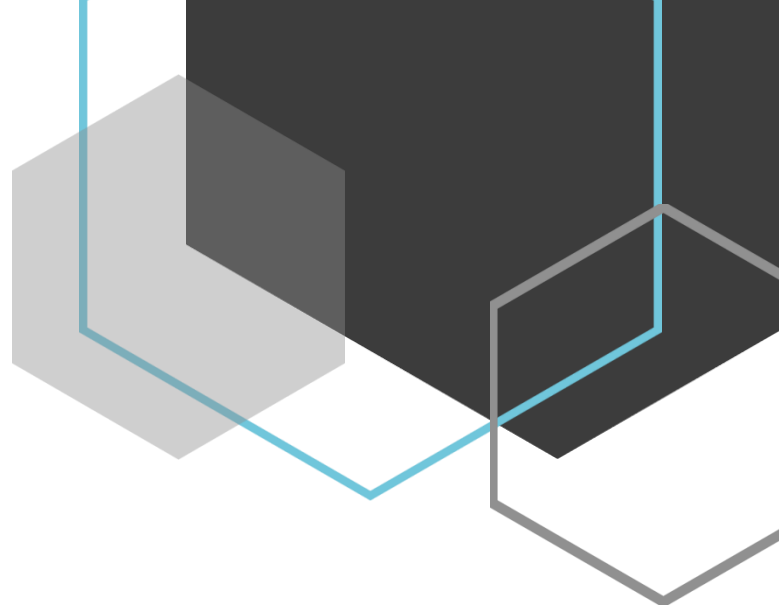




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An Asset Management Association For All



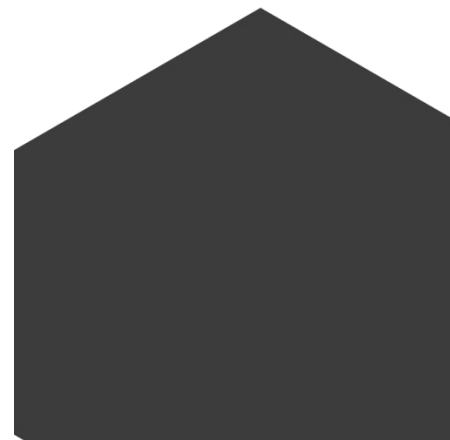
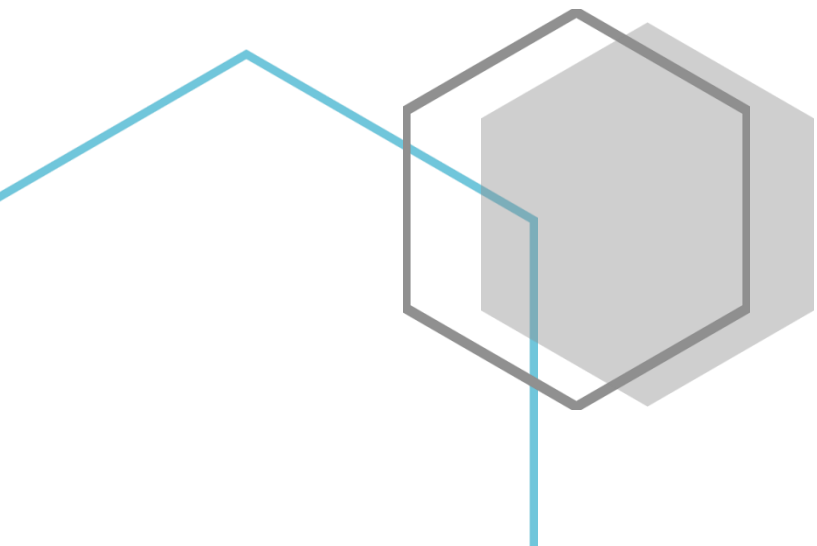
Intermediary Evaluation Best Practices

RESEARCH NOTES

By NICSA's Product & Distribution Committee

How are asset managers evaluating their distribution partnerships?

NICSA explores how financial institutions are implementing new initiatives, developing businesses responses, and crafting best practices in the product and distribution arena.



Best Practices for Intermediary Evaluation

By: NICSA Product and Distribution Committee

What makes a good intermediary relationship? Global asset managers are facing an evolving distribution landscape. Fewer distributors and increased scrutiny are placing pressure on managers trying to establish themselves on fund lineups. Fund managers and their National Accounts teams need to focus on strategic alignment with their distribution partners.

How do asset managers assess their relationships with their distribution partners? In general, there is consensus within NICSAs product and distribution working group that indicates a combination of objective and subjective criteria that can be used in order to categorize a relationship. These broad categories include:

- Sales and assets under management (AUM) at the firm
- Revenue, both gross and net
- Profitability by sales and AUM
- Product depth
- Strength of the relationship

These categories were explored in detail during a recent NICSAs Product & Distribution Committee meeting. The summary of the findings are further detailed in this research report. This report is offered as a guide to asset managers that are building a framework to evaluate their distribution partnerships and improve the strategic alignment with their business goals.

COMMITTEE OVERVIEW



The NICSAs Product and Distribution Committee is comprised of investment managers whose purpose is to identify key trends and challenges resulting from the changing business environments within intermediary home offices.

