Broadridge®

GLOBAL ADVISORY SERVICES

U.S. advisor-sold asset management: This time it's personal

INTRODUCTION:
DATA-DRIVEN STRATEGY FOR THE 21ST CENTURY

The U.S. marketplace for advisor-sold investment products is the largest and most complex asset management market segment worldwide, both in terms of its financial advice needs and the asset management skills required to succeed. Given its size and organic growth rate, it remains a sizable opportunity for asset management firms across the globe.

Most asset managers, however, are approaching a 21st-century clientele with 20th-century business models. Today's U.S. investors increasingly demand personalized advice and portfolio outcomes that address more complicated financial and non-financial needs. But asset managers continue to rely on the standardized wholesale delivery models of the past, failing to differentiate themselves in an overcrowded marketplace and lagging distributors and financial advisors who are more comfortable with new technologies that provide tailored solutions to clients. Only asset managers willing to invest in true transformation and change — and organize around the evolving needs of the marketplace — will thrive in this shifting environment.

Successful competition across the U.S. advisor-sold asset management marketplace involves many characteristics and components. Primarily, however, it requires two things: data to define and measure the firm's decisive competitive advantages, and a strategy to deploy them effectively. This paper explores how asset managers can use the former to build the latter.

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SUMMARY: ASSET MANAGEMENT'S LARGEST BATTLEFIELD

The U.S. advisor-sold investments marketplace remains a primary battleground within the global asset management industry, accounting for more than a third of global assets and representing a larger pool than any other region in aggregate. U.S. advisor-sold assets will remain a primary source of organic growth for asset managers worldwide.

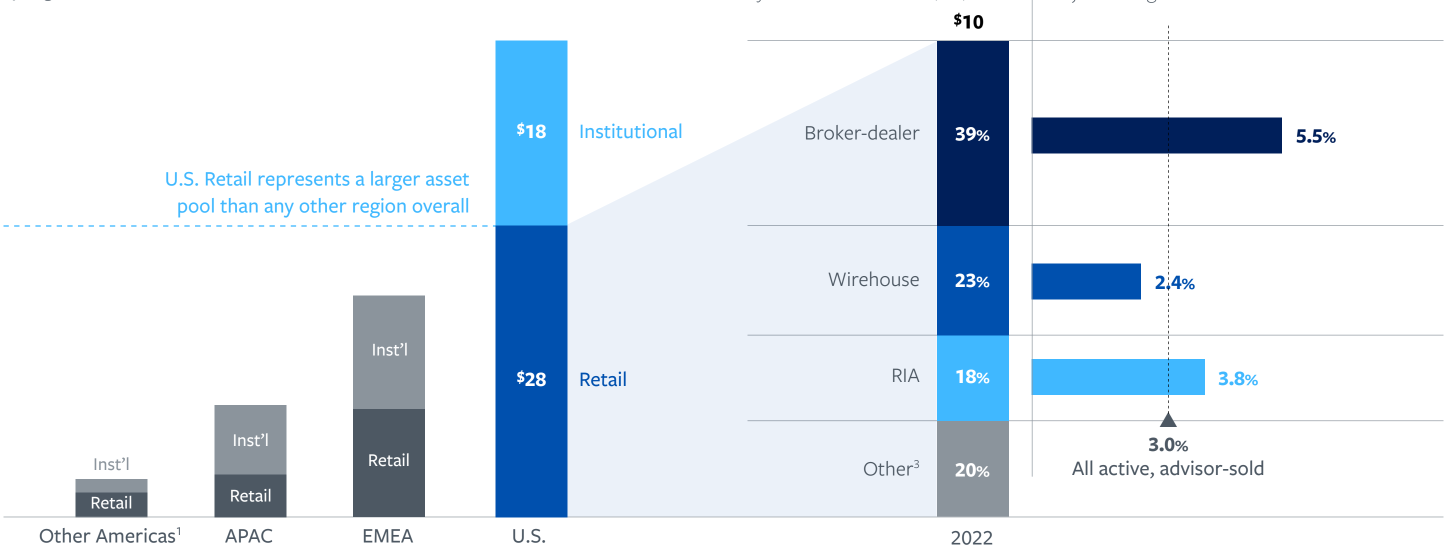
Exhibit 1: U.S. advisor-sold assets remain a sizable opportunity

Global asset opportunity

By region and channel, $T, as of EoP 2022

US Retail: Active, advisor-sold AUM[2]

By distribution channel, $T, 2022 | *Projected organic CAGR 2022-2027e*



Sources: Broadridge Global Market Intelligence, Broadridge Advisory Analysis

[1] Other Americas includes LatAm and Canada.

[2] Active, advisor-sold AUM removes direct-to-consumer, money-market and passive AUM from total U.S. retail AUM.

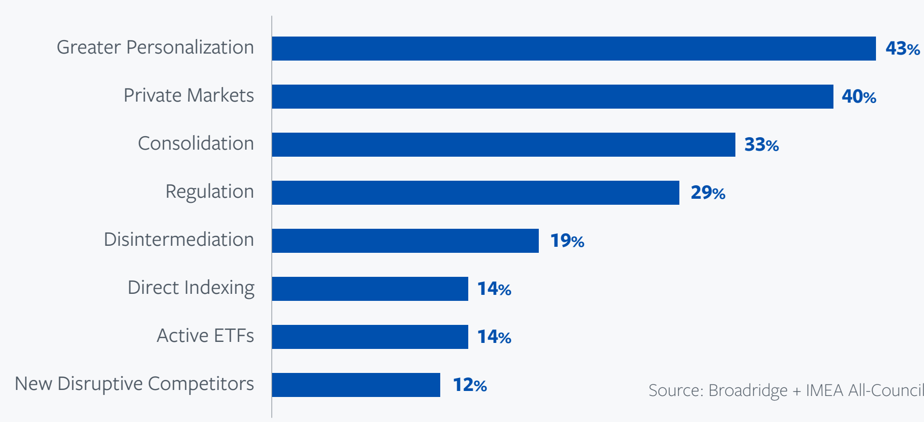
[3] Other includes Private Bank, Trust and Bank channels.

More than ever, U.S. individual investors want more personalized investment advice, reshaping how U.S. distributors — broker-dealers, wirehouses, RIAs — and asset managers cooperate and compete with one another for customer attention and trust. Forty-three percent of U.S. asset managers identified personalization as one of the most disruptive trends they face between now and 2027.

Exhibit 2: Personalization is the U.S. fund industry's greatest near-term challenge

Most disruptive trends in U.S. retail asset management through 2027

% of U.S. asset management firm respondents (each respondent permitted two answers)



Source: Broadridge + IMEA All-Council Members Survey 2022

This white paper has been organized into three successive chapters:

CHAPTER 1: 21ST CENTURY INDIVIDUAL INVESTORS

Five big themes are shaping the shift toward more personalized portfolios, impacting supply and demand for investment advice and products:

1 **Additional portfolio objectives:** Individuals seek advice tailored to their own tax and non-financial considerations.

2 **A focus on holistic outcomes:** Rising rates and aging investors are boosting demand for more holistic portfolios that provide more than asset accumulation alone.

3 **Mutual fund evolution:** The traditional collective scheme's tax inefficiencies and non-customizable pooled format are spurring interest in new vehicles and delivery mechanisms.

4 **Shifting capital markets:** Increasingly diverse methods of raising capital are creating opportunities for individual investment across both private and public markets.

5 **Industry concentration:** Large distributors are placing more business with fewer asset managers while simultaneously competing with them across a wider array of advice services.

CHAPTER 2: COMPETITIVE CALCULUS IN U.S. ADVISOR-SOLD ASSET MANAGEMENT

These secular trends are forcing U.S. asset managers to compete more aggressively by transforming their advisor-sold distribution strategies across four dimensions:

Delivery: Only 44% of U.S. households hold more than half of their portfolio assets in active mutual fund wrappers, down from 58% in 2018.

Product: Two-thirds of U.S. financial advisors are using alternative investments for a portion of their clients, up from just over half in 2021. New products are also important: Ten percent of actively managed, advisor-sold AUM sits in funds less than three years old.

Organization: Ten very different distributors control half of actively managed U.S. advisor-sold AUM, making distributor- and advisor-specific distribution strategies critical.

Brand: Professional buyers increasingly favor asset management brand attributes that underscore innovation and personalization.

CHAPTER 3: DEFINING DEMAND WITH DATA

Data will play a key role in these transitions, particularly as it helps profile demand among multiple stakeholders:

Incorporating the **individual investors' voice** to shape fit-for-purpose offers

Identifying **ideal advisors** through detailed segmentation

Prioritizing **key intermediary platforms** with specific, tailored strategies

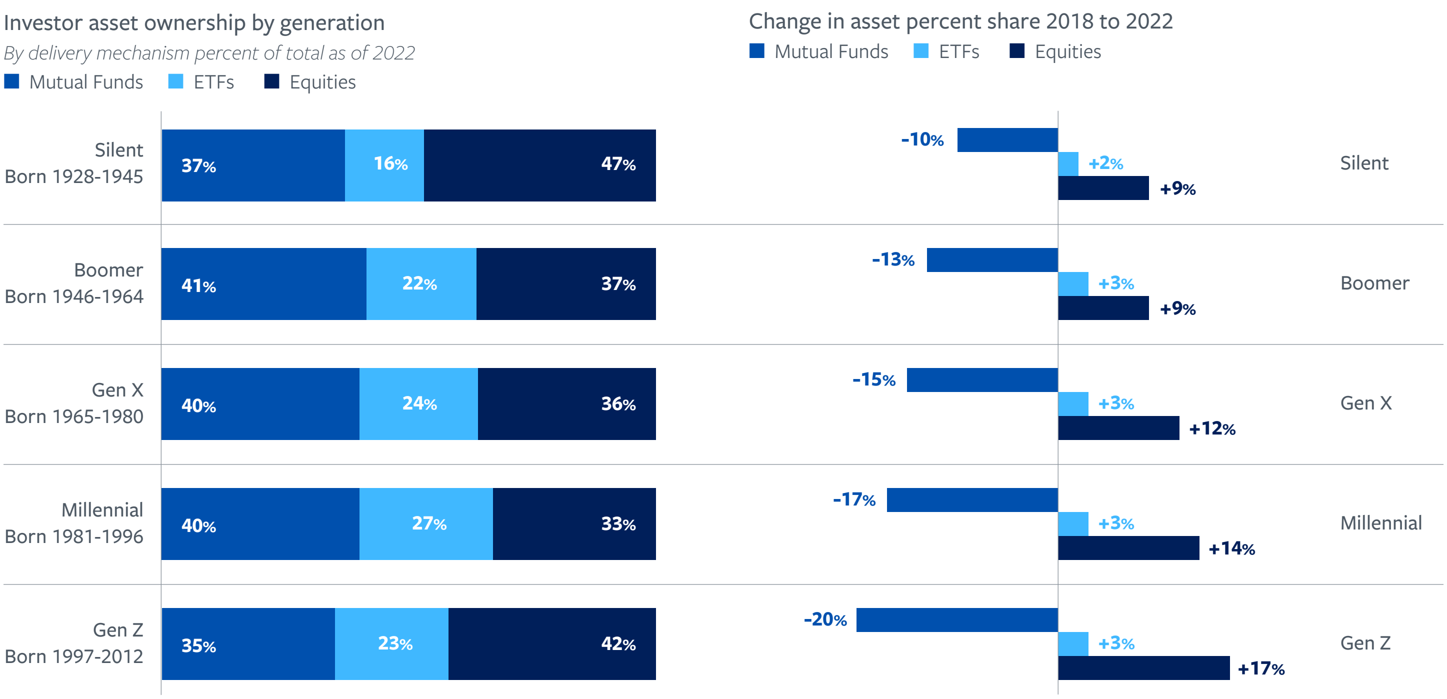
CHAPTER 1: 21ST CENTURY INDIVIDUAL INVESTORS

