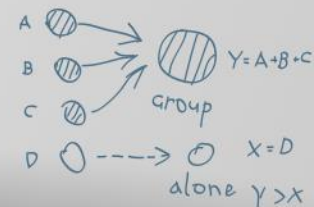
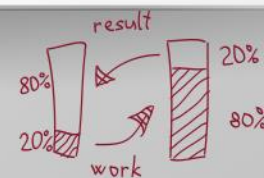
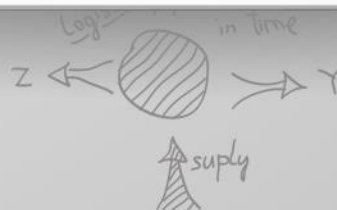
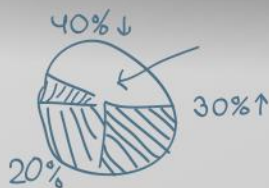


1. customers
2. sale
3. profit
4. exps
5. service



FUSE RESEARCH NETWORK

Advisors' Views on Portfolio Construction



IMEA Portfolio Construction Roundtable

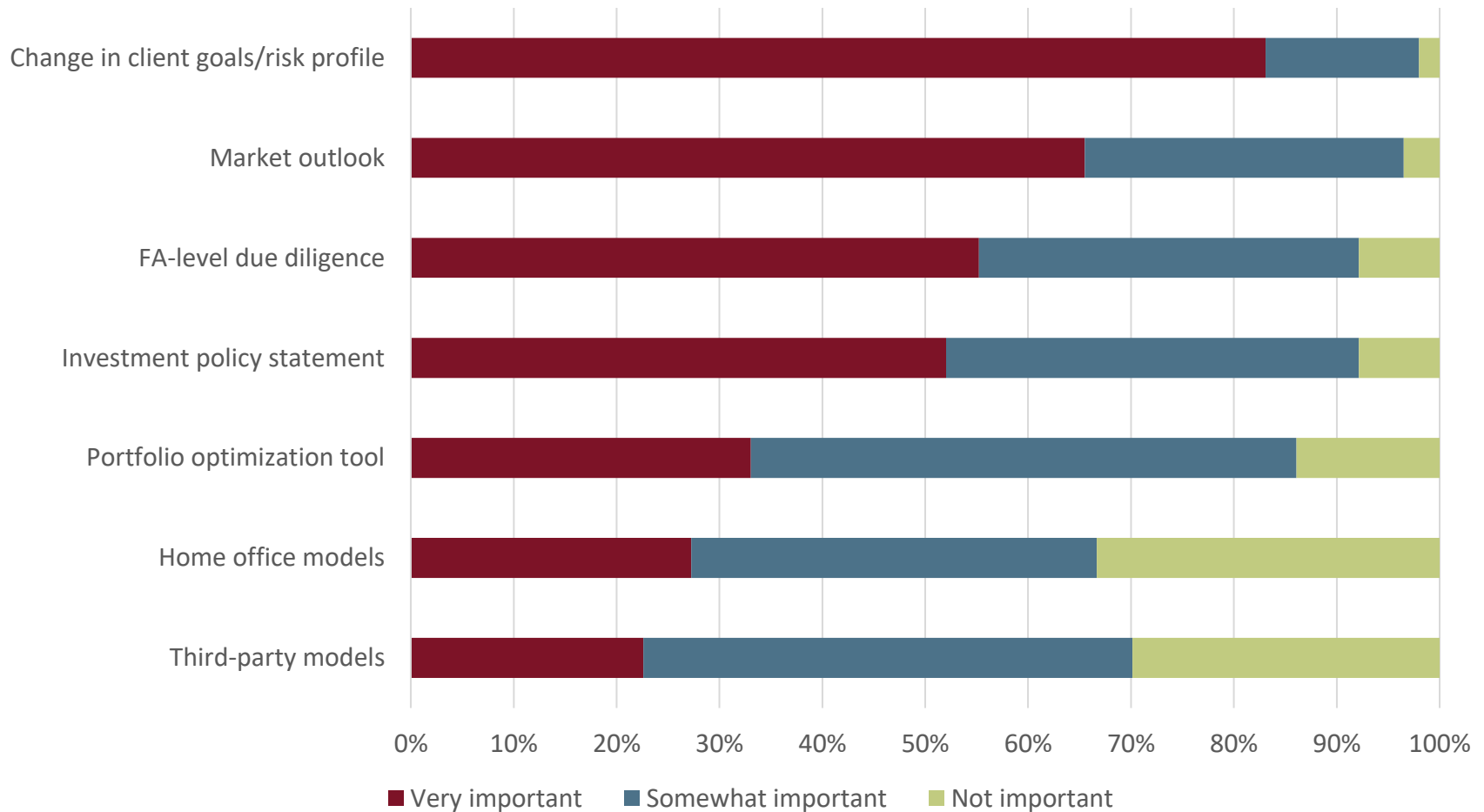
September 29, 2022

Portfolio Construction Process

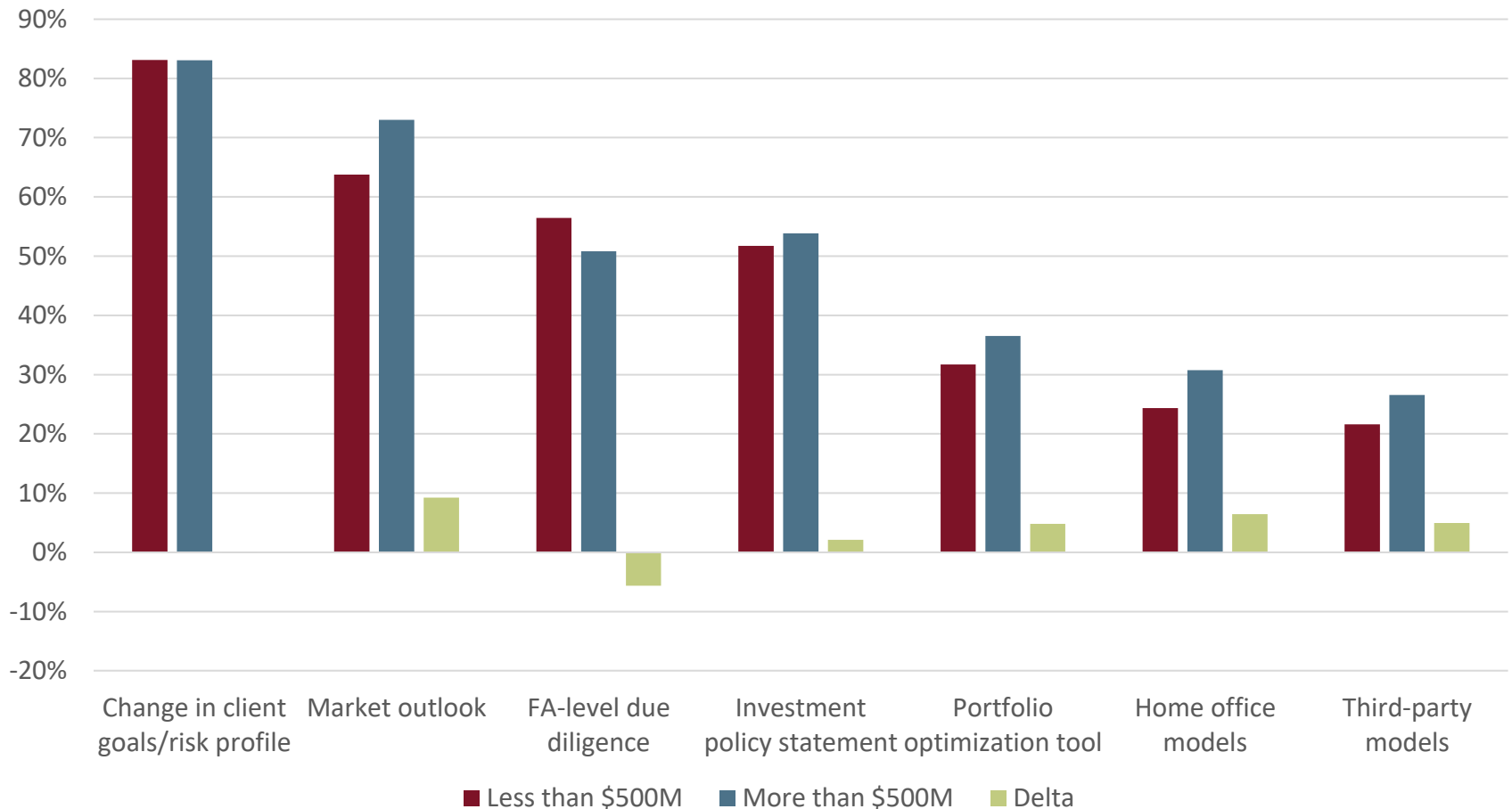
Drivers of portfolio changes

- Shifts in
 - Client goals or risk profile
 - Market outlook
- Regular advisor due diligence
- Investor age
 - Investors 55+ years old for \$30T in corporate equities and mutual funds
 - 70+ age demo account for \$12T

