Research Report
Practice Management

Model Portfolio Solutions and the Client Experience

How Do Advisors Pivot to Achieve Breakthrough Practice Growth?

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STATE STREET GLOBAL ADVISORS SPDR®

Contents

Where Does the Time Go?

Guiding clients' financial lives requires significant time and resources — from understanding their goals and risk tolerance to defining their investment objectives; assisting with tax, education and estate planning; and navigating a host of personal and family issues. As assets grow, finding the time to serve clients and attract new business can get even harder.

On average, advisors are spending more time on portfolio management (23.1%) than on either client-facing activities (14.7%) or prospecting new clients (11.3%). This does not reflect the priorities identified most often by advisors: deepening relationships with existing clients and acquiring more clients.

Business Goals Are Not Aligned With Actual Time Spent

Top 2 Business Goals

45%	54%
Deepen relationships with existing clients	**Acquire more clients**

Time Allocated to Each Activity

Portfolio Management	23.1%
Financial Planning	15.7%
Client-Facing Activities	14.7%
Investment Management	13.7%
Administrative/Compliance Paperwork	11.9%
Prospecting New Clients	11.3%
Training/Professional Development	9.6%

Source: State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Qs: What are your business goals over the next 3-5 years? (Select all that apply). What percent of your time is allocated to each of the following...? (sum must equal 100%; activity reported as sum of mean percent)

To drive more value into the practice, how and where you spend your time matters. It may be time to change the orientation of your practice and pivot.

> **“That’s the overwhelming part… just like ‘Oh my God, it’s already 6 pm and I haven’t done XYZ.’ So, there’s the practice management, the investments, the serving of the clients, and there’s so much compliance! ”**
>
> — U.S. Advisor

The term pivot is used often by financial analysts and traders. By spotting a pivot point, traders are able to identify a point of leverage and switch tactics in order to profit from a market shift. For your practice, the business definition of pivoting is more fitting: “A structured course correction designed to test a new fundamental hypothesis about the product, strategy, and engine of growth.” It’s about taking an approach that fosters capital efficiency and leveraging human creativity more effectively.[1]

How do you know when it’s time to pivot? And how do you pick a new direction?

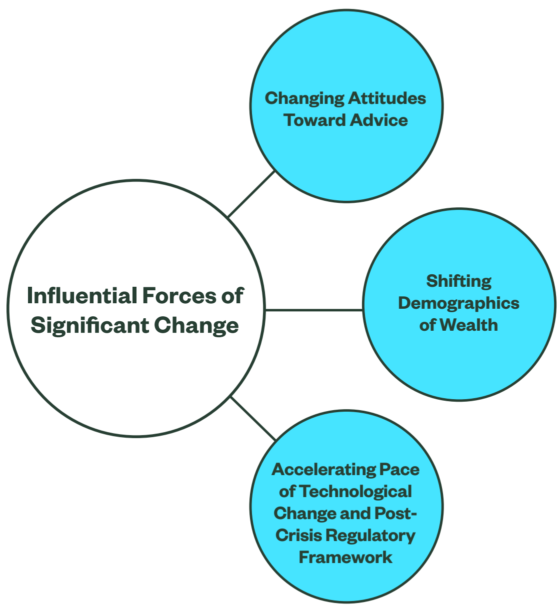
The decision to pivot comes down to economies of scale and capacity to meet practice-wide goals. Profitability challenges have escalated, but the advisor’s time is finite. Reallocating resources toward activities that are more closely aligned with goals empowers advisors to add more value. Advisors can outsource the portfolio management function and pivot toward activities that contribute more to meeting the firm’s goals and, just as important, to meeting clients’ goals.

Pivot Point

Outsourcing to Enhance Your Position as the Client's Overall Wealth Manager

Today's wealth management landscape presents a unique set of opportunities. Demand for advisory services is expected to grow at a robust pace,[2] thanks in no small part to Baby Boomers transitioning into retirement.[3] Add to this the complexity and number of investment products and services that call for expert guidance.[4] But along with these opportunities, advisors face more challenges than ever before.

Disruptive Forces Shaping the Future of Financial Services



The cost and competitive structures of wealth management have changed dramatically since the global financial crisis and in today's environment, inflation and recession concerns are dominating investors' attention. Client needs and expectations are evolving, technology is redefining the service model, and regulatory requirements continue to add operational complexity. Wealth managers will need to generate economies of scale to succeed.