For most of the U.S. asset management industry's history, individual investors — predominantly Baby Boomers — shared a common need for wealth accumulation as they absorbed more of their own retirement savings burden. That singular client journey was easily scalable, bolstering the margins of mutual fund companies. That's now changing.

As the last Boomers turn 60 in 2024, most now need income. And younger generations of investors have come along behind them with an array of needs beyond retirement accumulation. This variation in investment objectives not only increases demand for more holistic financial advice, but it also raises the need to personalize investment outcomes for varied and ever-narrower cohorts of customers.

Examining asset ownership by generation underscores increasing heterogeneity in the marketplace. Even as recently as four years ago, all generations invested most of their liquid variable-return portfolios in mutual funds. Today, however, each generation's mix of mutual funds, exchange-traded funds (ETFs) and individual stocks differs from the others, with younger investors rapidly shifting away from collective schemes.

Exhibit 3: Generational approaches to investing diverge



Source: Broadridge U.S. Investor Study
Note: Excludes individual bonds, private capital vehicles and money markets.

This increasingly personalized approach to investing manifests in at least five ways, all of which are reshaping the product and distribution strategies of asset managers active in the U.S. advisor-sold marketplace.

1. Additional portfolio objectives
2. Focus on holistic outcomes
3. Mutual fund evolution
4. Shifting capital markets
5. Industry concentration

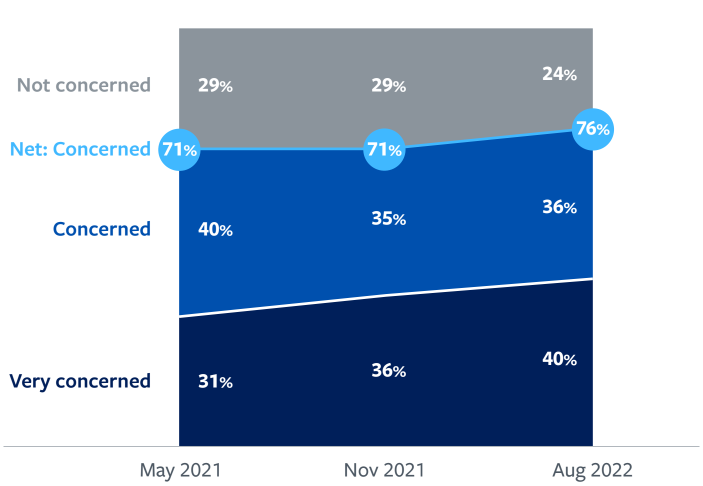
1 Additional portfolio objectives

For most investors, accumulation and alpha are no longer sufficient, or even primary, investment goals. Retirees care more about income provision, particularly in a rising-rate environment. After volatile markets in 2022 created more capital losses than seen in recent memory, tax-loss harvesting became more important to all investors.

Exhibit 4: Tax efficiency became more important in 2022

Investor concerns that taxes will rise significantly

% of investors responding

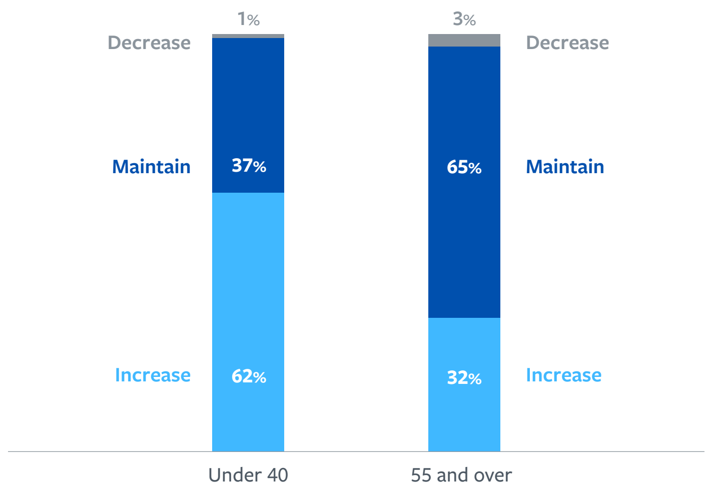


Source: Broadridge Investor Survey

Younger advisors are emphasizing holistic advice

Practice goals relative to holistic financial planning

% of advisors responding by advisor age, 2022



Source: Broadridge Financial Advisor Survey

ESG investing further emphasizes the expanding demand for personalization. Despite polarized opinions among Americans regarding investment processes that emphasize environmental, social, and governance considerations, demand for such investment capabilities continues to rise overall, particularly among younger, female, and more affluent investors.

Exhibit 5: ESG investments remain in demand

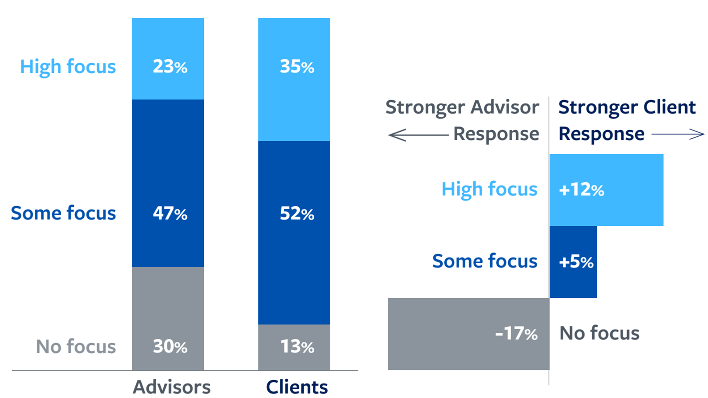
ESG usage

	Spring 2022	Fall 2022
Percent of **ADVISORS** offering ESG	61%	75%
Average percent of **CLIENTS** in ESG	11%	12%
Percent of **CLIENTS** aware of ESG	62%	76%
Percent of **CLIENTS** familiar with ESG	33%	43%

Sources: Broadridge Investor Survey, Broadridge Financial Advisor Survey

View on ESG

% of advisors responding vs. client responding



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2 Focus on holistic outcomes

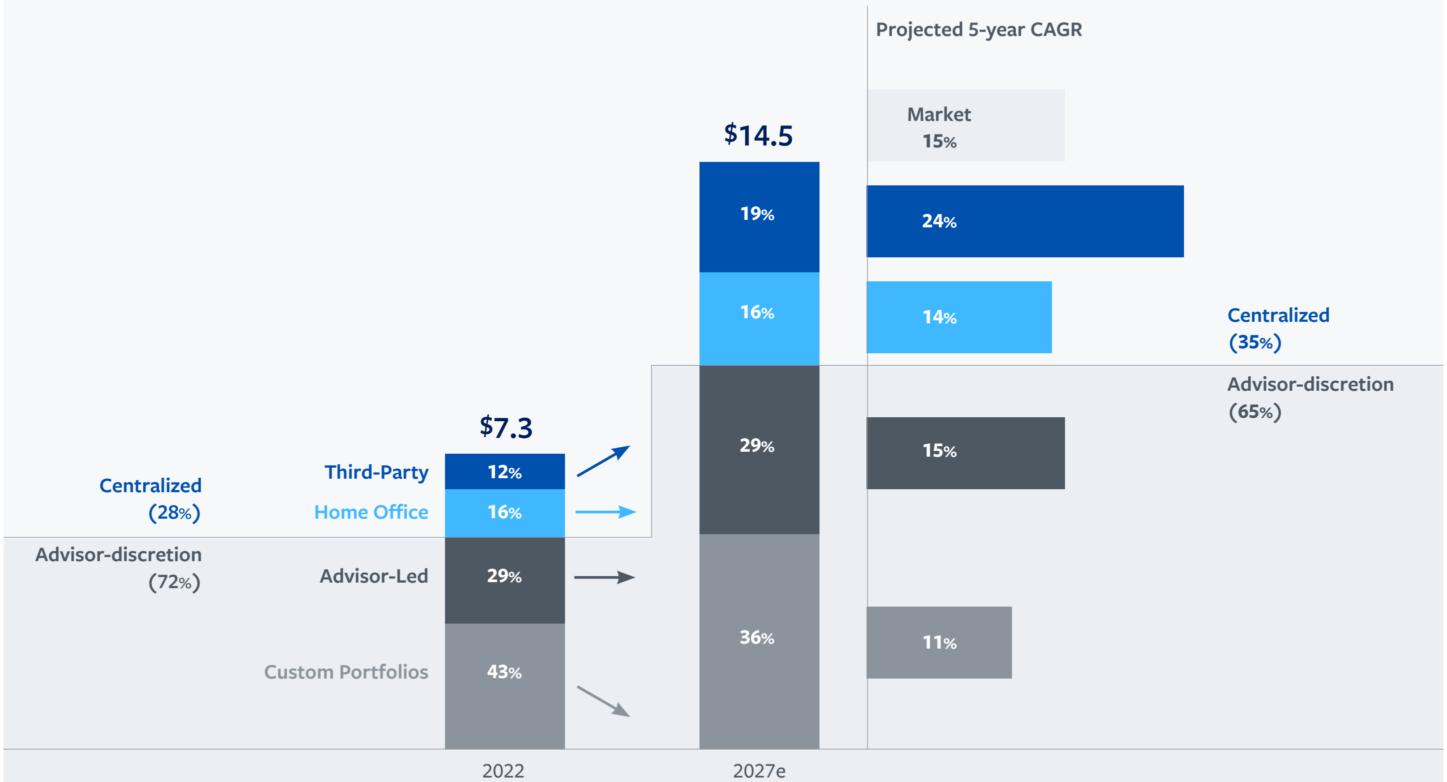
Investors' needs — now a blend of accumulation, tax, income, and other nonfinancial objectives — are increasingly individualized and complex, with success involving multiple measures and benchmarks, not simply market performance. Financial advice, consequently, is becoming more outcome-oriented, with portfolios evolving to match. Building more complicated, holistic portfolios challenges many financial advisors. A growing number of them now seek to outsource portfolio construction to their home office, asset management firms, or other third parties.

