

AiteNovarica

MAY 2023

AITE MATRIX: RIA PORTFOLIO MANAGEMENT AND REPORTING SYSTEMS

—
WALLY OKBY

This excerpt provided compliments of this
Best-in-Class vendor:



ADDEPAR

IMPACT REPORT

TABLE OF CONTENTS

INTRODUCTION.....	2
METHODOLOGY	2
THE PLAYERS.....	4
AITE MATRIX EVALUATION.....	5
THE AITE MATRIX COMPONENTS ANALYSIS.....	5
AITE MATRIX RECOGNITION.....	6
BEST IN CLASS: ADDEPAR.....	9
CONCLUSION.....	23
ABOUT AITE-NOVARICA GROUP	25
CONTACT	25
AUTHOR INFORMATION	25

LIST OF FIGURES

FIGURE 1: EVALUATED VENDORS.....	4
FIGURE 2: MATRIX COMPONENTS ANALYSIS HEAT MAP.....	5
FIGURE 3: AITE MATRIX FOR PORTFOLIO MANAGEMENT AND REPORTING PROVIDERS.....	7
FIGURE 4: ADDEPAR OWNERSHIP STRUCTURE.....	14
FIGURE 5: ADDEPAR PORTAL VIEW ON WEB	15
FIGURE 6: ADDEPAR PORTAL VIEW ON MOBILE.....	16
FIGURE 7: TRADING SUMMARY	17
FIGURE 8: NAVIGATOR J-CURVE CHART FOR AN ASSUMPTION WITH CUSTOMIZABLE CRITERIA	18
FIGURE 9: PURCHASE SHARES OF PRIVATE COMPANIES ON MARKETPLACE	19

LIST OF TABLES

TABLE A: ADDEPAR CLIENT REFERENCE CHECKLIST	21
TABLE B: KEY STRENGTHS AND CHALLENGES, ADDEPAR	22

IMPACT REPORT

MAY 2023

AITE MATRIX: RIA PORTFOLIO MANAGEMENT AND REPORTING SYSTEMS

WALLY OKBY

INTRODUCTION

The technology landscape of vendors and clearing/custody firms remains a growing, crowded market of well over 50 firms. In the enterprise space, the market is quite concentrated among established legacy participants. On the other hand, the RIA channel is quite fragmented and growing fast. Established veterans are competing fiercely against newer players that have grown remarkably since inception a few brief years ago.

Aite-Novarica Group's vendor community estimates current RIA market adoption of sophisticated portfolio management and reporting systems at around 40% to 60%. Therefore, out of a total estimated 23,500 RIAs¹ in the market, 9,000 to 14,000 of them use very basic tools. This represents US\$1.2 trillion to US\$1.3 trillion in assets under management (AUM) up for grabs, a substantial market opportunity for vendors.

Key trends within the vendor market for RIA portfolio management and reporting systems, drivers for adoption and challenges, purchasing factors, functionality, and discussion on how technology is evolving to address new market needs and challenges can be found in Aite-Novarica Group's April 2023 report.²

This Impact Report compares and contrasts the leading vendors' offerings and strategies, highlighting their primary strengths and challenges. The report recognizes specific vendors for their strengths in critical areas to help financial institutions make more informed decisions as they select new technology partners.

METHODOLOGY

Leveraging the Aite Matrix, a proprietary Aite-Novarica Group vendor assessment framework, this Impact Report evaluates the overall competitive position of each vendor, focusing on vendor stability, client strength, product features, and client services.

The following criteria were applied to develop a list of vendors for participation:

- Reporting and portfolio management functionality for advisors
- Meaningful share of RIAs operating in the U.S. market

¹ See Aite-Novarica Group's report [The Small RIA: One Size Does Not Fit All](#), March 2023.

² See Aite-Novarica Group's report [RIA Portfolio Management and Reporting Systems: Market Overview](#), April 2023.

Participating vendors were required to complete a detailed product RFI composed of qualitative and quantitative questions, conduct a minimum 60-minute product demo, and provide active client references.

THE PLAYERS

Figure 1 presents basic vendor information for the participating solutions.

