

2025

DIRECT INDEXING BUYERS GUIDE

THE WINNERS LIST: BEST INDEXING PLATFORMS;
THEIR INDICES, PRODUCTS, CAPABILITIES AND MORE

WEALTHADVISOR

DIGITAL ACCESS: [THEINDEXADVISOR.COM](https://www.theindexadvisor.com)

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**SCOTT MARTIN**

EDITOR-IN-CHIEF

DIRECT INDEXING BUYERS GUIDE

Every investor appreciates tailored financial support. Every advisor can benefit from making that level of service available. And because the systems already exist, it can happen with minimal operational strain . . . as long as there's a clear incentive, a "killer app" that raises the stakes around adoption from theoretical to urgent.

That's all it takes. For a lot of advisors, the ability to improve on packaged portfolios after taxes is compelling enough. Others know their clients will respond to an investment framework that's truly informed by their values and not some committee's pre-packaged sense of what people like them might like. And because no client comes to you as a blank slate, who wouldn't welcome the power to manage around established positions that aren't going away? Or in the case of direct holdings of bonds and crypto assets, maybe individual securities were always a better way to go.

One way or another, the packaged portfolio has its limits. So I'm pleased to see so many Wealth Advisor readers reaching for ways to go beyond. Differentiate yourself and what you offer! Change your life!

EXECUTIVE SUMMARY

Direct indexing has become one of the most talked-about trends in wealth management. Every major player in the industry seems to have a new offering, a fresh white paper, or a marketing campaign promising to redefine how advisors build portfolios. You are their target customer.

But amid all the noise, few have offered a clear explanation of what's really happening, why it matters, or how to decide whether this approach makes sense for you and your clients. Advisors are problem solvers by nature. When a new investment framework arrives without clearly identifying the problem it solves, it's easy to dismiss it as another buzzword—interesting, perhaps, but not necessarily useful.

We recently asked a group of experienced wealth managers about direct indexing. More than 90% said they had heard of it in the past year, but only about a third felt confident enough to define it in their own words. These are some of the most sophisticated professionals in the business, and that uncertainty reveals something important: while direct indexing has captured attention, it hasn't yet earned clarity.

That gap represents both a challenge and an opportunity. Advisors who understand how to apply direct indexing effectively—who know which client segments benefit most, how to communicate the value, and how to implement it efficiently—will gain a meaningful competitive edge.

At its core, direct indexing allows advisors to create tailored portfolios that align precisely with each client's goals, values, and tax situation. Instead of being constrained by the

holdings of a single ETF or mutual fund, clients can own the underlying securities directly. This opens the door to customized investment screens, such as excluding certain sectors or integrating ESG preferences, and enables ongoing tax optimization through strategies like tax-loss harvesting.

For clients, the result is greater personalization and better after-tax outcomes. For advisors, it's a way to deepen trust and retention by delivering portfolios that truly reflect the client's circumstances and beliefs.

Direct indexing also provides a competitive advantage in a crowded marketplace. It positions RIAs as forward-thinking and technology-enabled—professionals who can offer sophisticated, high-touch solutions instead of one-size-fits-all models. That distinction matters, especially as client expectations evolve and digital platforms raise the standard for transparency and customization.

Ultimately, direct indexing isn't just another investment product. It's a strategic framework that allows advisors to operate more efficiently, strengthen client relationships, and stay relevant in a landscape increasingly shaped by passive investing. The advisors who take the time to understand it now will be the ones setting the pace as the next era of wealth management takes shape.

Direct Indexing 101

DIRECT INDEXING—sometimes called custom indexing or personalized portfolios—is the practice of investing directly in the individual securities that make up an index, such as the S&P 500 or the Bloomberg U.S. Aggregate Bond Index. The goal is to replicate the index's performance while providing room for customization around client-specific goals, preferences, and tax considerations.

Traditionally, investors have tracked indices through mutual funds or ETFs. Those pooled vehicles offer convenience and liquidity, but they also limit flexibility. Every investor in a fund owns the same combination of securities, determined by the fund manager, with little ability to adjust exposures or incorporate personal circumstances. ETFs, in particular, have long been celebrated for their efficiency and low costs, but their very simplicity can become a constraint in an environment where clients expect personalization and transparency.

Direct indexing changes that. Instead of owning shares of a fund, the client owns the underlying securities directly, typically through a separately managed account (SMA) or a unified managed account (UMA). This structure allows advisors to replicate an index closely while tailoring it to individual needs, such as risk tolerance, ESG or values-based exclusions, legacy stock positions, or tax management priorities.

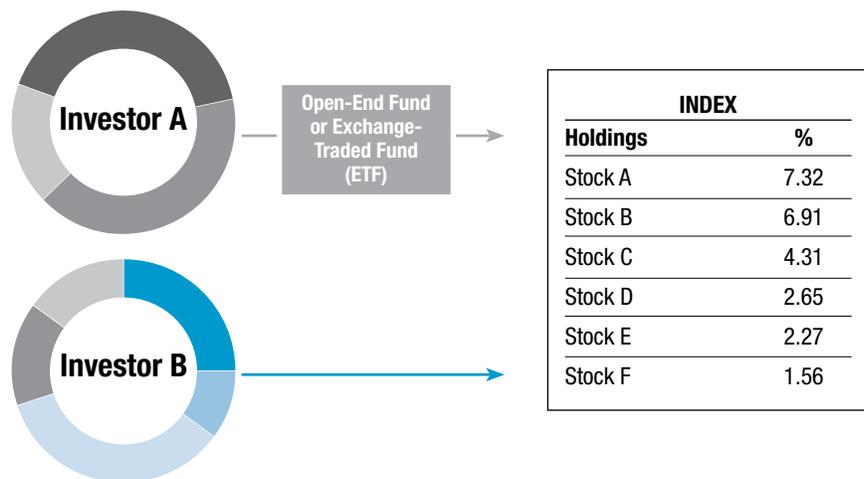
Until recently, direct indexing was largely confined to institutional and

ultra-high-net-worth (UHNW) investors. The costs and complexity of buying hundreds of individual securities and then rebalancing them as the index changed were prohibitive. Without fractional shares, maintaining proportional weightings was difficult, and tracking errors were common. The arrival of fractional trading and zero-commission transactions has changed that equation. Today, direct indexing can be implemented with precision and efficiency, making it accessible to a far broader range of investors.

For wealth managers, this evolution opens new possibilities. Direct indexing allows advisors to design portfolios that not only track an index but also reflect the client's complete financial picture. Concentrated exposures, such as company stock or sector-heavy positions, can be managed more effectively. Tax efficiency can be optimized through ongoing tax-loss

What Is Direct Indexing?

- Direct indexing allows an investor to build a portfolio that tracks an index by **buying a subset of the index holdings**
- Use portfolio optimization software to build a portfolio that **tracks the index with a lower number of holdings**



Hypothetical example for illustrative purposes; actual index allocation may vary.

Courtesy of Morningstar, 2024

Direct Indexing Presents a Number of Benefits over More Traditional Fund Structures

Comparison among Direct Indexing, Exchange-Traded Funds (ETFs) and Mutual Funds (MFs)

Investment vehicles <i>(taxable accounts)</i>	Direct Indexing 	Exchange-Traded Funds (ETFs) 	Mutual Funds (MFs) 
Key use cases	Range of customization, greater control and tax efficiency	Diversification and liquidity at low costs and low minimums	Ability to execute diverse and complex strategies
Transparency	Real time	Typically daily	Typically monthly
Customization	Fully flexibility	None	None
Tax efficiency	At security level	At portfolio level	Limited
Average fees	15-35bps	0-50bps	70-150bps
Typical minimum investments	~\$50-300K	ETF share price	~\$1-5K

Advantage: High Medium Low

Courtesy of Celent, Oliver Wyman analysis, 2024

harvesting and strategic deferral of capital gains. Even within fixed income, direct ownership restores the traditional benefits of bond investing—such as the return of principal at maturity—while offering customization across duration, credit, and sector.

Some forms of direct indexing even draw on “smart beta” principles, emphasizing targeted factor exposures—like value, quality, or low volatility—without the need to hold every constituent of an index. The result can be a portfolio that captures the risk and return characteristics of the benchmark while maintaining simplicity and cost efficiency.

Ultimately, direct indexing represents a natural next step in the evolution of

portfolio construction. It combines the diversification and discipline of passive investing with the precision and personalization of active management. As client expectations rise and technology continues to remove barriers, it’s no surprise that assets in direct indexing strategies are projected to reach roughly \$1.6 trillion globally by 2025, according to Oliver Wyman and Morgan Stanley.

For advisors, that trajectory is more than a market statistic. It’s a signal. Direct indexing isn’t just another product. It’s an adaptive framework that enables wealth managers to deliver tailored, tax-smart, and values-aligned portfolios at scale.

No Efficiency Drag, Better Results

When done correctly, direct indexing can be as straightforward as working with ETFs. Yet many implementations still strike advisors as unnecessarily complicated, especially for those already stretched managing their existing platforms and chasing new business. The objections are familiar: having to directly oversee investments that mirror an index feels like an administrative burden that outweighs the potential benefits. And of course, keeping up with every client’s tax situation can easily become a full-time job—even with the accountant’s help.

It doesn’t help that many direct index offerings rely on separately managed accounts (SMAs) administered by third

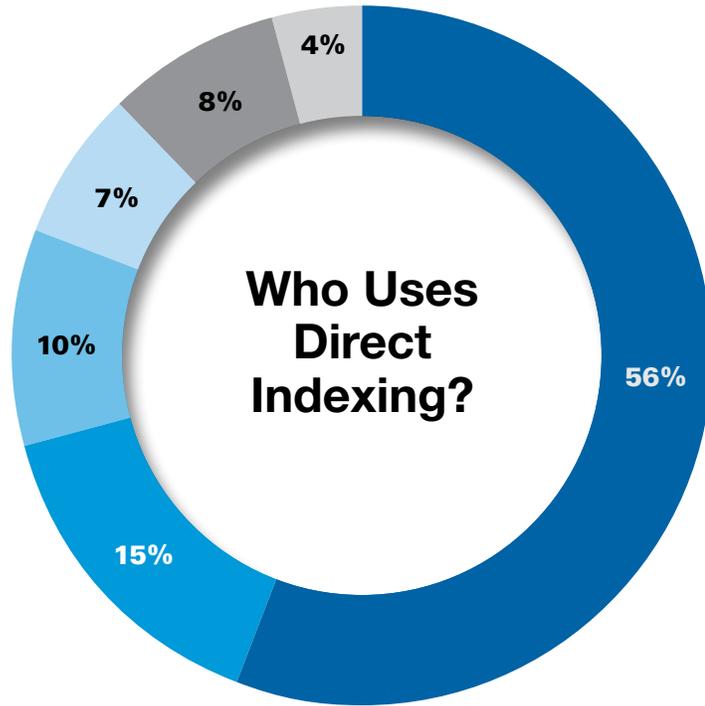
parties. These setups often deliver something that looks and feels like an ETF, only with the added operational weight of tracking hundreds or even thousands of positions per client, but with limited true customization.

Then there's inertia. Most advisors say they're satisfied with what they already have. The platform is "good enough," and change feels risky—especially after several turbulent years that have demanded constant adaptation. But that sentiment is hard to justify in front of clients. Admitting that you're unwilling to pursue potentially better outcomes because it might be inconvenient undermines the fiduciary principle itself. A fiduciary rarely settles for "good enough" when "better" is available.

The truth is, modern automation and market infrastructure have already stripped away most of the complexity that used to make direct indexing impractical. Today, advisors can deliver more precise, tax-optimized, and personalized portfolios without taking on unmanageable risk or administrative cost. And that matters because clients don't need you to buy them an S&P 500 fund—they can do that on their own. What they pay you for is something better: thoughtful, tailored solutions that align with their goals and values. If you're not providing that, your competitors will.

Disruption isn't easy, but recent years have proven your resilience. The same adaptability that kept your practice alive can now position you ahead of the curve.

The benefits of direct indexing are real and measurable. Direct ownership of individual securities, rather than pooled fund units, unlocks advantages that traditional structures can't match.



- Registered Investment Advisor
- Asset Manager
- Independent Broker/Dealer
- Other (Bank / Family Office / Custodian)
- Wirehouse
- Not Using / No Plans

Wealth Advisor reader poll, 2025

Chief among them is "tax alpha," the ability to capture capital losses to offset gains and improve after-tax returns. It also enables clients to exclude or underweight positions that don't align with their values—ESG considerations, industry biases, or specific ethical concerns—creating portfolios that genuinely reflect who they are.

Moreover, the recent breakdown of traditional 60/40 models has reminded investors that "balanced" portfolios aren't always stable. Direct indexing reintroduces flexibility, allowing advisors to fine-tune exposure across asset classes and create personalized strategies that better fit each client's

circumstances. This isn't theoretical; it's the next step in the evolution of portfolio construction.

Technology Makes It Happen

What once required elite infrastructure is now achievable at scale. Technology automates the heavy lifting—tax optimization, diversification, screening, and rebalancing—while reducing costs and improving precision. Advisors regain full control of the investment process, defining criteria, managing risk, and overseeing outcomes rather than outsourcing those decisions to a fund manager.

Delivering this level of personalization requires more than good software—it demands close alignment between wealth managers and asset managers, and a deep understanding of the client’s entire financial life. The advisor’s insight into each client’s priorities becomes the true competitive differentiator. When your core service revolves around building portfolios for real people—not hypothetical “model investors”—you become indispensable. With the right direct indexing tools, no one is better positioned to serve your clients than you.

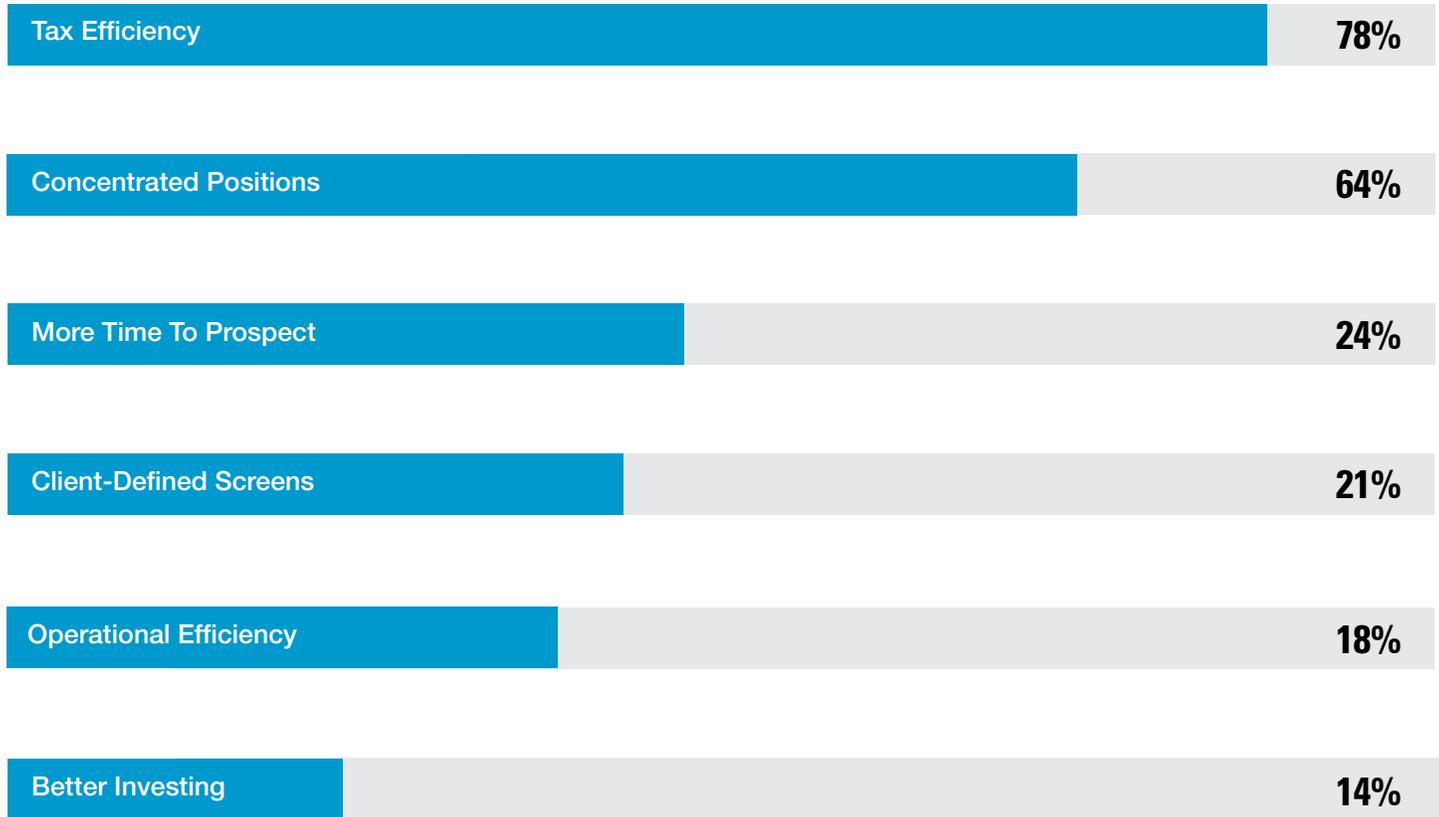
Custom portfolio construction has existed for decades, but it used to be a luxury reserved for ultra-high-net-worth investors. Costs, complexity, and high trading commissions kept most advisors out. That’s no longer the case. Zero-commission trading, fractional shares, and advanced automation have opened the door to affordable customization for a far broader audience.

Fractional trading allows even modest accounts to mirror an index with remarkable precision, while automation handles rebalancing, tax-loss harvesting, and recordkeeping across potentially thousands of lots.

What used to take teams of specialists to handle can now be managed seamlessly within modern platforms. And because today’s advisory models are fee based, old concerns about “churning” for commissions are irrelevant.

The barriers that once justified hesitation have largely disappeared. Direct indexing isn’t an experimental tool anymore—it’s a modern necessity. It gives advisors the power to deliver something clients can’t get on their own: personalized portfolios that combine precision, efficiency, and authenticity.

Why Will Wealth Advisors Use Direct Indexing?



SOURCE: Wealth Advisor reader poll. Respondents were asked to pick multiple answers so these numbers do not sum to 100%.

2025 Wealth Advisor Direct Indexing Survey

This year was a decisive turning point in the industry, with an overwhelming majority of the advisors we polled demonstrating that they know their way around at least one of the major direct index solutions from experience. This is the year direct indexing really arrived.

But because participation was voluntary, what's really remarkable is that the more engaged advisors are in this approach to wealth management, the better on average they're doing. There's a direct correlation between direct index deployment and the conventional industry scale of success.

For example, the average survey respondent claims to manage about \$530 million in client assets. That's 73% above the official industry benchmark and substantially bigger than the Wealth Advisor median as well.

We knew this tends to skew toward scale, and scale tends to beget scale. The bigger you are, the more readily you'll reach for next-generation portfolio systems to give more complex clients what they need. And the better you serve those clients, the more resources you have to drive additional growth.

That's why they call these solutions "personalization at scale." You can customize one or two client portfolios by hand but the ability to automate the process makes it possible to both deliver across more accounts and keep attracting new ones.

Here's the shock: normally our surveys include a section where we ask advisors to add up all the work they do in a 40-hour week and the results add up to reflect what's really 45–50 hours in reality. This year, people in DIBG Land say they truly work smarter and not necessarily longer at all.

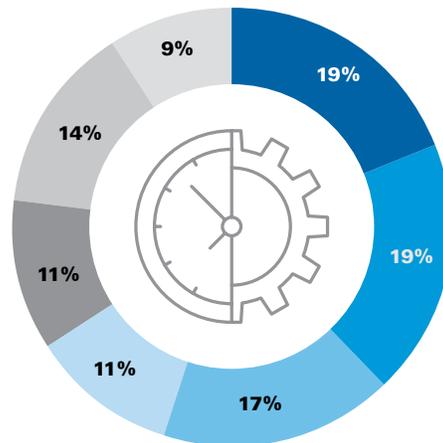
Some barely come into the office at all. They're too busy meeting with clients or living their lives to keep refreshing the investment screens or setting up trades. A lot of direct index solutions handle all that, one way or another. It's great to see the promise actually turning into better professional realities.

The platforms aren't perfect yet. Just about everyone who filled out the survey is still looking for some capability or another, with even better tax alpha dominating the wish list. But a lot of advisors are clearly moving in different directions. Whether you want true unified household management, more advanced automation or just a fresh way to slice the market, our favorite vendors are working hard to make it happen.