The growth of model portfolios within U.S. advisor-sold distribution highlights this trend, particularly among younger advisors, those who operate by themselves, and those with books less than $200 million in size. The implications for asset managers are dramatic: Model proliferation further distances them from the client, convincing some asset managers to connect more directly with clients and advisors by creating their own models.

Exhibit 6: Model portfolios to double by 2027

AUM in fee-based advisory models

By portfolio construction approach, $T, 2022 to 2027e



Sources: Broadridge Data & Analytics, Broadridge Financial Advisor Survey

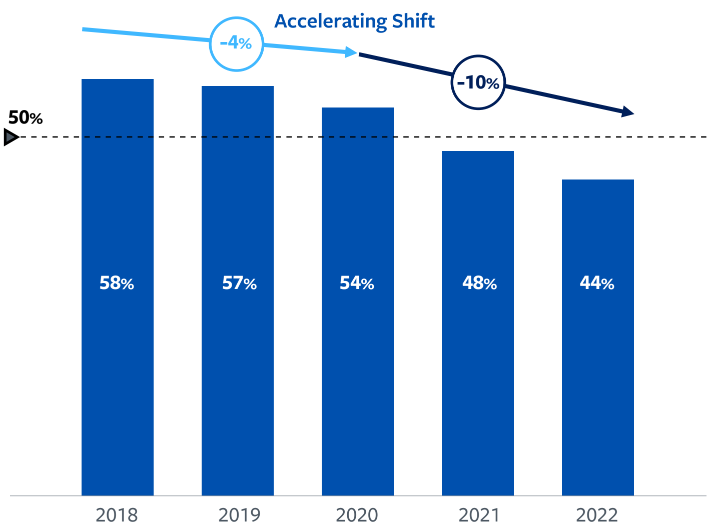
3 Mutual fund evolution

Even as recently as four years ago, most U.S. households placed the bulk of their liquid variable-return investments in actively managed mutual funds. Today less than half do so.

Exhibit 7: U.S. households less reliant on funds

US households with >50% of portfolio assets in actively managed mutual funds

% of households, 2018 to 2022



Source: Broadridge U.S. Investor Study

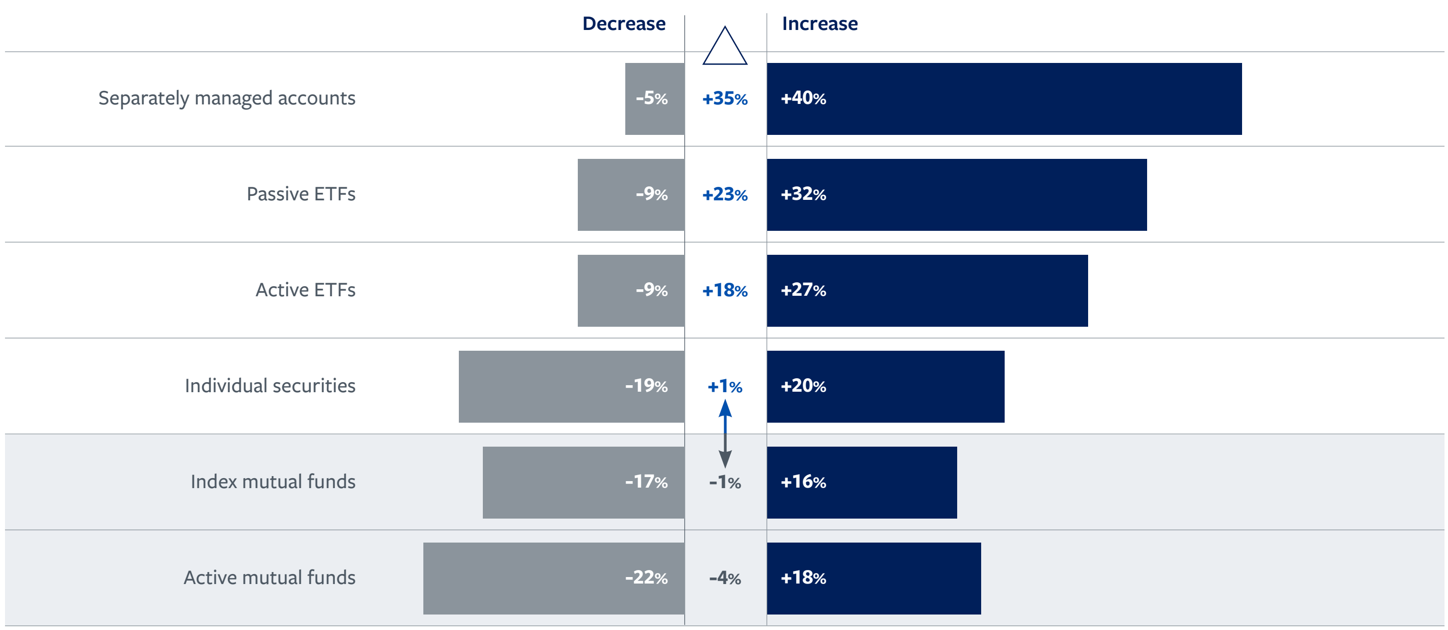
Personalizing portfolios has driven asset diversification away from funds, but other factors have also played roles. Cost is one: Cheaper passive ETFs, the building blocks of many model portfolios, have seized market share. Tax also matters: U.S. mutual funds handle capital gains taxes inefficiently within their portfolios. Technology is a third: Plummeting trading costs coupled with fractional shares, custom indexing capabilities, and (potentially) distributed ledgers and tokenization all combine to make holding equity portfolios easier. Finally, distributors themselves are a factor: Better technologies and greater use of individual securities embolden many broker-dealers to argue that, at least in liquid equities, they need less help from third-party asset managers for portfolio implementation and investment advice.

Consequently, advisors are adapting. Many expect dramatic spikes in the use of non-fund vehicles — not just ETFs, but more tax-efficient separately managed accounts, including those that use custom or direct indexing technologies.

Exhibit 8: FUND USAGE MAY HAVE PEAKED

Expected delivery vehicle usage, 2022 to 2024e

% of advisors, as of September 2022



Source: Broadridge Financial Advisor Survey

4 Shifting capital markets

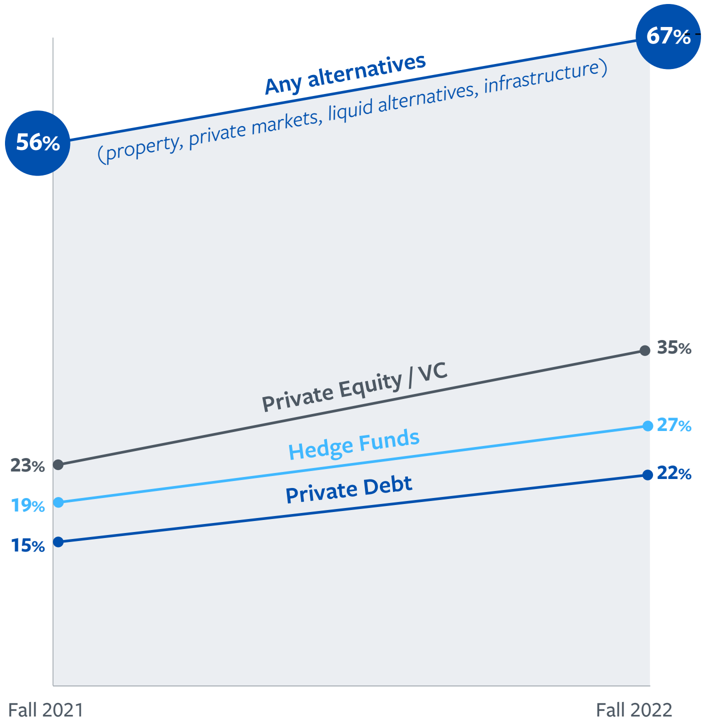
Private-market investments, both equity and debt, flourished in the recent low-rate environment. Secular forces will continue to support further growth even as rates rise. Capital formation has changed dramatically since 2008, with the number of listed companies worldwide remaining relatively flat and the average time between seeding and IPO steadily lengthening. As market infrastructure adapts to reflect these conditions — through wider secondary markets, more semiliquid collective schemes, feeder funds, and nascent tokenization — more individual investors will seek alpha from both privately held and publicly traded companies.

Advisors, guided in many cases by their portfolio construction partners, will fuel this trend. In the past two years, their declared desire for alternative investments — both liquid hedge funds and less liquid private markets vehicles — has skyrocketed across all wealth tiers and channels. Several factors drive this demand: Comfort with alternatives, a desire to differentiate from other advisors, and wider access to more sophisticated investments within their platforms.