The committee addresses product trends, product development, intermediary engagement, data/reporting and organizational realignment in order to address the changing business environment.

COMMITTEE MEMBER FIRMS:

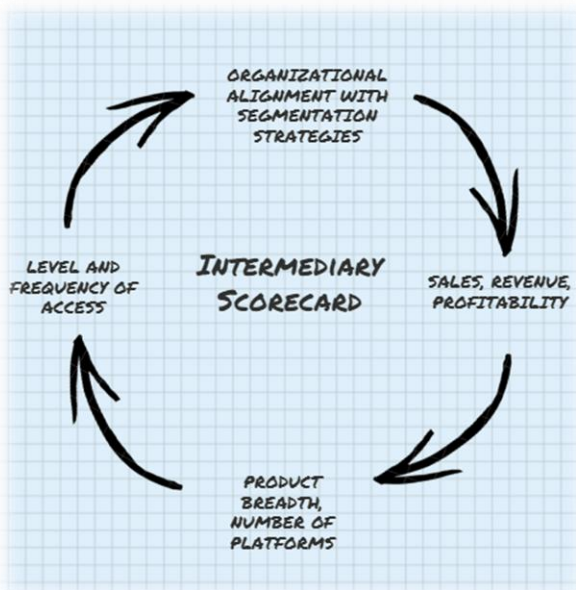
American Century Investments
 BlackRock
 Columbia Threadneedle Investments
 Federated Investors, Inc.
 Foreside Financial Group, LLC
 Franklin Templeton Investments
 Goldman Sachs
 Janus Henderson Investments
 J.P. Morgan
 Legg Mason, Inc.
 Lord, Abbett & Co.
 MFS Service Center, Inc.
 PIMCO
 Putnam Investments
 TCW Funds
 Thornburg Investment Management
 USAA Investment Management Co.
 Virtus Investment Partners
 Wells Fargo Asset Management

Metrics

Asset managers are increasingly using more data and metrics to evaluate their partnerships with firms that distribute their products. The most common criteria considered when evaluating a relationship are sales, revenue and profitability. An evaluation of run rate revenue may also be made to assess the basis point cost of business. These evaluations may be done across the business or segment by segment within the firm.

Scorecards may be created for each firm and data may be weighted and scored to allow management to assess the relationship using predetermined metrics and place a weight on those determined to be most critical. Very often these assessments will drive strategy for firm coverage and allocation of resources.

Also, many firms are now providing additional data packages, so the metrics and measurement help to evaluate not just to the need for the data but the value of the additional cost for the data depending on the relationship assessment.



Products

Additional assessments can be based on the product depth at the firm. Considerations include both depth and breadth of product availability, as well as number of platforms on which the products are available (e.g. brokerage, home office models, rep as PM, rep as Advisor, etc.).

Opportunity

Of increasing importance is the opportunity to partner on product solutions with the distribution partner. As distribution partners reduce the number of products as part of rationalization efforts, it becomes more important to be able to collaborate with firms to create solutions to meet the needs of the clients – which include product solutions such as SMAs, UMAs, and CITs. The ability to enter into sub

advisory relationships is an additional way to gather appreciable assets at the firm.

Mid- to- small-tier asset managers are particularly challenged by product rationalization efforts. They must work with their partners to understand the culture of the firm and work with centers of influence. These asset managers are working to understand the organizational structure and client needs in order to increase assets at the firm and focus on the uniqueness of products and product offering to meet those needs.

Strength of Partnership

Asset managers are evaluating the level and frequency of access at the firms, in order to determine if the firm is interested in building a partnership and understand how they view the relationship. Do they view the relationship holistically to take account for all assets (and relationships) across the platform? What are all the unique relationships within the firm? Do senior leaders at the asset management firms have access and ongoing dialogue with their senior leaders at the distributor– how often? What is the health of the relationship?



Organizational Alignment

The intermediary assessment process is no longer a one-size-fits-all exercise. The unique business models and needs of the firms/channels may introduce further complexity when assessing firms across different channels. Some asset managers are developing segmentation strategies to align with the firm and using metrics to look at the size of the firm/opportunity and the depth of the relationship.

The decision makers are changing in many firms, particularly at advisors, and asset managers are modifying their segmentation and their relationship models to change their interactions to align with the firm. Many firms are realigning their coverage and relationship models to adjust to changes in sales, asset mix and product development. The scorecard approach may help to determine what firms should focus on (vs. a “maintain the relationship” strategy) and align teams accordingly.



As an industry trade association, NICSA is helping industry participants deploy strategies to better monitor their global distribution activities and to adapt to the evolving distribution landscape. Successful asset managers will drive their business with distribution partners who are identifying and understanding early trends and developing innovative solutions to engage with a new generation of investors. In the quest to preserve growth and market share, strategic responses in product innovation and distribution is key. The insights provided in this Committee Briefing provide a terrific starting point for asset managers seeking actionable strategies to build true insight-led distribution.



NICSA supports a wide variety of topic committees, allowing our members to have impactful participation, make meaningful contributions, and have their voices be heard. This briefing spotlights NICSA’s Product & Distribution Committee and the productive work that team is doing. Join the conversation today. Contact NICSA to see how to become a member in any of the following committees:

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