The Direct Index Edge

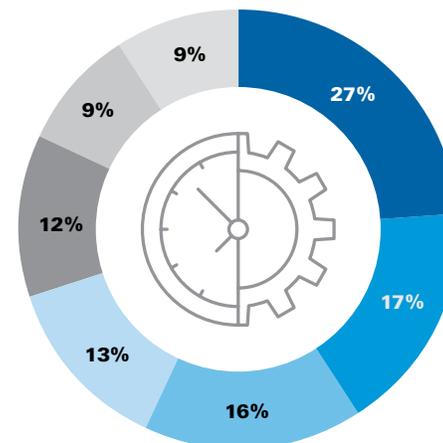
We asked advisors to tell us how much time they spend on various tasks in a typical week. The difference was clear from the first data point we collected: DI advisors work smarter, not longer. Do they work "better?" That's for you to decide!

TYPICAL ADVISOR WORK WEEK



- Business Development **8 HOURS**
- Administration **8 HOURS**
- **Direct Client Activity 7 HOURS**
- Research / Due Diligence **4.5 HOURS**
- Trading **4.5 HOURS**
- Office Management **6 HOURS**
- Continuing Education **3.5 HOURS**

TYPICAL ADVISOR WORK WEEK (DI)



- **Direct Client Activity 7 HOURS**
- Business Development **5 HOURS**
- Administration **4.5 HOURS**
- Research / Due Diligence **3.8 HOURS**
- Trading **3.7 HOURS**
- Office Management **2.8 HOURS**
- Continuing Education **2.8 HOURS**

2025 Wealth Advisor Platform Rankings

Scale is the scoreboard. Everyone’s chasing it. But scale without substance rarely lasts. You can light a fire with venture capital and attract assets fast—but keeping those assets once the glow fades is a different game. Because when advisors choose your platform, they’re not just buying software. They’re handing over the keys to their career: their clients, portfolios, reporting, and billing. Execution has to be nearly perfect.

We asked the 350,000 advisors in our network to tell us what works across our universe of direct indexing and managed-account platforms. The results were revealing. Popularity didn’t carry any weight at all. If a single advisor raved about your service, that mattered.

But if hundreds couldn’t check any box better than “adequate,” the message was clear: indifference is deadly. It only takes a handful of disappointments to knock even a major player out of the top tier. In this business, you’re not a line item. You’re a lifeline. And trust is earned one interaction at a time.

To earn that trust, platforms need to hit a balance across four core areas. First, the technology needs to create real

efficiency—not just look good in a demo. Second, service matters. Advisors want access to humans who can solve problems and coach them through complexity. Third, the investment solutions themselves have to help advisors hold onto clients and win new ones. And finally, the pricing needs to deliver ROI.

It’s worth stressing that our rankings aren’t about reputation. Big platforms with big marketing budgets will always get attention. But reach isn’t the same as quality. A boutique firm with a smaller but passionate following can easily outperform a giant that spreads itself thin or frustrates its user base. Our goal is to capture experience, not exposure, so if an advisor didn’t signal familiarity with a solution, we didn’t even ask for more detailed impressions.

Of course this is still early. We’re all still figuring out how to deploy these systems into our industry and the rankings are in flux. The direct index ecosystem itself is expanding fast. Platforms that cut corners on talent or cling to aging systems will see gravity catch up. Meanwhile, startups with fresh ideas and sharper execution will rise. You don’t have to be huge to matter. You just have to deliver.



Disclaimer: Each direct indexing platform (“Provider”) included in Direct Indexing Buyers Guide 2025 was incorporated into an independent survey of all Wealth Advisor subscribers, and the rankings presented were calculated based on the results. The methodology used for this independent survey of The Wealth Advisor’s registered subscribers was deployed on November 7, 2025, and closed on November 12, 2025. The survey uncovered advisor familiarity and overall satisfaction covering four categories set forth above for the direct index solution providers we track. Additional survey results will be published in updates to the Direct Indexing Buyers Guide. Each provider paid the same sponsorship fee to be listed and sponsorship.

5 Killer Apps That Drive Direct Index Deployment

NO ADVISOR likes to change without at least the prospect of a tangible benefit in terms of improved competitive proposition, efficiency, client outcomes or something else. Likewise, direct indexing is sold as a solution, which means it solves a problem. Here are the top problems leading solutions address.

Tax Alpha

Taxes are often one of the largest—and least visible—costs your clients face in their investment portfolios. While most investors understand they pay taxes on dividends, interest, and capital gains, few recognize the hidden tax drag that can quietly erode returns. Rebalancing, shifting asset allocations, or switching funds can all trigger taxable events that reduce portfolio growth over time.

Morningstar estimates that active U.S. equity funds lost an average of 1.72% in annual returns to taxes over the five years ended December 2023. That means a mutual fund posting a 10% pre-tax return would deliver only 8.28% after taxes—nearly a quarter of potential gains lost to the IRS. Over time, this drag can easily surpass the management fees clients pay and make a meaningful difference in long-term wealth accumulation.

For advisors, this is a powerful opportunity. Helping clients manage what they keep rather than just what they earn not only adds tangible value, it strengthens the advisory relationship. By taking tax costs into account alongside risk and return, advisors can demonstrate a level of sophistication that clearly differentiates their practice.

This is where direct indexing comes in. Unlike traditional pooled vehicles, direct indexing allows investors to hold the individual securities that make up an index. That structure opens

the door to precise, ongoing tax management, especially through tax-loss harvesting—a strategy that turns temporary market volatility into a long-term tax advantage.

Tax-loss harvesting works by selling underperforming securities to offset realized capital gains elsewhere in the portfolio. Because direct indexing provides full transparency into each underlying holding, advisors can identify losses at the individual security level, rather than waiting for fund distributions or end-of-year adjustments. This flexibility creates more frequent opportunities to capture losses and rebalance without

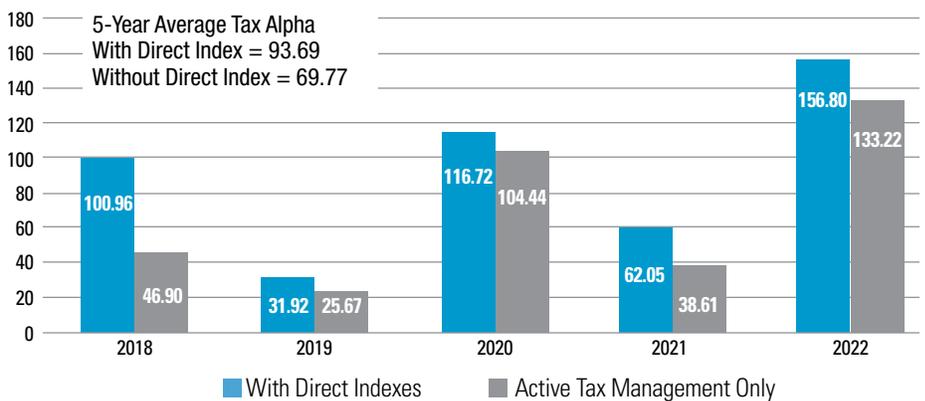
disrupting the overall investment objective.

Moreover, direct indexing makes year-round tax optimization possible. Instead of limiting harvesting to a single annual review, technology-driven platforms can monitor portfolios continuously, acting opportunistically when market conditions shift. Even in rising markets, short-term dips in individual holdings can be harvested for tax benefits while maintaining exposure to the index through replacement securities.

Over time, this approach compounds real value. By reducing capital gains taxes and deferring taxable events, investors can keep more of their returns invested and growing. For clients with appreciated securities or concentrated positions, direct indexing can also facilitate tax-efficient transitions—gradually diversifying holdings while managing realized gains across tax years.

The results speak for themselves: tax-aware portfolio management can

Historical Tax Alpha (in BPs) Adhesion Clients Enrolled in Active Tax Management



Courtesy of Adhesion Wealth, 2024

improve after-tax returns without taking on additional market risk. Advisors who can communicate and quantify this benefit—whether by reviewing clients’ tax forms, modeling tax drag, or partnering with CPAs—will not only demonstrate their value but build deeper trust.

Ultimately, tax alpha is real, measurable, and increasingly expected. As investors become more aware of hidden tax costs, direct indexing offers a clear, technology-enabled way to address them. By integrating continuous tax-loss harvesting, capital gains deferral, and personalized portfolio management, advisors can help clients achieve what truly matters: stronger after-tax outcomes and a more efficient path to their financial goals.

From Concentration to Diversification

A concentrated stock position can represent both the reward of past success and the risk of future loss. For many clients—executives, entrepreneurs, or inheritors—a single stock may dominate their portfolio, often with a low cost basis and high emotional or financial significance. While the stock’s rise may have built wealth, maintaining such exposure can compromise financial security. As the Brooklyn Investment Group’s research underscores, wealth is created through concentration but preserved through diversification. Left unchecked, concentrated holdings tend to increase volatility and, over time, underperform the broader market.

Transitioning away from a concentrated position requires more than simply selling shares. The embedded capital gains and emotional attachment make an immediate liquidation both impractical and unappealing. Direct indexing offers a structured, tax-

aware solution that manages these transitions efficiently while preserving client confidence. Instead of triggering large taxable events, advisors can use a systematic, algorithm-driven process to gradually sell down the concentrated stock while harvesting losses elsewhere in the portfolio to offset realized gains. This approach—essentially turning market volatility into a source of tax alpha—creates a tax-neutral pathway to diversification.

The process works like this: an advisor builds a diversified direct index portfolio around the concentrated position, using daily monitoring to identify securities that have declined in value. When these losses are realized, an equivalent portion of the concentrated stock can be sold without increasing the client’s overall tax burden. The proceeds are then redeployed into the diversified portfolio, reinforcing both the risk management and the tax efficiency of the strategy. Over time, as the portfolio migrates toward the target composition, tracking error declines and the client gains a more stable, diversified foundation for future growth.

This transition doesn’t need to happen overnight. Many clients prefer a “glide path” approach, phasing diversification over months or years to minimize disruption and psychological resistance. Direct indexing supports this flexibility, providing transparency and control at each step. Importantly, advisors can measure progress not only against a benchmark index but also against an adjusted benchmark that reflects the client’s actual holdings—providing a more accurate, after-tax picture of performance.

In practice, the integration of direct indexing into concentrated position management allows advisors to offer a more holistic, high-touch service. It addresses the twin challenges of

tax efficiency and emotional comfort while reinforcing the advisor’s role as a strategic partner in preserving and growing wealth.

Make Munis Meaningful

No bond portfolio built entirely from pooled products—whether in mutual funds or ETFs—can deliver the same diversification, stability, or predictability that comes from owning individual bonds to maturity. For clients who look to fixed income as a source of principal protection and steady income, this distinction is critical. ETFs and mutual funds may provide convenient exposure, but they lack a maturity date. There’s no point at which the fund “unwinds” and returns principal to investors, which means these structures can’t eliminate the potential for capital losses—they can only hope to manage them.

The experience of recent years made this painfully clear. When the traditional 60/40 portfolio faltered, many investors discovered that their bond funds behaved more like equity funds. The correlation between stocks and bonds increased, yields lagged inflation, and price volatility rose, eroding confidence in what was once considered a cornerstone of balanced investing. This breakdown didn’t just dent returns—it undermined the educational foundation on which generations of investors learned to expect stability from fixed income.

Direct indexing now offers a way to reclaim the true benefits of bond ownership. Just as equity direct indexing allows investors to own the individual stocks that make up an index, bond direct indexing lets them hold the underlying fixed-income instruments themselves—municipal, corporate, Treasury, or otherwise—within a structured, rules-based framework. The result is a portfolio

that combines the customization and transparency of direct ownership with the systematic discipline of indexing.

For example, investors can use direct indexing to build municipal bond ladders that target specific credit qualities, maturities, or geographies. A California-based investor might emphasize in-state issues to maximize after-tax yield, while another client could focus on national diversification or incorporate ESG screens to avoid certain sectors. As each bond matures, proceeds can be reinvested into longer-dated securities at prevailing yields, maintaining the ladder's structure while adapting to market conditions. This dynamic reinvestment process not only locks in higher rates when available but also continually resets cost basis, creating fresh opportunities for tax optimization and loss harvesting.

Unlike pooled vehicles, direct indexing in fixed income allows clients to control the timing of their gains and losses, align maturities with liquidity needs, and ensure a predictable return of principal. Combined with today's automation and fractional bond trading capabilities, this once-complex strategy is now scalable and accessible beyond ultra-high-net-worth portfolios.

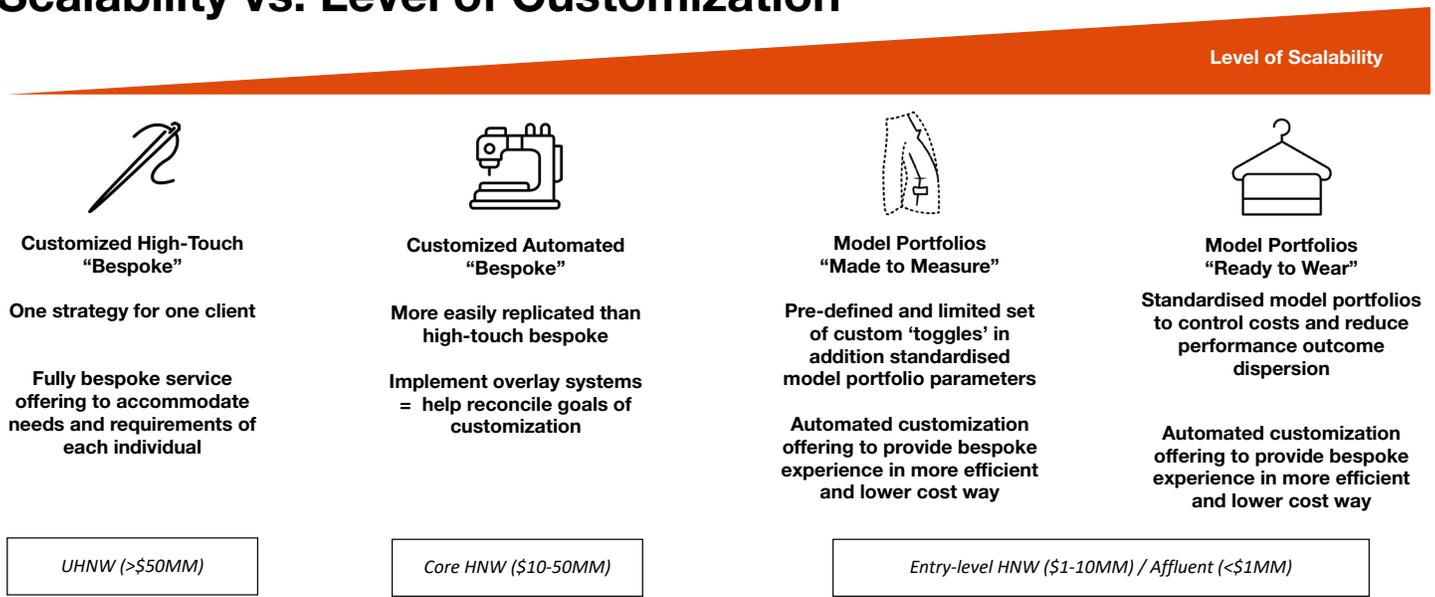
In essence, bond direct indexing restores what was lost when investors shifted to pooled structures: control, predictability, and true diversification. It's the fixed-income equivalent of equity direct indexing—a tax-aware, customizable, and client-specific framework that puts advisors back in charge of tailoring outcomes instead of outsourcing them to the market. For investors seeking both yield and stability, this approach marks a long-overdue return to the original promise of bonds.

More Than Lip Service To Client Values

Advisors today face growing expectations from clients who want their portfolios to do more than just perform—they want them to reflect their values and express their voice as investors. For many advisors, this “values conversation” can feel complex or even uncomfortable. Ethical preferences vary widely from client to client, and incorporating them can raise practical questions around compliance, tracking error, and performance trade-offs. The abundance of pre-packaged ESG and “sustainable investing” products often adds confusion rather than clarity.

Yet the demand is unmistakable. A rising share of investors—especially younger clients inheriting wealth—are seeking to align their investments with their beliefs and priorities. Ignoring these preferences risks more than

Scalability vs. Level of Customization



Level of Customization

Courtesy of Celent, 2024

missed opportunity; it can weaken client relationships and push investors toward self-directed solutions or alternative advisors who are ready to engage.

Direct indexing offers a powerful solution to this challenge. By owning the individual securities that make up an index, investors can personalize their portfolios with precision—adding, excluding, or adjusting holdings based on their ethical or strategic preferences without abandoning diversification or market exposure. For example, an investor might want to participate in the near-term performance of fossil fuel companies but gradually transition toward renewable energy over time. Another might want to exclude specific countries or issuers for ethical, personal, or regulatory reasons. Direct indexing allows those changes to happen seamlessly as client preferences evolve.

At its best, this approach transforms the investment relationship into a collaborative process. Rather than working within the limits of a predefined ESG product, advisors and clients can co-create portfolios that reflect the client's values and objectives directly. The result is alignment not only between investment strategy and ethics, but between advisor and client.

This is also where stewardship—or active ownership—becomes an important differentiator. Beyond portfolio construction, advisors can help clients use their ownership to influence corporate behavior through proxy voting, shareholder proposals, and engagement. Evidence continues to show that these efforts can lead to measurable changes, including greater board accountability, improved executive compensation practices, and enhanced corporate transparency.

Stewardship gives advisors a way to demonstrate leadership on the issues clients care about most—from climate risk to governance standards—while deepening trust and engagement. And platforms like a few you'll find at the end of this book are helping make this possible at scale. Look for an investment stewardship framework built around transparency, education, and client empowerment to help investors take meaningful action—whether by voting proxies directly, participating in shareholder engagement, or aligning with advocacy groups that share their priorities.

Crucially, transitioning clients into values-aligned portfolios doesn't have to be tax-inefficient or operationally cumbersome. Technology now allows for smooth, personalized transitions from existing SMAs, ETFs, or concentrated positions. Through automated, tax-aware rebalancing, modern platforms enable advisors to manage complex transitions efficiently, reducing the need for manual oversight while maintaining tracking precision and minimizing realized gains.

In essence, values-based investing and stewardship are no longer niche conversations—they're becoming core expectations. Advisors who embrace these tools can deliver on both sides of the client relationship: the desire for strong financial outcomes and the desire for investments that reflect personal beliefs. Direct indexing and stewardship provide the flexibility, transparency, and accountability to make that balance achievable.

By integrating both into their practice, advisors can strengthen client trust, differentiate their offering, and demonstrate that investing with purpose doesn't have to come at the expense of performance or practicality—it can, in fact, become a new measure of value delivered.

Getting Ahead of a Liquidity Event

When it comes to succession planning, careful preparation can maximize the value of a family-owned business, whether the business is passed to a family member or sold to an external buyer. A solid succession plan should align with the company's long-term strategy.

Many high-net-worth individuals plan to sell a business, property, or large stock position, which typically results in significant capital gains taxes. Unfortunately, many advisors don't anticipate these events far enough in advance, leaving their clients without a proper strategy.

This lack of planning opens an opportunity to introduce direct indexing. By selectively harvesting losses, offsetting gains and implementing tax-efficient trading strategies, direct indexing can help investors manage their portfolios and reduce capital gains taxes.

Remember, direct indexing allows investors to potentially match the returns of a chosen benchmark while building up losses that can offset future gains. This proactive approach enables clients to better manage their tax obligations, especially when large financial windfalls occur. Starting early allows clients and their advisors to adjust as market conditions and personal circumstances evolve.

The first step is identifying the potential for a client to realize a financial windfall, whether tied to retirement or another major life event. Once you and your client determine the source and timing of the windfall, you can explain how direct indexing can reduce tax liabilities over time or manage them within a set budget. And you've added value.

Who This Helps

TRADITIONAL WEALTH management has long been divided into two distinct tiers: highly personalized strategies for ultra-high-net-worth clients, who hold substantial assets, and standardized model portfolios for everyone else. This split has left a sizable gap—an underserved segment of clients who are wealthy enough to want more than a generic ETF portfolio but not quite affluent enough to justify the cost and complexity of fully bespoke wealth solutions. For advisors looking to capture this middle ground, direct indexing opens the door.

Pick Your Segments

But let's step back a moment. Direct indexing provides a cost-effective bridge between standardization and full customization. It enables advisors to deliver a level of personalization once reserved for the ultra-wealthy while keeping costs manageable and operations scalable.

At its core, this approach allows investors to own the individual securities that make up an index, tracking its performance while tailoring specific positions to suit the investor's goals, risk preferences, or tax profile. Tax optimization remains a central appeal—using tax-loss harvesting and other tools to improve after-tax performance—but the technology

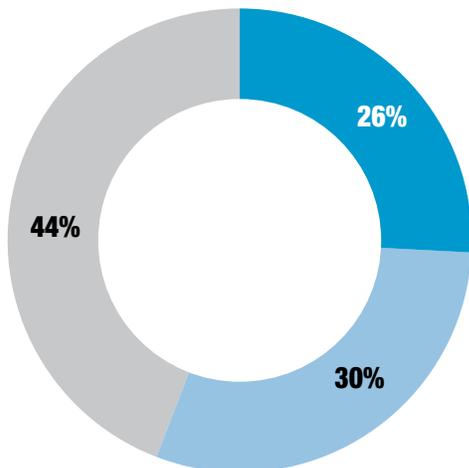
driving direct indexing also expands the scope for deeper personalization. UHNW clients can use it to fine-tune holdings across multiple accounts and asset types, while emerging HNW clients can access a previously exclusive level of sophistication without the seven-figure entry point.