A growing number of advisors are embracing portfolio management outsourcing to improve operational efficiency and respond to client needs. They are choosing model portfolio solutions that fit their business development strategy and align with their investment management philosophy. Model portfolio assets have more than doubled over the last five years and Broadridge Financial Solutions projects they can double again to $10 trillion by 2025.[5]

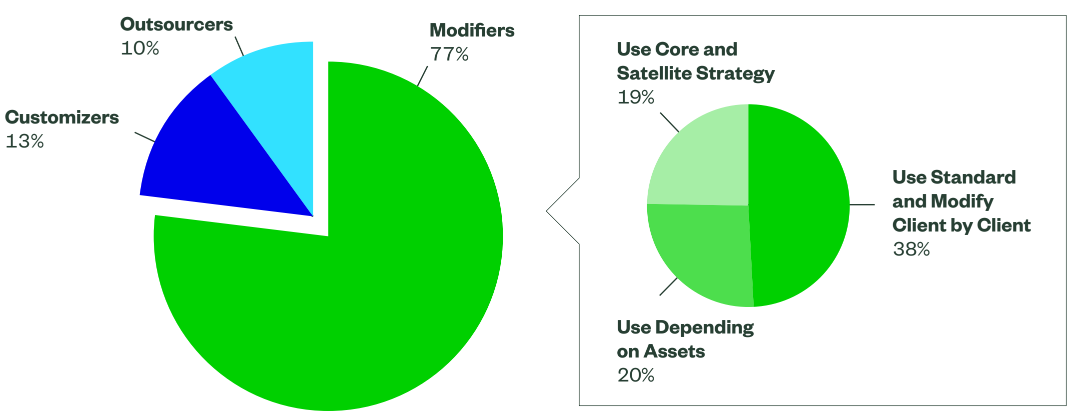
"Why or Why Not?" Due Diligence in the Decision to Outsource

When a practice outsources portfolio management, it is not opting out of investment responsibilities — it is selecting a third-party money manager with capabilities to complement all or part of the investment function. This includes research, risk management and administration. Advisors still go through a rigorous process in selecting investments that suit each client's individual circumstances. Outsourcing may actually give advisors even more time and flexibility in this process, because they're freed from initial portfolio construction and ongoing trading and rebalancing responsibilities.

With model portfolios, advisors continue to have transparency into investment objectives and portfolio construction. They can choose investment strategies that are best suited to their clients' financial goals. And access to formal governance, documentation and strategy performance reviews allows these advisors to continue to meet their professional responsibilities.

The decision to outsource touches on many factors, including the type of practice, business goals and available resources. More than half of advisors are leveraging model portfolio solutions because they are looking to scale business and serve more clients more efficiently.[6]

Advisors' Current Method of Portfolio Construction



Customizers create customized investment portfolios on a client-by-client basis. **Modifiers** use model portfolios and modify on a client-by-client basis, use model portfolios depending on a client's assets, or use a core and satellite strategy. **Outsourcers** use standard model portfolios and do not alter.

Source: State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. To improve the application of our research analysis, we segmented the advisors into three groups: Customizer, Modifier, Outsourcer. Classification is based on current portfolio construction preferences in combination with the resources and capabilities across a myriad of practices; these are self-reported by our survey respondents. See page 19 for complete research methodology. The segmentation categories themselves are from Cerulli Associates' Advisor Personas Matrix.[7] Data gathered from this research was analyzed to extract insightful and actionable recommendations to help advisors improve productivity and are centered on what advisors care about most: Clients.

Deciding to outsource is a big decision. It's about the vision you have for the business as well as the overall fit with the practice. Due diligence with a model solution partner provider is critical. Change can be challenging — and temporarily disruptive. However, outsourcing portfolio management by choosing model portfolio solutions can result in long-term benefits that are of value to the bottom line — and to clients.