Making Changes to Clients' Asset Allocations

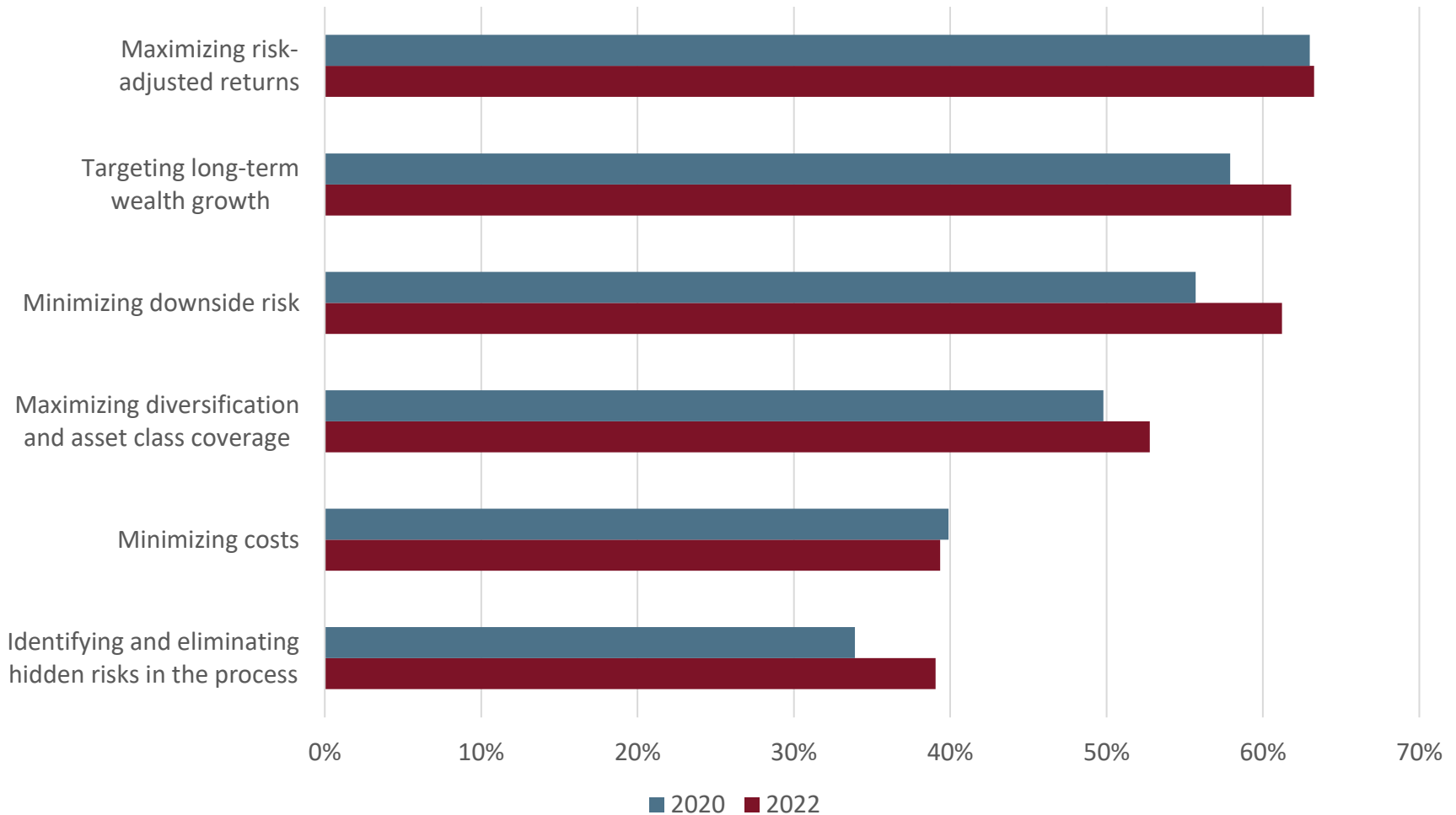


Making Changes to A/A – Advisor AUM Cohorts



Primary Drivers Behind Portfolio Construction Process

2020 vs. 2022



Primary Drivers by Advisor Demographic

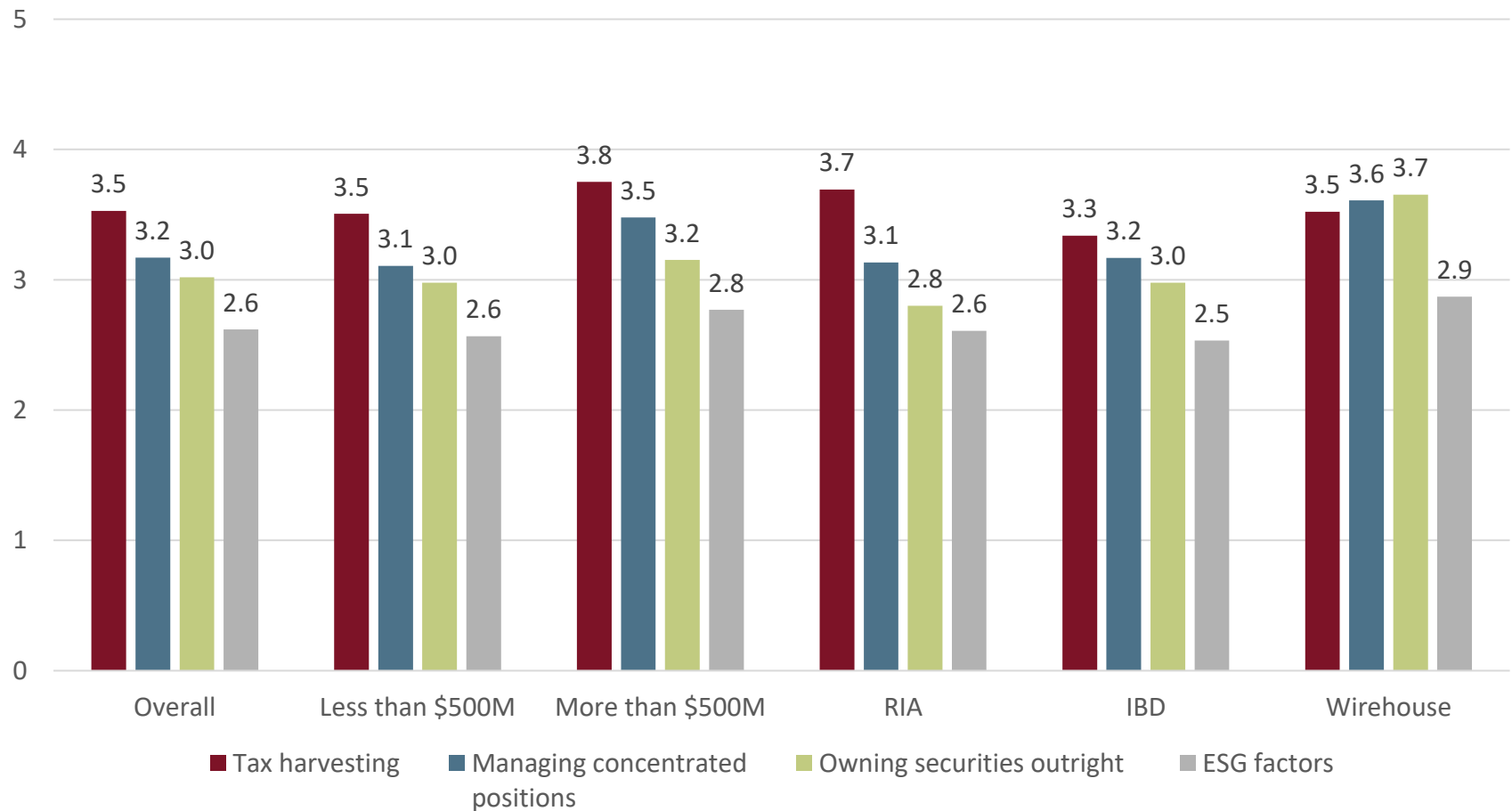
	Maximizing risk-adjusted returns	Targeting long-term wealth growth	Minimizing downside risk	Maximizing diversification and asset class coverage	Minimizing costs	Identifying and eliminating hidden risks in the process
Overall	63%	62%	61%	53%	39%	39%
Channel						
Wirehouse	67%	50%	58%	54%	33%	42%
IBD	67%	60%	73%	57%	34%	42%
RIA	67%	67%	53%	53%	42%	40%
Advisor AUM:						
Less than \$500M	62%	60%	58%	56%	42%	38%
More than \$500M	65%	67%	74%	42%	32%	41%
Practice Type						
Member of a team	66%	65%	65%	48%	37%	36%
Work independently	60%	57%	56%	59%	42%	43%
Gender						
Female	48%	68%	58%	56%	44%	48%
Male	67%	61%	62%	52%	38%	37%