Of course, direct indexing involves some degree of active oversight. It's not a "set it and forget it" solution. Clients accustomed to passive strategies or ultra-low-cost ETFs may balk at the higher fees or modest potential for alpha. Yet for advisors focused on building stronger relationships and delivering a more customized experience, direct indexing creates real value. For clients in the lower-HNW range, it offers the sensation of a bespoke solution without requiring the same level of manual intervention that UHNW accounts demand. Automation handles

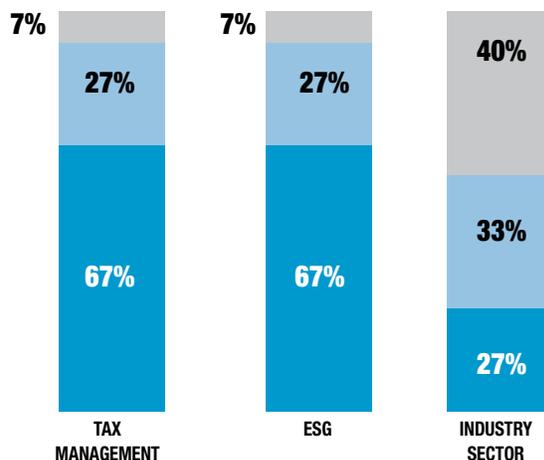
Where SMAs Are Going

Asset managers weighing the scenarios see a big opportunity to build direct sector indices, but when it comes to customization, ESG and taxes are evenly matched.

DIRECT INDEX SMAS



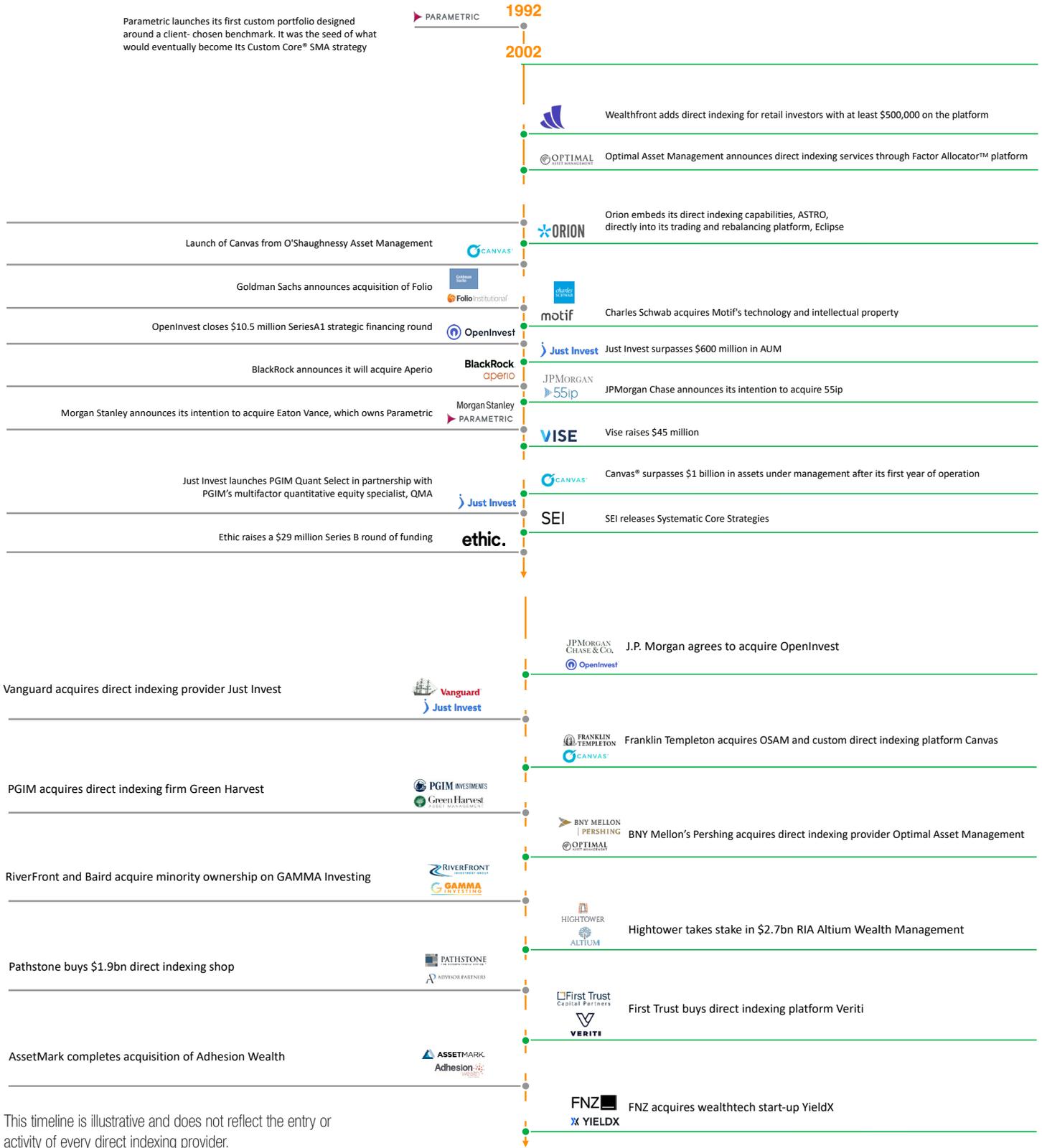
DIRECT INDEX CUSTOMIZATION



■ SIGNIFIGANT OPPORTUNITY ■ MODERATE OPPORTUNITY ■ LITTLE OPPORTUNITY

Source: Cerulli survey

History of Direct Indexing



This timeline is illustrative and does not reflect the entry or activity of every direct indexing provider.

Courtesy of Celent, 2024

much of the complexity; the advisor's role is to interpret, personalize, and humanize the experience.

For institutions and family offices, the value proposition deepens. Direct indexing allows for true precision—building portfolios that account for legacy holdings, concentrated stock exposure, or complex tax situations. Advisors and their teams can use advanced technology to encode investor preferences, capture risk constraints, and create highly individualized tax outcomes. In these cases, the advisor functions more as a strategist than a portfolio operator, coordinating efforts among specialists while the platform does the heavy lifting.

Certain client types tend to benefit most. Tax-sensitive investors, for instance, can use direct indexing to harvest losses systematically and offset capital gains, improving long-term returns. Investors with extended time horizons gain more opportunities to defer gains over multiple tax years. Those with strong ESG or thematic convictions can express their beliefs directly through their holdings, overweighting certain sectors or excluding others entirely. And investors with existing positions in individual securities can integrate them into a unified, tax-efficient structure without having to liquidate and restart.

Thanks to fractional shares and automation, account minimums have come down dramatically. While traditional direct indexing once required millions in capital, many platforms now support accounts starting at \$100,000 to \$250,000—with some dipping as low as \$5,000. For a wealth manager, these accounts can still generate meaningful fees when managed efficiently and presented as part of a holistic financial plan. For clients with even smaller balances, robo-advisors and digital platforms can provide algorithm-driven, direct indexing-like

experiences at scale, offering a taste of customization without the need for human oversight.

Model portfolios represent another bridge solution. Using modern rebalancing and construction tools, advisors can deliver semi-customized portfolios aligned to client objectives and risk profiles, maintaining efficiency while incorporating limited personalization. Combined with fractional share trading and commission-free execution, these approaches make direct indexing or near-direct indexing strategies increasingly viable for a wide spectrum of clients.

The scalability of direct indexing improves further when blended with traditional passive and active strategies. Advisors can use passive index exposure as the low-cost core of a portfolio, then overlay direct indexing to generate tax benefits, personalization, or incremental alpha on the margins. This hybrid structure gives advisors flexibility—balancing efficiency with differentiation.

What About Retirement Accounts?

Tax sensitivity often feels less urgent in retirement accounts, where tax-deferred growth and smaller balances make “tax alpha” sound like a minor advantage. But for affluent clients, taxable accounts paired with retirement savings can create powerful synergy. By spreading assets across both taxable and tax-deferred accounts, clients can maximize flexibility—reducing their overall lifetime tax burden and improving control over distributions during retirement and estate transitions.

Company-sponsored plans often constrain participants to a narrow menu of investment options. A taxable account provides the freedom to select preferred securities, themes, or

managers, and to rebalance without the plan's restrictions. Advisors can even help clients coordinate multiple taxable accounts across providers to achieve specific portfolio goals.

Loss harvesting, for instance, is impossible inside retirement accounts. But in a taxable structure, realized losses can offset gains and up to \$3,000 of ordinary income annually, lowering the overall tax bill. Combined with careful portfolio design, investors can minimize taxable events altogether—holding tax-efficient ETFs or direct positions that generate fewer distributions, or incorporating municipal bonds that avoid federal and sometimes state taxes. The goal is to structure taxable accounts as engines of efficiency that complement tax-deferred assets, rather than competing with them.

These strategies continue to deliver benefits into retirement. A retiree with both taxable and tax-advantaged accounts can draw from each in a coordinated manner, controlling the tax impact year by year and optimizing cash flow. Instead of being locked into fixed distributions or forced sales, they can fine-tune withdrawals to support both lifestyle and legacy objectives.

Estate planning adds another layer of opportunity. Taxable accounts confer a key advantage through the “step-up” in cost basis when assets are inherited. Upon the original owner's death, the cost basis resets to the fair market value, effectively erasing capital gains accrued during their lifetime. Heirs only pay taxes on future gains from that new baseline. The result is a smoother transfer of wealth and often a significantly reduced tax bill compared to assets held in tax-deferred vehicles.

From Direct to Dynastic

As trillions of dollars move between generations in the coming decades, direct indexing will play a central role in shaping how that wealth is transferred

and preserved. Unlike static index funds, which change only during reconstitutions or corporate actions, direct indexing offers flexibility to evolve alongside a family’s circumstances. Advisors can adjust positions in real time to reflect new priorities, risk tolerances, or beneficiaries.

Direct indexing also streamlines estate administration. Instead of liquidating mutual fund or ETF holdings into cash, clients can pass along individual securities or bonds directly to heirs or charities. For appreciated assets, this transfer not only reduces taxable gains but also provides heirs with greater choice in how to manage their inheritance. Modern platforms even integrate stock gifting and charitable donation tools, making these processes simple and transparent.

Control is another advantage. Clients can decide which assets go to which heirs, ensuring that wealth aligns with values. For example, a client may choose not to pass energy-sector stocks to an environmentally conscious child or might redirect certain holdings to a donor-advised fund instead. The flexibility to allocate individual securities rather than fund shares creates meaningful alignment between intent and execution.

For advisors, highlighting these estate advantages can create strong differentiation, particularly for those with integrated tax or CPA services. Direct indexing naturally complements advanced estate structures, such as grantor-retained annuity trusts (GRATs). By placing high-growth assets—like pre-IPO shares or concentrated positions—into a GRAT, clients can minimize or

eliminate estate taxes for their heirs. Direct indexing enhances this process by allowing precise control over which securities enter the trust, optimizing both risk and growth potential.

Similarly, direct indexing can integrate seamlessly with charitable remainder trusts (CRTs), which provide income for the donor during their lifetime and ultimately benefit a designated charity. Whether structured as a CRUT (unitrust) or CRAT (annuity trust), pairing a CRT with direct indexing increases flexibility and potential impact. Donors can allocate appreciated securities directly, receive an immediate tax deduction, and reduce capital gains on those assets—all while maintaining control over how the portfolio supports both family and philanthropic goals.

Direct indexing also strengthens income strategies for retirees. Custom bond ladders and fixed-income allocations can be built within direct indexing frameworks, allowing for efficient income generation and better management of tax losses. This ensures that the estate remains resilient while optimizing cash flow and preserving principal over time.

In short, direct indexing brings institutional precision to personal wealth management. It helps advisors expand their client base, deepen engagement, and strengthen retention—while delivering customized, tax-aware, and values-aligned portfolios. From the mass affluent investor just crossing into HNW territory to the dynastic family planning multi-generational wealth transfers, direct indexing offers a single framework adaptable to every stage of the client journey.

And in a world where personalization and transparency increasingly define value, that adaptability isn’t just a competitive advantage—it’s the new baseline for relevance.

EASIER THAN EVER: THE OFFICIAL HANDBOOK TO 1-CLICK TRADING IS COMING

The direct indexing revolution makes it possible to manage individual securities for your clients, but that doesn’t mean there isn’t a space in the modern portfolio for the all-in-one efficiency of exchange-traded funds . . .

. . . provided you can close the indecision gap between learning about what each investment strategy does and putting it to work. Welcome to the world of 1-Click Trading.

Our upcoming handbook provides everything necessary, so your clients benefit immediately as your due diligence reveals new opportunities from BlackRock, Invesco, Principal, Morningstar and hard-to-find boutique asset managers. Each manager brings something different to the table. Take this unique opportunity to translate information into action:

- Search, filter and rank the truly world-class investment solutions available to 1-Click Advisors
- Pre-approve client accounts for suitability, conserving scarce time and business cycles
- Compete head-to-head against robo platforms to impress self-directed investors

Personalization at Scale: Where Practice Meets Theory

PERSONALIZATION is often the headline feature of direct indexing, but its real power lies in tax optimization—and that cannot happen without technology at the core. Modern direct indexing depends on the ability to collect, process, and act on complex data in real time, connecting client-specific tax details to investment decisions across thousands of accounts. Without automation, this level of precision and scale would be impossible.

Data management is the foundation of every successful direct indexing program. Client-specific details such as tax rates, realized gains or losses, and income levels feed directly into portfolio construction and rebalancing decisions. These data points guide when to harvest losses, how to offset gains, and where to rebalance for maximum tax efficiency. In response, fintech firms have developed increasingly sophisticated tools to automate data collection and integrate it with financial planning platforms. The goal is seamless coordination between data, portfolio management, trading, and tax planning—all within one system.

Automation and integration sit at the heart of this evolution. Direct indexing is, in essence, the separation of the index mandate from the traditional index fund structure. Instead of pooling assets into a single vehicle, investors hold the individual securities that make up the benchmark, typically through separately managed accounts (SMAs). Historically, this required significant wealth, since only large accounts could afford the costs of purchasing and managing all the individual securities within an index. But modern trading systems, fractional share ownership, and zero-commission transactions have brought this approach within reach of a much broader audience.

That said, not all SMA-based implementations deliver the same benefits. Some third-party providers run “off-the-shelf” SMA strategies that simply replicate a fund manager’s model portfolio. These often limit true customization and can dilute the tax advantages that make direct indexing attractive in the first place. If customization is constrained—or if the manager’s turnover is too high—the structure risks reverting to a quasi-pooled fund, losing much of its strategic value.

Ideally, direct indexing aligns closely with the low-turnover philosophy of index investing. Since most indexes make only minor changes during reconstitution, managers can replicate performance while minimizing transactions and avoiding unnecessary capital gains. Low turnover translates to fewer taxable events, greater efficiency, and a smoother client experience.

Yet one of the biggest operational challenges for direct indexing firms lies in integrating their platforms with the diverse and sometimes outdated technology stacks of advisory practices. Many firms use proprietary portfolio management systems, unique data formats, or closed custodial interfaces that make smooth integration difficult. For direct indexing

providers, success depends on secure, real-time access to account data and trading systems. Without that access, even the most advanced tax algorithms or rebalancing engines can’t function effectively.

The Separately Managed Solution

To understand where direct indexing fits within the broader investment landscape, it helps to look at the evolution of Separately Managed Accounts. SMAs can be thought of as “unbundled” mutual funds: professionally managed portfolios where investors own each underlying security directly, rather than holding a slice of a pooled vehicle. This direct ownership allows for greater transparency, control, and customization—precisely the qualities that make direct indexing possible.

Traditional SMAs

Originally, SMAs were designed to give individual investors access to the same kind of professional management that large institutions enjoyed. An investor could allocate assets across multiple managers—one for equities, another for fixed income, and so on—each managing a portion of the portfolio. These accounts were complex to administer. Funds flowed to third-party managers, and reporting on holdings and performance often required manual consolidation, generating both administrative headaches and significant costs.

To simplify this structure, custodians and asset managers began introducing sub-accounting systems that divided a client’s overall portfolio into “sleeves.” Each sleeve represented a specific asset class or manager mandate. This innovation made it possible to track performance and holdings separately while still viewing the portfolio as a unified whole. These early SMAs

formed the foundation of personalized investment management, but they were labor-intensive and costly, typically reserved for investors with high minimums and significant ongoing fees.

Model-Based Overlay SMAs

Despite their sophistication, traditional SMAs still suffered from inefficiencies. Communication between the advisor and outside managers was slow, often reliant on calls or email instructions. Because different managers operated independently, there was little coordination—meaning one manager could sell a security while another bought it back, triggering wash sales and unnecessary tax complications. Rebalancing or transferring assets between managers was cumbersome and inefficient, particularly when dealing with taxable accounts.

To address these challenges, the industry shifted toward a more

centralized approach: the model-based SMA. In this structure, external managers no longer trade directly. Instead, they provide model portfolios—essentially blueprints for their strategies—while the advisor or a central overlay manager executes all trades within the client account. This approach greatly improves efficiency, eliminating redundant trading and creating a single point of control for tax and risk management. It also reduces costs, as multiple strategies can be implemented on the same platform without duplicating transactions.

However, model-based SMAs come with their own limitations. They work best for highly liquid asset classes, such as large-cap equities, where model updates can be applied seamlessly across accounts. For less liquid markets—like municipal bonds, emerging markets, or micro-cap

stocks—this approach can fall short, as effective execution still requires specialized expertise and direct trader involvement.

Still, the model-based SMA represents an important step toward scalable personalization. It takes the best elements of traditional SMAs—transparency, direct ownership, and professional management—and enhances them through automation and data integration. It also provides the structural backbone for modern direct indexing, enabling advisors to tailor portfolios at the individual level without abandoning efficiency or oversight.

Are ETFs Over?

The discussion around ETFs versus direct indexing often mirrors the broader debate between active and passive management. In reality, the two are not competitors but complements.

Direct Indexing Ecosystem (Illustrative)



Courtesy of Celent, 2024

ETFs remain a highly efficient vehicle for obtaining broad market exposure or for implementing sophisticated strategies such as buffered ETFs, defined volatility products, and other derivatives-based or leveraged approaches—areas where direct indexing is less practical. ETFs also make sense when exposure to a complex, high-turnover strategy is desired, such as a multi-thousand-bond fund like the PIMCO Total Return ETF (BOND).

Direct indexing, however, offers advantages that ETFs can't match—chiefly in the areas of tax management, customization, flexibility, and transparency.

At the tax level, direct indexing enables loss harvesting at the individual-security level, allowing advisors to generate tax alpha and improve after-tax returns. From a construction standpoint, it allows investors to exclude specific stocks, sectors, or factors—an invaluable tool for clients with legacy holdings or concentrated positions. Thematic clarity is another benefit. Even ETFs tracking the same theme can differ significantly in composition.

In practice, ETFs and direct indexing can coexist comfortably within a core-satellite framework. The “core” typically consists of broad, low-cost exposures—often ETFs—while “satellites” introduce personalization, targeted themes, or tax-management opportunities through direct indexing.

Technology as the Enabler

The convergence of SMA infrastructure, fractional share trading, and modern fintech has redefined what's possible for wealth managers. Advanced software platforms can now track thousands of securities, tax lots, and client-specific parameters simultaneously. Automated engines

MMI/Cerulli Top Objectives in SMAs

Top-10 Objectives: Manager-Traded SMA¹ Assets

Objective	3Q'23 Assets (\$B)
Direct Index	\$535.1
Municipal Fixed Income	\$460.6
Taxable Fixed Income	\$259.4
Large-Cap Growth	\$41.4
Large-Cap Core	\$41.0
Multiple Discipline Product	\$40.8
Taxable Balanced	\$37.4
Large-Cap Value	\$23.4
Municipal Balanced	\$16.5
Specialty Domestic Equity, Eq Inc	\$8.1

Top-10 Objectives: Model Delivered SMA Assets

Objective	3Q'23 Assets (\$B)
Large-Cap Growth	\$94.6
Large-Cap Value	\$85.1
Specialty Domestic Equity, Eq Inc	\$56.2
Large-Cap Core	\$47.5
International Large Growth	\$18.8
Global Equity	\$18.6
Taxable Fixed Income	\$15.6
All-Cap Growth	\$14.3
Multiple Discipline Product	\$14.0
Smid-Cap Core	\$13.1

identify opportunities for tax-loss harvesting, generate rebalancing trades that minimize taxable events, and ensure each portfolio remains closely aligned to its benchmark or custom model.