Exhibit 9: Wider use of hedge funds, private markets

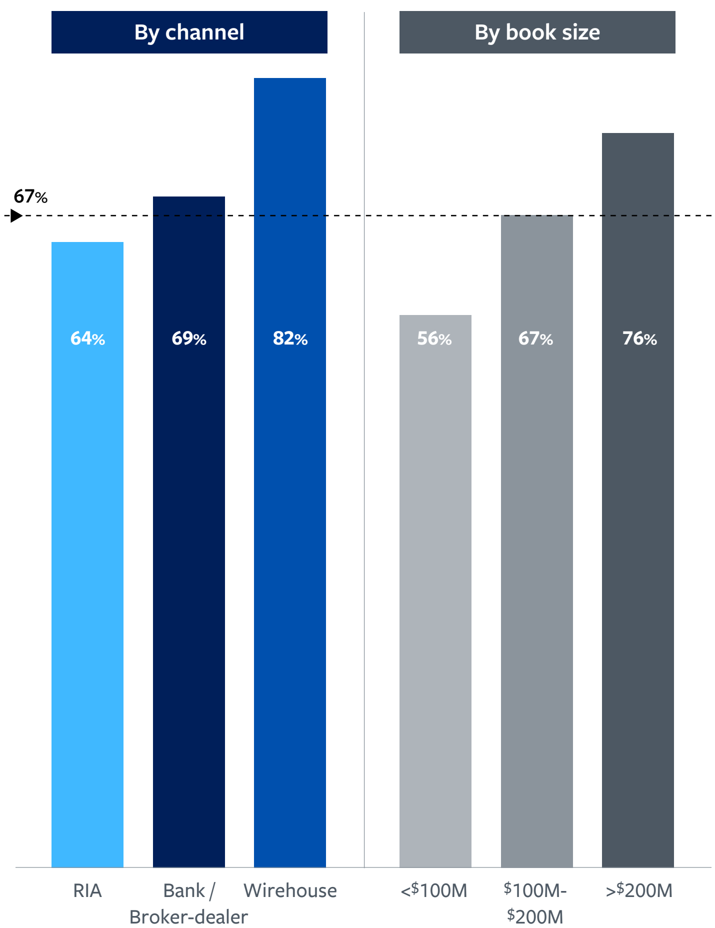
Using alternative investments by type

% of advisors responding, 2021 to 2022



Using any alternative investments

% of advisors responding, Fall 2022



Source: Broadridge Financial Advisor Survey

5 Industry concentration

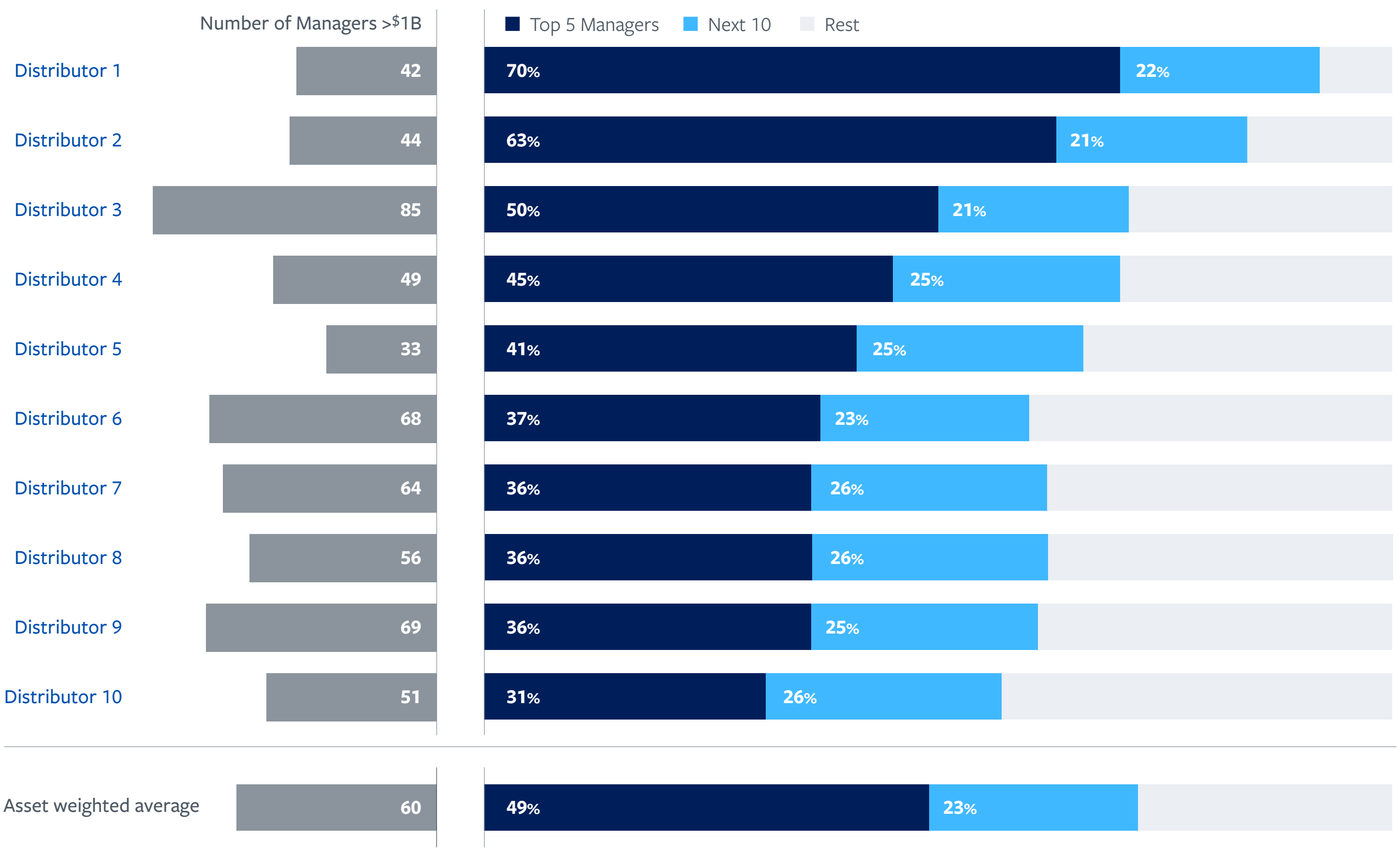
The trends outlined above are also reshaping the major distributors that employ many U.S. financial advisors. As individual investors demand more customized and complex portfolios, distributors are realizing three things. First, because they are closer to the client, many feel they can assume more roles in implementing personalized financial advice, elbowing out asset managers. Second, evolving investor needs outmode many current product offerings — requiring distributors to gain quick, and potentially privileged, access to new ideas. Finally, investors want more for similar prices, forcing distributors to wield more buying power on behalf of their advisors and customers.

The result: The 10 largest distributors, which account for over half of mutual fund assets under management in the U.S. advisor-sold marketplace, want a wider array of products and services from a smaller number of asset managers, at similar or lower fees than the past. This is particularly true regarding new investment capabilities, where distributors hope their leverage with key asset management partners can provide exclusive or preferred rights. Only 19 asset managers appear as a top 5 partner to one of the 10 largest distributors, and those 19 asset managers control 49% of mutual fund assets across those distributors.

Exhibit 10: Fund assets concentrate among key players

Concentration of active mutual fund AUM at the top 10 largest distributors

By manager rank cohort at each distributor, as of 3Q 2022



Source: Broadridge Data & Analytics
Note: Distributor names kept confidential.

Incumbency — reliant to date on active mutual funds, which are in receding demand — may no longer be an advantage. Significant transformation across strategy, offers and technology will define the winning players in the 21ST century U.S. advisor-sold asset management business.

CHAPTER 2: COMPETITIVE CALCULUS IN U.S. ADVISOR-SOLD ASSET MANAGEMENT

If U.S. distributors intend to further concentrate relationships and business in an already oversupplied and maturing marketplace for asset management products and services, successful providers will need to compete effectively against rivals for shelf space and advisor attention. In the 20TH century, mutual fund providers closely resembled one another, primarily using investment performance to compete for distributors, advisors and investors. In the 21ST century, winners will differentiate themselves more effectively across four strategic dimensions:

Delivery | **Product** | **Organization** | **Brand**

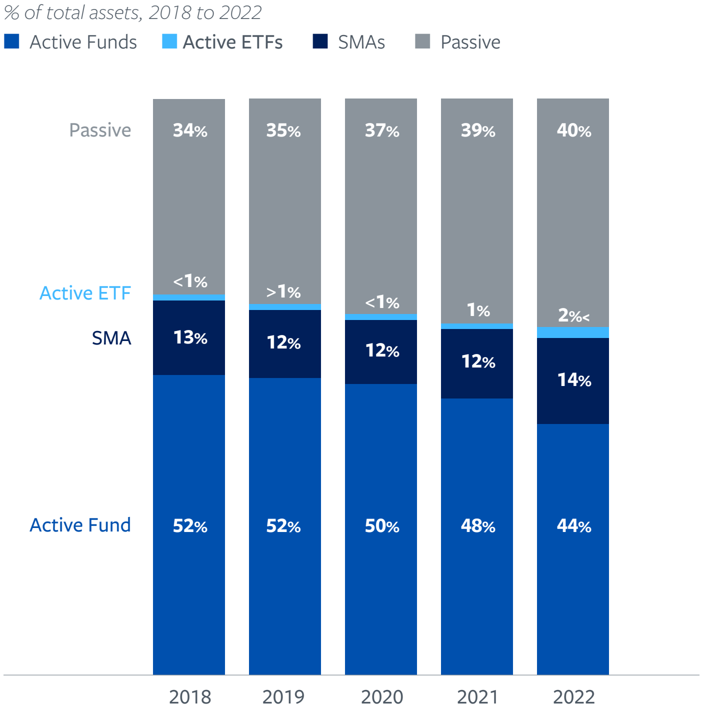
Delivery: From standardized to flexible

Most of the advisor-sold segment's net organic growth for the past four years has come from non-fund vehicles. These include active ETFs, both transparent and nontransparent, as well as semiliquid vehicles such as interval funds, tender offer funds, and business development companies. But separately managed accounts (SMAs) of all shapes — from manager-traded to custom indexing with fractional shares — have represented the bulk of new business, growing at roughly twice the rate of funds.

Exhibit 11: U.S. intermediated assets diversify away from funds

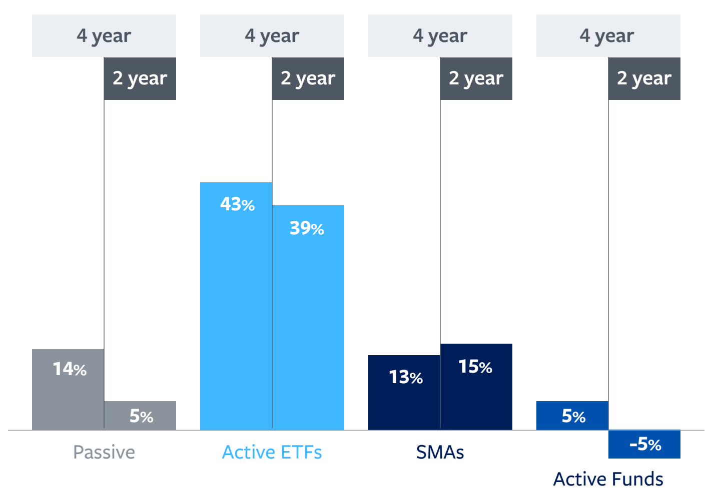
U.S. advisor-sold asset ownership by delivery mechanism

% of total assets, 2018 to 2022



AUM CAGR

2018 to 2022 and 2020 to 2022



Source: Broadridge Data & Analytics, MMI/Cerulli

Note: Excludes individual bonds, private capital vehicles and money markets.