FIGURE 1: EVALUATED VENDORS

Firm	Headquarters	Founded	Target market	Sample clients
Addepar	New York	2009	Single family offices, independent RIAs, BDs multifamily offices, OCIOs, private banks, wirehouses	HSBC, RBC, Morgan Stanley, UBS, Stifel Financial Corporation
Broadridge	Lake Success, New York	2007	Independent RIAs, BDs, self-clearing retail brokers	Equitable, Cetera, Kestra, LPL, Money Concepts
Investnet	Berwyn, Pennsylvania	1999	RIAs, BDs, firms that offer bank and trust services, family offices	Merrill Private Wealth Management, Atria Wealth Solutions, Buckingham Strategic Wealth, LibertyFi, MML Investors Services
InvestCloud	Los Angeles	2010	RIAs, large global wealth and asset management firms	Citi, BNPP, Rathbones, VP Bank, MUFG
Morningstar	Chicago	1984	Financial planning-oriented RIAs (U.S.), holistic investment management (U.K., Canada)	Hixon Zuercher Capital Management, South Bay Financial Partners, JR Prunier Capital Management, Financial Legacy Associates, Brightwater Advisory
Orion Advisor Solutions	Omaha, Nebraska	1999	RIAs, independent BDs	Buckingham Asset Management, Carson, Mariner, Advisors Excel, RFG
SS&C	Windsor, Connecticut	1986	Independent RIAs, independent BDs, family offices	AdvisorNet Wealth Management, Bouvel Investment Partners, Fieldpoint Private, Parallel Financial, RPM Capital Management

Source: Vendors

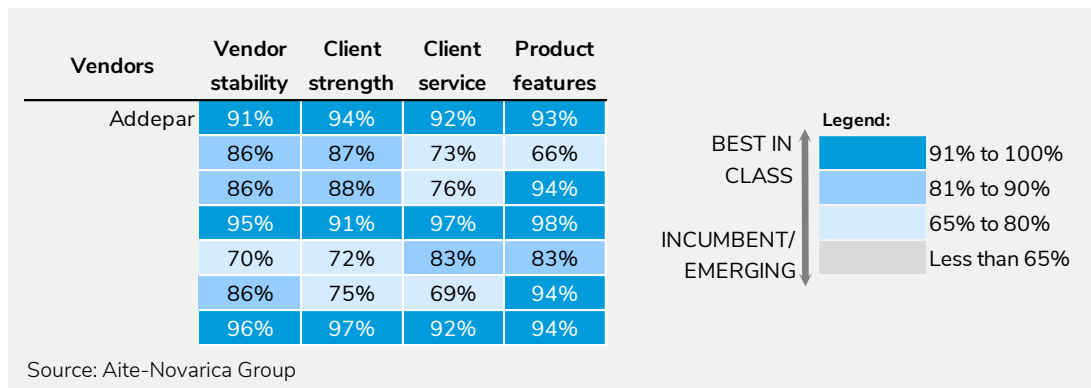
AITE MATRIX EVALUATION

This section breaks down the individual Aite Matrix components, drawing out the vendors that are strong in each area and how they are differentiated in the market.

THE AITE MATRIX COMPONENTS ANALYSIS

Figure 2 shows how each vendor scored in the various areas of importance. Each vendor is rated based on data it provided when responding to Aite-Novarica Group’s RFI, product demos, and follow-up discussions as part of the Aite Matrix process. Ratings are also driven by the reference customers of the examined vendors to support a multidimensional rating.

FIGURE 2: MATRIX COMPONENTS ANALYSIS HEAT MAP



Vendor Stability

The portfolio management and reporting vendor landscape is stable. Its participants are well established, with strong financials, growth rates, and reinvestment in research and development (R&D). All vendors profiled in this report score well in this area.

Client Strength

The portfolio management and reporting vendor space for wealth management is noisy, unpredictable, and ultra-competitive. Vendors that lag with their functionality, implementation and integration options, and user experience have their work cut out for them. On the other hand, those that excel in this category are poised to capitalize. Addepar is among the vendors that scored the highest in this category.

Client Service

Vendors that score well in this category deliver on promises and provide high levels of service and positive cost value. Addepar excels in this category.

Product Features

This category considers client feedback regarding the robustness and breadth of the functionality within each vendor's core banking offerings. It also measures important factors such as the ease of upgrades and support for customizations.