Integration with financial planning tools ensures that portfolio-level decisions reflect a client's broader financial picture. For example, when a client's income fluctuates or their tax bracket changes, the system can adjust harvesting and realization strategies automatically. Similarly, ESG preferences or legacy holdings can be incorporated dynamically, ensuring portfolios stay aligned with evolving client priorities.

The result is personalization “at scale.” What once required a team of analysts, traders, and accountants can now be executed through an integrated technology platform. Advisors gain the ability to offer tailored portfolios to hundreds of clients simultaneously, each optimized for taxes, risk, and personal values—all while maintaining operational efficiency and compliance.

Ultimately, technology doesn't replace the advisor in this model—it enhances them. Automation handles the data and execution, freeing the advisor to focus on the high-value work of interpretation, communication, and strategy. By blending human judgment with machine precision, direct indexing delivers on the long-promised goal of truly customized investing—made practical, scalable, and profitable.

Go Beyond The Vanilla SMA Experience

Effective tax management is always a balancing act between minimizing taxes and minimizing risk—both absolute risk and relative risk (tracking error). Because tax and risk are properties of the portfolio as a whole, a holistic framework allows for more efficient trade-offs. You can reduce risk for any given level of tax benefit, or capture more tax alpha for the same level of risk. Let's look at how this plays out in practice.

Asset-Class Rebalancing

In a subaccount-based structure, rebalancing between asset classes

means selling down one sleeve and buying another—potentially requiring hundreds of trades, each with tax and transaction implications. That complexity forces managers to rebalance infrequently. For example, a portfolio targeting 70% large-cap exposure might rebalance only if it drifts below 60% or above 80%, resulting in persistent drift of approximately 5%.

In a holistic portfolio, you can rebalance incrementally—say, at 69% or 71%—because you can target just a few securities. You might:

- **Sell selectively**, focusing on positions with minimal gains or existing losses.
- **Target trades that meaningfully affect exposure**, selling “larger-cap” large caps and buying “smaller-cap” mid caps to keep tracking error low.
- **Leverage natural turnover**, using routine sales (e.g., selling Ford to buy GM) as opportunities to fine-tune exposures.

In short, holistic management enables trading at the security level, not the asset-class level—reducing taxes, turnover, and drift, all at once.

Loss Harvesting

Loss harvesting involves selling a security to realize a tax loss while maintaining exposure through a correlated substitute. In a holistic portfolio, you have far more flexibility in choosing that substitute. If you sell Ford, GM might be the best replacement—even if it sits outside the “large-cap sleeve.”

Better yet, you’re not limited to buying a correlated stock at all. You might instead reinvest in the most underweighted positions in the portfolio, regardless of asset class.

This approach minimizes portfolio tracking error more effectively than the rigid, “local” reinvestment required in a subaccount model.

Gains Deferral

Deferring gains—holding overweighted positions to avoid realizing taxable events—is another area where holistic management shines. Every overweight implies an offsetting underweight somewhere else. The goal is to underweight the most correlated security to reduce tracking error.

Operational Efficiency

Direct indexes track benchmarks that evolve over time. When a mid-cap stock graduates to large-cap, it’s typically sold from one SMA and bought in another, often realizing gains in the process. In a holistic portfolio, you can simply hold the stock—since, from the combined large- and mid-cap perspective, nothing material has changed. That flexibility helps reduce unnecessary realized gains.

In a subaccount structure, allocating to a direct index means opening and funding a separate subaccount. Every time there’s a cash flow in or out, you have to determine how much belongs in the direct index. Every rebalance requires calculating how much to buy or sell within that subaccount.

Managing multiple direct indexes makes this even more complex. You must avoid wash sale violations and cross trades across the different SMAs. Even with automation, that means maintaining a shadow accounting system—an added layer of cost and operational drag.

With a holistic approach, all of that friction disappears. Choosing a direct index instead of an ETF for, say, large-cap exposure becomes as simple as selecting the “direct index” option in a menu. There are no subaccounts, no



CHOOSING A DIRECT INDEX INSTEAD OF AN ETF FOR, SAY, LARGE-CAP EXPOSURE BECOMES AS SIMPLE AS SELECTING THE “DIRECT INDEX” OPTION IN A MENU

shadow accounting, and no separate workflow for cash flows or rebalancing. It’s a single, unified portfolio—simple, scalable, and transparent.

From SMA to UMA

Direct indexing through a Separately Managed Account gives advisors the tools to create personalized portfolios, but it also adds layers of complexity. When a client’s wealth is spread across several SMAs—each run by a different manager—communication between those managers is often limited or nonexistent. One may harvest losses while another repurchases the same security, unintentionally triggering wash sales and disallowed losses. These inefficiencies can go unnoticed until tax season, when the custodian or the client’s CPA surfaces the problem—sometimes to the advisor’s embarrassment and the client’s frustration.

Unified managed accounts were designed to solve these issues. While

SMAs often sit apart from mutual funds, ETFs, and proprietary portfolios, a UMA brings all of those holdings together under one umbrella. The result is a single account that consolidates performance, holdings, and reporting across all components of the client’s investment program.

There are two primary structures for UMAs: sleeve-based and blended-model.

Sub-Account (Sleeve-Based) UMAs

The sleeve-based UMA evolved directly from the SMA framework. When SMAs were first introduced, custodians created sub-accounts—or “sleeves”—to separate different managers or strategies within one portfolio. As client needs grew, additional sleeves were added to hold mutual funds or proprietary equity strategies. To turn these parallel systems into a unified structure, platforms had to merge the accounting for SMAs, mutual funds, and other holdings into one system.

This approach made administration easier but didn’t eliminate the underlying complexity. Maintaining multiple sleeves is expensive, and managing a portfolio in segmented parts makes it harder to view and control overall portfolio risk.

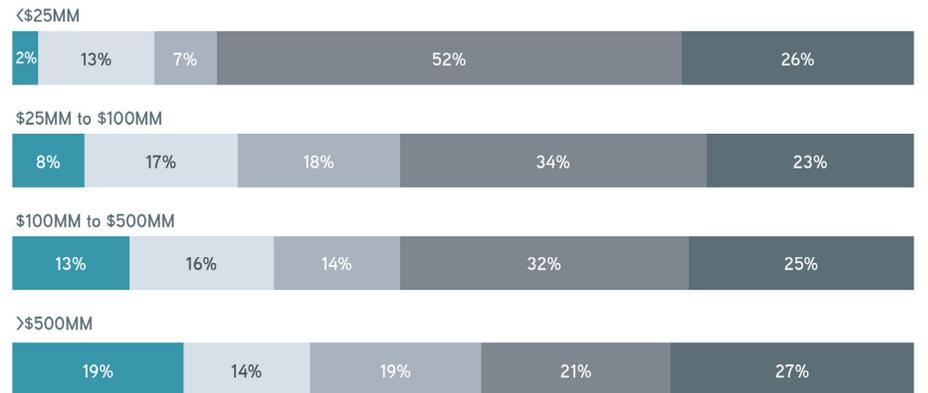
Blended-Model (Holistic) UMAs

Blended-model UMAs evolved to address these issues. Instead of managing each sleeve independently, this structure eliminates sub-accounts entirely. Third-party specialists provide portfolio models, which are combined into a single composite model that drives all portfolio activity. The client’s account is then managed holistically against this composite, allowing the advisor to view and optimize the portfolio as one integrated whole.

Allocations by advisor segment



Allocations by advisor AUM



Source: Cerulli Associates, 11/30/2021. For illustrative purposes only. Not a recommendation to buy or sell any security.

When an SMA adopts this blended approach, it effectively becomes a UMA—no additional systems or sleeves are needed. Mutual funds, ETFs, and proprietary strategies can be added directly to the composite in the desired proportions, with all positions managed as part of a single strategy.

Understanding Sleeves and Their Trade-Offs

In practice, “sleeves” can refer to three related but distinct concepts: accounting, rebalancing, and reporting.

- Sleeve-level accounting divides an account into virtual sub-accounts by tagging each tax lot to a specific sleeve.
- Sleeve-level rebalancing manages each sleeve separately, adjusting

only the securities within that segment.

- Sleeve-level reporting breaks out performance for each sleeve independently.

These functions often occur together, but they don’t have to. For example, an advisor might keep sleeve-level accounting and reporting for transparency while performing a holistic rebalance that treats the entire portfolio as one. This allows for coordinated tax-loss harvesting and risk control while still providing manager-level reporting.

Sleeve-level accounting was once essential when multiple sub-advisors traded their own portions of a portfolio. It remains valuable for certain specialized strategies—municipal



SLEEVE-LEVEL REBALANCING, WHILE USEFUL FOR EVALUATING MANAGERS INDEPENDENTLY, WEAKENS TAX AND RISK MANAGEMENT.

bonds or micro-cap equities, for instance—where trading expertise is critical. But for most modern programs, overlay management has become the preferred alternative. Under this model, third-party managers supply portfolio models, while a single overlay manager executes all trades, improving coordination and tax efficiency.

The Drawbacks of Sleeve-Level Management

Despite its history, sleeve-based management comes with significant trade-offs. Maintaining sleeves requires parallel accounting systems and extra reconciliation work to keep the overall portfolio accurate. Each sleeve also generates its own cash flows from dividends or redemptions, complicating liquidity management and fee payments. When securities are held across multiple sleeves, rounding errors and trade-size constraints introduce drift, and optimizing tax-lot selection becomes more difficult.

Sleeve-level rebalancing, while useful for evaluating managers independently, weakens tax and risk management. Because risk and taxes apply to the portfolio as a whole,

managing each sleeve in isolation often leads to inefficiencies. An overweight in one sleeve might offset an underweight in another, but the system cannot recognize this if the sleeves operate independently. The result is more trades, greater drift, and reduced tax efficiency.

Operational complexity is another concern. Processing withdrawals or paying advisory fees becomes more cumbersome when each sleeve maintains its own cash reserve. Preventing wash sales or cross-trades across sleeves requires additional matching systems, further increasing administrative overhead.

Finally, while sleeve-level reporting is useful for performance attribution—particularly when managers act independently—it loses meaning when there's "cross influence" between sleeves. Wash sales, cross-sleeve substitutions, and tax coordination all blur the lines of individual performance. Once that happens, sleeve-level reporting no longer reflects the real drivers of return.

The Case for Integration

Blended-model UMAs represent the next stage of evolution. By consolidating portfolio management, reporting, and trading under a single framework, they enable true tax and risk optimization at the household level. Advisors gain transparency, clients get efficiency, and the entire process becomes more scalable.

In short, moving from SMA to UMA—especially to a blended, model-based approach—marks the transition from fragmented personalization to integrated portfolio management. It's the difference between managing a collection of accounts and managing a cohesive investment strategy designed around the client's complete financial picture.

What About Bonds?

Direct indexing has historically been an equity strategy. Investors own individual stocks that replicate an index's market beta, which opens the door to personalization and tax management opportunities. By realizing losses at the individual-security level, investors can create tax alpha and potentially enhance after-tax returns.

Bond ladders share much of this same DNA. Whether municipal, corporate, or Treasury-based, ladders are built through a rules-driven, customizable process. Advisors and clients collaborate to design evenly weighted portfolios tailored to desired maturity ranges, credit qualities, and risk parameters. Each ladder is unique in its specific holdings but collectively represents the targeted fixed income market beta over its maturity spectrum.

Bond ladders can deliver many of the same potential benefits as direct indexing—and in some respects, they may go a step further.

1. Ongoing Tax Management Opportunities

In equity direct indexing, tax-loss harvesting opportunities may diminish over time as cost basis resets lower. Fixed income portfolios, by contrast, naturally refresh through maturities, calls, and coupon payments, creating recurring opportunities to reinvest and reset cost basis.

2. Tax-Aware Construction

Bond ladders can be built with the investor's specific tax profile in mind—taking into account the treatment of Treasuries, corporates, and municipals, as well as state tax considerations. For example, a municipal bond investor in a mid-tier tax bracket might

benefit from a rules-based allocation between taxable and tax-exempt sectors that always seeks the highest after-tax yield.

3. More Predictable Returns

Laddered portfolios avoid market timing around interest rates, yield curves, or credit spreads. Their systematic structure supports stable duration and more dependable performance outcomes than many active strategies. Advisors can even estimate potential returns and tax benefits through modeling tools such as a Laddered Interest Rate Scenario Tool.

4. Alignment with Investor Values

Just as equity direct indexing allows for responsible investing customization, bond ladders can do the same. In corporate ladders, investors can apply environmental or social screens based on business involvement or ratings criteria. In municipals, investors can focus on bonds funding social or environmentally positive projects, aligning their fixed income allocations with personal values.

Going Sleeveless: Advanced Strategies

Sleeve-level accounting still has its place—mainly when discretion over part of a portfolio must be given to a sub-advisor. But for most wealth managers, the real reason sleeves persist is client demand for sleeve-level reporting. Institutional clients, in particular, often expect to see their portfolios broken down this way, even though the information is rarely actionable and the process is costly and complex.

This creates a tension: if sleeves complicate management and reduce efficiency but clients still want them, how can advisors satisfy expectations without undermining best practices?

In practice, firms use a range of strategies to balance client service with sound portfolio management. Four approaches are especially common.

STRATEGY 1

Sleeve-Based as the Exception

The most efficient model is to make holistic management your default and reserve sleeve-level reporting for rare situations. Most clients don't request sleeve-level breakdowns, and those who do often reconsider after understanding the drawbacks—added cost, reporting lag, and potentially misleading performance signals.

If a client insists, “true sleeves” can be established: separate accounts with unique account numbers for each mandate. This setup provides the cleanest data and the clearest separation, but it's expensive and operationally heavy, so it's typically reserved for institutional or ultra-high-net-worth clients who have specific oversight requirements.

STRATEGY 2

Alternate Reporting

Instead of providing sleeve-level performance, some advisors offer more relevant and cost-effective transparency. That might include detailed due diligence reports on model vendors—covering composite returns, consistency of investment style, and manager background.

Others take it a step further by maintaining funded “reference accounts” for each model. These accounts are traded under the same overlay structure as client portfolios, providing a real-world benchmark of how the model performs within the firm's trading environment. This approach can satisfy client curiosity while keeping the primary portfolio managed holistically.

STRATEGY 3

Eliminate Product-Level Performance

Another option is to move away from security- or sleeve-level reporting altogether and focus instead on total portfolio outcomes. This aligns with a goals-based wealth management framework, where success is measured by progress toward financial objectives, not by isolated product performance.

Clients care most about whether they're on track to meet their goals. By framing performance in that context, advisors can redirect attention from benchmarks and sleeves to what truly matters—portfolio outcomes, risk management, and after-tax efficiency.

STRATEGY 4

Holistic Management with Sleeve-Level Reports

Finally, some firms choose to manage portfolios holistically while still producing sleeve-level reports purely for presentation. These reports may not accurately reflect how much each model or manager contributes—since overlay trading, cross-sleeve substitutions, and tax coordination blur those lines—but they can help meet client expectations.

This approach satisfies the optics without compromising the underlying management process. Clients get the reports they expect, while the advisor retains the flexibility to optimize taxes, risk, and overall portfolio performance.

These strategies are not mutually exclusive. Many firms blend them—maintaining holistic management as the foundation, offering alternative transparency, and accommodating sleeve-level reporting only when required. The key is to align your operational practices with your client communication strategy, ensuring that every reporting choice serves a purpose: reinforcing trust, efficiency, and clarity.

A Long Note on Crypto

As digital assets mature, wealth managers are beginning to explore how cryptocurrencies might fit within rules-based, personalized investment frameworks—particularly within direct indexing. Conceptually, this is a natural evolution. Direct indexing already emphasizes ownership of individual securities, transparency, customization, and after-tax efficiency. Crypto assets, when handled appropriately, can extend those same principles into a new and diversifying part of the capital markets.

From an investment standpoint, the motivation is straightforward. Major crypto assets such as Bitcoin and Ether have demonstrated periods of strong absolute performance and sometimes lower correlation with traditional risk assets. Even modest allocations can influence overall portfolio efficiency. Equally important, crypto exposure can be implemented using rules-based methodologies—effectively creating a “crypto direct index” that mirrors the logic of equity direct indexing. Investors can select tokens according to defined criteria, weight them by market cap or liquidity, and manage the portfolio at the token level for taxes, customization, and tracking error control.

There are several ways to implement this concept in practice. The most direct approach is native token ownership, where the client’s account holds digital assets directly through an institutional custodian. This offers full transparency and control but requires robust custody solutions, secure key management, and integration with the adviser’s operational infrastructure. An alternative is to build a rules-based basket of tokens that behaves like an index and is rebalanced periodically. This provides systematic exposure without necessarily requiring clients to manage on-chain transactions themselves. For firms that prefer

to avoid direct custody, synthetic exposures through spot ETFs, futures, or swaps can deliver crypto beta within regulated wrappers. Some managers are also adopting hybrid models—combining native and synthetic holdings depending on client type, account structure, and jurisdiction.

Any serious discussion of crypto direct indexing must address tax, regulatory, and operational realities. For U.S. investors, the IRS treats digital assets as property, meaning every sale or exchange is a taxable event and that staking rewards or airdrops can generate income on receipt. Because of this, accurate lot-level accounting is critical. The uncertainty surrounding the wash-sale rule adds another layer of complexity—advisers should not assume that crypto enjoys the same relief or constraints as equities and should coordinate closely with tax counsel.

Custody and compliance are equally central. Institutional-grade custody is no longer rare, but due diligence remains essential to confirm asset segregation, insurance, and compliance with evolving SEC expectations. The regulatory environment continues to evolve, and documentation of custodian oversight is increasingly viewed as a fiduciary requirement.

Liquidity and execution present another layer of practical challenge. Many digital assets trade in fragmented markets, and liquidity varies widely outside the largest tokens. That makes rebalancing frequency, turnover rules, and trade staging important determinants of outcome. A thoughtfully designed crypto index will include liquidity screens and weighting caps to minimize slippage and market impact. Beyond trading, operational complexity stems from the blockchain itself. Forks, airdrops, and staking events must be captured and reconciled within accounting and tax



DIRECT INDEXING ALREADY EMPHASIZES OWNERSHIP OF INDIVIDUAL SECURITIES, TRANSPARENCY, CUSTOMIZATION, AND AFTER-TAX EFFICIENCY.

systems, often requiring specialized data vendors or portfolio accounting integrations.

Staking deserves particular attention. It can create an income stream that enhances total return, but the rewards are typically taxed as ordinary income when received and may involve lockups that restrict liquidity. If staking is incorporated into a direct index program, advisers should decide whether rewards will be reinvested automatically or distributed as cash and should ensure that client reporting clearly separates staking income from capital appreciation.

For firms that manage portfolios holistically rather than in discrete sleeves, integrating crypto exposure can be operationally advantageous. Managing all assets under a single, unified tax-lot and trading engine enables the adviser to optimize gains and losses across asset classes, rather than being forced to manage each exposure in isolation. It also simplifies cash flow management when crypto positions are rebalanced or liquidated and allows proceeds to be redeployed flexibly across the portfolio.

Making the Leap

SWITCHING STRATEGIES—or even switching advisors—can be costly for clients. Consolidating expertise, systems, and service on a single platform offers a clear advantage, and direct indexing provides a uniquely tax-efficient path to do just that. Its ability to manage capital gains exposure gradually helps avoid forcing clients to realize all gains at once, particularly when transitioning legacy positions.

Instead of liquidating existing holdings, advisors can absorb those securities into a new direct indexing framework and guide the portfolio toward its new structure over time. The rebalancing systems handle this process systematically—rather than targeting a fixed allocation immediately, they incrementally align the holdings with the new objective. This phased approach helps minimize taxable events, reduce trading costs, and keep the client invested throughout the transition. Advisors can control the pace, concentrating taxable activity into one year for planning purposes or spreading it over multiple years to smooth the impact—or even deferring gains entirely for heirs.

Offering a structured, tax-efficient transition plan can also be a strong differentiator when onboarding new relationships. If you're making a professional move—say, leaving a wirehouse—direct indexing allows you to retain legacy clients without requiring them to sell proprietary funds and realize unnecessary gains. You simply absorb their existing positions into the new structure and begin the automated rebalancing process.

In many ways, transitioning a client portfolio from pooled products to direct holdings resembles creating an investment policy statement. The process still involves defining target exposures, setting constraints, and accounting for client-specific

factors before selecting the investment universe. The difference lies in the execution: once these parameters are set, technology manages the rest—maintaining minimal tracking error while respecting constraints such as taxes, ESG preferences, and client values.

Managing the Transition for Current Clients

Integrating existing clients into a direct indexing framework works much like onboarding new ones. Legacy portfolios often contain a mix of individual securities, ETFs, and mutual funds—sometimes unbalanced, tax-inefficient, or misaligned with current goals. Many clients come to you precisely because their portfolios reflect outdated thinking, excessive concentration, or underperformance. Direct indexing provides a structured way to modernize these portfolios efficiently and with minimal disruption.