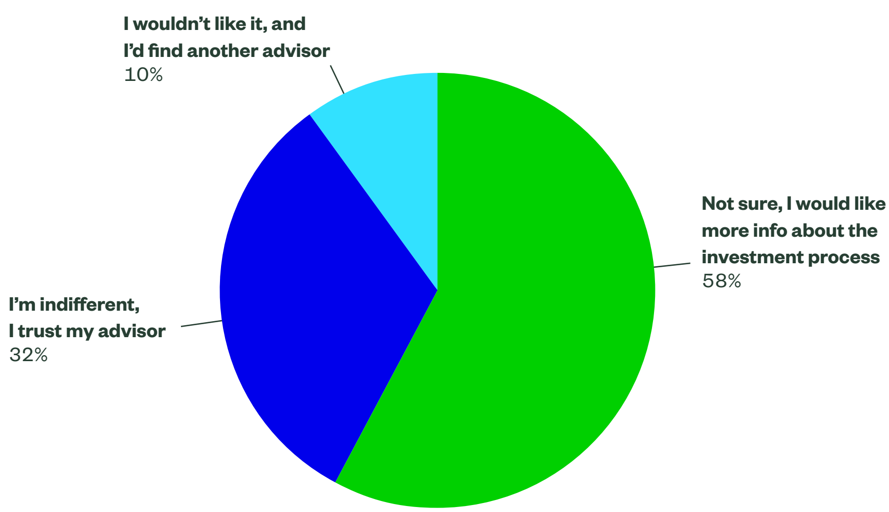
Advisors can conduct due diligence with more objectivity by better understanding the perceived advantages and challenges of using model portfolios. If your business strategy is client-centric, a good place to start is by focusing on the client experience and their perception of value.

Are clients and prospects aware of model portfolios?
Does their perceived value change if the advisor uses model portfolios?

Most individual investors are aware of outsourcing the portfolio management function and using model portfolios as an investment vehicle (62%).[8] Of those investors who are aware, 50% reported "Yes, my advisor has a portion or all of my investable assets in a model portfolio."[9]

Furthermore, investors who do *not* have their investable assets in a model portfolio are *not* opposed; only 10% of investors responded negatively to the idea.[10] Simply stated, they want to achieve their future goals in a way that is efficient and effective, whether or not that's with a strategy managed in-house. The majority (58%) would appreciate more information about the model portfolio investment process,[11] including the advisor's ability to be objective in analyzing and critiquing the investment performance. And one-third of investors were indifferent; they trust their advisor to act in their best interest.[12]

Only 1 in 10 Individual Investors Are Opposed to Model Portfolios



Source: State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Q: How would you feel if your advisor wanted to put your assets in a model portfolio? Base: Those with NO assets in model portfolios.

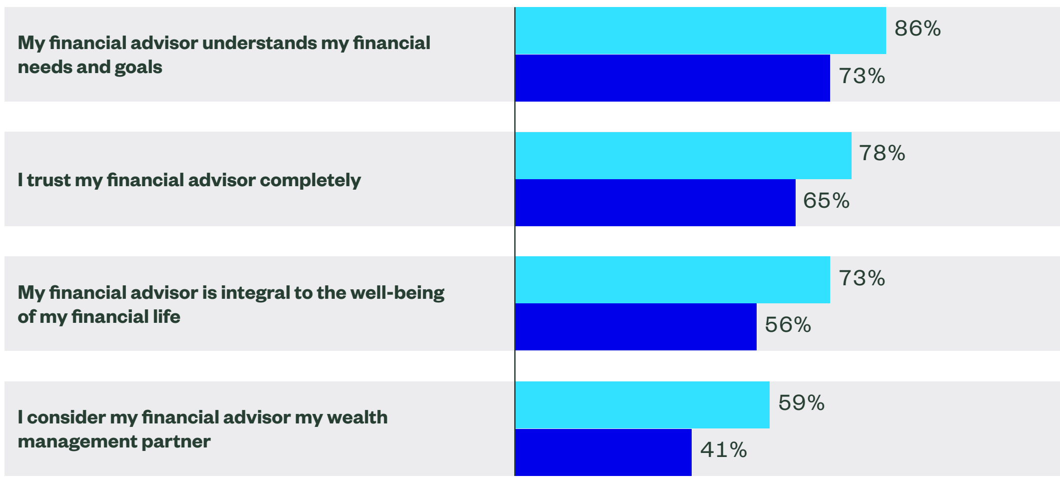
Moving from expected to actual perceived value, the data remains strong. Investors with assets in model portfolios feel better about their advisory relationship and are actually *more* satisfied with the wealth management experience.[13] Does this seem counterintuitive — *offering less customized investments in order to increase satisfaction?*

Performance matters, but clients are looking for more than investment management.

The answer lies in the client experience. By selecting model portfolios, advisors can allocate more of their time to focusing on the client's individual situation. Clients perceived this to be more relevant and integral to their personal financial well-being. This is vital to maximizing client engagement and delivering greater value over time.

Individual Investors With Assets in Model Portfolios Rate Their Advisor More Favorably

Assets in MPs
No Assets in MPs



Source: State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models,* 2019. Q: Please indicate how much you agree or disagree with the following statements. 5-point scale. Percentages reflect participants who selected "agree" or "strongly agree."