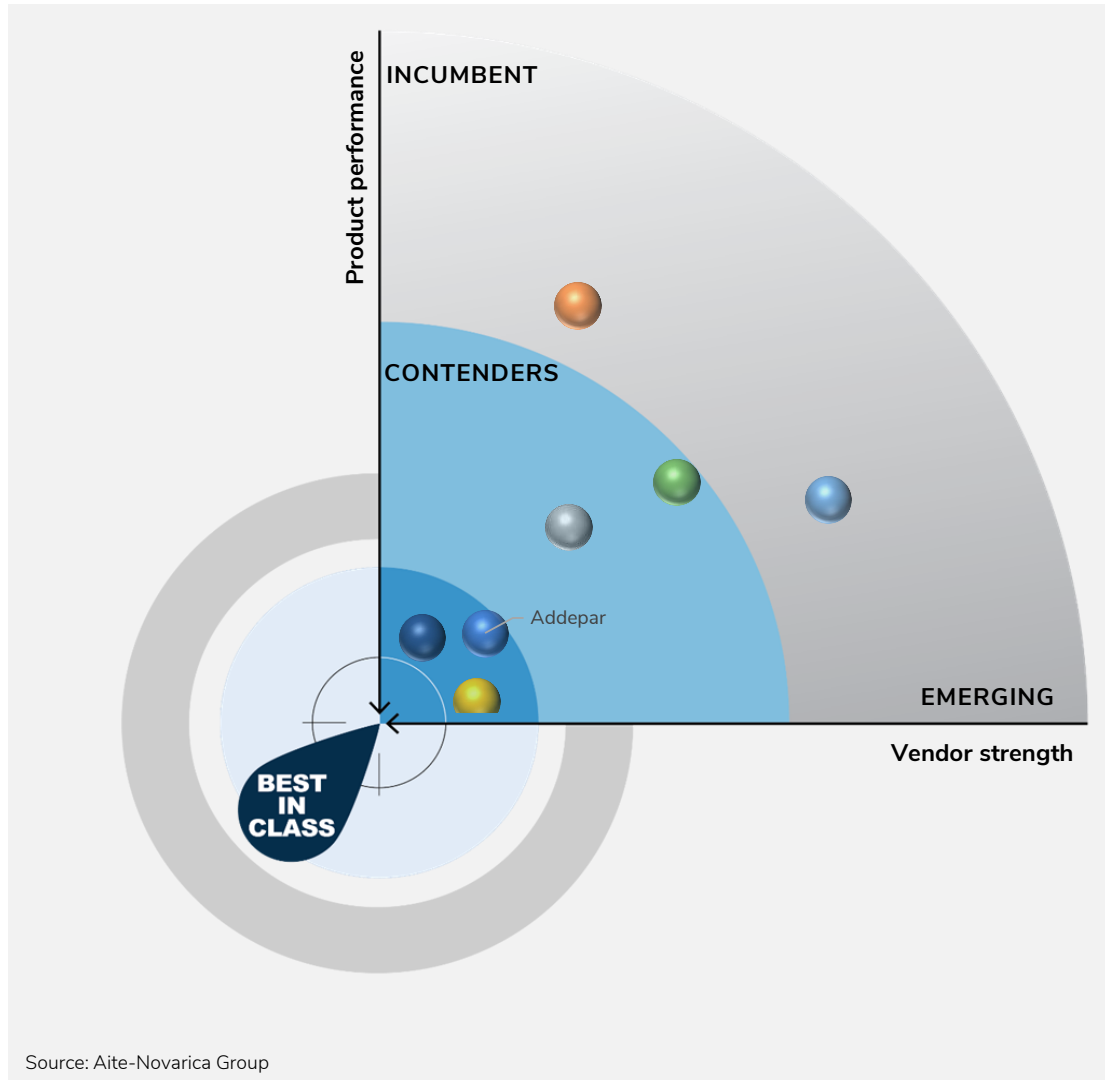
AITE MATRIX RECOGNITION

The final results of the Aite Matrix recognition are driven by three major factors:

- Vendor-provided information based on Aite-Novarica Group's detailed Aite Matrix RFI document
- Participating vendors' client reference feedback or feedback sourced independently by Aite-Novarica Group
- Analysis based on market knowledge and product demos provided by participating vendors

Figure 3 represents the final Aite Matrix evaluation, highlighting the leading vendors in the market. The results speak for themselves. Addepar is positioned toward the inner circle, emerging as one of the leaders.