+ 5% versus Overall

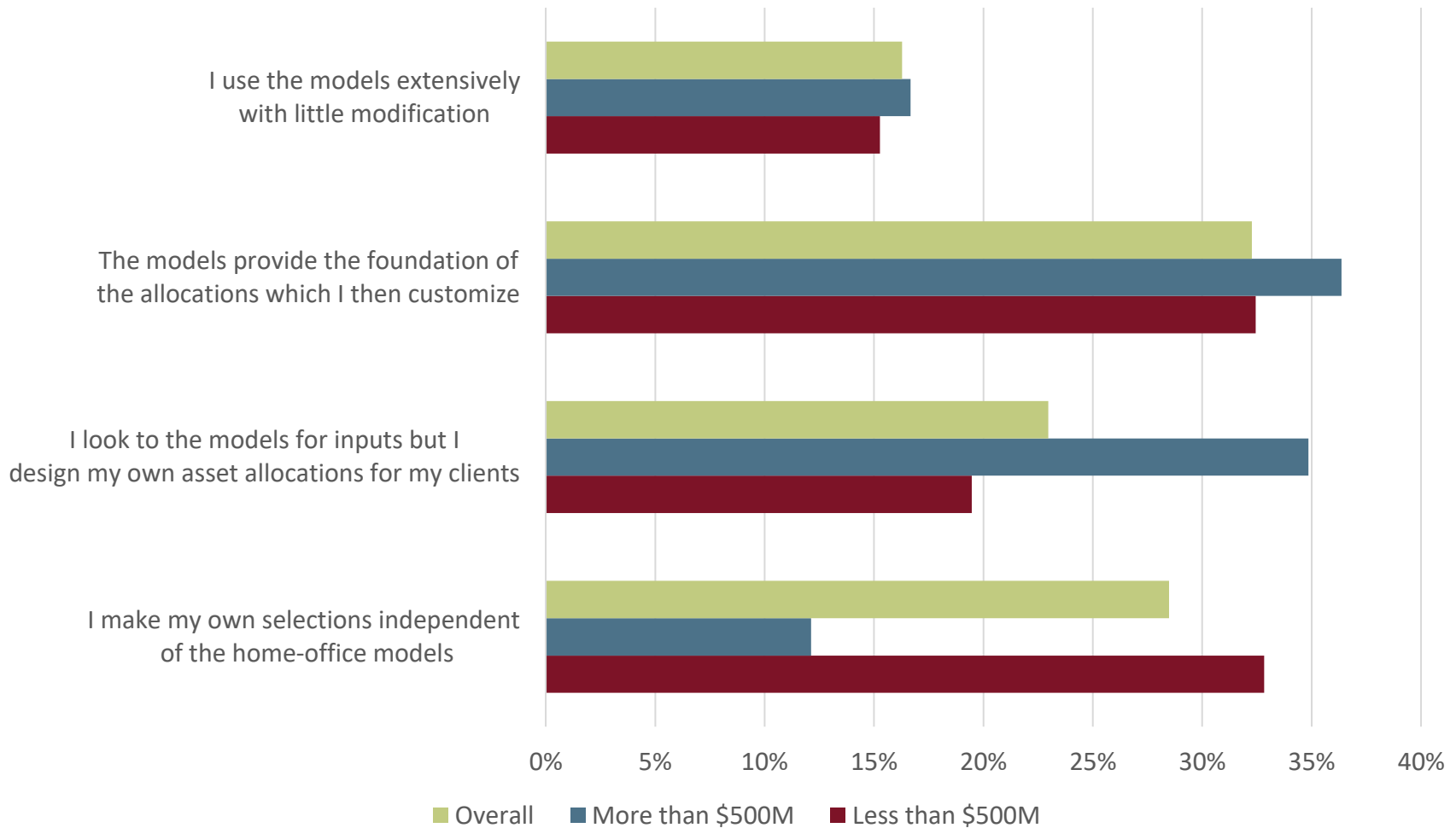
- 5% versus Overall

Portfolio Customization with Most Client Demand

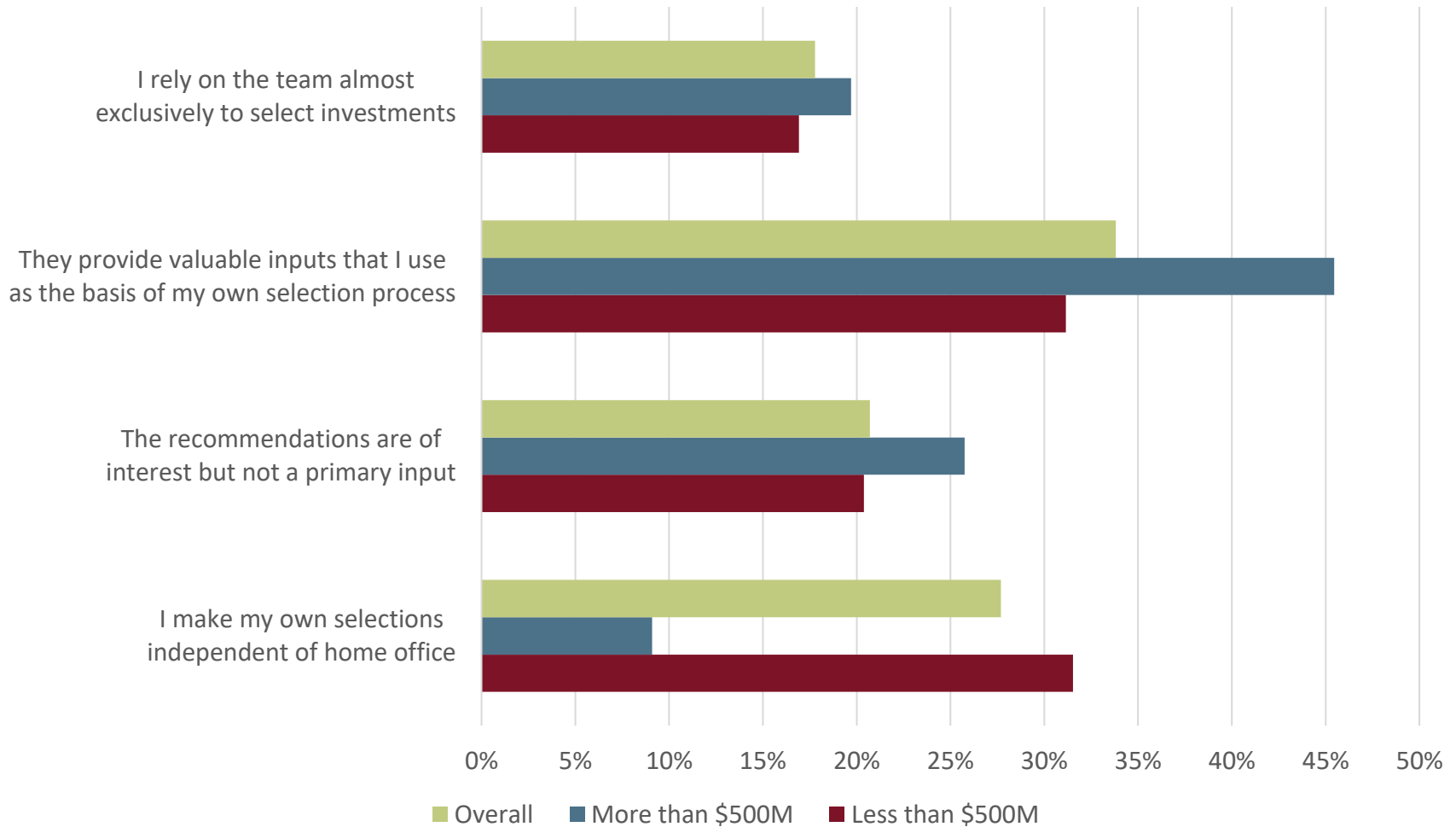
Note: Scale of 1 to 5 with 1 = No Demand and 5 = Most Demand