Outsourcing portfolio management frees up resources for the practice to serve as the center of household holistic wealth management services. In fact, on average, these clients receive more services from their advisors compared with clients of advisors not using model portfolios.[14]

Investors see the bigger picture. They recognize the benefits of model portfolio solutions, including a track record of performance and risk mitigation, as well as the impact on relationship management. It shifts the conversation toward achieving goals, such as having enough money for retirement or building a family legacy.

Investors With Assets in Model Portfolios Recognize the Benefits

Benefits of Model Portfolios	
My portfolio is being constructed by asset managers with more knowledge of the markets	88%
My advisor can focus on what really matters to me	88%
My portfolio has a track record that fits my risk tolerance	86%
My advisor can spend more time helping me make more intelligent financial planning decisions	84%
My advisor can be more flexible to my needs	82%
I am better protected by a robust compliance structure	81%
There is more robust due diligence on my portfolio	80%
More proactive reporting is provided	79%
Better returns	76%
My portfolio is being monitored more closely than if it were made and managed by my advisor	75%
I get more of my advisor time	71%
Lower fees	70%
I get exposure to asset classes that are typically difficult to access	70%

Source: State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Q: Is the following a benefit to you because your advisor has your assets in a model portfolio? (select all that apply; base 25; summary of "yes, a benefit")

Does Outsourcing Weaken the Advisor's Value Proposition?

If outsourcing can help to increase client satisfaction and effectively take it to new levels of performance and bottom-line growth, *why wouldn't an advisory practice view the model portfolio opportunity as a way to strengthen their value proposition?*

Some advisors worry that outsourcing will make the client experience feel less personalized or that it will make it more difficult for them to differentiate in today's competitive marketplace.

Advisors' Concerns Shape the Value Proposition They Put Forward to Clients

Lack of Tailoring

"Well obviously it's the lack of indiviual tailoring to specific situations. So that means it doesn't cater for people's particular ethical concerns; it doesn't address unique tax situations that a client might have."

— U.K. Customizer

Not Personalized

"For us it's not a question of volume, it's a question of quality. And one-on-one relationships with the clients, and very bespoke service. That's our business model."

— U.K. Customizer

No Differentiation

"We may lose uniqueness by using model portfolios. Anyone can use the model portfolio and get the same results because they are open."

— Japan Customizer

Less Imaginative

"I think we're trying to be more imaginative than the average other self-directed investor or advisor going beyond what I'd call the plain vanilla approach, with more imaginative investment strategies."

— U.S. Customizer

Source: State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019.

While each advisor's perspective is unique to his or her business model and client base, we can look at how concerns reflect their portfolio construction approach — whether they are customizers (insourcing all portfolio management), modifiers (outsourcing with model portfolios and modifying implementation depending on the client), or outsourcers (implementing model portfolios without modification). Of note:

- Four perceived disadvantages rise to the top for both customizers and modifiers that revolve around lack of customization, personalization and differentiation.[15]
- Customizers, more so than modifiers, believe using model portfolios impacts their ability to be independent thinkers and hands over control, especially when it comes to sophisticated clients.[16]

Advisors Worry That Model Portfolios Weaken Customization, Personalization and Differentiation

Disadvantages of Model Portfolios	Customizers	Modifiers
There is a lack of individual tailoring to clients' specific situations with using model portfolios	60%	47%
Model portfolios do not allow you to deliver the personalized level of service clients expect	57%	39%
Using model portfolios does not differentiate you as a financial advisor	56%	44%
Investment strategies are less imaginitive with model portfolios	56%	42%
You do not have enough insight into the investment strategy when using model portfolios	53%	36%
You cannot meet the unique goals and needs of each client when using model portfolios	50%	38%
You do not have enough control when using model portfolios	50%	37%
Model portfolios do not work for sophisticated clients	48%	38%
You cannot regularly add value when using model portfolios	45%	34%
Model portfolios do not work for high-net-worth clients	44%	37%

Source: State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Q: How much do you agree or disagree that each of the following are disadvantages to using model portfolios? 5-point scale. Percentages reflect participants who selected "agree" or "strongly agree."

Can Advisors Pivot Toward Their Goals and Improve Their Value Proposition?

A key part of establishing a value proposition is being consistent in articulating it. But that doesn't mean that it always remains the same, especially as the business adapts. Client needs and expectations continue to evolve, along with the competitive landscape. Creating and supporting custom portfolios is time consuming and expensive and may no longer generate sufficient value relative to offering model portfolios — modified or not.