Here's how to manage that process effectively:

1. Educate the Client

Begin by explaining what direct indexing is and why it matters. Emphasize the benefits of personalization, tax efficiency, and transparency compared with traditional investment products. Clients appreciate understanding the “why,” so providing resources or inviting them to learn more reinforces your credibility and the value of your approach.

2. Analyze the Portfolio

Evaluate current holdings for overlap, sector concentration, and embedded tax liabilities. Demonstrate how direct indexing can resolve inefficiencies and improve after-tax outcomes. This diagnostic step shows clients that the transition isn't about disruption—it's about refinement.

3. Customize the Portfolio

Leverage direct indexing to align the portfolio with each client's priorities. That might include underweighting certain industries, removing specific companies, or integrating ESG or thematic considerations. The ability to reflect personal values within a disciplined framework strengthens client engagement.

4. Optimize for Taxes

Use direct indexing's built-in tax-loss harvesting capabilities to offset realized gains or reduce taxable income. Over time, systematic harvesting can compound into significant after-tax advantages, reinforcing the long-term value of the strategy.

5. Compare Costs

Walk clients through a transparent cost comparison. For larger accounts, direct indexing often results in lower total costs than traditional mutual fund strategies, especially once you factor in embedded tax efficiency. Clients respond positively when they see better economics paired with better control.

6. Plan the Transition

Develop a phased roadmap to move existing investments into the direct indexing structure. Base the pace on the client's tax situation, liquidity needs, and time horizon. The goal is to make the shift seamless while capturing the benefits of customization and tax efficiency as early as possible.

Build Your New Routine

Once a client transitions into a direct indexing strategy, the relationship becomes more dynamic and continuous. Clients' lives evolve—new income streams, inheritances, or liquidity events can alter their portfolios. Likewise, expenses such as tuition, real estate purchases, or charitable giving require careful planning and execution. The days of a single, linear career path ending with retirement are gone; modern clients experience multiple financial transitions that require ongoing guidance.

Each of these life moments can carry distinct tax considerations. Your role is to anticipate them and use the tools available through direct indexing to keep the portfolio efficient and adaptive.

When an SMA Manager Is Replaced:

If an active SMA manager is terminated, there's no need for an immediate liquidation. The existing securities can transition smoothly into a direct index SMA, where they can be re-optimized in line with the client's goals. This avoids unnecessary capital gains and allows the advisor to reestablish strategy alignment efficiently.

When Managing Philanthropic Goals:

Clients who receive a windfall—such as a bonus or inheritance—often want to give back. Instead of donating cash, they can donate appreciated long-term shares, avoiding capital gains taxes while securing a charitable deduction. The cash that would have been donated can then be reinvested to refresh the portfolio's cost basis within the SMA. Advisors can ensure compliance with wash-sale rules where applicable and highlight the dual benefits of generosity and efficiency.

When Generating Cash for Major Expenses:

Large expenses such as a vacation



THE REAL DIFFERENTIATOR NOW IS THE CLIENT EXPERIENCE: CRAFTING AN APPROACH CENTERED ON EACH CLIENT'S GOALS, VALUES, AND PREFERENCES.

home or education costs don't have to derail portfolio performance. Direct indexing platforms allow for targeted liquidation, prioritizing shares with the highest cost basis to minimize realized gains. The process is automated but remains under your strategic control, balancing liquidity needs with long-term efficiency.

When Harvesting Gains to Offset Past Losses:

If a client has unused tax losses from prior years, direct indexing can help accelerate gain harvesting to make use of those offsets. The system can selectively sell high-performing securities to realize gains that are neutralized by the existing losses, maintaining the portfolio's integrity while improving overall tax outcomes.

Reap the Reputational Rewards

Direct indexing isn't just a client benefit—it's also a business advantage. Many advisors adopt it not only to serve clients better but to streamline their own operations. By outsourcing part of the investment oversight to a direct indexing platform, you free up time and resources to focus on

what drives growth: marketing, client engagement, and building your brand.

One of the strongest marketing angles is tax alpha. In an environment of fee compression and rising expectations, demonstrating tangible after-tax value is essential. Direct indexing helps you deliver that proof point without adding internal costs. Advisors who consistently generate measurable results—especially in areas like tax efficiency and personalization—stand out in today's competitive landscape.

That competition is no longer just about gathering assets. As clients gain access to more financial information and trading costs continue to fall, the greater challenge is retaining relationships in a market where investors can increasingly "go it alone." The real differentiator now is the client experience: crafting an approach centered on each client's goals, values, and preferences.

Direct indexing supports that shift toward client-centric advice. It enables access to more personalized portfolios and alternative wealth strategies, helping you deliver a modern, high-touch service in a commoditized industry. With ongoing macroeconomic uncertainty, geopolitical volatility, and new fintech competitors entering the space, offering solutions that showcase your expertise and flexibility is key to staying ahead.

While tax optimization remains difficult for self-directed investors—particularly those used to the simplicity of index funds—direct indexing bridges that gap. It brings the efficiency of indexing together with the sophistication of customized management. Investors who care about values-based investing, ESG alignment, or unique exposure preferences get a tailored portfolio that still benefits from the diversification and structure of an index.

Transparency is another advantage that resonates strongly with clients. With direct indexing, investors can see every individual security they own and understand how each position fits their broader strategy. They can also see your active role in shaping that portfolio—adjusting exposures, harvesting losses, and managing tax implications in real time. While ETFs disclose holdings, the difference between owning a packaged product and owning the actual securities is substantial. Direct indexing delivers that clarity naturally, without adding complexity for the advisor.

It also reinforces your role as a portfolio architect. You determine the parameters, fine-tune the exposures, and manage the risk and tax layers within each account. That level of hands-on oversight is visible to clients and demonstrates the real value you bring—especially at a time when the gap between product cost and advisory value continues to widen.

As product expenses decline across the industry, direct indexing positions you to highlight your worth. You can reduce portfolio costs for clients while maintaining (or even increasing) the sophistication of their investments. Whether implemented as a core holding or a core-satellite component, direct indexing enables you to lower expenses without compromising performance or customization.

The result is a powerful combination of growth potential and client retention. Once you've successfully implemented direct indexing for a few clients, it becomes easier to scale across your entire practice. The model is repeatable, efficient, and differentiating. It also opens new doors: you can market to prospects whose current advisors can't—or won't—offer the same level of tax efficiency, personalization, or transparency.

Ultimately, direct indexing helps you do what great advisors do best: deliver meaningful results, communicate real value, and deepen client trust. As the wealth management landscape continues to evolve, the advisors who use tools like this to elevate both efficiency and experience will define the next generation of industry leaders.

Reviving Established Accounts with New Cash

In the early years of a loss-harvesting account, tax benefits can be meaningful. Over time, however, those benefits tend to diminish. As losses are harvested and replacement securities are purchased at lower costs, the portfolio's overall cost basis declines, which reduces opportunities for future loss harvesting.

This effect—often called “tax alpha decay” or ossification—is driven by the cumulative lowering of cost basis, compounded by equity markets' long-term upward trend. Our research suggests investors can counteract this by adding fresh cash to their accounts, effectively resetting part of the cost basis and creating new opportunities to harvest losses.

In our simulations of equity index-tracking tax-loss harvesting accounts—each starting with \$1 million and rebalanced to align with the S&P 500 Index—we found that accounts without additional contributions typically generated about 1%–2% in potential annual tax savings over a 10-year horizon. These benefits tend to be front-loaded: roughly 80% of cumulative tax savings occur in the first five years, tapering thereafter.

When we modeled additional annual cash contributions ranging from 2.5% to 20% of the account's value, the results were clear. Contributing roughly 20% annually helped sustain a steady increase in potential tax savings. A smaller

range—10% to 15%—was enough to maintain consistent average annual tax savings of about 1% over 10 years, as the fresh cash created new opportunities for harvesting losses in later years.

Timing doesn't really matter. We tested a range of contribution schedules—monthly, quarterly, semi-annual, and annual—at various levels. Regardless of how much cash was added, the frequency of contributions made little difference to overall tax savings. However, more frequent cash infusions can get in the way of the rebalancing cycle by triggering wash sale considerations. Consider quarterly or annual refunding scenarios if you can.

This is obviously a way to capture held-away cash and increase the share of household wallet you manage. Investors often wonder whether to fund a loss-harvesting account all at once or to phase in gradually. Timing matters here, of course. A big lump sum tends to produce more harvested losses when markets experience downturns early in the account's life, as the full investment is exposed during periods ripe for harvesting.

In contrast, incremental funding performs better when markets trend upward, as each new contribution creates fresh tax lots that can generate losses later on. While lump-sum funding may align with conventional investment logic, dollar-cost averaging can enhance flexibility for ongoing harvesting opportunities.

Across market cycles and account vintages, one conclusion stands out: adding more cash over time enhances the potential for tax-loss harvesting. Contribution frequency matters less than ensuring the account receives enough new capital to refresh its cost basis and maintain harvesting opportunities.

The Next Frontier: Alts in the Direct Index Portfolio

DIRECT INDEXING was designed to give investors control over their public equity exposure—breaking apart an index fund so each security can be owned, traded, or harvested individually. The model is inherently transparent, tax-efficient, and rules-driven.

Alternative investments, on the other hand, are typically private, illiquid, or less transparent. They include private equity, hedge funds, private credit, real estate, infrastructure, and even newer categories like digital assets or structured income products. The conceptual challenge is that alts don't behave like index constituents—there's no standardized, rules-based “index” of private assets to replicate or trade against.

However, from a portfolio construction standpoint, alts play a complementary role. Direct indexing delivers customized, tax-managed exposure to market beta, while alts provide diversified, often uncorrelated return streams. Integrating the two is about unifying the analytics, risk, and reporting frameworks—so advisors and clients can see and manage the total portfolio holistically, rather than treating public and private allocations as separate silos.

While full operational integration of alts into direct indexing platforms is still emerging, the direction is clear. As wealth platforms evolve toward holistic, data-driven portfolio management, the artificial divide between “public” and “private” assets will continue to narrow. The future likely involves:

- Unified managed account structures that combine traditional assets, direct indexing, and alts under a single reporting and rebalancing framework.

- Intelligent rebalancing engines that respect liquidity and valuation constraints while optimizing across tax, risk, and cash flow.
- Greater advisor control over asset location (taxable vs. tax-deferred accounts) and sequencing of liquid vs. illiquid investments.

In short, integrating alternative investments into a direct indexing framework isn't about trying to “index” the private markets—it's about harmonizing them with a client's public-market strategy. The goal is a more unified, tax-aware, and risk-calibrated approach to wealth management that brings institutional-grade diversification and personalization to the individual investor level.

The Practical Layer: Data, Valuation, and Liquidity

For wealth managers, the real friction lies in operational mechanics.

- **Data integration:** Direct indexing systems rely on daily pricing and high-frequency tax-lot data. Alts don't produce that. Valuations are periodic, sometimes quarterly, and may lag actual market conditions. Incorporating these into a direct indexing platform requires data normalization and thoughtful modeling of implied or synthetic exposures.
- **Liquidity management:** Direct indexing allows daily or even intraday rebalancing; alts may lock up capital for years. Advisors must design frameworks that segment liquidity tiers, treating direct-indexed equities



THE REAL DIRECT INDEXING DELIVERS CUSTOMIZED, TAX-MANAGED EXPOSURE TO MARKET BETA, WHILE ALTS PROVIDE DIVERSIFIED, OFTEN UNCORRELATED RETURN STREAMS

as the “liquid sleeve” used to fund or rebalance against longer-term, illiquid holdings.

- **Tax considerations:** Direct indexing's tax alpha comes from daily loss harvesting, which can't apply to illiquid alts. But alts can generate tax-deferred or tax-efficient returns (e.g., via carried interest, depreciation, or qualified small business stock), so aligning those benefits within a unified tax strategy remains powerful.

Technology and Platform Evolution

The leading direct indexing and UMA platforms are beginning to accommodate alts through portfolio overlays and unified reporting rather than direct inclusion in the index replication process.

For example:

- Some systems now allow “alternative sleeves” within a UMA structure, where illiquid assets are modeled for exposure rather than traded.

- Risk and performance analytics increasingly “look through” to alternative allocations, incorporating them into factor-based or scenario analysis models.
- A few emerging platforms are experimenting with tokenized private assets, using blockchain-based structures to simulate daily pricing and fractional ownership, effectively bridging the gap between direct indexing and alternative exposure.

This convergence points toward a unified household-level portfolio view, where advisors can blend index-based

customization, tax optimization, and alternative diversification under one digital umbrella.

Strategic Use Cases for Wealth Managers

Incorporating alts into a direct indexing framework allows advisors to:

- Enhance diversification by offsetting market beta from indexed equities with less correlated alts.
- Implement tax-aware rebalancing between liquid and illiquid sleeves. For example, using harvested losses from the indexed sleeve to

offset realized gains from a private investment sale.

- Support client personalization by aligning portfolios with individual liquidity needs, time horizons, and values. ESG-oriented investors, for instance, might combine a custom climate-tilted index with private impact funds or green infrastructure deals.
- Differentiate the practice by providing institutional-style portfolio management in a digital, scalable way.

Time to Assemble Your Team

NOW THAT YOU have a solid grasp of how direct indexing works, the next step is figuring out how to integrate it into your existing client platform. The good news is that you don’t have to do it alone. A growing number of experienced providers can help you close operational gaps—or even deliver a full turnkey solution—depending on your firm’s needs.

Each provider brings its own strengths to the table. Many have evolved to solve specific challenges within the wealth management ecosystem. Some specialize in serving particular client segments or investment strategies, while others focus on scalability and automation. The right fit will depend on the type of clients you serve and the structure of your advisory practice.

Technology-first firms, for example, emphasize automation and seamless delivery of advisor insights. Some even power the infrastructure behind other well-known custom indexing platforms. At the same time, large direct indexing firms excel at creating personalized portfolios for each client—customizing exposures, managing tax implications, and handling the heavy lifting—so advisors can focus on relationship management and strategic advice.

In most cases, partnering with these firms doesn’t replace your expertise; it amplifies it. Their tools and capabilities expand your operational capacity, allowing you to serve more clients efficiently while still delivering personalized portfolios. This combination of scalability and customization helps you extend bespoke investment solutions to a broader range of investors—including those who may have previously only qualified for standardized, fund-based strategies.

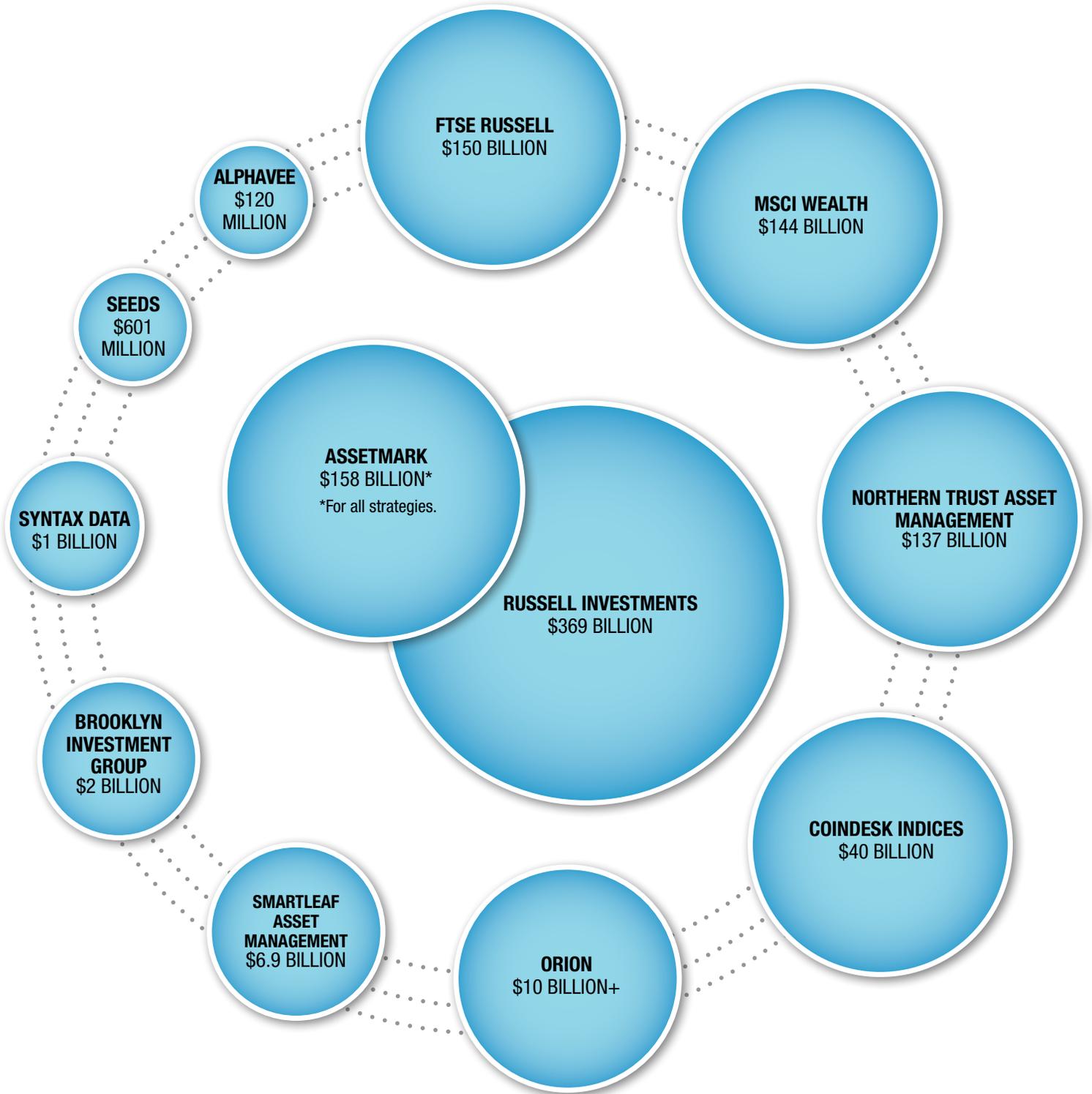
As you think about implementation, it’s also important to give attention to the foundation of every direct indexing strategy: the index itself. Suitability always comes first, but with more than 5,000 distinct indexes in the market today, choosing the right one can have

a meaningful impact on outcomes. The familiar benchmarks, like the S&P 500, might not always align with a client’s specific goals or values.

The real value of an index lies in how accurately it represents the desired asset class or exposure. For direct indexing to succeed, the benchmark should be rules-based, transparent, and easy to explain to clients. Even if you haven’t worked with some of the more specialized indexes before, you may find their construction both precise and purpose-driven. They can help you align portfolios more closely with client preferences, risk profiles, and tax considerations.

Ultimately, there’s no shortage of capable partners ready to help you integrate direct indexing into your practice. Whether you opt for a modular setup or an all-in-one solution, assembling the right team will position you—and your clients—for long-term success. Once you’ve chosen your technology and indexing partners, you’ll have the final pieces of the puzzle in place, ready to move forward confidently into the next generation of personalized portfolio management.

DIRECT INDEXING PROVIDER AUA/AUM





ALPHA VEE SOLUTIONS
Leigh Eichel
CEO

In an era when the demand for efficiency, customization, and risk management is reshaping the financial industry, Alpha Vee’s foundation in global equity research and software engineering places us at the forefront. We are uniquely equipped to meet the evolving needs of contemporary financial professionals, including the burgeoning interest in direct indexing.

Our flagship investment strategies synthesize the finest elements of active, systematic, fundamental, and quantitative investment methods into a cohesive, rules-driven investment process. Recognizing the growing interest in direct indexing, these portfolios can be implemented across various investment vehicles, providing opportunities for tax optimization and alignment with client needs or values.

I am confident that Alpha Vee’s enhanced services empower advisors to stand out among their peers, fostering deeper and more meaningful client interactions that lead to increased satisfaction. In the realm of direct indexing, we provide a platform that not only supports advisors in offering innovative solutions but also contributes to enhancing the client experience.

For those exploring the possibilities of direct indexing or seeking to craft customized strategies or benchmarks, Alpha Vee is here to collaborate. We also offer complete access to our state-of-the-art platform for entirely independent work.

Alpha Vee’s commitment to innovation aligns perfectly with the principles of direct indexing. Join us in our journey toward more personalized, efficient, and risk-managed solutions that resonate with today’s financial landscape.



Alpha Vee Solutions • www.alphavee.com

In an ever-evolving financial landscape characterized by the rise of efficiency, personalization, and risk management, **Alpha Vee Solutions** has emerged as a pioneering force. With a robust foundation in global equity research and software engineering, Alpha Vee is uniquely positioned to serve modern financial professionals who are looking to navigate the complexities of direct indexing.