FIGURE 3: AITE MATRIX FOR PORTFOLIO MANAGEMENT AND REPORTING PROVIDERS



Source: Aite-Novarica Group

Best-in-Class Vendors: Addepar

This award recognizes a vendor’s experience in the portfolio management and developing market, including total client base, overall client growth, and recent successes.

Founded in 2009, Addepar now has a substantial number of users—well over 100,000 in more than 40 countries—that administer over US\$4 trillion in assets on its tech and data platform. Addepar has convincingly demonstrated over the past few years that an integrated technology solution with the right functionality wins advisors that cater to

private clients up and down the wealth spectrum. Aite-Novarica Group further observes that Addepar's solutions elegantly deliver a holistic portfolio solution and platform that brings visibility to a traditionally opaque investment ecosystem, delivering a tailored, cohesive, and timely view for advisors who otherwise would have trouble bringing together the systems and functionality needed to manage portfolios in an integrated environment. Furthermore, it should not be overlooked that Addepar has become a dominant leader in this space in a short time frame without any support from a corporate parent. This level of functionality, integration, and management quality has earned Addepar a well-deserved spot in the winner's circle.

BEST IN CLASS: ADDEPAR

Over the last 15 years, Addepar has established itself as a leading brand among family offices, RIAs, private banks, and broker-dealers. The firm was founded in 2009 and has raised nearly US\$500 million in capital through private financing. Today, the company has hundreds of thousands of users in more than 40 countries, administering over US\$4 trillion in assets on its tech and data platform. Addepar has over 800 employees and is headquartered in New York City.

Aite-Novarica Group's Take

Aite-Novarica Group observes that Addepar's solutions elegantly deliver a holistic portfolio solution and platform that brings visibility to a traditionally opaque investment ecosystem. It delivers a tailored, cohesive, and timely view for advisors who otherwise would have trouble bringing together the systems and functionality needed to manage portfolios from mass-affluent to UHNW clients in an integrated environment. Its top five functions are data aggregation, analytics and reporting, trade rebalancing, forecasting, and billing.

Addepar's core clients typically manage complex investor portfolios with customized reporting needs for advisors who service mass-affluent to UHNW investors. Advisors with affluent clients usually require capabilities such as currency conversion and integration of alternative asset classes. The firm is especially strong in this area. Under the hood, Addepar has designed a proprietary alternative data model to integrate nuanced asset classes onto the platform. The platform handles illiquid assets (e.g., private equity, hedge funds) and real assets (e.g., art, property). From a systems perspective, Addepar has mastered the integration of nontraditional assets that lack unique identifiers like a stock CUSIP.

In May 2020, the firm introduced an alternatives marketplace, which can be accessed inside the platform. The marketplace allows advisors to evaluate various alternative offerings, including private equity and hedge funds, secondary market liquidity solutions, shares in private companies, and cash programs. Advisors can digitally initiate transactions through Addepar's partner companies.

The platform is also extremely strong in its data consolidation capabilities. Broadly, the firm aggregates legacy client data and custodian and market data. Its data network includes direct custody feeds from Fidelity, Pershing, Schwab, TD Ameritrade, Morgan

Stanley, and Northern Trust, combined with more than 200 additional source feeds from banks and financial institutions. Addepar software verifies client and market data across all asset classes daily. As expected, advisors are sensitive to errors in client data, and Addepar excels here as well.

From a functional perspective, Addepar deploys an integrated ecosystem of tools that address data aggregation and portfolio performance reporting and analysis for RIAs. Its system is unique in meeting the complex needs of high-net-worth (HNW) and UHNW advisors. Addepar employs a sophisticated account grouping interface, an impressive proposal-generation capability, multicurrency conversion, portfolio benchmarking, and perhaps the best integration available for alternative asset classes. The system is wrapped in a flexible user interface that allows a high degree of customization.

In the highly selective arena of UHNW advisors and family offices, the Addepar platform is a key competitor. It is often used to tout an advisor's scope of capability to end-client investors and prospects. That is a strong endorsement.