Pivoting toward goals by outsourcing portfolio management can help to refine your value proposition to meet changing demands and to define your ideal client. Five key benefits of outsourcing portfolio responsibilities can be part of a more client-centric value proposition and more competitive business model:

1. Time for Clients
2. Service as a Differentiator
3. Scalability for Real Growth
4. Credibility of Investment Offering
5. Risk Mitigation in a Heightened Fiduciary Environment

1

Time for Clients

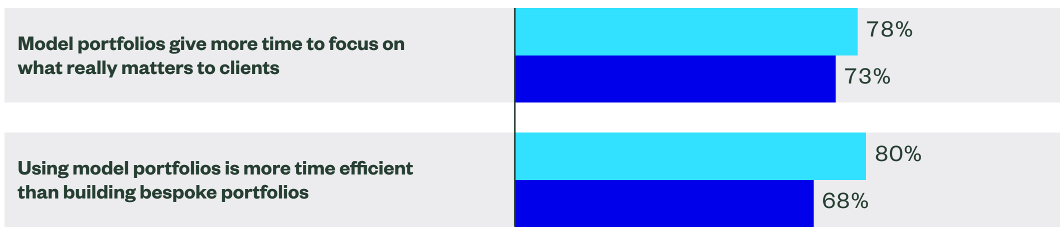
The practice should be productive, not busy. Productivity means the practice is moving toward its goals. Outsourcing can free up time to manage client relationships and attract new business, retaining and increasing assets under management.[17]

> **“When we have clients in models, adjustments are being made throughout the year, and unless they go completely out of skew with asset allocation, there’s not a lot of time required here. It allows us to concentrate more on the cash flow, estate and tax planning, and other important financial matters.”**
>
> — Australia Outsourcer

More than two-thirds of advisors agree that using model portfolios is more efficient, giving them the ability to work smarter, not harder.[18] Many advisors describe the transformation in time management as a shift from micromanagement to macromanagement.

Outsourcing Allows Advisors to Deliver More Value to Clients

Modifiers
Outsourcers



Source: State Street Global Advisors’ Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Q: How much do you agree or disagree that each of the following are advantages to using model portfolios? 5-point scale. Percentages reflect participants who selected “agree” or “strongly agree.”

2

Service as a Differentiator

Asked for three reasons why clients are loyal, advisors were more likely to describe aspects of service than performance or price.[19] Higher levels of service also translate to better outcomes from improved decision-making and financial planning.

> **"A lot of time that advisors spend on investments probably doesn't pay off because investing is a zero-sum game, performance wise, before fees, negative afterwards.**
>
> **If you are charging your clients more because you spend a lot of time trying to build great portfolios, that's probably not worth it. I would say that you should spend very little time on the portfolios and spend most of your time helping clients do everything they possibly can to accomplish their goals."**
>
> — David Blanchett, Head of Retirement Research, Morningstar

A client's choice to align with an advisor is about the advisor's ability to be integral to his or her financial life. Case in point: In our survey, most investors with model portfolios agreed that "My financial advisor understands my financial needs and goals," while the fewest investors reported "My financial advisor's only responsibility is to construct my portfolio to match my risk tolerance." [20]

Top 3 Reasons for Client Loyalty
Advisors believe service is the key to client loyalty

57%
Service (Net)

Reliable	9%
Friendly	6%
Personal Service/Good Relationship	6%
Service	6%
Fast/Timely	5%
Efficient	4%
Professional	5%
Communication/Listening	4%
Help/Support	4%
Client Focus/Meet Customer Needs	3%

25%
Performance/Quality (Net)

Return on Investment	8%
Performance	5%
Effective/Get Results	5%
Quality	3%

18%
Price (Net)

Price (unspecified)	6%
Low Cost/Affordable	6%

Source: State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Q: What are three reasons why your clients choose you to be their financial advisor? (Please be as specific as possible). Base 809. Showing responses greater than 2%.