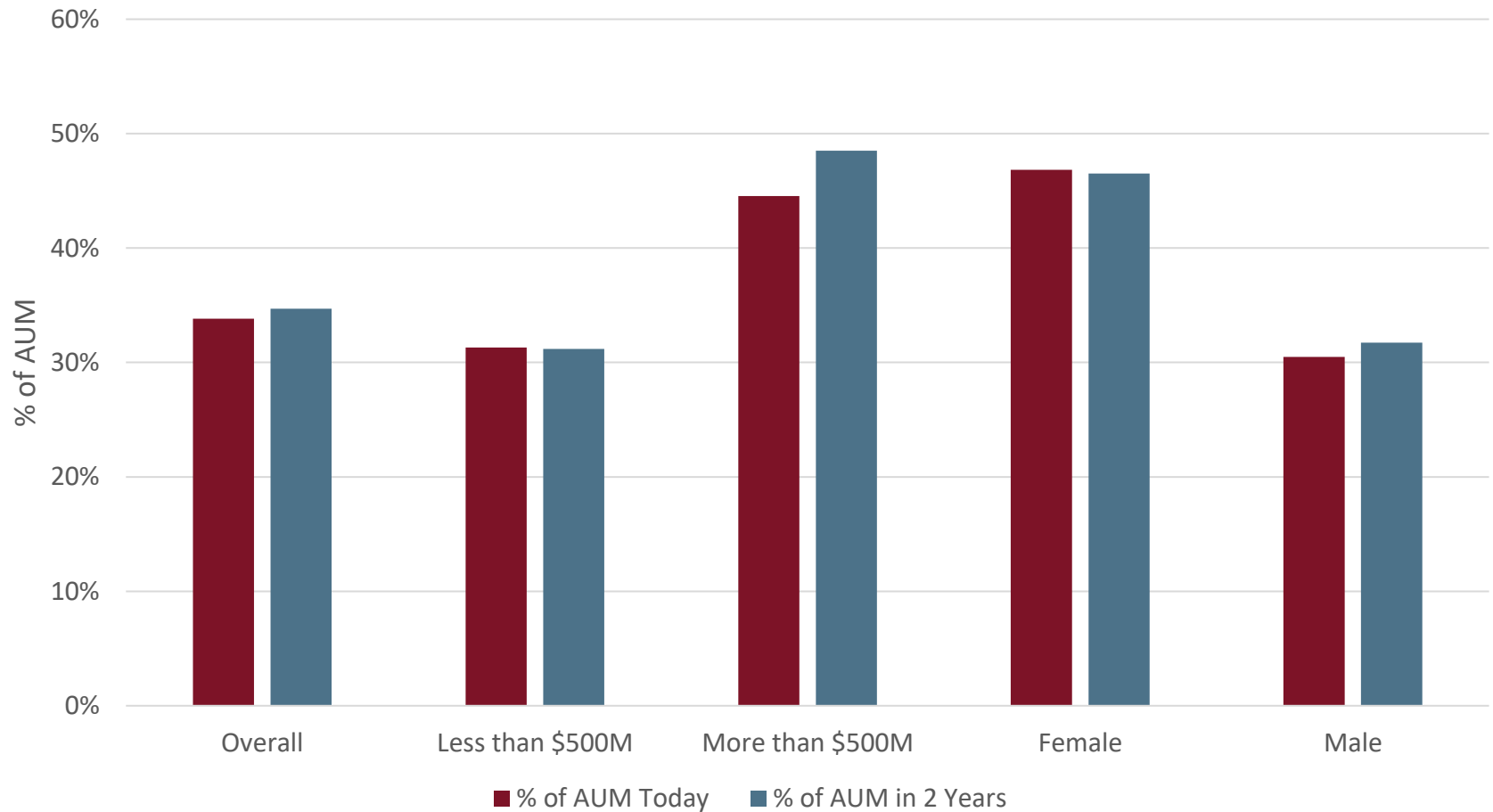
Advisor Views on Home Office A/A Models



Advisor Views on Home Office Manager Selection



Assets Influenced by Home Office Models

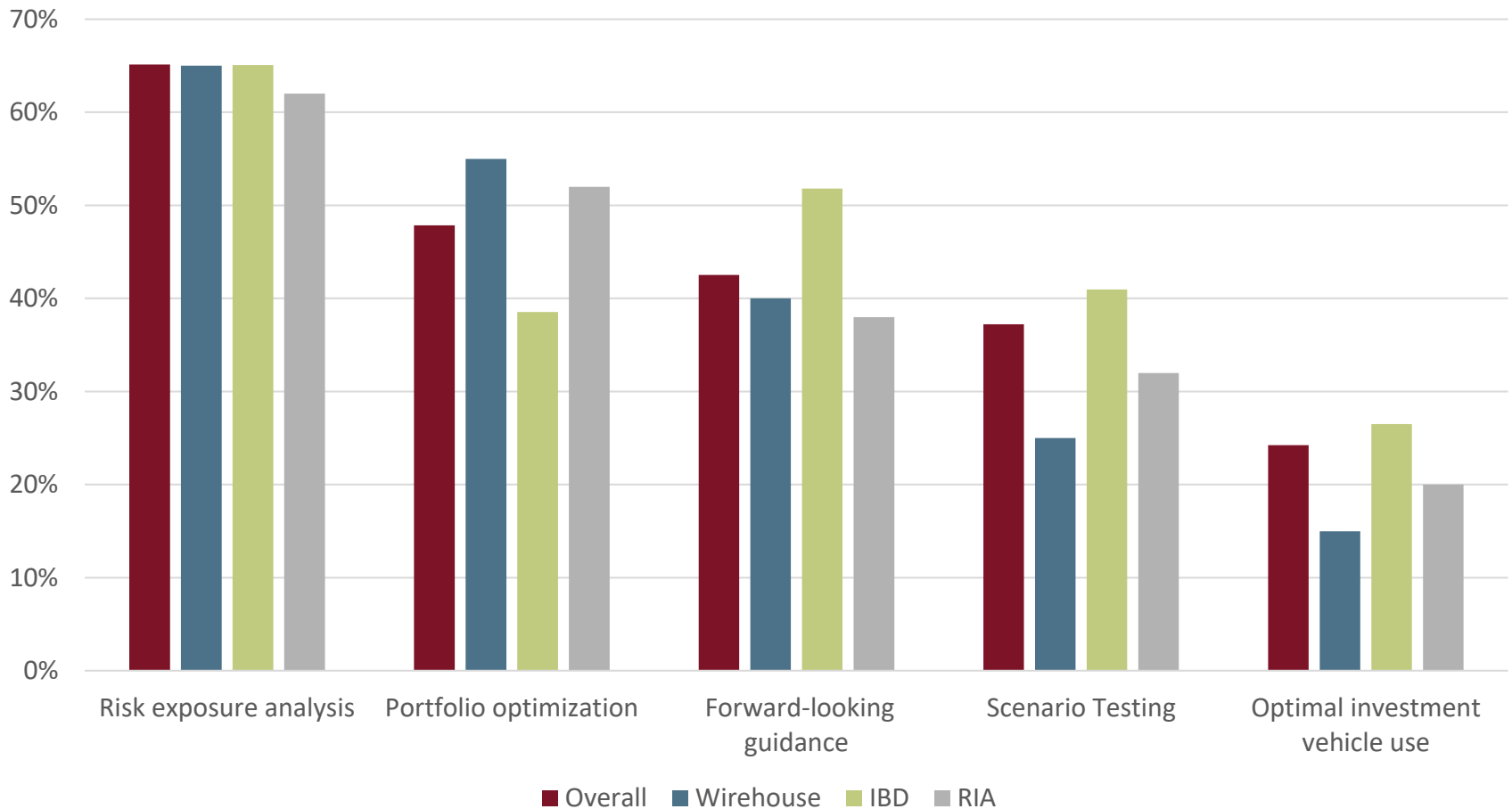


Key Takeaways

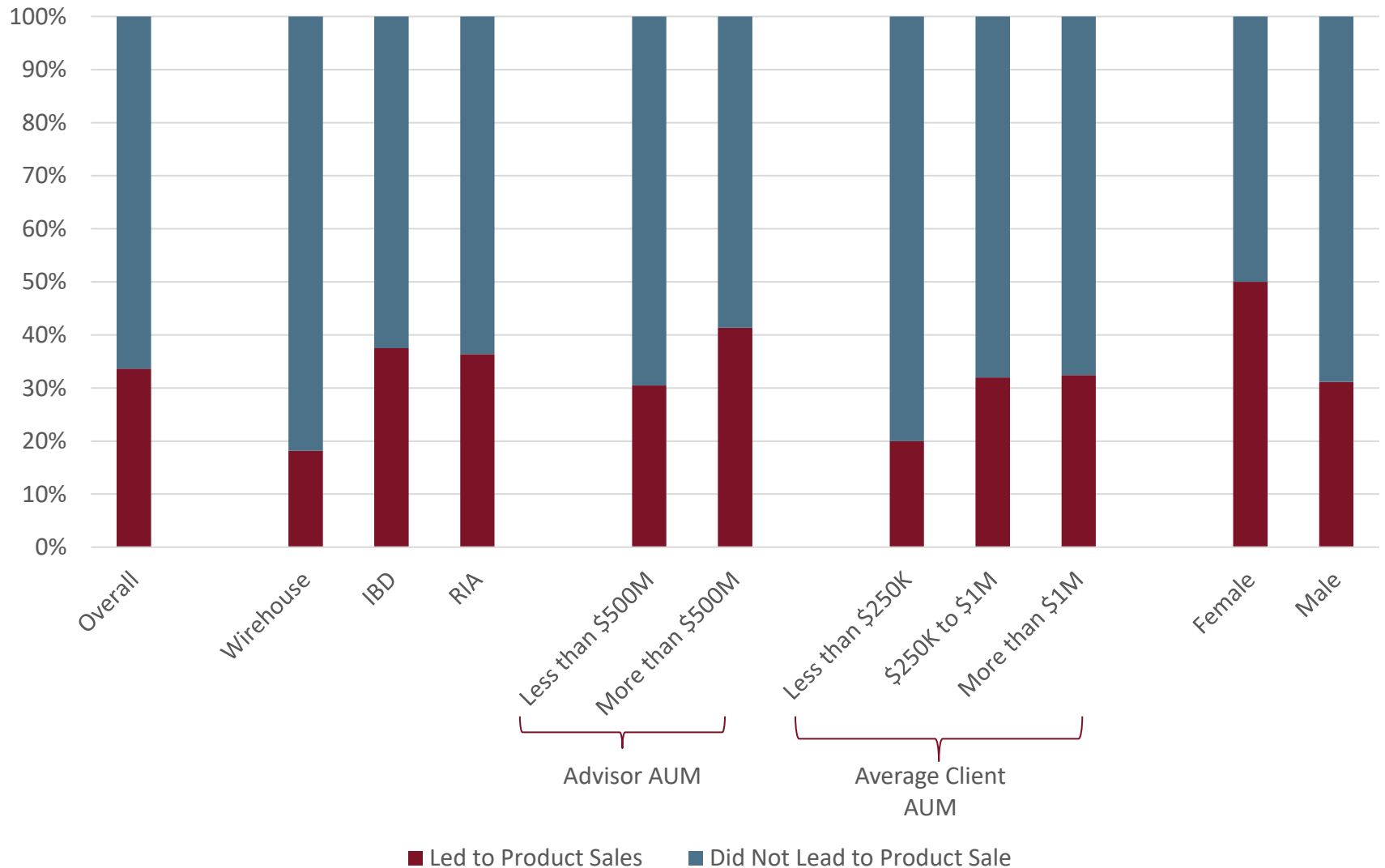
- Multiple factors drive changes to asset allocation, with nearly 98% of advisors ranking change in goals/risk profile either somewhat or very important, including 83% placing a very important rating.
- Regarding portfolio customization processes, advisors indicated client demand will be highest for **tax harvesting** and **managing concentrated positions**.
- Currently, 72% of advisors are using home office asset allocation models. The number of advisors using home office models has been stable over the last several years, fluctuating between 71% (2016) and 75% (2018).
- Advisors noted 34% of their current assets are influenced by home office research teams, which will modestly increase to 35% within the next two years.
- Two of the most important advisor segments—advisors with the largest book of business and advisor teams with in-house due diligence—are significantly more open to using both home office models and manager research.