Addepar stresses the importance of accurate, validated data. The company heavily emphasizes building and maintaining a robust network of data feeds to pull info directly from the source. Addepar's data feed pipeline for ingestion and normalization is extensive and rigorous. It intakes data in a variety of disparate formats from various sources, interprets the records, and normalizes them. It creates positions, transactions, tax lots, and more, then cross-references this information with its security master for validation and daily automated and manual unit verification via its data operations team. Once standardized, Addepar maps it to its different data models for asset classes and different transaction types. Addepar currently aligns positions and transactions for more than 300 different feeds and multiple market and data sources daily across more than 5 million portfolios. With Addepar, clients can rest assured they have access to timely and accurate data.

Another key differentiating factor of the Addepar platform is that users can customize and edit report templates on the fly. No engineering or computer programming expertise is required to create a robust reporting package, which allows advisors to get ahead of their client asks and be the best stewards of their client's wealth and assets.

Addepar puts clients at the center of all that it does. This includes a client engagement model that ensures product, engineering, services, and client management work hand in hand throughout the entire client relationship. The firm provides multiple avenues for

clients to influence future development and access to key stakeholders around the company through programs and forums such as the Addepar Idea Portal, Addepar Pros, the Addepar Client Advisory Board, events and webinars, sharing of best practices, and continued business and product updates.

Addepar has continued to double-down on its open platform architecture, predicated on freedom of choice, with both native solutions and integrations with the best software, data, and service providers in the industry. Through its APIs, Addepar also empowers best-in-class technology providers, partners, and clients to build on top of its data foundation to enable and implement the technology that works best for them. The firm also provides the APIs to empower best-in-class technology providers to develop products that sit alongside its native applications on top of Addepar's data foundation.

Addepar's Operating Platform is underpinned by a robust data fabric that enables Addepar to continue to evolve its multiproduct strategy and act as a foundation for Addepar's clients, partners, and others to build upon. The Operating Platform is responsible for all data acquisition, storage, conversion, cleansing, normalization, modeling, computation/analytics, tooling, infrastructure, and provisioning of portfolio, market, account, client, and reference data. It acts as a single source of truth for the financial ecosystem, enabling clients to access, analyze, or query their data in any way at any time. Whether this manifests via client dashboards, integrations, custom apps, shifts in firm strategy, or other ways, Addepar's Operating Platform facilitates growth and scale and represents Addepar and its clients' ability to continue to innovate for years to come.

Basic Firm and Product Information

- **Headquarters:** New York City
- **Founded in:** 2009
- **Number of employees:** 800
- **Ownership:** Privately held. Lead investors include 8VC, D1 Capital Partners, WestCap Group, and Valor Equity Partners. It has six rounds of financing, with nearly US\$500 million invested.
- **Key financial information:** As a private company, Addepar does not disclose its revenue.