3

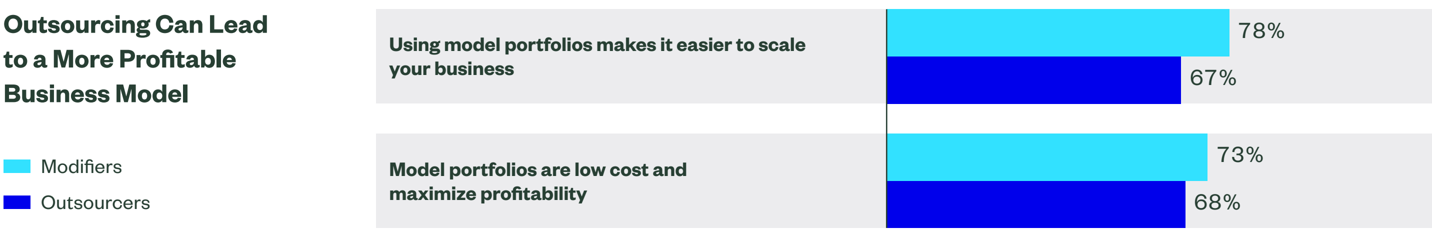
Scalability for Real Growth

Shrinking margins and increasing operational complexity are pushing practices to generate greater economies of scale. With traditional customized portfolios, the amount of revenue can be easily matched by the cost to serve. Practices that incorporate model portfolio solutions are looking to optimize the investment structure for all clients. The efficiency of model portfolios can also enable a practice to expand the client base to serve small-but-growing clients (including adult children of older clients) who may be the future lifeblood of the practice.

> **“I figured now to scale, I really need to have 5 to 7 portfolios based on goals and maybe there’ll be some customization, but for the vast majority it should be broad enough and different enough that I can just kind of plug and play with them.”**
>
> — U.S. Modifier

Outsourcing the portfolio process gives financial advisors access to third-party money managers who have the resources to construct diversified portfolios using more in-depth research and risk management tools than advisors might have at their disposal. It can address capacity issues and development expenses associated with running an in-house portfolio management department, including due diligence, administration and reporting.

Outsourcing Can Lead to a More Profitable Business Model



Source: State Street Global Advisors’ Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Q: How much do you agree or disagree that each of the following are advantages to using model portfolios? 5-point scale. Percentages reflect participants who selected “agree” or “strongly agree.”

4

Credibility of Investment Offering

The experience and credibility of the third-party model portfolio provider standing behind the advisor are resources that raise the bar of investment expertise. That also makes it critical for the model portfolios selected to be consistent with the investment fundamentals and philosophy of the practice.

> **“Model portfolios are essentially neatly packaged investment solutions. They can be active and passive or solely active or solely passive. They are pre-researched, have undergone robust due diligence, have been verified by our investment committee and can fulfill specific client needs.”**
>
> — U.K. Outsourcer

Outsourcing supports a flexible framework for portfolio construction that incorporates long-term strategic, core-satellite and more tactical investment solutions to address client needs.

Advisors See a Track Record of Performance and Better Returns as Advantages of Model Portfolios

Modifiers

Outsources

Source: State Street Global Advisors’ Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Q: How much do you agree or disagree that each of the following are advantages to using model portfolios? 5-point scale. Percentages reflect participants who selected “agree” or “strongly agree.”

5

Risk Mitigation in a Heightened Fiduciary Environment

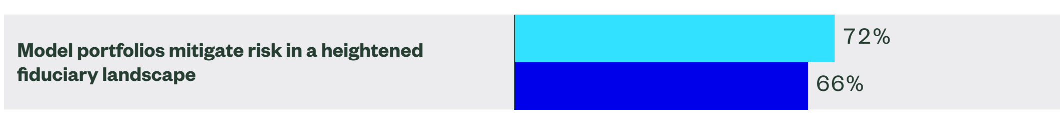
Outsourcing supports a structured portfolio management framework. It can lead to more consistency in applying suitability standards to client recommendations. It helps to shoulder the burden of risk without sacrificing portfolio quality and allows the practice to continually seek out operational excellence.

Advisors maintain transparency into the investment process. Formal governance, documentation, and strategy performance reviews inspire confidence in advisors and clients that the investments are aligned with financial goals.

Advisors Point to Mitigating Risk as Advantages of Model Portfolio Solutions

Modifiers

Outsources



Source: State Street Global Advisors’ Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Q: How much do you agree or disagree that each of the following are advantages to using model portfolios? 5-point scale. Percentages reflect participants who selected “agree” or “strongly agree.”

Finding Your Pivot Point

Model portfolios may not be suitable for every client of every practice, but outsourcing portfolio management can create essential value for the practice and for clients. It reallocates resources to focus on high-value activities, and it complements a goals-based approach to wealth management.

Even if the benefits to the practice drive the decision to outsource, the implementation focus should be on curating a better client experience. That means setting, managing and delivering on client expectations.

Successful execution will acknowledge that, from an organizational perspective, outsourcing is an exercise in change management that may provide the firm with greater long-term rewards than would a less-structured mix of customized and standardized portfolios.