Large distributors increasingly prefer working with asset managers that can support multiple delivery models and vehicles — presenting offers as capabilities, not just products. Distributors with advanced technologies and greater interest in portfolio implementation will ask asset managers for more model-driven SMAs, which will allow them to control tax optimization and trading much closer to the client, particularly with highly liquid large-cap equities. Distributors challenged with implementation technology will accept more portfolios customized solely by the asset manager, especially around bonds and small-cap stocks, where investment firms understandably want a tighter rein on trading.

Action items | **Delivery:** From standardized to flexible

Successful asset managers will:

1. **Build operational infrastructure robust enough to support multiple vehicles and delivery models,** including not only current flavors of SMAs and ETFs, but also more innovative forms, such as custom indexing and other forms of personalized portfolio implementation. Distributors view asset managers' proprietary technology as a potential differentiator, which partly explains why investment firms have recently shopped for direct-indexing providers.

2. **Tailor specific capabilities for specific vehicles.** The prior "vehicle-agnostic" approach most asset managers took when introducing new capabilities to distributors often involved providing many strategies across multiple vehicle types. Instead, successful asset managers in the U.S. retail market will custom-design new investment strategies specifically for use solely in a mutual fund, ETF, or SMA, optimizing portfolio construction and security selection around a vehicle's specific advantages. This will reshape product development and management processes throughout asset management firms.

3. **Decide which parts of the value chain, if any, to cede.** In some cases, asset managers will feel comfortable letting large distributors handle more aspects of portfolio customization and implementation in return for the benefits of a scale relationship. In other instances, asset managers will feel they have enough leverage in the relationship to maintain more control over elements such as trading and tax optimization. These choices have economic repercussions and therefore must be deliberate, making relationships with distributors more strategic.

Product: From big box to bespoke

Twentieth-century fund companies designed similar products around common accumulation use cases, style-specific benchmarks, and portfolio construction methodologies. Asset managers offered the same funds to all distributors, and competition focused primarily, if not solely, on investment performance.

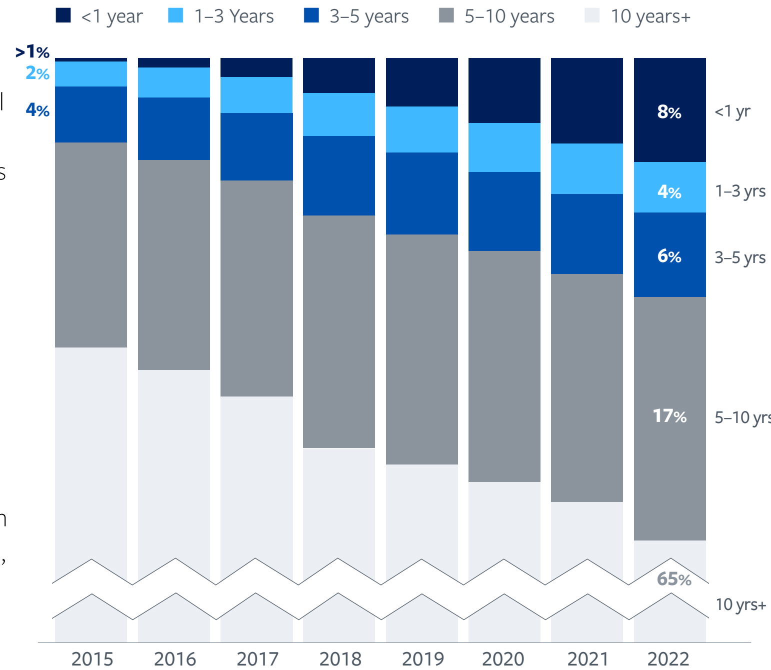
To investors and financial intermediaries today, many existing mutual funds appear obsolete, particularly in a rising rate environment unseen in 40 years. Personalized portfolios also outmode homogenous product lines, as diverse demands from individuals, advisors, model portfolio sponsors, and distributor home offices make it difficult to please all buyers with a standard product lineup. The standardized wholesaling approach fund companies have used for decades — all products to all distributors — is less scalable when clients share fewer common denominators.

Consequently, many U.S. distributors have started emulating their foreign peers by promoting new products more aggressively at earlier stages. There are signs that U.S. distributors, longtime stubborn advocates of seeking three-year track records for product placement, are easing these requirements for newer products that better match current investor demands. The share of U.S. advisor-sold flows into actively managed funds with track records of a year or less has steadily increased.

Exhibit 12: Distributors embrace newer products

US advisor-sold AUM in active funds

By track record length, 2015-2022



Source: Broadridge Global Market Intelligence

Action items | **Product:** From big box to bespoke

Successful asset managers will:

1. **View product development as a superpower.** Due-diligence groups at home offices increasingly will ask questions about an asset manager's capabilities, rather than simply measure product attributes. When distributors view preferred asset managers as long-term partners, they want to invest in future product generation, not just existing offers. Asset Managers' product development processes will become as important as the products themselves.

2. **Co-develop product with distributors.** As distributors' home offices get more involved in portfolio construction, often through home-office model portfolios, they will seek investment strategies that fulfill specific asset allocation roles. They also will demand preferred access to capacity-constrained, public- and private-market strategies. Increasingly distributors will ask asset managers to create products or subadvisory mandates for (temporarily, at least) the distributor's exclusive use. Subadvisory, in particular, will become a more important avenue for boutique asset managers that seek access to the U.S. advisor-sold marketplace.

3. **Use segmentation to shape product strategies.** Asset managers will start designing products to strengthen their share of specific investor or advisor segments, rather than shoehorning strategies across heterogeneous client cohorts or wealth tiers. Many multi-asset product providers, in particular, will want to focus on advisors and investors that seek whole-portfolio strategies from asset managers instead of other sources.

Organization: From broad channel to specific intermediary and client

Traditionally, U.S. asset managers have organized their retail distribution resources by channel: Broker-dealers, wirehouses, and RIAs. Channel-based organizational structures offer significant scalability, but ignore targeted opportunities in a personalized investing world. As customization reshapes many portfolios, channels become more heterogeneous, which frustrates efforts to develop coverage strategies.

Some client cohorts do share common approaches to personalization; those cohorts, however, are different than the industry's traditional taxonomy. Aggregating demand using other taxonomies — such as level of discretion, wealth tier, or model usage — shows more diverse and discretely defined opportunity sets, each of which may require tailored product and engagement strategies.

Exhibit 13: Different taxonomies reveal discrete opportunity sets

Share of buying units by channel

% of buying units (BUs) >$100M in AUM (n=20,040 BUs), as of 2022

Frequently used metrics		Broker-dealer	Wirehouse	RIA
Total Assets	✔ >$100M in AUM	100%	100%	100%
Model Usage	✔ <30% in models	69%	86%	90%
Concentration	✔ 30-65% of AUM at top two asset managers	44%	61%	54%
Active / Passive Mix	✔ >65% of AUM in actively managed products	28%	21%	13%
New Funds	✔ Between the 15th and 85th percentile of advisors by new funds added over the past year[1]	21%	17%	6%

Sources: Broadridge Data & Analytics, Broadridge Advisor Scoring & Segmentation

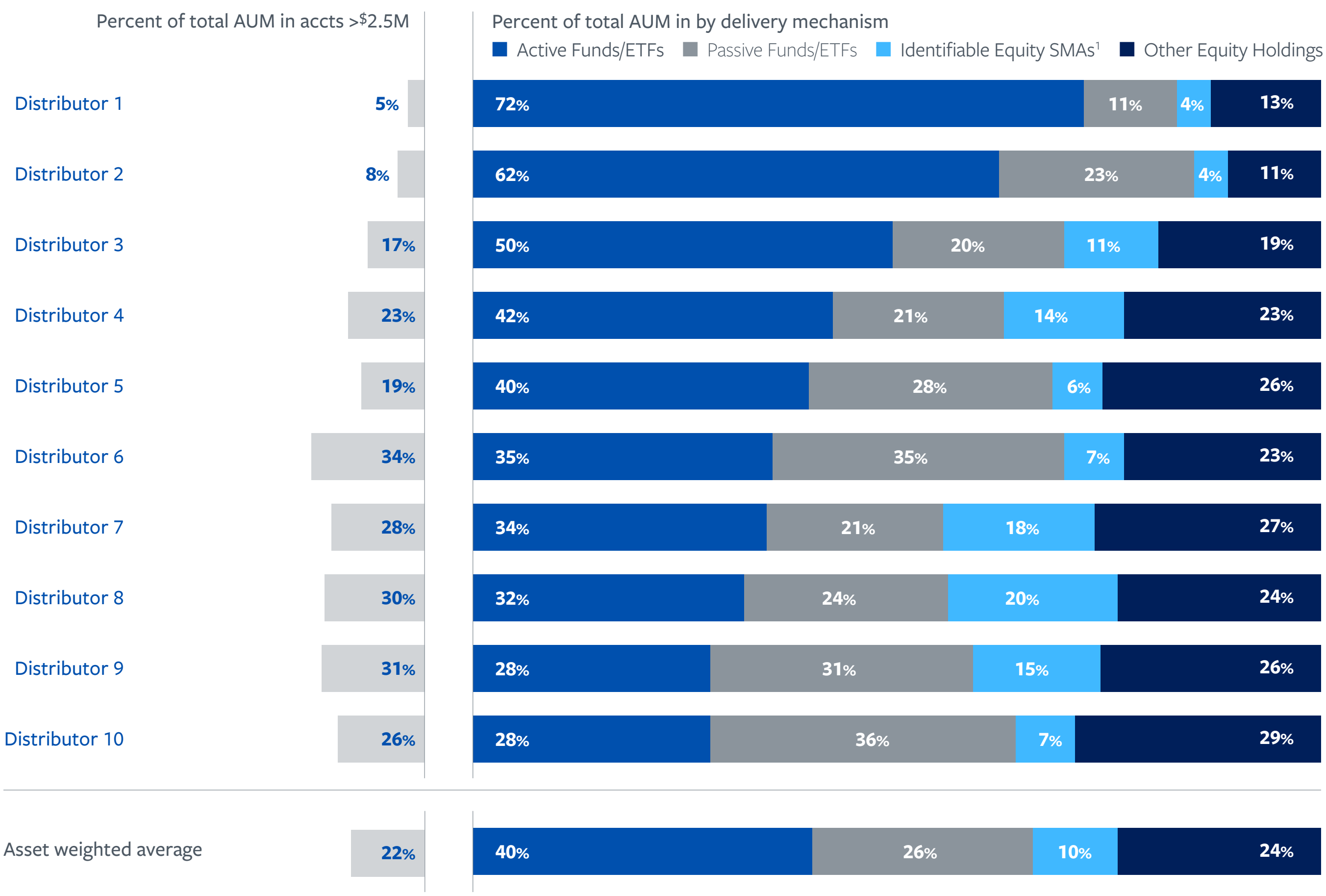
[1]Meant to exclude buying units adding too few new products (<15th percentile) and those churning through new products (>85th percentile) over the past year.