Alpha Vee recognizes the immense potential of direct indexing as an innovative investment avenue. By offering highly tailored services that facilitate more meaningful interactions between advisors and clients, Alpha Vee empowers financial professionals to distinguish themselves in a competitive market. The potential for customization is further enhanced through collaborative efforts or complete independent access to our state-of-the-art research and publishing platform.

Alpha Vee researched investment models perform well over time because they use a combination of quantitative and qualitative analysis to identify the best opportunities in the markets. The models are designed to identify undervalued securities, and they are constantly monitored to ensure that they remain effective and up to date with the latest market developments. Some research also uses sophisticated risk management strategies to reduce the risks associated with investing. Alpha Vee is a leader in ESG and thematic as well, offering top-performing strategies that can further help our advisor partners grow their business. This combination of methodology and tools allows the models to outperform the market over long periods of time.

Partnering with Alpha Vee Solutions provides advisors and their clients with:

- **Informed decision-making:** Investment research provides insights into various investment options, market trends, and economic conditions. This information helps financial advisors make well-informed decisions that align with their clients’ financial goals, risk tolerance, and investment horizons. Partners receive regular updates and reports.
- **Risk management:** Effective investment research involves assessing the risks associated with different investment opportunities. Financial advisors use this research to help clients understand the potential risks and rewards of various investments, guiding them toward choices that match their risk preferences.
- **Portfolio diversification:** Investment research helps in identifying a wide range of investment assets and strategies. Diversification, or spreading investments across different asset classes, can help manage risk and potentially enhance returns. Research helps advisors create diversified portfolios tailored to their clients’ needs. Alpha Vee’s transparent and simple-to-explain risk management leads the industry.

Join us in exploring the possibilities of direct indexing. Alpha Vee’s commitment to integrating technology, research, and innovation aligns perfectly with the new horizons being forged in the investment world. Together, we can craft personalized, efficient, and risk-managed solutions that resonate with today’s financial landscape.

New business contact:

Leigh Eichel, CEO
 Phone: (617) 212-8691
 Email: leigh@alphavee.com
 Website: www.alphavee.com

Brand of direct indexing platform/product:

Review the following summary: Alpha Vee Strategies

Platform/product architecture: Open

Total AUM/AUA: \$120 Million

Year direct indexing platform/product began: 2015

Indexing type: Product and Platform

Distribution strategy: Direct and SMA TAMP

Advisor channels served: RIA, Institutional, TAMP

Personalization options: Yes

Private labeling: Yes

Managers GIPS® compliant: Yes

Number of custom indices available: 28

Types of products available: Multi Asset

Minimum investment requirement: \$5,000

Tax optimization features: Yes

Trade efficiency: Yes

Sleeve-level reporting: Yes

Integration with trade execution or order management systems: Yes

Integration with trust accounting systems: No

Proposal generator availability: Yes

Investment policy statement generation: Yes

Asset allocation methodologies: Yes

Aggregation of held-away accounts: Yes

Rebalancing features: Yes

Supported custodians: Most

Marketing support offered: Yes

Platform’s unique selling proposition: 15 integrated modules. Independence

Product/platform’s performance tracking & reporting capabilities: After-tax returns, Daily values reporting, Estimated taxes saved or deferred, Quarterly reporting; Tracking capabilities

Use Cases: Unique Alpha and Beta generating exposures

Solutions open to the public: No

Disclosures: Available upon request



ASSETMARK
Michael Kim
President and CEO

AssetMark empowers independent financial advisors and their clients through every stage of their journey with flexible, purpose-built solutions that champion client engagement and drive efficiency. Over the past year, the company has experienced continued innovation and growth. We now support over 1,100 employees and serve more than 10,500 financial advisors and 318,000 investor households. As of September 30, 2025, the firm had over \$158 billion in platform assets, all while maintaining a world-class Net Promoter Score (NPS) of 73, which represents exceptional customer loyalty and advocacy.

AssetMark remains at the forefront of innovation, delivering meaningful platform enhancements and new investment capabilities, such as private markets, tailored to the evolving needs of independent advisors.

Looking forward to 2026, we remain committed to innovation and excellence – fostering a culture that empowers teams to think boldly, move decisively, and deliver tools that help advisors build stronger, more sustainable businesses.



ASSETMARK

AssetMark
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AssetMark is a full-service wealth management platform empowering independent financial advisors with innovative, outsourced solutions that enhance client outcomes and drive business growth. We support advisors of all sizes in their roles as trusted partners to their clients, offering the tools, resources, and expertise to succeed. As an extension of our advisors' teams, we are deeply committed to serving their clients' best interests.

Together with our brand entities **Voyant** and **Adhesion Wealth**, we foster growth for advisors at every stage of their journey. This is achieved through our three strategic pillars:

1. Integrated Technology – We deliver flexible, intuitive technology that streamlines client engagement, drives efficiency, and supports

advisors from prospecting to ongoing client servicing.

2. Comprehensive Investment Solutions – Our expanded suite of investment strategies, including new offerings like Morningstar Wealth's TAMP and cutting-edge AI-powered tools, meets evolving investor needs across all wealth segments.

3. Personalized Support and Consulting – Our experienced service and consulting teams provide tailored platform solutions, allowing advisors to focus on high-value activities that grow their business and strengthen client relationships.

For over 25 years, **AssetMark** has cultivated a community of like-minded advisors who are at the heart of everything we do, helping them thrive in a dynamic market.

New business contact:

Gary Cox
 Vice President, AssetMark Investment Solutions
 Phone: (818) 738-4375
 Email: Gary.Cox@AssetMark.com

Brand of direct indexing platform/product:

AssetMark Direct Indexing

Platform/product architecture: Open

Total AUM/AUA: \$158B (all strategies) as of 9/30/2025

Year direct indexing platform/product began: 2025

Indexing type: Product and platform

Distribution strategy: Direct through AssetMark's eWealthManager

Advisor channels served: Independent advisors at broker-dealers with selling agreements with AssetMark, hybrid RIAs or RIAs

Personalization options: Yes

Private labeling: Yes

Managers GIPS® compliant: No

Number of custom indices available: 8

Types of products available: TAMP, mutual fund wrap, ETF wrap, traditional and custom SMA,

custom UMA, guided portfolios, retirement plans,

cash and lending solutions, tax management

services, financial planning, Direct Indexing, Self-

Directed Brokerage Accounts, Private markets

Minimum investment requirement: \$75,000-\$150,000

Platform compatibility: eWealthManager

Tax optimization features: Yes

Trade efficiency: Yes

Sleeve-level reporting: Yes

Integration with trade execution or order management systems: Yes

Integration with trust accounting systems: Yes

Proposal generator availability: Yes

Investment policy statement generation: Yes

Asset allocation methodologies: Core, tactical

and diversifying strategies

Aggregation of held-away accounts: Yes

Rebalancing features: Yes

Supported custodians: AssetMark Trust, Fidelity, Pershing, Schwab

Marketing support offered: Yes

Platform's unique selling proposition: A comprehensive wealth management and technology platform designed to empower independent financial advisors. Its differentiation rests on three core pillars:

- Integrated Technology for Advisor Efficiency
- Curated Investment and Wealth Solutions
- Personalized Consulting and Practice Management

Product/platform's performance tracking & reporting capabilities:

- **After-tax returns:** Core focus is AssetMark's Tax Management Services (TMS) and Direct Indexing
- **Daily values reporting:** Direct Indexing + TMS uses daily tax management optimization.
- **Estimated taxes saved or deferred:** Proposal reports provide estimated tax benefits under different tax sensitivity settings.
- **Quarterly reporting:** On-going reporting and proposal updates are part of TMS and Direct Indexing workflows.
- **Tracking capabilities:** TMS balances capital gains realization against tracking error to the model portfolio.

Use Cases: Direct Indexing use cases include personalized portfolios for tax efficiency, values-based investing, managing concentrated stock positions and competitive pricing & flexible minimums. TMS is included for taxable registrations using Direct Indexing. TMS use cases include clients seeking market returns, with personalization and tax management.

Solutions open to the public: No



BROOKLYN INVESTMENT GROUP
Erko Etula, Ph.D.
CEO and Co-Founder

We founded Brooklyn because financial advisors told us that they spend too much time personalizing and tax-managing their clients' portfolios—consisting of stocks, bonds, ETFs and mutual funds. Brooklyn is a multi-asset direct indexing platform that empowers advisors to create engaging client experiences while scaling growth.

We believe that in addition to investment alpha, advisors have the opportunity to capture three additional alphas to best serve their clients: engagement alpha, tax alpha and operational alpha. Our platform enables advisors to deliver on each of these dimensions through full personalization and tax-loss harvesting across the entire liquid portfolio in a single custodian account.

Our platform also powers custom index creation, model delivery and manager-traded strategies and provides comprehensive reporting for transitions and after-tax performance of portfolios and benchmarks. Service is delivered through an Advisor Portal, which allows advisors to tailor each of the portfolios to their clients' specific needs.

We also offer portfolios with long/short extensions (e.g., 130/30 or greater) using a proprietary stock selection model.

In addition to providing sub-advisory services to RIAs, Brooklyn powers direct indexing solutions for other asset and wealth managers ("buyside-as-a-service"). This white-label platform—which consists of an Advisor Portal, a PM Portal, and comprehensive simulation tools—leverages the technology of our parent technology company, Brooklyn Artificial Intelligence Research, a pioneer in building A.I. for investment applications.



Brooklyn Investment Group
www.bkln.com

Brooklyn Investment Group is a multi-asset custom direct indexing platform for financial advisors and asset managers serving the advisor community. Both traditional and rep-as-PM advisors use the platform to create engaging client experiences while scaling growth. The Brooklyn platform enables advisors to:

Customize: Construct each client portfolio using either third-party building blocks—such as third-party indices, manager models, manager-traded strategies, ETFs or mutual funds—or fully custom models built bottom up on our advisor portal.

Tax-manage: Brooklyn automatically monitors each portfolio every business day for tax-loss harvesting and rebalancing opportunities, handles lifecycle events, concentrated position sell-down programs, and other common client situations.

Report: Daily after-tax performance reporting for each client portfolio and client-specific benchmarks with rich analytics are available on-demand on the advisor portal, empowering advisors to demonstrate the value-add of their advice, every day.

The platform leverages a multi-asset, multi-sleeve architecture to enable holistic management of each portfolio. Powered by advanced cloud-based technologies, our intuitive advisor portal helps advisors scale personalization across clients. A.I. assists in daily portfolio management and custom index creation processes.

We built the platform and the portal in collaboration with financial advisors, enabling us to directly address the needs of both advisors and their clients. Differentiating features include:

- Ability to manage the whole portfolio—equities, fixed income, ETFs, and mutual funds—in a single custodian account
- Enhanced direct indexing using long/short portfolios and overlays
- Intuitive advisor portal to customize and manage all accounts
- Daily monitoring for tax-loss harvesting, rebalancing, and lifecycle events
- Automated concentrated position management and handling of other common client situations
- After-tax performance dashboard with daily reporting and attribution for portfolio, benchmark and client-specific benchmark
- Multi-asset transition analyses for prospects and clients

New business contact:

Markus Aakko, Chief Revenue Officer
 Phone: (917) 999-6953
 Email: info@bkln.com
 Website: BKLN.com

Brand of direct indexing platform/product:

Brooklyn Custom Direct Investing

Platform/product architecture:

Open architecture solution, enabling implementation of custom models and indices through direct investment in equities, bonds, ETFs and mutual funds

Total AUM/AUA:

Serving as a direct index technology provider or a subadviser for two \$1.3 trillion+ asset managers and a top global index provider; also subadvises \$1.3 billion+ in direct RIA assets; total AUM: \$2.153B (as of 11/14/25)

Year direct indexing platform/product began: 2023

Indexing type: Product and platform

Distribution strategy:

Both as a white-label solution via other asset managers and direct to RIAs

Advisor channels served: RIA, BD, IBD

Personalization options: Yes

Private labeling: Yes

Number of custom indices available: Unlimited

Types of products available: US Stocks, Bonds, ETFs and Mutual Funds

Minimum investment requirement:

\$250,000–\$1,000,000

Tax optimization features: Yes

Long/short extension: Yes

Trade efficiency: Yes

Sleeve-level reporting: Yes

Integration with trade execution or order management systems: Yes

Integration with trust accounting systems: Yes

Proposal generator availability: Yes

Aggregation of held-away accounts: Yes

Rebalancing features: Yes

Supported custodians: Any custodian

Marketing support offered: Negotiable

Product/platform's performance tracking & reporting capabilities:

After-tax returns, Daily values reporting, Estimated taxes saved or deferred, Quarterly reporting, Reporting capabilities, Tracking capabilities

Solutions open to the public (yes/no): No, advisors only



COINDESK DATA & INDICES

Dave LaValle President

Break through the digital asset noise. We are all invested in the growth of the global crypto economy. The scope and scale of new ideas, innovation, and application of technology for digital asset investment opportunities is staggering. New possibilities for access, portfolio and risk management, and process efficiency arise every day.

For the past few years, digital asset users have primarily been early adopters, those who worked hard to access this new and exciting asset class. The next phase is mass adoption. This phase is about accessibility: tapping into digital asset investment products and platforms, analyzing the potential benefits of allocating to crypto, and setting up the infrastructure for seamless implementation.

CoinDesk Indices supports the products, platforms, and ideas that will make this next evolutionary phase to mass adoption possible. We address and work through critical topics faced by the industry, helping us all move forward.

CoinDesk Indices

CoinDesk Data & Indices

817 Broadway, Fl 6, New York, NY 10003 • indices.coindesk.com

CoinDesk Data & Indices delivers the necessary infrastructure to power institutional-grade crypto products.

Our unmatched offering spans raw market data, which transforms into transparent, compliant indices. We then offer clients the marketing and distribution power of our integrated, award-winning media and events business. A distinguished, full-service solution: From raw data to real products.

What you gain with CoinDesk

- **Join the leaders** — \$40B in assets already benchmarked against our indices, trusted by 100+ global partners and linked products.
- **Get informed** — Institutional-quality, real-time and historical market data covering virtually every exchange, asset, and currency pair in the market.
- **Build with confidence** — Regulated in the UK by the FCA, offer 400+ BMR-compliant indices, show adherence to the IOSCO principles, are certified to ISO 27001 and have SOC 1 Type II & SOC 2 Type II certifications.
- **Proven stability** — Underpinned the crypto markets for over a decade, through every cycle.
- **Built-in distribution** — Leverage CoinDesk's media and events capabilities to accelerate adoption of your product and reach millions of engaged investors.

Reach beyond the benchmark with CoinDesk Indices

- Our indices don't just exist — they power many

of the products shaping today's crypto markets.

- Thousands of reference rates & multi-asset indices delivered 24/7 to meet partner needs.
- CoinDesk Bitcoin Price Index — live since 2014, the foundation for the first U.S. and Canadian Bitcoin ETFs.
- CoinDesk 20 Index — over \$15B traded since launch in 2024, underlying 20+ global investment vehicles.
- CoinDesk 5 Index — benchmark for the first U.S. crypto ETP, the Grayscale CoinDesk Crypto 5 ETF.

The right ingredients with CoinDesk Data

- **Market Data You Can Trust:** Real-time and historical coverage from 300+ exchanges, 10,000+ coins, and 300,000+ pairs through one robust API.
- **Complete Market Transparency:** From derivatives to order books, every trade, funding rate, and liquidity layer captured for institutional depth.
- **Beyond Prices:** On-chain insights for Bitcoin, Ethereum, and EVM chains, plus unbiased research to decode market trends.

The world's leading asset managers, exchanges, and innovators already rely on CoinDesk Data & Indices to power their products. Backed by CoinDesk's trusted media and events, we deliver the infrastructure, benchmarks, and reach to help you build what's next in digital assets.

Let's build together. Contact us for more information.

New business contact:

CoinDesk Indices
Email: indexsales@coindesk.com
Website: indices.coindesk.com

Brand of direct indexing platform/product:

CoinDesk Indices

Total assets under management (AUM):

Approximately \$40 billion in AUM benchmarked to our indices

Year direct indexing platform/product began:

2014
Distribution strategy: BitGo, L1, ML Tech, Finst, Securitize Advisors, Tokenwell, Truvius, and more

Advisor channel served: We seek to serve all advisor channels.

Personalization options: Yes

Private labeling offered: Yes

Number of custom indices available: 400+ BMR-

compliant indices. Data from 300+ exchanges, 10,000+ coins, and 300,000+ pairs through one robust API

Platform's unique selling proposition: Experts in digital assets, Fully transparent, Marketing distribution support, Research and insights

Types of products available: Reference rates, multi-asset indices, trade data, trend signals, staking rates, interest rates, benchmarking and more

Rebalancing features: Yes

Marketing support offered: Yes

Use cases: Benchmarking and research, underlying index and/or reference rates for all fund structures, derivatives, structured products and platform products

Solutions open to the public: Yes



FTSE RUSSELL

Ryan Sullivan Head of Buy Side, Americas

We understand that advisors' needs are changing as end-investors seek more customized portfolios. FTSE Russell believes direct indexing will increasingly be part of the advisor's toolbox. In 2025 we surveyed the advisor market, and while only a third of respondents were current direct indexing users, more than 40% planned to start using direct indexing over the next year.

Additionally, advisors under 45 see direct indexing as a vital tool to help them differentiate their solutions, suggesting further adoption as advisor demographics shift to a younger cohort. To support this growing pool of wealth managers, FTSE Russell seeks to support advisors' education efforts and events, helping differentiate their offering through our index methodologies and customization and helping promote our clients' direct indexing solutions and technology.

FTSE RUSSELL

FTSE Russell • 28 Liberty St, New York, NY 10005 • www.ftserussell.com

For over 40 years **FTSE Russell** has helped drive change for the investor, always innovating to shape the next generation of benchmarks. We are a leading global provider of indices, spanning diverse asset classes and investment objectives. As a trusted partner to asset owners, asset managers, sell-side desks and wealth managers, we help investors make informed investment decisions, manage risk and seize opportunities. Our partners look to us for our expertise in developing and managing global index solutions in support of their investment and asset allocation strategies.

Across the US wealth landscape, FTSE Russell's index solutions serve as the backbone for Exchange Traded Funds (ETFs), mutual funds and separately managed accounts, tracking our indices. Wealth managers, advisors, custodians, aggregators and turnkey asset management providers use our indices as performance benchmarks for client statements and performance reporting.

Increasingly, demand within the wealth market is focused on the use of indices as tools to offer custom, tax-optimized portfolios for clients, also known as direct indexing. FTSE Russell's indices are uniquely positioned to support a full menu of direct index solutions across asset classes, themes and factors.

FTSE Russell for Direct Indexing

- Russell US Equity Indexes, a universe of 3000 constituents spanning mega- to micro-cap stocks

New business contact:

Ryan Sullivan, Head of Buy Side, Americas
Email: ryan.sullivan@lseg.com
Website: Direct Indexing Solutions | LSEG

Brand of direct indexing platform/product:
FTSE Russell

Total AUM/AUA: Approx. \$150B in direct index AUM tracking FTSE Russell indices

Year direct indexing platform/product began:
FTSE Russell has been supporting US wealth managers for 40 years

Indexing type: FTSE Russell provides a range of multi-asset class indices to support direct index managers, which can be further customized to support clients' specific needs.

Asset classes supported:

- US and global equity indices
- Global government and credit fixed income indices, including US municipal bonds
- Factors, themes and sustainable indices
- Long/Short indices

Distribution strategy: FTSE Russell works with more than 25 direct indexing managers

Advisor channels served: All

Personalization options: Yes, custom indices can be built based on client needs

- Tax loss harvesting opportunities across the largest US equity market opportunity set
- Transparent methodology with IPOs added quarterly
- Growth and Value styles available for further personalization

In addition to our flagship Russell US equity index family, FTSE Russell's solutions include:

- The FTSE Global Equity Index Series, covering over 99% of the investable market capitalization across 49 developed and emerging markets
- Thematic and sustainable indices, offering exposure to investment themes and sustainable investment approaches
- FTSE Russell factor indices, giving exposure to specific investment factors such as quality and momentum
- Real and digital asset indices, including REITs, commodities and cryptocurrencies
- FTSE fixed income indices, spanning rates and credit, including municipal bond ladders for tax optimization
- Long/short indices, offering additional tax loss harvesting opportunities to offset tax lot ossification
- Index customization, capturing IP and market outlooks from our clients' research teams

Lastly, FTSE Russell consults with direct indexing clients and users on implementation, customization and technology solutions, including advisor education, asset-raising campaigns and thought leadership.