Asset Manager Portfolio Construction Services

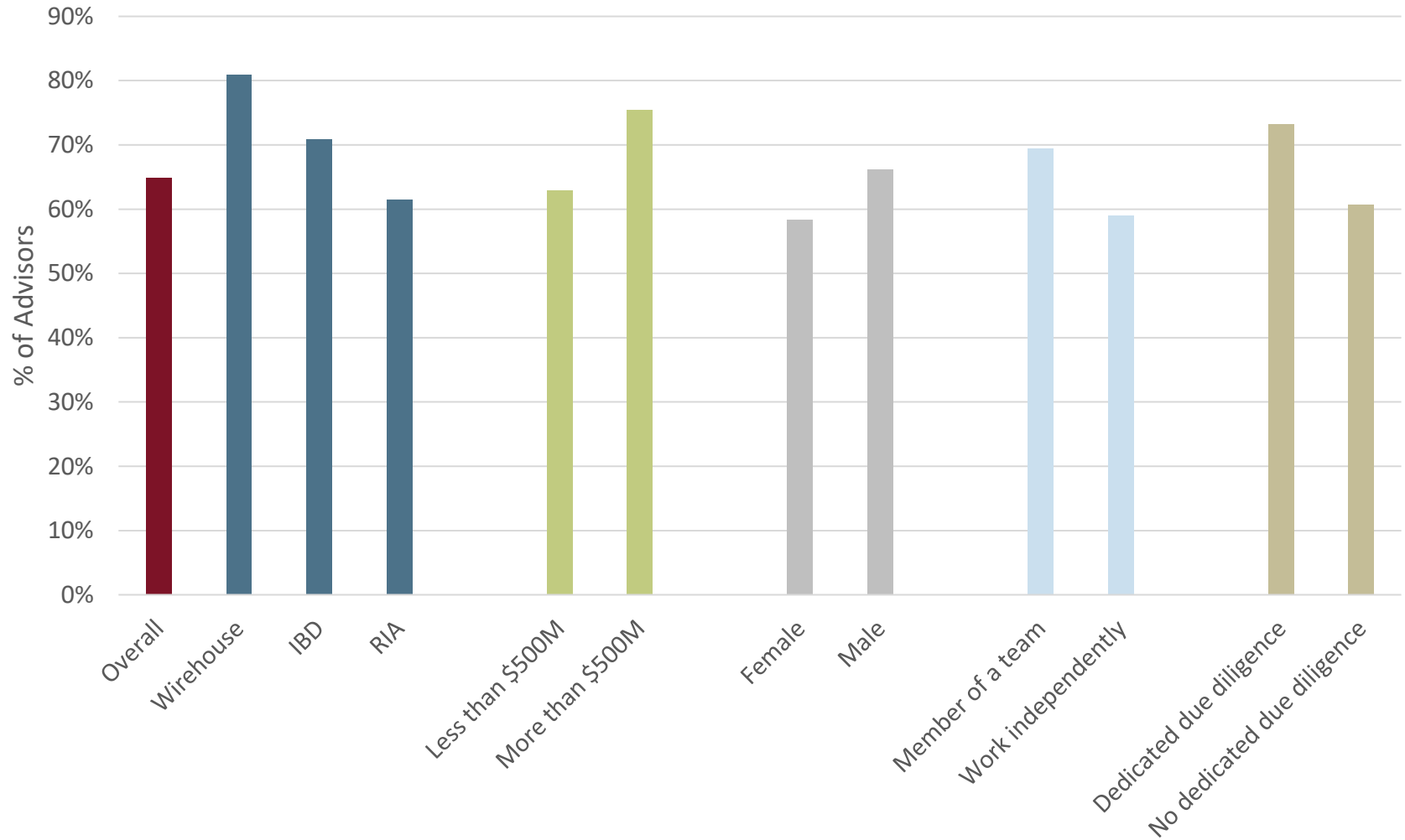
Most Useful Portfolio Construction Services



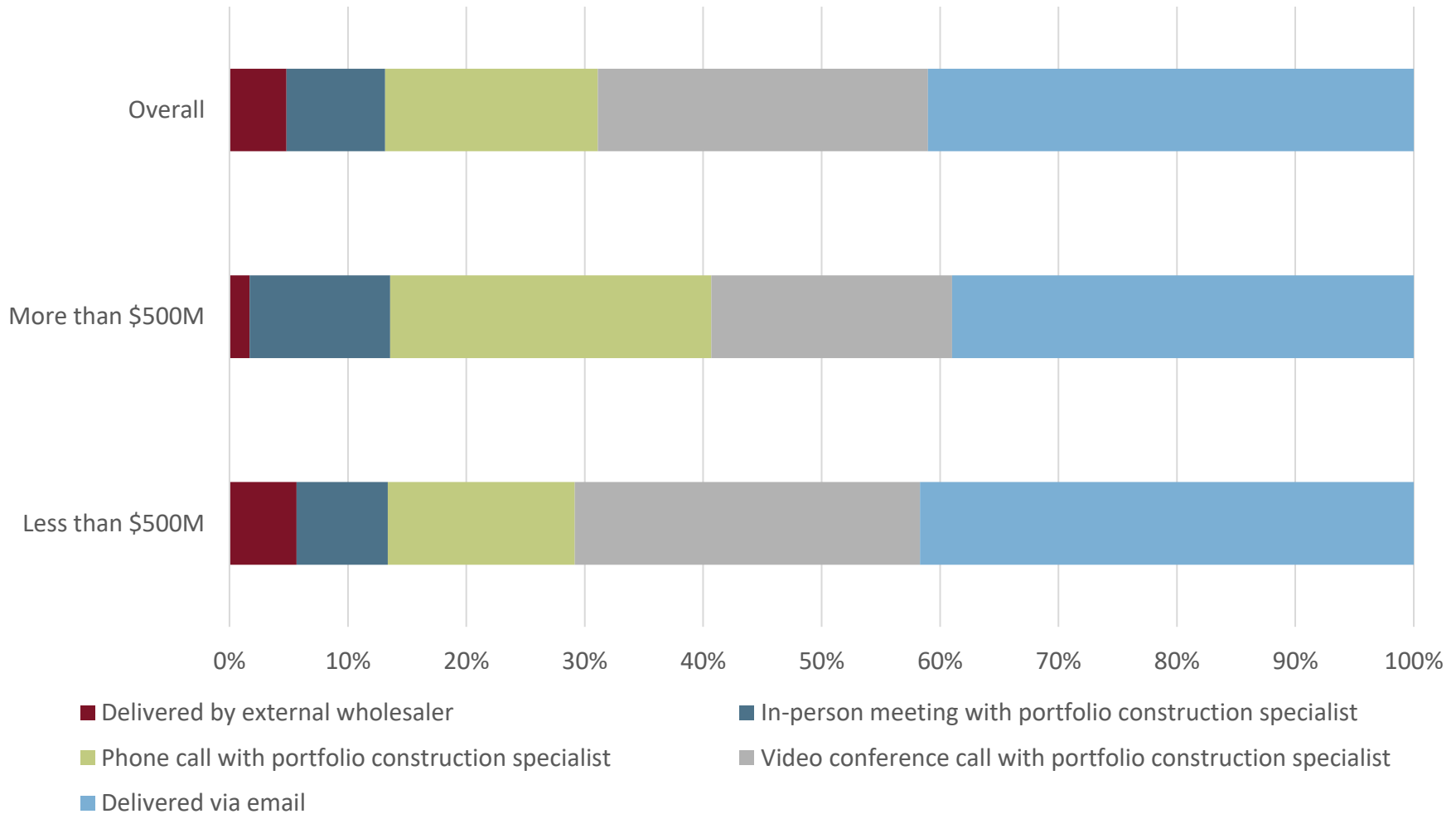
Meeting Results – Advisors and PC Specialists



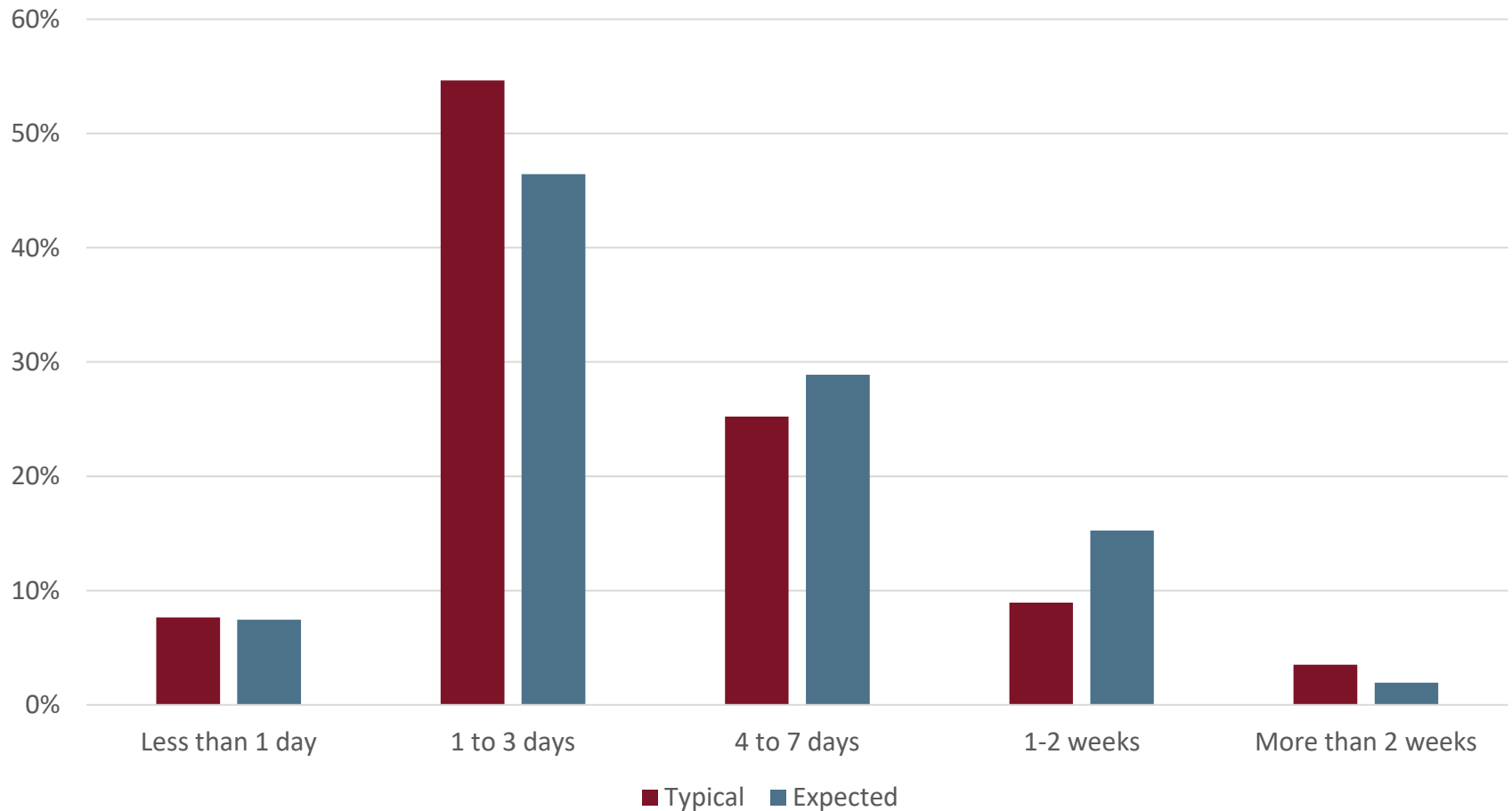
Advisors Working with More than one Company