As personalization reshapes investor portfolios, distributors look increasingly different from their peers. Differing investor bases, strategies and technologies mean each distributor represents distinct needs from their asset manager partners, and a more discrete opportunity more valuable to some asset managers than others.

Exhibit 14: Large U.S. distributors are heterogeneous as well

Top 10 largest distributors % of AUM in High Net Worth accounts and by delivery mechanism

By distributor, % of AUM, as of 2022



[1]Represent identified equity portfolios that exhibit the characteristics of a retail SMA (e.g. having greater than $250k market value, holding 15–60 individual equities and no single allocation greater than 20%). Does not include fixed income SMA.

Source: Broadridge Data & Analytics

Note: Excludes individual bonds, private capital vehicles and money markets. Distributor names kept confidential.

Action items | **Organization:** From broad channel to specific intermediary and client

Successful asset managers will:

1. **Make home-office coverage more strategic and counterparty-specific.** As distributors begin to concentrate asset management into a smaller number of more significant partners, their diligence groups and network leaders will demand more attention and exclusive service offers from key partners (e.g. codeveloped products, first calls on capacity, bespoke thought leadership, etc.). National accounts teams will align themselves and their coverage strategies more distinctly to their priority counterparties, leveraging data to inform both how they prioritize and how they approach each one.

2. **Reorganize, and potentially dechannelize, field coverage strategies.** Some will replace channel-oriented coverage systems with new territory maps organized around opportunities better aligned with their competitive advantages. Others will preserve a channel orientation but focus resources on advisors they identify as ideal prospects, rather than attempting to cover all advisors more uniformly. Some asset managers will assign each external wholesaler to financial advisors who share certain characteristics or clientele, rather than segmenting coverage solely on registration status.

3. **Define stronger ideal advisor personas to target the best opportunities and develop scalable but tailored approaches to covering the long tail.** Increasing heterogeneity among advisor books of business and investor portfolios implies the tail of smaller opportunities will lengthen considerably. Increasingly firms can automate advice and product delivery to this diverse group. Defining clear engagement rules to isolate the best opportunities, providing each cohort with tailored engagement models that attract and retain their attention, requires creating specific target personas based on the asset manager's idea of an "ideal advisor" or "ideal investor." Current distribution taxonomies at most asset managers are too broad and therefore ineffective: A more granular view of advisor and investor demands is required.

4. **Better allocate product specialists.** As personalization trends encourage new products and vehicles, advisors will seek specific assistance on multiple issues: the attributes of newly introduced products, their role in a client's portfolio, and considerations around new constraints (namely, for private markets, liquidity). Product specialists can help, but this cadre of talent — individuals with investment and commercial expertise — is very specialized, hard to find, and therefore expensive. Using new taxonomies to better identify opportunities helps define a firm's ideal deployment structure for product specialists.

Brand: From table stakes to competitive differentiation

Because most U.S. asset managers traditionally competed solely on investment performance, few invested in brand. When they did, asset managers tended to focus on qualitative factors such as fiduciary responsibility, investment excellence, and client centricity. Such attributes failed to differentiate a firm: Few providers would argue they should withhold those advantages from clients.

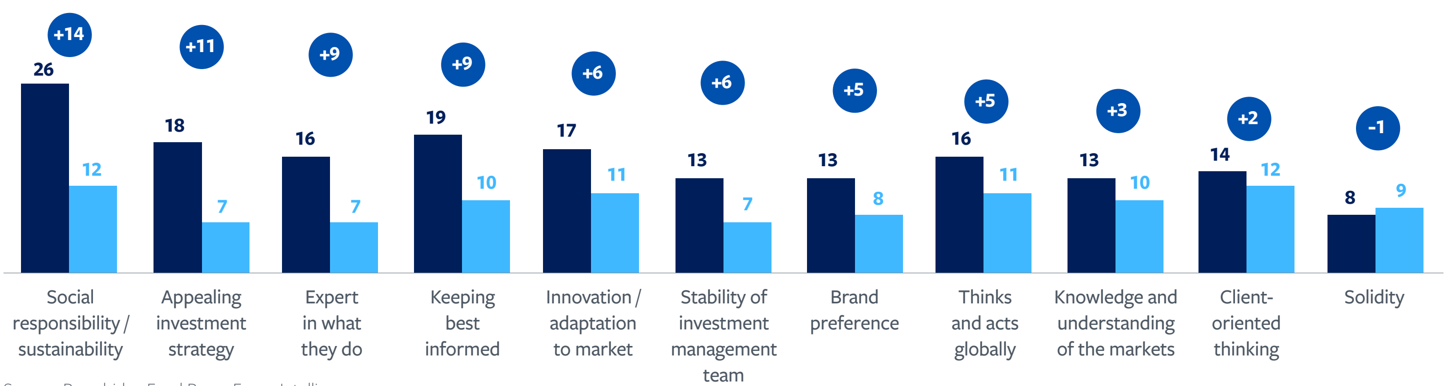
Between 2021 and 2022, a greater number of fund buyers rated more specific competitive differentiators related to product and distribution as key selection drivers for mutual fund providers, while table-stakes attributes such as "client-oriented thinking" and "solidity" remain necessary but have become insufficient.

Exhibit 15: Product and service attributes more important in fund provider selection

U.S. fund buyers ranking attributes as key driver for asset management selection

Average points earned by asset managers rising in rankings vs. falling in rankings, 2021 to 2022

■ Average Points: Top 10 Risers ■ Average Points: Top 10 Fallers (+/-) Difference in average points between Top 10 Risers and Top 10 Fallers



Source: Broadridge Fund Buyer Focus Intelligence

Action items | **Brand:** From table stakes to competitive differentiation

Successful asset managers will:

1. **Create deliberate branding strategies** highlighting key differentiators — business model, investment process, product development, or service — that separate a firm from its peers.

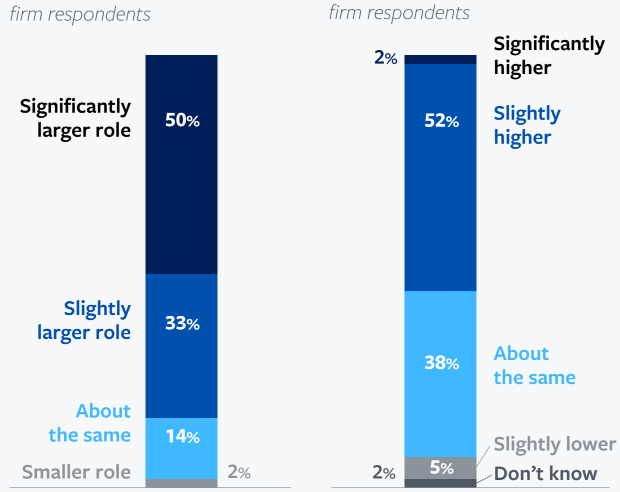
2. **Place content and analytics at the center of brand support.** Advisors prefer asset managers that provide investment viewpoints, thought leadership, and online analysis tools, all of which aid more complicated portfolio construction. Intermediary platforms also like such content — if it doesn't conflict with their own.

3. **Further integrate marketing and distribution.** Most asset managers have made marketing a discrete function, but one increasingly integrated with distribution operations. Many asset managers have boosted marketing's role in sales and distribution, seeking a consistent client experience at the individual, advisor, and distributor levels.

Exhibit 16: Marketing expected to play a greater role in distribution

Expected role of marketing in distribution, 2024e
% U.S. asset management firm respondents

Expected marketing headcount, 2024e
% U.S. asset management firm respondents



Source: Broadridge + IMEA All-Council Members Survey 2022

CHAPTER 3: DEFINING DEMAND WITH DATA

Successful asset managers in the U.S. advisor-sold marketplace will realize they cannot credibly be all things to all clients. Identifying clear competitive advantages, be they product- or service-oriented, and aligning them with consumers who value them most, will help asset managers sustain and grow their advisor-sold business. As personalization further diversifies clients, asset managers will benefit from accumulating and securing data that profiles customer needs and expectations at three levels: intermediary, advisor, and individual investor.

Intermediaries: Distribution platforms are more heterogeneous themselves, grappling with some of the same competitive pressures, and need for differentiation, that asset managers face. Successful asset managers will develop partnership strategies specific to each counterparty with whom they want to build market share, rather than simply use a "focus firm" or "large firm" approach. As distributors seek more exclusive access to intellectual property, asset managers need a process to determine the best counterparties on whom to spend valuable insights, scarce resources, and limited capacity. Many asset managers are leveraging their strategic client programs and processes — often initially created to segment and prioritize institutional clients — to compare U.S. intermediary platforms to one another and identify the highest-priority partners for retail distribution efforts.

Advisors: Personalization trends have made channels less effective organizing structures for targeting financial advisors. Detailed segmentation strategies that prioritize prospects based on advisor-level attributes prevent overgeneralization. They also reveal advisors who are less likely to follow home-office recommendations and models, and are therefore more willing to seek out an asset manager's specific competitive advantages. Such attributes include not just standard metrics like book size, but also vehicle preferences, passive exposure, model usage, new funds and products, and boutiques versus trusted brand names — all signs of how advisors construct portfolios for their clients.