Private labeling: Yes

Number of custom indices available: FTSE Russell supports over 1 million global indices, including custom indices

Types of products available: Our indices serve as benchmarks for ETFs, Mutual Funds, Collective Investment Trusts and separate accounts

Tax optimization features: Yes

Trade efficiency: Yes

Supported custodians: Our direct indexing managers work with a broad list of custodians

Marketing support offered: Yes, co-marketing support can be offered to licensed direct index clients

Platform's unique selling proposition: FTSE Russell provides a full spectrum of multi-asset class indices to support a full menu of direct index benchmarks and tax-optimized portfolios

Product/platform's performance tracking & reporting capabilities: Daily values reporting, quarterly reporting, and index attribution and performance

Use Cases: Our indices are used across the wealth community by key direct indexing platforms including large asset managers, TAMPs, custodians and fintech providers

Solutions open to the public: No, indices must be licensed for use



MSCI WEALTH
Paul Riccardella
 Head of Americas
 Wealth Indexed
 Investments Coverage

Advisors turn to MSCI Wealth for the data and technology powering leading direct indexing platforms. Their challenge is delivering true personalization at scale — creating portfolios that reflect each client's goals, values, and tax profile. MSCI Wealth enables direct index managers to meet this demand through institutional-grade indexes, analytics, and optimization tools that make scalable customization and tax efficiency possible.

Advisors and providers trust MSCI's 55-year heritage of market leadership. From creating the MSCI ACWI Index to advancing risk, sustainability, and climate data, MSCI has set the standard for transparent, data-driven and rules based investing. Today, we're extending that leadership to wealth management, empowering direct index managers to deliver tax alpha through portfolio optimization and, most recently, global access through the expanded use of ADRs backed by the same institutional infrastructure trusted worldwide.

We power the direct indexing ecosystem with precision, transparency, and scale. Our infrastructure calculates hundreds of thousands of indexes daily and supports \$144B+ in client direct indexing AUM (as of 9/30/25). With MSCI Wealth, managers can confidently offer tax-efficient, values-aligned, globally diversified portfolios — powered by one of the world's leading innovators in personalized indexing.

MSCI Wealth

MSCI Wealth • [MSCI.com/directindexing](https://www.msci.com/directindexing)

MSCI Wealth: Empowering Personalized Portfolios at Scale

MSCI Wealth is a division of MSCI dedicated to helping leading wealth management firms unlock portfolio personalization at scale. We engage with CIOs and investment teams across major banks, brokerages, RIAs, multi-family offices, and external asset managers to establish a modern, rules-based approach to building, personalizing, and monitoring portfolios. Our suite of portfolio management solutions empowers wealth managers to scale personalization and create capacity for growth — leveraging more than five decades of MSCI's trusted experience in indexes, risk analytics, sustainability, climate data, and private capital insights.

For over 50 years, MSCI has been at the forefront of index innovation, shaping how global investors understand and access both established and emerging markets. From pioneering the development of the MSCI ACWI (All Country World Index) the industry's premier benchmark for global equity performance — to providing granular insights across thousands of regional and thematic indexes, MSCI's index framework underpins decision-making for the world's leading institutional investors and wealth managers alike. Our indexes are designed to deliver transparency, comparability, and consistency across global markets, setting the standard for portfolio construction and performance measurement.

MSCI Wealth's Direct Indexing Solutions brings our heritage of innovation and precision to wealth management, enabling truly personalized investing at scale. By allowing clients to own the individual securities that make up an index, our solutions empower firms to tailor portfolios around each investor's unique goals — from sustainability preferences and exclusionary screens to tax optimization that delivers tax alpha and global diversification enabled by MSCI's ADR innovations. As one of the world's leading innovators in direct indexing, MSCI provides the data, models, and infrastructure that power the industry's most advanced personalization capabilities.

Supported by an infrastructure that calculates over 246,000 indexes daily (as of December 2024), MSCI's Direct Indexing platform delivers the precision, transparency, and scalability wealth managers need to construct and manage customized portfolios efficiently. Today, MSCI helps facilitate over \$144B in client direct indexing portfolio AUM (as of September 30th, 2025), demonstrating the trust placed in our technology by leading providers. This scale enables advisors to align client values with investment strategy while maintaining the performance insight, consistency, and operational excellence that have made MSCI a trusted provider to the global investment community.

New business contact:

Paul Riccardella
 Head of Americas Wealth Indexed
 Investments Coverage
 Email: Paul.Riccardella@msci.com
 Website: [MSCI.com/directindexing](https://www.msci.com/directindexing)

Brand of direct indexing platform/product: MSCI

Platform/product architecture: Indexes are closed; however, our data and screeners are used in open architecture partnerships to personalize end investor accounts.

Total AUM/AUA: \$144B in direct tracking

Year direct indexing platform/product began: MSCI has been powering Direct Indexing since the industry was created in the early 1990s.

Indexing type: Product and Platform

Distribution strategy: Via other platforms

Advisor channels served: All

Personalization options: Yes

Private labeling: Yes

Managers GIPS® compliant: N/A

Number of custom indices available: 246,000 (as of Dec. 2024)

Types of products available: MF, ETFs, Institutional SMAs all linked to our indexes

Minimum investment requirement: N/A

Platform compatibility: We work with 29 leading direct indexing managers.

Tax optimization features: Yes

Trade efficiency: N/A

Sleeve-level reporting: Yes

Integration with trade execution or order management systems: N/A

Integration with trust accounting systems: N/A

Proposal generator availability: N/A

Rebalancing features: Yes

Supported custodians: Our direct indexing manager partners work with a range of leading custodians.

Marketing support offered: Yes

Platform's unique selling proposition: MSCI has a unique combination of index excellence, industry leading personalization content and sophisticated analytics to power any direct indexing solution.

Product/platform's performance tracking & reporting capabilities: After-tax returns, Daily values reporting, Estimated taxes saved or deferred, Quarterly reporting; Tracking capabilities

Use Cases: Our current clients include established AMs, TAMP platforms, wealth managers, and wealth technology platforms in the direct indexing industry.

Solutions open to the public: No



NORTHERN TRUST ASSET MANAGEMENT
Mary Lukic, CFP
Head of Tax-Advantaged Equity and Direct Indexing Portfolio Solutions

Financial Advisors are demanding more holistic services and compelling, cost-effective investment options. Northern Trust Asset Management (NTAM) Direct Indexing allows you to seamlessly design custom portfolios aligned with your clients' distinct needs—helping you enhance their experience and deepen your relationship with them.

NTAM Direct Indexing is available from an industry leader with more than 35 years of expertise in designing, managing, and delivering competitive results in custom Tax-Advantaged Equity (TAE) strategies. NTAM is currently ranked amongst the Top 3 DI providers (based on assets as of Q4, 2024) according to Cerulli Associates. NTAM has a proven track record of adding after-tax value across market environments, with positive tax alpha net of fees. We help investors manage the unintended risks of index customization by actively managing holdings to provide desired diversification and benchmark tracking in personalized portfolios.



NORTHERN TRUST

ASSET MANAGEMENT

Northern Trust Asset Management
 50 S LaSalle St, Chicago, IL 60603 • ntam.northerntrust.com

Northern Trust Asset Management is a global investment manager that helps investors navigate changing market environments in efforts to realize their long-term objectives.

Entrusted with \$1.3 trillion in assets under management as of June 30, 2025, we understand that investing ultimately serves

a greater purpose and believe investors should be compensated for the risks they take — in all market environments and any investment strategy. That's why we combine robust capital markets research, expert portfolio construction and comprehensive risk management in an effort to craft innovative and efficient solutions that seek to deliver targeted investment outcomes.

New business contact:

Hugh Ansty
 Head of Strategic Accounts – Intermediary
 Email: ntam_direct_indexing_sales@ntrs.com
 Website: NTAM Direct Indexing

Brand of direct indexing platform/product:

NTAM Direct Indexing

Platform/product architecture: Open

Total AUM/AUA: \$137.0B*

Year direct indexing platform/product began: 1988*

Indexing type: Product and Platform

Distribution strategy: Offered directly to financial advisors as well as platforms

Advisor channels served: All

Personalization options: Yes

Private labeling: No

Managers GIPS® compliant: Yes

Number of custom indices available:

Selection of 20+ indices, models, and blends with ability to add more.

Types of products available: Individual equities in SMAs

Minimum investment requirement: \$250k

Platform compatibility: All Major Platforms

Tax optimization features: Yes

Trade efficiency: Yes

Sleeve-level reporting: Yes

Integration with trade execution or order management systems: Yes

Integration with trust accounting systems: Yes

Proposal generator availability: Yes

Asset allocation methodologies: Proprietary

Rebalancing features: Yes

Supported custodians: Ability to support all major custodians

Marketing support offered: Yes

Platform's unique selling proposition: Industry leader with 35+ years designing, managing and delivering competitive results in custom tax-advantaged equity strategies across index and active solutions.

Tax optimization made simple: Yes

Technology & investment advisory services: Yes

Wide range of potential outcomes: Yes

Product/platform's performance tracking & reporting capabilities:

After-tax returns, Daily values reporting, Estimated taxes saved or deferred, Quarterly reporting; Tracking capabilities

Solutions open to the public: No, Access through your Financial Advisor

** NTAM Direct Indexing is available from an industry leader with more than 35 years of expertise in designing, managing, and delivering competitive results in custom Tax-Advantaged Equity (TAE) strategies. The TAE portfolio management team has designed the Direct Indexing capability to reflect its philosophy and process in managing tax efficient separately managed accounts across a wide array of strategy types and client segments.*

Disclosures

Northern Trust Asset Management (NTAM) is composed of Northern Trust Investments, Inc. (NTI), Northern Trust Global Investments Limited, Northern Trust Fund Managers (Ireland) Limited, Northern Trust Global Investments Japan, K.K., NT Global Advisors, Inc., 50 South Capital Advisors, LLC, Belvedere Advisors LLC (through 12/31/2022), Northern Trust Asset Management Australia Pty Ltd and investment personnel of The Northern Trust Company of Hong Kong Limited and The Northern Trust Company. For purpose of compliance with the Global Investment Performance Standards (GIPS®) the firm is defined as Northern Trust Asset Management Services, a subset of NTAM, which excludes NT Global Advisors, Inc., 50 South Capital Advisors, LLC and Belvedere Advisors, LLC, as well as two components of NTI (our Outsourced Chief Investment Officer business and separate accounts for which Northern Trust serves as the model portfolio implementer). As of 12/31/2024 NTAM had assets under management totaling \$1,331.57 billion of which \$1,263.69 billion is part of the GIPS firm. Northern Trust Asset Management Services claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Northern Trust Asset Management Services has been independently verified for the periods 1/1/1993 to 12/31/2023. The verification report(s)



NORTHERN TRUST

ASSET MANAGEMENT

is/are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Returns presented are time-weighted returns. Valuations are computed and performance is reported in US dollars. Information regarding policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. A complete list of Northern Trust Asset Management Services composite descriptions, limited distribution pooled funds descriptions and list of broad distribution pooled funds are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Past performance is not indicative of future results. Returns for periods greater than one year are annualized. Gross performance returns shown do not reflect the deduction of investment management/advisory fees, assume the reinvestment of dividends and capital gains where applicable, and are net of transaction costs and other expenses. Performance results will be reduced by the fees incurred in the management of the account. Net performance returns are reduced by investment management fees and other expenses relating to the management of the account. Net-of-fee returns are calculated based upon model fees. For periods 2020 and prior, the model fee reflects the composite's highest actual client fee rate (or the highest rate on the applicable fee schedule for the given time period if actual rates could not be identified), applied monthly. For periods after 1/1/2021, the highest rate on the applicable fee schedule is used for the applicable period. The below annual fee schedule, expense ratios and investment management fees reflect the current fees. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

Investment management/advisory fees are described in Northern Trust Investments, Inc. Form ADV Part 2A.

The Tax Advantaged US Large Cap Core Cash Funded composite consists of all fee-paying, fully discretionary cash funded tax advantaged portfolios that actively manage taxes on a portfolio of U.S. large capitalization stocks benchmarked to the S&P 500 Index. The strategy is designed for investors seeking long-term capital appreciation with reduced tax liability. This composite may include accounts that restrict the investment of income. The primary benchmark for this composite is the S&P 500 Total Return Index. The S&P 500 Index is an unmanaged index and is a widely recognized common measure of the performance of large-cap U.S. equities. Performance information for the S&P 500 Index assumes reinvestment of all income and excludes management fees, transaction costs, and expenses. It is not possible to invest directly in an index. Financial leverage is not employed as a part of the overall investment strategy of this composite. Financial derivatives, in the form of futures contracts, options and ETF's may be utilized for the purposes of liquidity, market exposure, or investment opportunity. The internal dispersion of annual gross returns is measured by the standard deviation across asset-weighted portfolio returns represented in the composite for

the full year. The three year annualized standard deviation is calculated using monthly gross returns. If the composite has been open for less than three years, the three year annualized standard deviation is deemed not applicable. If fewer than 5 portfolios are in the composite for a full year, internal dispersion is deemed not applicable. The composite was created in August of 2024, and the inception date is January 01, 2014.

The annual fee schedule for standard institutional accounts is: First \$25 million = 0.25%, Next \$25 million = 0.20%, Balance = 0.15%. Effective January 01, 2024, the model fee applied is 0.25%.

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Information does not constitute a recommendation of any investment strategy, is not intended as investment advice and does not take into account all the circumstances of each investor.

This report is provided for informational purposes only and is not intended to be, and should not be construed as, an offer, solicitation or recommendation with respect to any transaction and should not be treated as legal advice, investment advice or tax advice. Recipients should not rely upon this information as a substitute for obtaining specific legal or tax advice from their own professional legal or tax advisors. References to specific securities and their issuers are for illustrative purposes only and are not intended and should not be interpreted as recommendations to purchase or sell such securities. Indices and trademarks are the property of their respective owners. Information is subject to change based on market or other conditions.

All securities investing and trading activities risk the loss of capital. Each portfolio is subject to substantial risks including market risks, strategy risks, advisor risk, and risks with respect to its investment in other structures. There can be no assurance that any portfolio investment objectives will be achieved, or that any investment will achieve profits or avoid incurring substantial losses. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Risk controls and models do not promise any level of performance or guarantee against loss of principal. Any discussion of risk management is intended to describe NTAM's efforts to monitor and manage risk but does not imply low risk.

Past performance is not indicative of future results. Unless otherwise noted, rankings cited, were published in Pensions & Investments (P&I) magazine's 2024 Special Report on the Largest Money Managers and are based on 12/31/2023 AUM. Rankings are calculated based on 411 investment management firms responding to P&I's online questionnaire. To qualify for inclusion in the rankings, each firm must manage assets for U.S. institutional tax-exempt clients, such as qualified retirement plans, endowments or foundations, and answer the minimum required questions.

NTAM AUM as of June 30, 2025 was \$1.3 trillion.



ORION
Andy Rosenberger,
CFA
SVP, Custom
Indexing

Andrew Rosenberger is Senior Vice President of Custom Indexing at Orion where he oversees the management and monitoring of all investments under Orion's Custom Indexing team. In this role, he is focused on delivering tax optimized solutions which help financial advisors build customized client portfolios with an emphasis on tax efficiency and tax transitions.

Prior to this role, Andrew served as a Senior Portfolio Manager for Brinker Capital's Wealth Advisory Team where he was responsible for portfolio management, strategy planning, and communication of multi-asset class portfolios for high net worth clients and institutions. With over 15 years of investment experience, Andrew has also held portfolio management roles for a number of asset allocation and absolute return-oriented portfolios. Additionally, he served as Quantitative Investment Manager where he was responsible for the quantitative analysis of economic and capital market trends, portfolio risk analysis, asset allocation, and investment strategy selection.

Andrew earned his Bachelor of Science in Economics from The Pennsylvania State University and holds FINRA Series 7 and 65 licenses. He is a CFA® charterholder and member of the CFA® Society of Philadelphia.

Orion*

Orion

17605 Wright St, Omaha, NE 68130 • orion.com

Orion is a premier provider of the tech-enabled fiduciary process that transforms the advisor-client relationship by enabling financial advisors to Prospect, Plan, Invest, and Achieve within a single, connected, technology-driven experience. Combined, our brand entities, Orion Advisor Tech, Orion Portfolio Solutions, Brinker Capital Investments, Redtail Technology, and Orion OCIO create a complete offering that empowers firms to attract new clients seamlessly, connect goals more meaningfully to investment strategies and outcomes, and ultimately track progress toward each

investor's unique definition of financial success. Orion services \$5.2 trillion in assets under administration and \$102.7 billion of wealth management platform assets (as of June 30, 2025) and supports over 7.5 million technology accounts and thousands of independent advisory firms. Today, 17 out of the Top 20 *Barron's* RIA firms¹ rely on Orion's technology to power their businesses and win for investors. Learn more at Orion.com.

¹ Source: 2024 Top 100 RIA Firms, *Barron's*, 2024.

New business contact:

Email: customindexing@orion.com

Website: [Custom Indexing Consultation Request](#)

Brand of direct indexing platform/product: Orion Custom Indexing

Platform/product architecture: Open

Total AUM/AUA: Firm Wide: Direct Indexing: \$10B+

Year direct indexing platform/product began: 2020

Indexing type: Product and Platform

Distribution strategy: Direct

Advisor channels served: RIA & BD Independent

Personalization options: Yes

Private labeling: Yes

Managers GIPS® compliant: No

Number of custom indices available: This varies

Types of products available: All

Minimum investment requirement: \$100K

Tax optimization features: Yes

Trade efficiency: Yes

Sleeve-level reporting: Yes

Integration with trade execution or order management systems: Yes

Integration with trust accounting systems: No

Proposal generator availability: Yes

Investment policy statement generation: Yes

Asset allocation methodologies: Our underlying

optimization technology solves to minimize tracking error, subject to customization preferences, on top of a wide variety of target portfolio mandates. Because Orion technology allows firms to both build their own models as well as source strategies from third party providers, we've taken an open architecture approach towards asset allocation and investment management.

Aggregation of held-away accounts: Yes

Rebalancing features: Yes

Supported custodians: Schwab, Fidelity, Pershing, Axos, Apex, Goldman Sachs

Marketing support offered: Yes

Platform's unique selling proposition: Orion Custom Indexing is a highly flexible, technology-first direct indexing offering. As part of the Orion ecosystem, our Custom Indexing is embedded within the existing workflows, advisor monitoring, and reporting that Orion clients are using on a daily basis. More so, by being embedded within a full technology stack, we've created a friction free experience which allows advisors to run white labeled proposals, overlay on top of custom models, incorporate the solution into a UMA portfolio, all while offering a tremendous amount of customization.

Product/platform's performance tracking & reporting capabilities: After-tax returns, Daily values reporting, Estimated taxes saved or deferred, Quarterly reporting; Tracking capabilities
Solutions open to the public: No

Disclosures

The CFA® is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. To learn more about the CFA charter, visit www.cfainstitute.org.

Wealth Management Platform Assets include assets managed on a discretionary and non-discretionary basis by Orion Portfolio Solutions, LLC ("OPS") and TownSquare Capital, LLC ("TSC") on their proprietary platforms, assets in proprietary and third-party models made available through OPS's Communities platform, and assets in OPS's proprietary models managed on third-party platforms.

Custom Indexing is an investment strategy wherein a portfolio is managed to mimic an index or other portfolio, while taking into account the tax position, holdings, and individual investing preferences of a client. The performance of a portfolio using custom indexing may vary significantly from the target index (referred to as tracking error or tracking difference), and this variance may increase with greater customization within a portfolio.

Tax-loss Harvesting is a process by which securities trading at unrealized losses are sold to realize a taxable loss. Proceeds from the sales are then used to reinvest in alternate securities to maintain market exposure. Tax-loss Harvesting can be used as a strategy to offset realized gains from other investments and/or carried forward to later calendar years to offset future taxable gains.

Wealth management services provided by Orion Portfolio Solutions, LLC ("OPS"), a registered investment advisor. Orion OCIO services provided by TownSquare Capital, LLC ("TSC"), a registered investment advisors. OPS and TSC are affiliates and wholly owned subsidiaries of Orion Advisor Solutions, Inc. Custom Indexing offered through Orion Portfolio Solutions, LLC a registered investment advisor.

An index is an unmanaged group of assets considered to be representative of a select segment or segments of the market in general, as determined by the index manager for the purposes of managing a specific index. You cannot invest directly in an index.

This information is general in nature and is not intended as tax advice. You should consult a tax professional as to how this applies to an individual tax situation. Nothing contained herein is intended to constitute accounting, legal, tax, security or investment advice, nor an opinion regarding the appropriateness of any investment, or solicitation of any type.

2985-R-25303



RUSSELL INVESTMENTS
Brad Jung, CIMA, CPWA, AIF
Head of North America, Advisor and Intermediary Solutions

Our Personalized Managed Accounts program empowers advisors to offer clients customized portfolios with a variety of direct indexing options, all at an attractive, all-inclusive price.

To address tax-related concerns when transitioning a client's portfolio to a new investment strategy, we provide a transition management service. Advisors simply provide a list of holdings, purchase dates and cost basis for a scenario analysis. This analysis offers insights into the tax and tracking error implications of the transition, helping clients make well-informed decisions aligned with their financial goals.

Russell Investments also prioritizes education offering a comprehensive direct indexing series with monthly articles, case studies, videos, webinars and tailored content for advisors and clients.