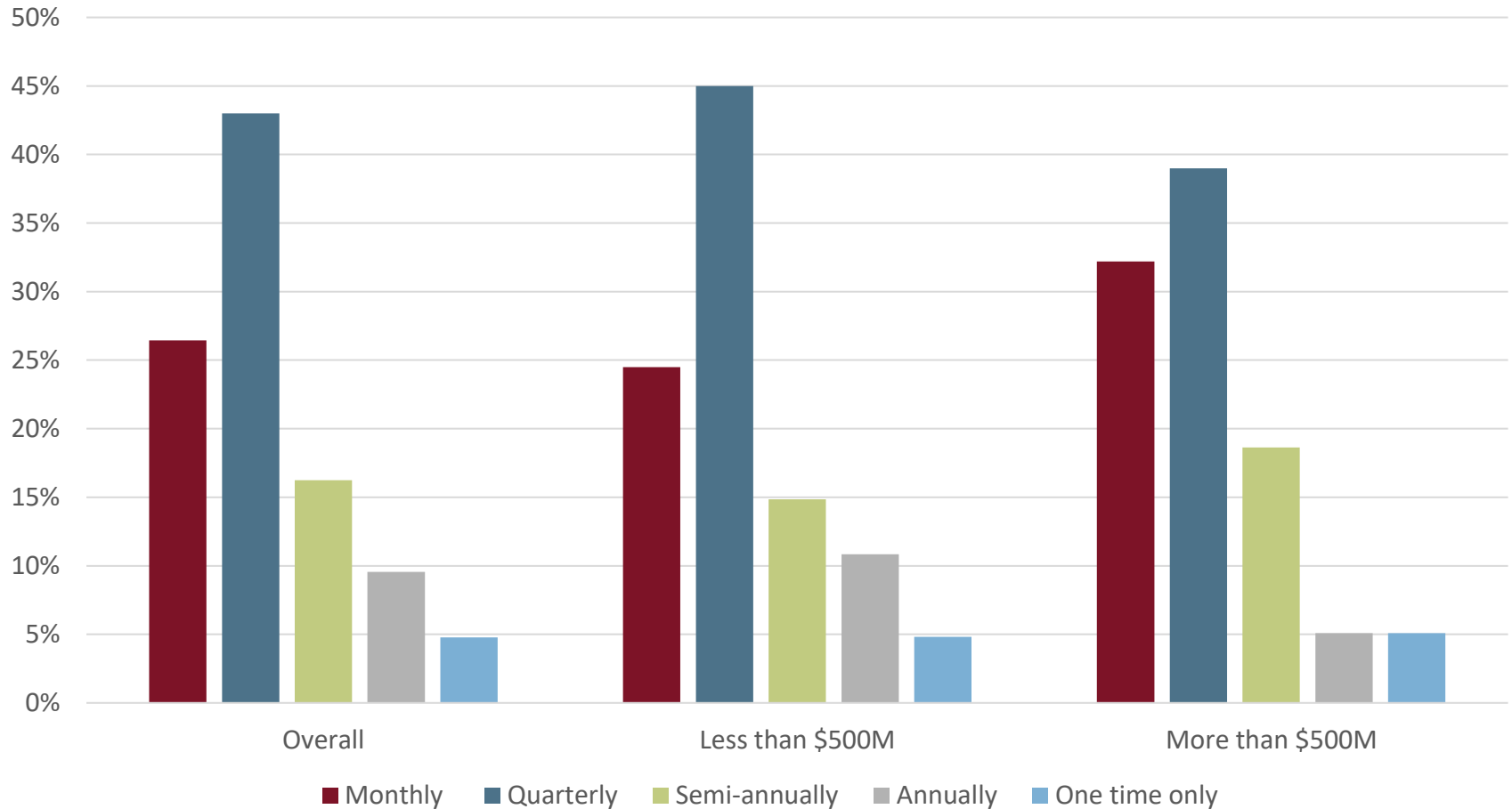
Preferences for Receiving Advice



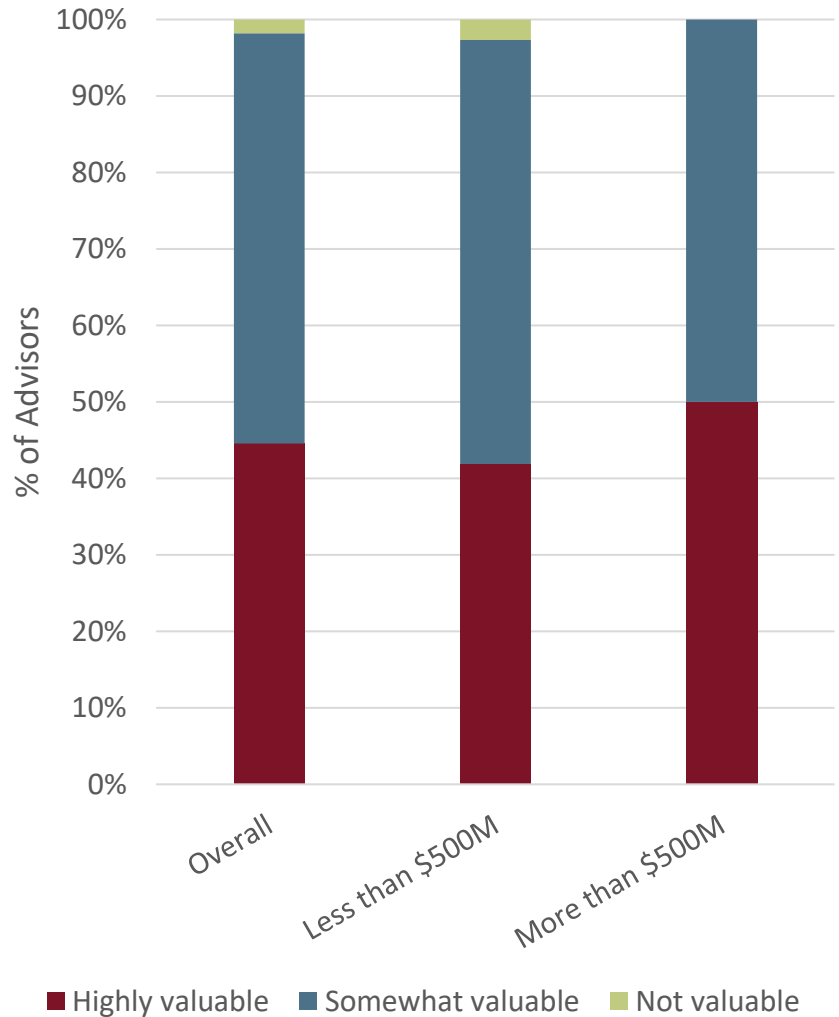
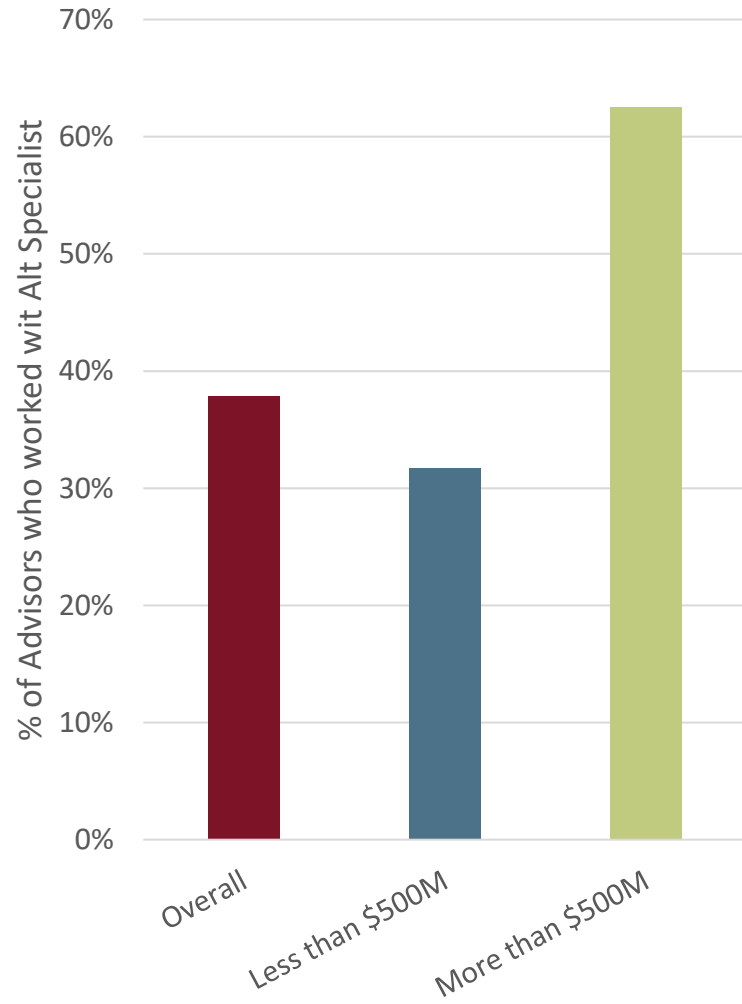
Expected versus Typical Turnaround Time



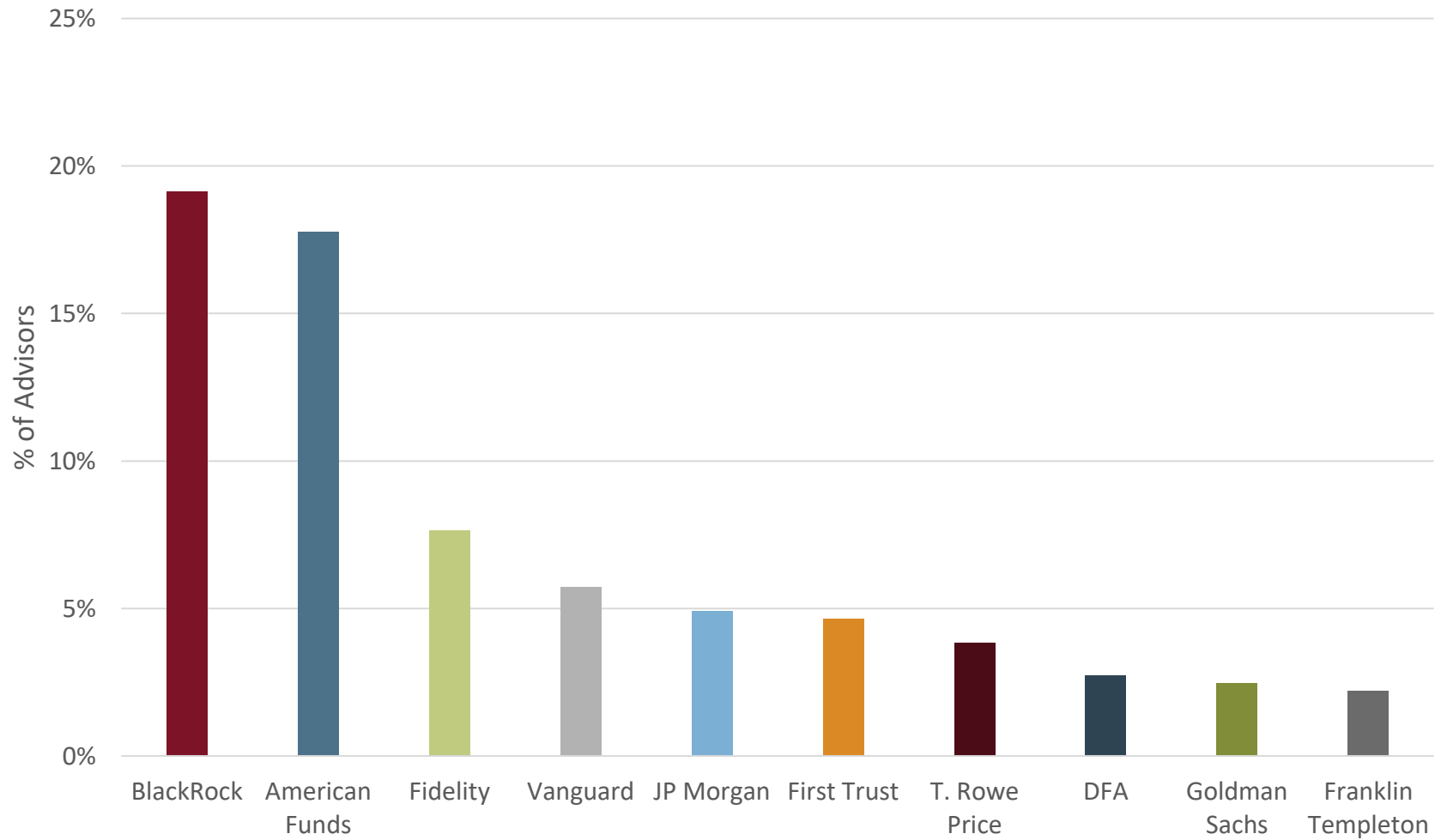
Frequency for Portfolio Construction Updates



Advisors & Alternative Specialists



Top Rated Portfolio Construction Teams



Top Rated Teams by Channel

Wirehouse

- BlackRock
- American Funds
- JP Morgan
- Morgan Stanley
- T. Rowe Price

IBD

- American Funds
- BlackRock
- Vanguard
- Fidelity
- First Trust

RIA

- BlackRock
- American Funds
- Vanguard
- DFA
- Fidelity

Key Takeaways

- The largest percent of advisors reported risk exposure analysis (65%) and portfolio optimization (48%) as the two most useful/actionable portfolio construction services from asset managers.
- Advisors do not have a definitive engagement preference with portfolio construction groups. More than 43% favor an introductory call to discuss goals and how to customize the process. Digitally uploading a model (27%) and a 30-minute call/meeting (24%) are the two other preferred methods.
- Portfolio construction groups are doing a sound job in responding to portfolio construction requests from advisors. Fully, 83% of advisors expect a turnaround time of 7 days or less for requests, while 88% are typically receiving responses within that time frame.
- Nearly 38% of our survey audience has met with an alternative specialist. Advisors with \$500 million or more in AUM are most likely to have met with an alternative specialist (63% versus 32% of advisors with less than \$500 million).

Thank you!

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