

insights: SATISFYING INVESTORS' CRAVING FOR CUSTOMIZATION

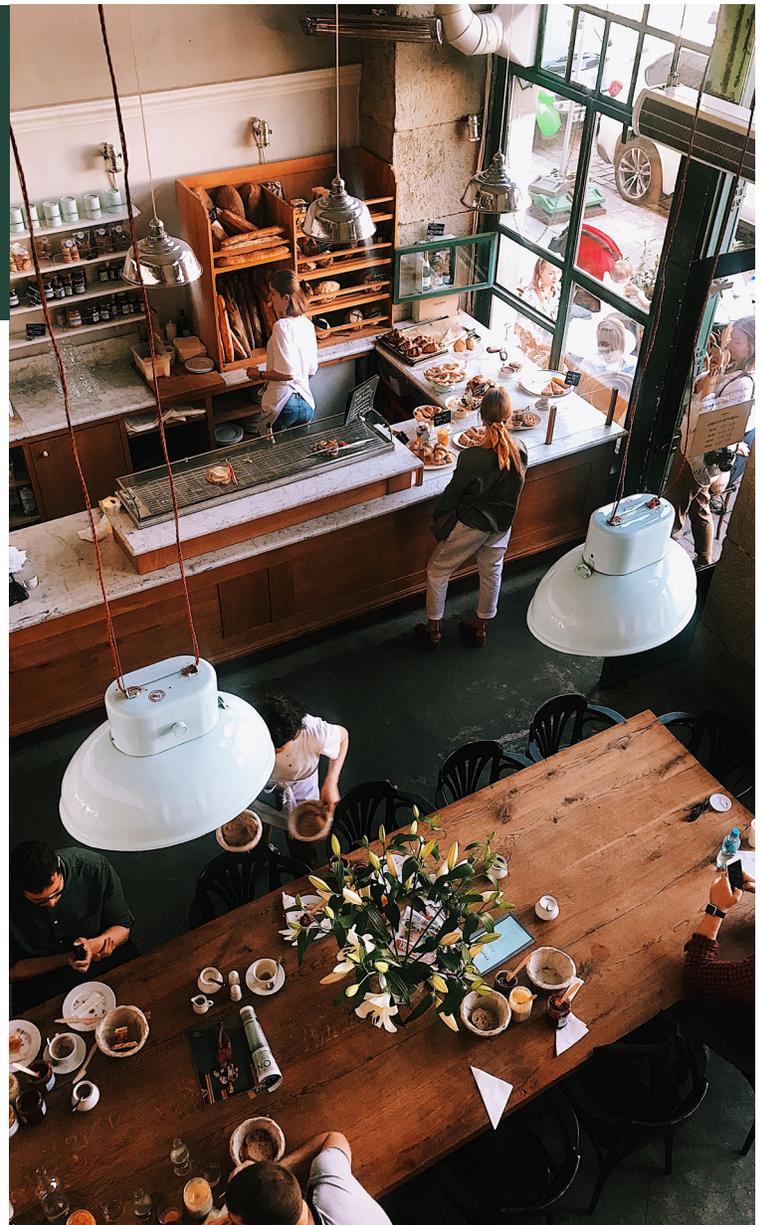
The ability to customize is the future of investment management, and providing it at scale is essential for asset managers looking to grow their firms.

Investors have grown accustomed to a personalized experience in all aspects of their life – from the way they order their coffee to the way they watch television. Understandably, investors now desire a similar level of customization when it comes to their investment decisions.

Today, more and more people are looking to ensure that they can invest in ways that align with their ESG preferences, enable increased control over factor exposures and optimize their portfolio's after-tax returns. Essentially, they want the same portfolio customization capabilities that institutional investors have always had.

Many managers who have offered their strategies in mutual funds and ETFs are turning to unbundled products, such as separately managed accounts (SMAs) and unified managed accounts (UMAs), as well as model portfolios to deliver customized experiences for their investors. These products have rapidly grown in popularity due to both their customization capabilities, and because they align with fee-based models, which can be a differentiator for an asset manager looking to expand distribution.

The ability to customize seems to be the future of investment management, but providing it at scale is presenting some operational and technological challenges for many firms. In the past, customized investing required high levels of manager involvement and oversight, which is why it mainly made sense for large institutions and ultra-high-net-worth individuals.



Today, new technology makes it possible for firms to create customized experiences with less day-to-day manual upkeep. We are seeing an array of managers, from global institutions to smaller boutique firms, that are pushing into SMAs, UMAs, and model portfolios to expand their distribution footprints, meet investor demand for customized products, and grow their firms.

Developing a plan that aligns with distribution partners, strategically aligning investment strategy and product type, and identifying the right technology and services to bring these offerings to market can help managers provide customization at scale.

Driving customization into the future

Over the years, we have worked with a variety of asset managers who are adopting new mindsets, new tools, and new approaches as they launch customized products to enhance their existing offering. Below are a few steps managers can take today to capitalize on this long-term trend for continued growth:



- 1** Spend time speaking with distribution partners to determine where their focus will be in the coming years and evaluate your existing offering and product roadmap through this lens, identifying which strategies and product types work best together. Gone are the days when investment managers dictated to distributors which product types to provide. Success in today's environment requires a more flexible, collaborative approach with distribution partners.
- 2** Start planning now to position your firm to meet the changing needs of investors. Considering the limited shelf space at distribution partners for mutual funds, launching customized products in the next few months will enable managers to be a partner with distributors who want to diversify both the strategies and the vehicles they offer.
- 3** To reach new audiences without taking on too much at once, offer existing strategies packaged within SMAs, UMAs or models. Starting with a core strategy and creating customized versions of that strategy can help managers leverage the investment expertise that has made them successful thus far while expanding their reach.

Looking ahead, managers looking to satisfy their clients' craving for customization will benefit from taking a thoughtful approach. Developing a plan that aligns with distribution partners, strategically aligning investment strategy and product type, and identifying the right technology and services to bring these offerings to market can help managers provide customization at scale.

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