Exhibit 17: Identifying the ideal advisor

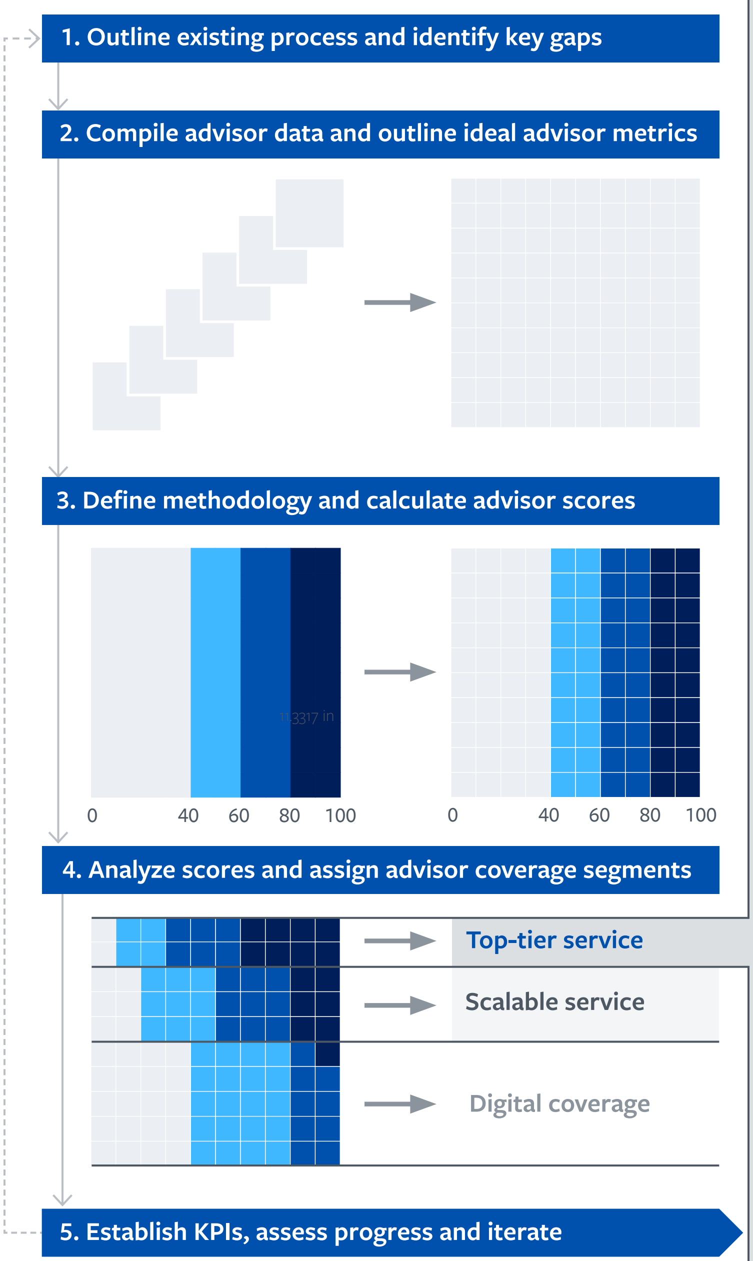
Identifying the ideal advisor Evaluating opportunities by the value and influenceability of individual advisors	Frequently used metrics		Illustrative scoring	Advisor percentile x weight
Advisor Value Aggregate size of opportunity by advisor assets	Total Assets	What's the total size of this advisor's book of business?	Large advisor practice	90 x 40%
	Winnable Assets	How well do we compete against what's being held in this advisor's portfolio?	Higher use of replaceable products	80 x 40%
	Practice Growth	Is this advisor's book of business growing relative to peers?	Established, lower-growth	75 x 20%
+ **Advisor Influenceability** Quality of opportunity by advisor fit to your business / strengths	Sales Lift	Do our interactions with this advisor result in net sales?	Moderate engagement	75 x 20%
	Model Usage	How much discretion does this advisor have over investment decisions?	Substantial model usage	70 x 15%
	Concentration	How much of this advisor's AUM is concentrated in their top two asset managers?	Concentrated at high-end of target range	50 x 25%
	Active / Passive Mix	What percentage of this advisor's fund AUM is actively managed?	Moderate passive usage	70 x 25%
	New Funds	Is this advisor open to adding new funds to their portfolio?	Low usage of new products	60 x 15%
= **Better Outcomes** More targeted interactions, more informed meetings			Value score	83 65%
			Influence score	**64 35%**
			Total score	**76**

Source: Broadridge Advisor Scoring & Segmentation

Effective advisor segmentation yields enhanced sales. Examination of segmentation strategies, while controlling for equal levels of engagement from the asset manager, indicates that advisors who closely resemble an asset manager's ideal target — based on the firm's business model and competitive advantages — yield eight times the gross production of advisors who share far fewer prioritized attributes.

Exhibit 18: Advisor segmentation case study

Approach



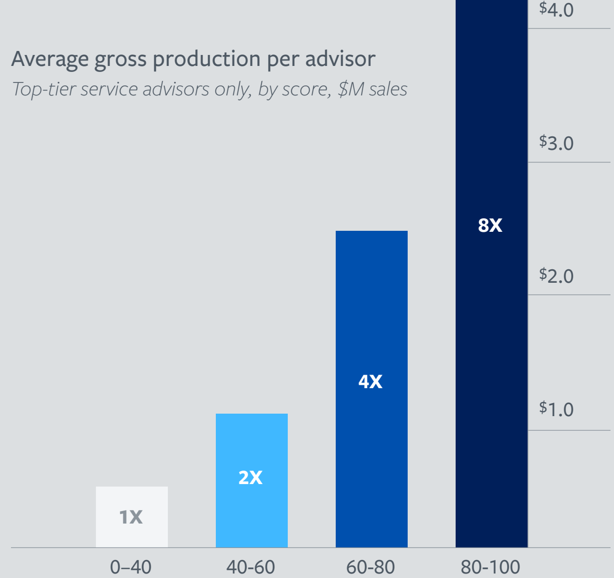
Impact

More focus: Resulted in a 50% reduction in the number of targeted advisors, with a focus on higher-quality opportunities.

Enhanced coverage: Introduced a digital marketing group to cover the long tail of addressable advisors.

Efficient outcomes: Resulted in a data-based approach with a demonstrably positive impact:

- **8x increase in production** among the highest scored advisors vs. the lowest scored given the same level of service.
- **Greater buy-in** of the system and its use.



Source: Broadridge Advisor Scoring & Segmentation

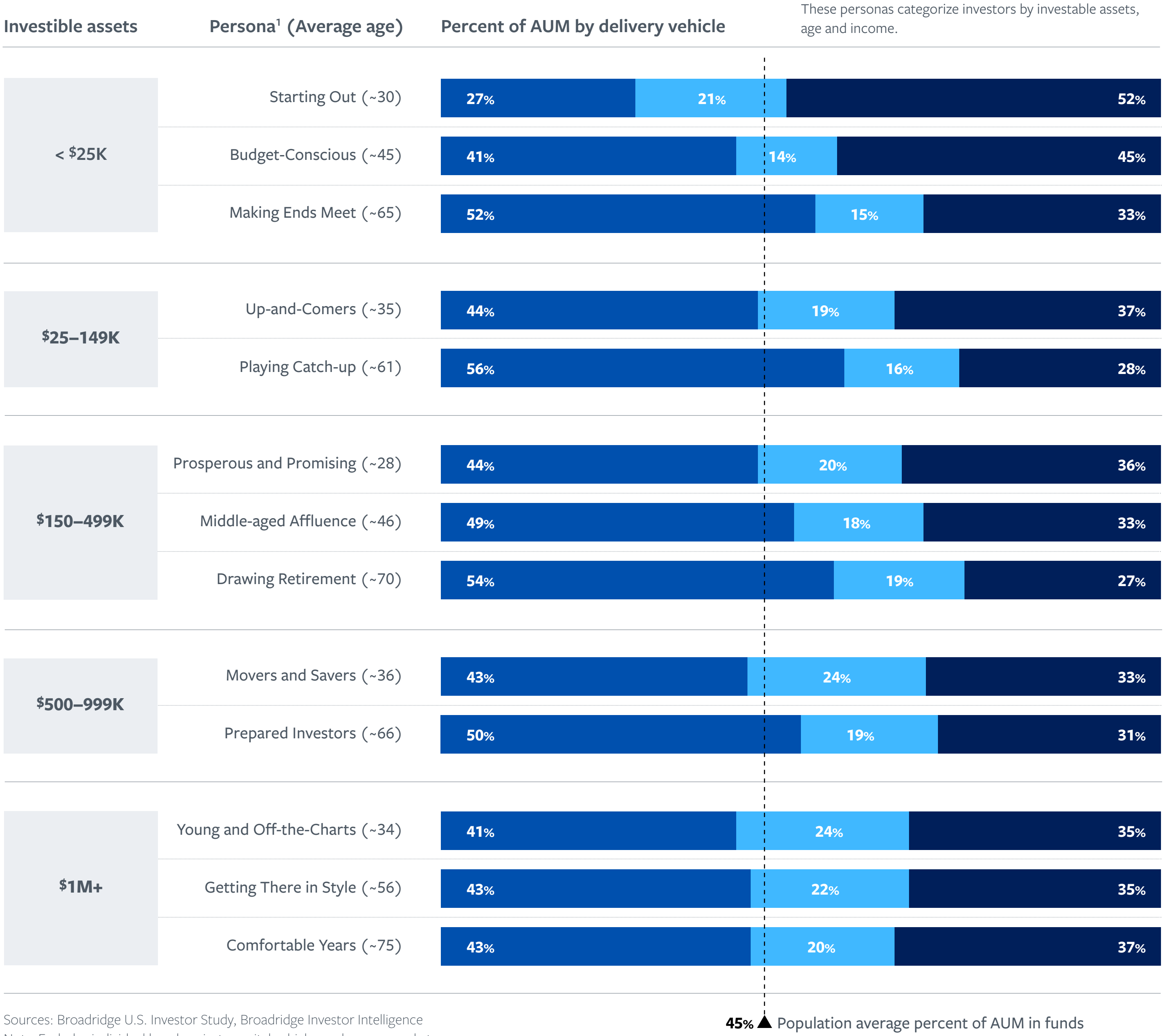
Individual investors: Few industries pay as little attention to their end users as retail asset management. Asset managers spend little time analyzing data on individual investors, arguing that advisors are the primary decision makers. Competing in a world of personalized portfolios, however, is harder for firms that know nothing about the individual investors for whom they are being personalized. Individual investor data can augment relationships with advisors, sharing information about what outcomes are most important to various cohorts of individual investors and outlining repercussions those expectations have on portfolio construction. Additionally, data about individual investors can shape an asset manager's product development processes, providing unfiltered use cases that reveal investor needs.