Due Diligence Checklist

Finding and selecting the right model portfolio provider can be challenging but ultimately rewarding for the practice. The eight principal elements in this checklist may help in developing a comprehensive approach to differentiate one provider from another and select the right partner for your practice.

Start with the Fundamentals	**Process**	• Is the investment process clear, understandable, and repeatable? • Do the product characteristics meet your specific needs? • Does the provider execute as outlined in the process?
	Performance	• Does the performance track record satisfy your expectations? • Does the product deliver the desired exposures? • Does the provider employ best-in-class performance evaluation standards?
	Price	• How are management fees broken out vis-à-vis the fees related to the underlying securities? • What is the full value-for-fee, taking into account value-add services? • How are costs minimized with respect to tax effciency and security turnover?
Take a Deeper Dive	**Resources**	• Does your provider allocate dedicated resources to manager and ETF research? • How does the supporting infrastructure (compliance, legal, risk, etc.) factor into the process? • Has the provider thoughtfully structured resources to more effectively meet client needs?
	Reputation	• Is the firm regarded as a stable producer of quality product? • What is the provider's background in the ETF space? • Is the provider seen as a forward-thinking thought leader?
	Talent	• How experienced is the portfolio management team? • What kind of access to key professionals do clients have? • Is there clear division of labor and subject area expertise?
	Communication	• Are product messages consistent across touch points? • Is reporting timely, effective, and thorough? • Does the provider actively engage in client education?
	Transparency	• Does the provider explain the process by which benchmarks are selected? • How does the provider approach revenue-sharing agreements with third parties? • Are you confident in the accuracy of provided performance and attribution documentation?

Source: State Street Global Advisors in partnership with Greenwich Associates, *ETF Model Portfolios: The Due Diligence Factor*, 2018.

Research Methodology

Centered on What Advisors Most Care About: Clients

Recognizing the challenges facing advisors in proficiently running client portfolios, State Street Global Advisors' Practice Management Group set out to understand which financial advisors are embracing model portfolio solutions and dissect the usage perceptions and impact that outsourcing portfolio management has on advisor value and practice development.

Our *"Advisor Productivity: Embracing Asset Allocation Models"* research was conducted in Q1 of 2019 in four regions (United States, United Kingdom, Australia and Japan) among individual investors and financial advisors in traditional advisory firms or other intermediary channels, across a range of assets under management and investable assets reflective of today's wealth management landscape.

Qualitative

Conducted 24 in-depth telephone interviews with State Street Global Advisors' advisors (six interviews in each of the four countries)

Two interviews each among the following advisor segments:

Outsourcers
Use standard model portfolios

Modifiers
Modify model portfolios on a client-by-client basis

Customizers
Construct bespoke portfolios on a client-by-client basis

Quantitative

Fielded a global online survey among State Street Global Advisors' advisors and individual investors*

Advisors	**809**
United States	197
United Kingdom	203
Australia	205
Japan	204
Investors	**826**
United States	204
United Kingdom	205
Australia	207
Japan	210

Subject Matter Expert Interviews

Conducted two tailored conversations to provide context to data and insights garnered from the qualitative and quantitative, as well as best-practices evidence

Scott Smith
Director of Research,
Cerulli Associates

David Blanchett, PhD, CFP
Head of Retirement Research,
Morningstar

* Advisors were required to have $25M+ in AUM (U.S. and equivalent in other countries). Investors were required to at least share in the financial and investment decisions in their household, have investable assets of $500K+ (U.S. and equivalent in other countries), and use a financial advisor.

Research Methodology (cont'd)

To improve the application of our analysis, we segmented advisor respondents into three groups:

13% Customizers	77% Modifiers	10% Outsourcers
Create customized investment portfolios on a client-by-client basis	Either (1) use model portfolios and modify on a client-by-client basis, (2) use model portfolios depending on a client's assets, or (3) use a core and satellite strategy	Use standard model portfolios and do *not* modify on a client-by-client basis

Classification is based on current portfolio construction preferences in combination with the resources and capabilities across a myriad of practices; these are self-reported by our survey respondents. The segmentation categories themselves are from Cerulli Associates' Advisor Personas Matrix.[21] Data gathered from this research was analyzed to extract insightful and actionable recommendations to help advisors improve productivity and are centered on what advisors care about most: Clients.

Research brought to you by SPDR® S&P 500® ETF (SPY).