Russell Investments

Russell Investments

401 Union Street, 18th floor, Seattle, WA 98101 • russellinvestments.com

Russell Investments' Personalized Managed Accounts (PMA) program may be an excellent vehicle for direct indexing. As wealth grows, so do expectations and complexity—like tax management, values-based considerations, distinctive separately managed account (SMA) solutions tailored to help investors achieve all of that and more.

Maximize after-tax wealth. You gain access to Russell Investments' 40 years of experience in tax management. Our active year-round strategies are designed to create tax assets and aim to maximize after-tax outcomes. Harness any tax losses harvested in the account to offset taxable income from other sources, or strategically plan for future taxable events.

Transition accounts tax-efficiently. Portfolio transitions require careful planning, especially when taxes are involved. Address embedded

gains and other portfolio transition needs using our customized transition management service. We analyze your client's situation and build an optimal transition plan around a timeline, tax, or capital gain budget.

Align investments with specific needs or preferences. Set stock restrictions and preferences based on unique client needs or select from a list of pre-defined exclusions. You can restrict certain securities, industries or sectors, or apply values-based preferences, depending on your clients' personal requirements.

Choice. Choose from five direct-indexed SMAs, two core equity solutions (100% DI and DI/active combo), three active SMAs, four fixed income ladders, and four core allocation solutions, which include both equity and fixed income (100% DI and DI/active combo on the equity side).

New business contact:

Phone: (800) 787-7354
 Email: service@russellinvestments.com

Brand of direct indexing platform/product: Russell Investments' Personalized Managed Accounts

Platform/product architecture: Open

Total AUM/AUA: \$369 billion in AUM, with \$3.4 billion in direct indexing/PMA (as of 09/30/2025)

Year direct indexing platform/product began: 2020

Indexing type: Product

Distribution strategy: Via other platforms/financial advisors. Platforms include custodial platforms such as Fidelity, Schwab, Pershing, etc., TAMPs such as Envestnet, and broker/dealer firms.

Advisor channel served: RIA, broker/dealer, TAMP

Personalization options: Yes

Private labeling offered: Yes

Managers GIPS® compliant: Yes

Number of custom indices available: 8 with no barrier to adding more

Types of products available: Mutual Funds, ETFs, Mutual Fund/ETF Models, Active SMAs/Direct Indexing, UMAs. Including equity, alternative, and fixed income

Minimum investment requirement: \$60,000–\$850,000

Platform compatibility: Any platform

Tax optimization features: Yes

Trade efficiency: Yes

Integration with trade execution or order management systems: Yes

Integration with trust accounting systems: Yes

Proposal generator availability: Yes

Asset allocation methodologies used: Proprietary

Rebalancing features: Yes

Supported custodians: Schwab, Fidelity, Pershing and others with no barriers to adding more

Marketing support offered: Yes

Platform's unique selling proposition:

Advanced tax management, enhanced portfolio personalization, ability to specify timeline or tax-budget when transitioning assets, all-inclusive pricing with no additional overlay fees

Product/platform's performance tracking & reporting capabilities:

After-tax returns, daily values reporting (via TAMP or platform), Estimated taxes saved or deferred (via TAMP or platform), quarterly reporting (upon request)

Use cases: 1) Enhanced after-tax returns 2) Transitioning assets 3) Concentrated stock 4) Customization for values- and faith-based investing 5) Planning for a financial windfall 6) Transitioning assets including from commingled vehicles

Solutions open to the public: No, access is through financial advisors.



SEEDS Zachary Conway CEO & Founder

When advisors come to us, they're usually grappling with the same set of challenges. They're spending too much time on manual investment operations—time that takes them away from serving clients and growing their practices. They're often frustrated by the lack of scalable, modern solutions that help them deliver personalized portfolios without adding administrative burdens. At the heart of it, advisors are looking for a way to run their businesses more efficiently, while still providing the high-quality, tailored advice their clients deserve.

What motivates advisors to sign up with Seeds is our ability to deliver simplicity and confidence in areas that have historically been complex and overwhelming. We show them how our platform cuts through the noise, streamlines investment operations, and equips them with the tools to create meaningful client conversations. When advisors see how our platform can help them streamline complex tasks, they recognize the potential impact on their practice.

What makes advisors happy is simple: we give them time back. They feel supported, empowered, and able to focus on what they do best: building lasting client relationships. And as they see the tangible impact on their day-to-day practice, they feel empowered to focus on enhancing client satisfaction and growing their business, which turns that happiness into loyalty.



Seeds

387 Park Ave S, Fl 5, New York, NY 10016 • www.useseeds.com

Investing is at a crossroads. For decades, investors have faced two extremes: automated platforms that promise efficiency but reduce human connection, or high-fee products sold through complicated narratives that often serve the industry more than the individual. Neither path reflects the investor's best interests.

The future of investing is human, powered by personalization and supported by technology.

Direct indexing is a significant innovation in wealth management because it allows advisors to build portfolios that reflect investor's unique values, preferences, and tax circumstances. Yet access has traditionally been complex, costly, and reserved for only the wealthiest clients.

Seeds changes that. We believe every investor deserves personalization, and every advisor deserves to provide that level of service without being overrun by operational complexity.

Seeds' direct indexing capabilities make it easier for advisors to bring personalized

strategies to more clients in a scalable way. By automating the operational burdens of investment management, Seeds gives advisors the freedom to design portfolios that align with an investor's mindsets, beliefs, and financial goals.

When clients work with an advisor using Seeds, they are not handed a prepackaged product. They receive a portfolio that is personal, intentional, and aligned with their preferences. Clients can put their money where their heart is, whether that means prioritizing sustainability, supporting innovation, or managing taxes, all while enabling advisors to have meaningful conversations about what matters most to them.

This is where human insight works hand in hand with technology. Advisors bring empathy, discovery, and an understanding of their clients' life stories. Seeds provides the direct indexing tools to help translate that insight into portfolios that reflect clients' unique values and financial goals.

New business contact:

Austin Leybourne, Account Executive
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Email: aleybourne@useseeds.com
Website: www.useseeds.com

Brand of direct indexing platform/product: Seeds

Platform/product architecture: Open

Total AUM/AUA: \$600,671,016 (as of 9/28/25)

Year direct indexing platform/product began: 2020

Indexing type: Product and platform

Distribution strategy: Direct

Advisor channels served: RIA

Personalization options: Yes

Private labeling: Yes

Managers GIPS® compliant: No

Number of custom indices available: 18+

Types of products available: UMA, SMA (Individual Stocks/Direct Indexing), Funds (ETFs/Mutual Funds), each product type with Index, Factor, or Values strategies available

Minimum investment requirement: \$1k

Tax optimization features: Yes

Trade efficiency: Yes

Sleeve-level reporting: Yes

Integration with trade execution or order management systems: Yes

Integration with trust accounting systems: Yes

Proposal generator availability: Yes

Investment policy statement generation: No

Asset allocation methodologies: Yes

Aggregation of held-away accounts: No

Rebalancing features: Yes

Supported custodians: Altruist, Schwab, Fidelity

Marketing support offered: No

Platform's unique selling proposition: Client-centric SaaS platform/TAMP built exclusively for advisors to help personalize and streamline their end-to-end investments workflows from assessment to trading.

Product/platform's performance tracking & reporting capabilities: After-tax returns, daily values reporting, Estimated taxes saved or deferred, Quarterly reporting, Tracking capabilities

Use cases: Holistic portfolio management, tax-managed transitions, personalization, low-minimums, fully customizable portfolios, tax harvesting, asset location, OCIO, client assessments, trading/rebalancing, reporting, billing

Solutions open to the public: No

DISCLOSURES

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The information presented is for a professional audience of financial advisors and is not intended for use by retail investors. The services described are available only to advisors. Direct indexing, tax-loss harvesting, and other investment strategies involve risk, including the possible loss of principal. Tax-loss harvesting outcomes are not guaranteed, and the ability to realize losses is dependent on the market and the composition of an individual portfolio. Past performance is not indicative of future results.

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SMARTLEAF
Jerry Michael
President &
Co-Founder

We make direct indexing as easy as working with ETFs or mutual funds. There is no separate contract, no need to open a sub-account, no separate process for managing cash or asset-class rebalancing. No increase in operational complexity. Just a choice on a pull-down menu.

We also enable you to document for each account the tax value you're providing. For most clients, you'll be able to show that you have saved or deferred more in taxes than you charge in advisory fees.

Smartleaf's automated rebalancing system is used to manage over \$9B in direct indexes.

SAM Smartleaf Asset Management®

Smartleaf Asset Management
 1 Bowdoin Sq, Fl 10, Boston, MA 02114 • www.smartleafam.com

SAM – Smartleaf Asset Management

Smartleaf Asset Management, LLC (SAM) offers personalized and tax-optimized rebalancing and trading sub-advisory services for holistically managing portfolios and households holding any combination of direct indexes, actively managed individual equity strategies, ETFs and mutual funds.

By outsourcing portfolio management to SAM, you can provide every client of every size exceptionally high levels of portfolio personalization and tax management—while spending zero time reviewing, rebalancing and trading portfolios. We work directly with leading custodians to access holdings and manage trading. There is no need for separate software integrations.

Direct Indexes as Easy as ETFs

SAM makes working with direct indexes as easy as working with ETFs—a simple choice on a pull-down menu.

Flexible Open Architecture UMA

SAM supports any combination of ETFs, mutual funds, direct indexes and actively managed equity strategies. Use your existing asset allocation and security models, or leverage our open-architecture model distribution service to use those from third parties.

Personalization

Outsourcing does not mean a reduction in personalized choice; it means an increase. You can provide every

account with custom product choice, custom cash management and custom screens for religious values, ESG/SRI, and restricted securities.

Exceptional Tax Management

Provide every account with year-round tax-loss harvesting, deferral of short-term gains into long-term gains, ongoing gains deferral and tax-sensitive transition—all based on the individual tax rates of each client.

Sophisticated Transition Management

Generate tax-optimized transition proposals in real time. Implement explicit tax or realized-gain budgets. Minimize the disruption of managing new client portfolios by incorporating low-basis legacy holdings and counterbalancing the risk of concentrated holdings.

Documentation of Taxes You Save

Go beyond simply saying you manage accounts for taxes. Provide every client with a custom account-level Estimated Taxes Saved/Deferred Report that lets you document in detail the taxes your clients have saved or deferred through active tax management. For most clients, you should be able to document that you save or defer more in taxes than you charge in advisory fees.*

Holistic Unified Managed Householding (UMH)

Optimize the management of groups of accounts to a joint household-level asset allocation, taking advantage of tax-deferred accounts to minimize taxes when rebalancing.

New business contact:

Bob Leaper, Senior Business Development Executive
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 Email: bleaper@SmartleafAM.com
 Website: www.smartleafam.com
 LinkedIn: Smartleaf Asset Management

Brand of direct indexing platform/product: Smartleaf Asset Management direct indexes and more than 60 third-party direct indexes

Platform/product architecture: Open

Total AUM/AUA: \$6.9 billion

Year direct indexing platform/product began: 2020

Indexing type: Product and Platform

Distribution strategy: Sub-advisory service is available on Schwab, Fidelity, Interactive Brokers and Axos Clearing. Direct indexes are also available to Smartleaf, Inc. software clients.

Advisor channel served: RIAs, bank trusts

Personalization options: Yes

Private labeling: Yes

Number of custom indexes available: 17 currently, tracking S&P, Russell®, MSCI® and Morningstar® indexes, plus bespoke direct index options and more than 200 third-party models.

Types of products available: ETFs, mutual funds, individual stocks (US and ADR)

Minimum investment requirement: No account minimums.

Platform compatibility: Schwab, Fidelity, Interactive Brokers, Axos Clearing, BNY Mellon Pershing, Black Diamond, most bank trust platforms

Tax optimization features: Yes, at the account and household level, with the expectation that you can document for most clients that you save or defer more in taxes than you charge in fees.*

Trade efficiency: Integrated with trade execution and order management systems

Proposal generation availability: Yes—you can see proposed trades and the projected tax and tracking error impact of asset allocation selection, product choices, transition plans, personalization preferences, and tax management settings.

Asset allocation methodologies: User-specified, or via subscription to third-party asset allocation models

Rebalancing features: Personalized and tax-optimized rebalancing at the account and household level, using your asset allocation and product choices. Tax-optimized transitions; year-round loss harvesting; risk-sensitive gains deferral.

Supported custodians: Schwab, Fidelity, Interactive Brokers, Axos Clearing

Marketing support offered: Yes

Platform's unique selling proposition:

- You can rebalance your entire book in a day, regardless of the level of personalization and tax optimization.
- We manage portfolios at both the account (UMA) and household level (UMH).
- You can document the value of your tax management – for most clients, it will be more than your fees.
- Working with direct indexes is as operationally simple as working with ETFs.
- Your advisors can generate, in real time, tax-optimized transition plans at the account and household level.
- For each account, your advisors get real-time feedback on the tax and risk (tracking error) effects of personalization, product and tax management choices.

UMH Use Cases: We support tax-optimized unified managed households (UMH), wherein we jointly manage a group of accounts to a shared household-level target asset allocation.

Solutions open to the public: No, SAM is a sub-advisor and does not sell directly to the public.

*Expected outcome for most clients. Results depend on many factors, including market conditions, client cash activity, client tax rates, and legacy holdings.



SYNTAX DATA

Patrick Shaddow President & CEO

Syntax provides a revolutionary financial data and technology platform that empowers financial services. Specifically, Syntax's FIS[®] framework rethinks how to organize company data, allowing users to see companies from hundreds of angles instead of only by sectors. The FIS framework underpins Syntax's products and solutions, including many of the core functions of Syntax Direct.

Traditionally, companies have been grouped into sectors based only on their primary business segments. FIS enables Syntax to standardize definitions down to the product line level for each company's business model. As of 2023, we cataloged more than 8,000 unique product lines from over 18,000 company classifications. These product line classifications can be organized and aggregated into different taxonomies instantly, depending on the use case.

Syntax's FIS classification system enables our unique Affinity and Syntax Direct platforms, which allow for next-level analysis and custom indexing at scale, respectively.



Syntax Data

One Liberty Plaza, Fl 46, New York, NY 10006 • www.syntaxdata.com

Syntax has pioneered a proprietary approach to overcome the limitations of traditional industry classification systems. It leverages granular and verifiable product line data to create a vivid picture of the business and risk characteristics for more than 11,000 companies. This wealth of unique data serves to underpin the Syntax Direct platform.

By answering a short series of questions, Syntax's new direct indexing platform offers financial advisors the ability to instantly construct indices based on core exposures, quantitative factors, and micro and macro themes that align with client investment objectives. Advisors will also be able to seamlessly implement client preferences, such as conviction level, social values, risk tolerance, and overall economic outlook.

Within seconds, the platform produces a five-year back test with 15 key performance measures and generates a detailed rules and methodology document that can serve as a primary compliance tool. Additionally, an advisor will receive a detailed list of constituents and weights for each index that is created. With investment management pivoting toward the

fractionalization of accounts (i.e., single wealth owner with multiple heirs) as part of the Great Wealth Transfer, advisors face the growing challenge of serving more clients for the same amount of total investment dollars. The Syntax Direct platform reshapes the advisor-client relationship while making an advisor's business easily scalable.

The Syntax Direct platform disrupts the traditional cost structure and fees of managed mutual funds, as the end investor can own securities directly without having to worry about additional fees being passed on. The average mutual fund portfolio management fee is ~1.0%. With our direct indexing platform, the client gets to keep more in their pockets.

Powered by data derived from Syntax's proprietary classification technology, Syntax Direct delivers a staggering array of customized investment possibilities for advisors and their clients. Built with the future in mind, our platform is the essential empowerment tool for any advisor that wants to adapt to the transforming investment landscape and prepare themselves to serve a new generation of clients.

New business contact:

Sarah Grieco
Director, National Accounts
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Brand of direct indexing platform/product:

Syntax Data

Platform/product architecture:

Open
Total AUM/AUA: ~\$1 billion in assets under license

Year direct indexing platform/product began:

2023

Indexing type:

Product and platform

Distribution strategy:

Direct and via other platforms

Advisor channel served:

All

Personalization options:

Yes

Private labeling offered:

Yes

Number of custom indices available:

Unlimited

Types of products available:

Individual stocks

Tax optimization features:

Yes

Integration with trade execution or order management systems:

Yes

Integration with trust accounting systems:

Yes

Proposal generator availability:

Yes

Investment policy statement generation:

Yes

Asset allocation methodologies used:

Core, Factor, Benchmarks, Micro and Macro

Themes, Impact

Rebalancing features:

Yes

Supported custodians:

Third-party platform dependent

Marketing support offered:

Yes

Platform's unique selling proposition:

Simplicity of use, wide range of potential outcomes, fully transparent, lower overall fees

Product/platform's performance tracking & reporting capabilities:

Daily values reporting

Use cases:

Rules-based portfolio construction, direct indexing

Solutions open to the public:

No, access is through RIAs and financial advisors only.

DIRECT INDEXING GLOSSARY OF TERMS

Navigating the world of direct indexing can be complex, but having a clear understanding of key terms can help you make informed decisions. Here's a glossary of terms to guide you through the **Direct Indexing Buyers Guide**:

Direct Indexing: An investment strategy that involves constructing portfolios by directly holding individual securities that replicate the composition of a specific index.

Customization: The ability to tailor investment portfolios to align with clients' unique preferences, values, and financial goals.

Tax Efficiency: A key benefit of direct indexing, where strategies are implemented to minimize tax liabilities by optimizing capital gains and losses.

Tax-Loss Harvesting: A strategy within direct indexing that involves strategically realizing capital losses to offset capital gains, reducing overall tax liabilities.

Loss Offset: The process of using capital losses to counterbalance capital gains, which can result in lower tax obligations and potentially higher after-tax returns.

Portfolio Diversification: Spreading investments across a range of assets to reduce risk. In direct indexing, this can involve holding a carefully selected subset of securities from an index.

ETF (Exchange-Traded Fund): A fund that tracks an index and is traded on stock exchanges, offering diversification and liquidity.

Capital Gain: A profit earned from selling an asset at a higher price than its purchase price.

Capital Loss: A loss incurred when selling an asset for less than its purchase price.

Index Fund: A type of mutual fund or ETF designed to replicate the performance of a specific market index.

Separately Managed Account (SMA): A customized investment portfolio managed for an individual client, allowing for personalized strategies.

Unified Managed Account (UMA): A fee-based account that houses various investment products within multiple separate account sleeves, managed as a unified portfolio.

Unified Managed Household (UMH): An extension of UMA, aggregating all aspects of a client's wealth, including various types of accounts and investments.

Estate Planning: The process of arranging and managing assets to ensure their efficient transfer to beneficiaries, often involving tax considerations.

ESG (Environmental, Social, Governance): Investment criteria that consider a company's environmental impact, social responsibility, and corporate governance practices.

Liquidity: The ease with which an asset can be converted into cash without significantly affecting its price.

Legacy Portfolio: An existing investment portfolio that might be transitioned into a direct indexing strategy.

Robo-Advisor: A digital platform that provides automated, algorithm-driven financial planning and investment services.

Capital Gain Tax: The tax levied on the profit gained from the sale of an asset.

Separate Account: An investment portfolio managed individually for a client, distinct from a pooled investment fund.

Understanding these terms will empower you to navigate the **Direct Indexing Buyers Guide** with confidence and make well-informed decisions when exploring direct indexing solutions for your clients.

CONTRIBUTORS



Scott Martin

Scott Martin came to *The Wealth Advisor* after nearly a decade in hedge fund land once it became clear that the individual advisor had been his true passion all along. He knows what frustrates and excites financial intermediaries at all levels of the industry and has written endlessly about the ways technology, client demand patterns and innovation keep creating opportunities as well as challenges. You might have seen some of it in places like *Research*, *Buyside* and *Institutional Investor* (and *ALPHA*). If you're reading this, you know how to reach him.



Madeline Garfinkle

Madeline Garfinkle is a Marketing and Communications Writer for *The Wealth Advisor*, focusing on wealth management and financial planning. With over seven years of digital media experience, including three years as a financial writer and journalist, she's driven by the intersection of technology and economy, economic decision-making psychology, and investment industry nuances. Previously, Madeline was a News Writer for Entrepreneur Magazine, contributing to print and digital platforms on topics like the housing market, cryptocurrency, and franchise industry. She holds a degree from Syracuse University and earned her Masters from Columbia University in 2021.



Chris Panagakis

Chris Panagakis is the Chief Revenue Officer for *The Wealth Advisor*, where he leads all revenue strategy, partnerships, and market-facing initiatives for the brand's rapidly expanding suite of editorial and data-driven products. Chris oversees relationships with more than 95 leading asset managers, fintech platforms, and wealth-technology providers, and is responsible for architecting the multi-channel programs that connect these firms with The Wealth Advisor's audience of 350,000 financial advisors.

WEALTHADVISOR
DIRECT INDEXING
BUYERS GUIDE

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