Exhibit 19: Individual investors have diverse needs

U.S. individual investors by persona 2022

Mutual Funds ETFs Equities

[1] These 13 investor personas were developed as a market segmentation solution called Broadridge Investor Intelligence to help asset managers identify cohorts of like investors. These personas categorize investors by investable assets, age and income.



Sources: Broadridge U.S. Investor Study, Broadridge Investor Intelligence
Note: Excludes individual bonds, private capital vehicles and money markets.

Data defining attributes and expectations of stakeholders at all three levels has become more plentiful, making this work more realistic and scientific. Distributors sell data about their platforms and advisors to asset managers. Third parties assemble relevant detail about advisors and investors that an asset manager's data scientists can weld together into useful insights and profiles. And asset managers can tie their field forces and internal desks into customer relationship management systems that can collect data from each engagement with advisors.

Action items | Defining demand with data

Across all three levels of demand, asset managers can take the following steps to optimize their distribution strategies around personalization trends:

1. **Define ideal buyers,** whether they are key distributors, advisors, or types of individuals. Successful asset managers have secured consensus among key stakeholders regarding optimal present and future clients for the firm — who they are and, more importantly, who they are not.

2. **Secure necessary data,** both internally — around current clients and prospects — as well as externally, regarding clients and competitors across the operating environment. Successful firms quickly identify data they need to identify ideal prospects.

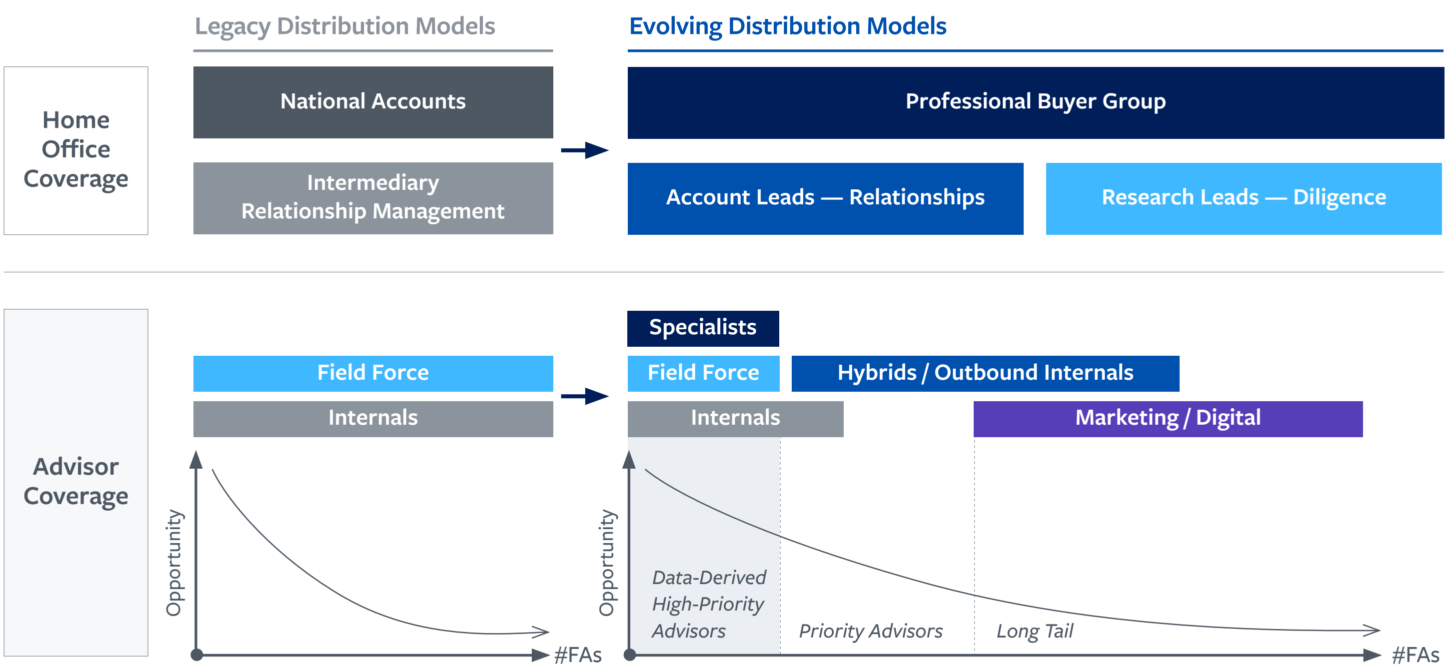
3. **Create specific segments,** with each one defined clearly enough to permit development of a highly differentiated client journey. Asset managers who do this well find they can optimize integrated sales efforts across product, distribution, and marketing.

CONCLUSION: DRIVING DISTRIBUTION WITH DATA

Data and analytics are likely the most powerful catalysts reshaping U.S. advisor-sold distribution strategies for the age of personalized portfolios. As investors and advisors need more customized outcomes, the cost of meeting those needs rises substantially.

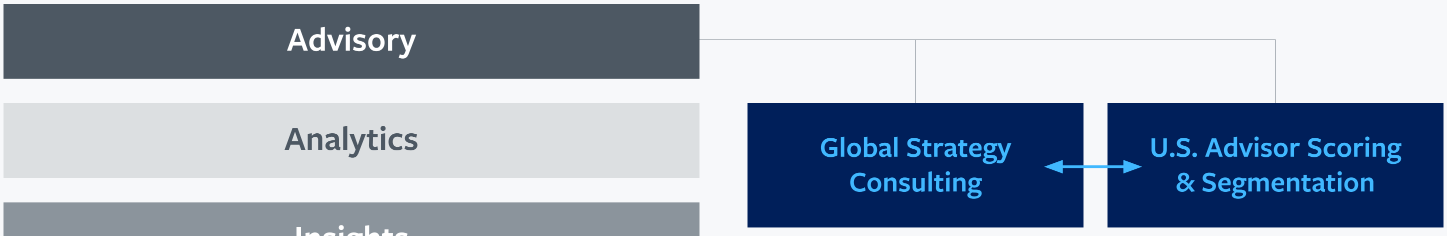
This crushes the economics and efficacy of legacy distribution models that spread resources uniformly across clients of varying long-term value to an asset manager. Successful asset managers will use data to focus exclusive products, engagement resources, and valuable content against high-value targets. Similar information can also inform sales strategies through which the firm can automate coverage of a long tail of other prospects using select products and services.

Exhibit 20: Data-driven distribution



Source: Broadridge Advisory Analysis

Increasing investor demand for personalization will be one of the greatest challenges the asset management industry faces. Delivering custom solutions at scale erodes much of the operating leverage asset managers have enjoyed for decades through pooled vehicles and uniform wholesaling models. But the asset managers who invest in meaningful data sources that help them understand their markets and adapt to new client expectations will join the exclusive club of firms viewed as key long-term partners to America's largest distributors — and win them an outsized proportion of the advisor-sold market segment's long-term organic growth.



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SOURCES

BROADRIDGE ANALYTICS APPLICATIONS

Broadridge Global Market Intelligence >>
Global Market Intelligence (GMI) is a total market intelligence solution covering over $95 trillion of assets across retail, institutional, and private markets. GMI delivers market, distribution, product and competitive intelligence via four modules: GMI Funds, GMI Institutional, GMI Alternatives, and GMI Fees.

Broadridge Investor Intelligence >>
Investor Intelligence is an integrated solution for the asset management market, tracking de-identified asset ownership across tens of millions of investor households and billions of proprietary data points augmented by 800 contributing industry data sources. Designed to help asset managers gain a deeper understanding of who their customers are, where they are, what they buy, and how they compare to the broader industry.

Broadridge Fund Buyer Focus Intelligence >>
Fund Buyer Focus Intelligence (FBF) captures the voice and views of more than 1,000 of the most influential third-party fund selectors in Europe, the U.S., and APAC. FBF is designed to help asset managers listen and respond to the voice of fund selectors and see how they perceive them relative to competitors.

BROADRIDGE INSIGHTS ASSETS

Broadridge U.S. Investor Study >>
The U.S. Investor study is an analysis of de-identified share ownership data derived from Broadridge's proprietary business processes consisting of tens of millions of retail investor households and billions of data points to achieve a unique level of insight into holdings invested through financial intermediaries (broker-dealers, online, RIAs, and wirehouses).

Broadridge Investor Survey
The Investor Survey is an online quantitative survey administered twice annually to 1,000 end-retail U.S. investors with the following target profile: Age 25+, primary or shared decisionmaker for household decisions about money, $25K+ in household income and $10K+ in investable assets (not including workplace plans), and they invest outside the workplace (annuities, ETFs, individual securities and/or mutual funds).

Broadridge Financial Advisor Survey
The Financial Advisor Survey is an online quantitative survey administered twice annually to 400 U.S. financial advisors with the following target profile: Registered financial advisor, $10M+ AUM and a minimum of 20% of AUM in ETFs and/or mutual funds. Includes wirehouse, broker-dealer (regional and independent) and RIA channels.

To scan, simply open the camera app on your mobile device and point the camera at the QR code.

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Global Strategy Consulting

We empower asset management leaders to make strategic decisions with confidence by providing data-driven and ongoing advisory support regarding product strategy, distribution strategy, competitive positioning, and resource prioritization.

Our team of trusted advisors represents decades of strategy experience singularly focused on asset management, leveraging proprietary access to the industry's most detailed empirical dataset, a full suite of industry-leading analytics applications, and a team of global insights subject matter experts.

U.S. Advisor Scoring & Segmentation

We provide the industry's most advanced and comprehensive advisor scoring and segmentation support to drive distribution effectiveness and to serve as the foundation for key strategic decisions in U.S. retail distribution and product strategy.

Our team of U.S. retail distribution experts and data scientists work collaboratively with asset managers to develop customized scoring and segmentation frameworks, enhancing existing client data with access to proprietary holdings-level investor data covering $14T in retail assets, 420M individual accounts and 300K intermediary advisors.

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