Endnotes

1 Eric Ries, *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Business*, 2011.

2 Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook*, Personal Financial Advisors. Employment of personal financial advisors is projected to grow 15% from 2016 to 2026, faster than the average for all occupations. As the population ages and life expectancies rise, demand for financial planning services should increase.

3 US Census Bureau, *Older People Projected to Outnumber Children for First Time in US History,* 2018. "By 2030, all baby boomers will be older than age 65. This will expand the size of the older population so that 1 in every 5 residents will be retirement age."

4 PwC, *Financial Services Technology 2020 and Beyond: Embracing Disruption,* 2016; World Economic Forum, *The Future of Financial Services*, June 2015 report; Nasdaq Global Information Services, *Creating the 21st Century Portfolio*, 2018.

5 Broadridge Financial Solutions.

6 Cerulli Associates, *Evolving Product Use and Rise of ETF Model Portfolios*, chapter 2; *The Cerulli Report, U.S. Exchange-Traded Fund Market*, 2017.

7 Cerulli Associates, *The Cerulli Report, US Exchange-Traded Fund Markets*, 2017; Advisor Personas Matrix, see pages 49 and 50, exhibits 2.11 and 2.12.

8 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. 62% of investors are aware of model portfolios. Q: Is this consistent with what you have heard about model portfolios?/Have you heard of this investment vehicle? Does your advisor have any or all of your assets in a model portfolio? (Select one).

9 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Of those investors who are aware, 50% reported that their advisor has a portion or all of their investable assets in a model portfolio. Q: Does your advisor have any or all of your assets in a model portfolio? (Select one).

10 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. 10% of investors would not like it and would find another advisor if their assets were put into model portfolios. Q: How would you feel if your advisor wanted to put your assets in a model portfolio? (Select one).

11 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. 58% of investors are unsure of their reaction to their advisor putting their assets in model portfolios and would like more information about the investment process. Q: How would you feel if your advisor wanted to put your assets in a model portfolio? (Select one).

12 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. 32% of investors trust their advisors and are indifferent to their advisor using model portfolios. Q: How would you feel if your advisor wanted to put your assets in a model portfolio? (Select one).

13 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Overall, 85% of investors with assets in model portfolios are satisfied with their advisor, as opposed to the 75% of investors who's assets are not in model portfolios that are satisfied with their advisors. Q: How satisfied are you with your financial advisor? (5-point scale).

14 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. On average, investors with assets in model portfolios receive four services from their advisors, compared to three services among those investors with no assets in model portfolios. Q: What services to you utilize from your financial advisor? (select all that apply).

15 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. 60% of customizers and 47% of modifiers agree that there is a lack of individual tailoring to clients' specific situations with using model portfolios. 57% of customizers and 39% of modifiers agree that model portfolios do not allow you to deliver the personalized level of service that clients expect. Q: How much do you agree or disagree that each of the following are disadvantages to using model portfolios? (5-point scale).

16 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. 56% of customizers believe that investment strategies are less imaginative with model portfolios. Q: How much do you agree or disagree that each of the following are disadvantages to using model portfolios? (5-point scale).

17 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. 45% plan to deepen relationships with existing clients and 54% plan to focus on client acquisition. Q: What are your business goals over the next 3-5 years? (select all that apply). What percent of your time is allocated to each of the following...? (sum must equal 100%; activity reported as sum of mean percent).

18 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. 68% of outsourcers and 80% of modifiers agrees that using model portfolios is more time efficient than building bespoke portfolios. Q: How much do you agree or disagree that each of the following are advantages to using model portfolios? 5-point scale; Percentages reflect participants who selected "agree" or "strongly agree."

19 State Street Global Advisors' Practice Management Global Study, *Advisor Productivity: Embracing Asset Allocation Models*, 2019. Aspects of service were described 57% of the time, aspects of performance/quality were described 25% of the time, and aspects of price were described 18% of the time. Q: What are three reasons why your clients choose you to be their financial advisor? (Please be as specific as possible).

Endnotes (cont'd)

20 State Street Global Advisors, Cognitive Bias Study, 2019. 46% of investors agreed that their financial advisors' only responsibility is to construct their portfolio to match my risk tolerance. Q: Please indicate how much you agree or disagree with the following statements. (Answers include "agree" and "strongly agree" on a 5-point scale).

21 Cerulli Associates, *The Cerulli Report, US Exchange-Traded Fund Markets*, 2017; Advisor Personas Matrix, see pages 49 and 50, exhibits 2.11 and 2.12.

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* Pensions & Investments Research Center, as of December 31, 2021.
† This figure is presented as June 30, 2022 and includes approximately $66.43 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

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