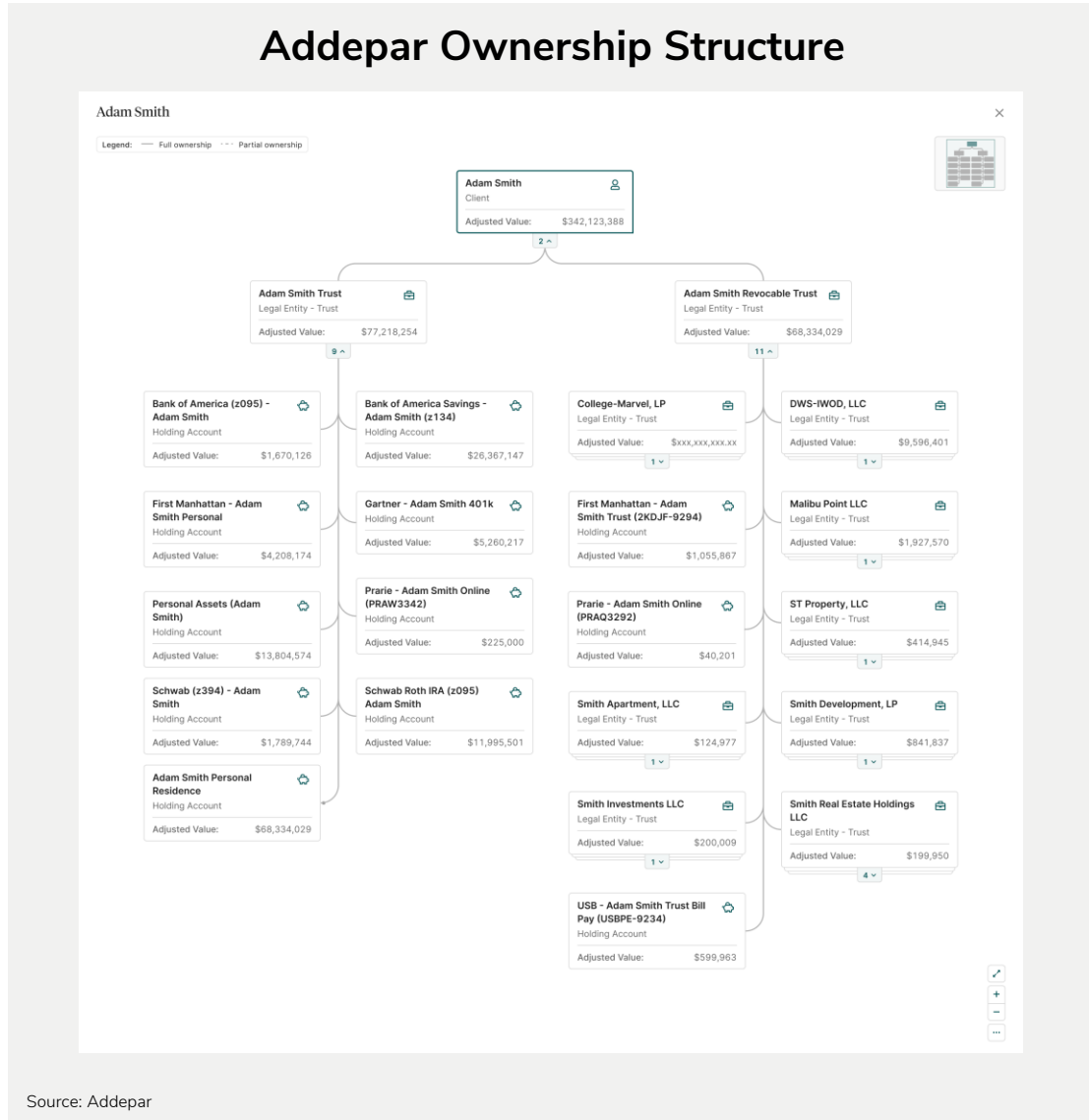
- **Key products and services:** The Addepar platform
- **Target customer base:** Addepar is focused on firms that serve mass-affluent to UHNW clients. The company provides its software to a range of firms, including single-family offices, independent RIAs, multifamily offices, OCIOs, broker-dealers, private banks, and wirehouses.
- **Number of clients:** Nearly 850 clients
- **Average net new clients per year:** The firm added an average of US\$15 billion per week in net new assets to its platform over the past year. Despite extreme volatility in financial markets, with major indexes down 15% to 20%, Addepar has experienced an 83% growth rate in monthly active users year over year. In the last six months alone, it has seen nearly 60% growth in monthly active users on the platform.
- **Global footprint:** It has a U.S.-advisor-centric platform. It has clients in over 40 countries, with a continued focus on international expansion in Canada, Latin America, and Europe.
- **Implementation options:** The application utilizes AWS's cloud infrastructure. Client deployment times vary based on the type of firm, the number of accounts, what data it is looking to bring onto the platform, and the additional integration partners needed to complete a firm's workflows. Typically, a family office takes one to four months, independent RIAs take two to 12 months, broker-dealers take six to 12 months, and wirehouses take six to 18 months. Note that the rollout timeline depends on the amount of historical data conversion, the type of assets being migrated, and the complexity of the firm workflows.
- **Pricing structure:** The firm has three pricing tiers:
 - **Fixed subscription plan:** Platform license based on a combination of assets type, number of legal entities, and securities
 - **Variable subscription plan:** Platform license and multiple pricing tiers based on a variable bps rate on firm billable AUM
 - **Wirehouse and enterprise plan:** Custom pricing based on the number of wealth management teams utilizing the platform, the number of accounts on the platform, and AUM

Key Features and Functionality Based on Product Demo

Addepar representatives provided different user journeys to illustrate the diverse functional coverage of Addepar's solutions. Each presented a smooth and fluid user experience that boded extremely well for its prospects and illustrated to Aite-Novarica Group its strengths. Aite-Novarica Group observed the following key features in action:

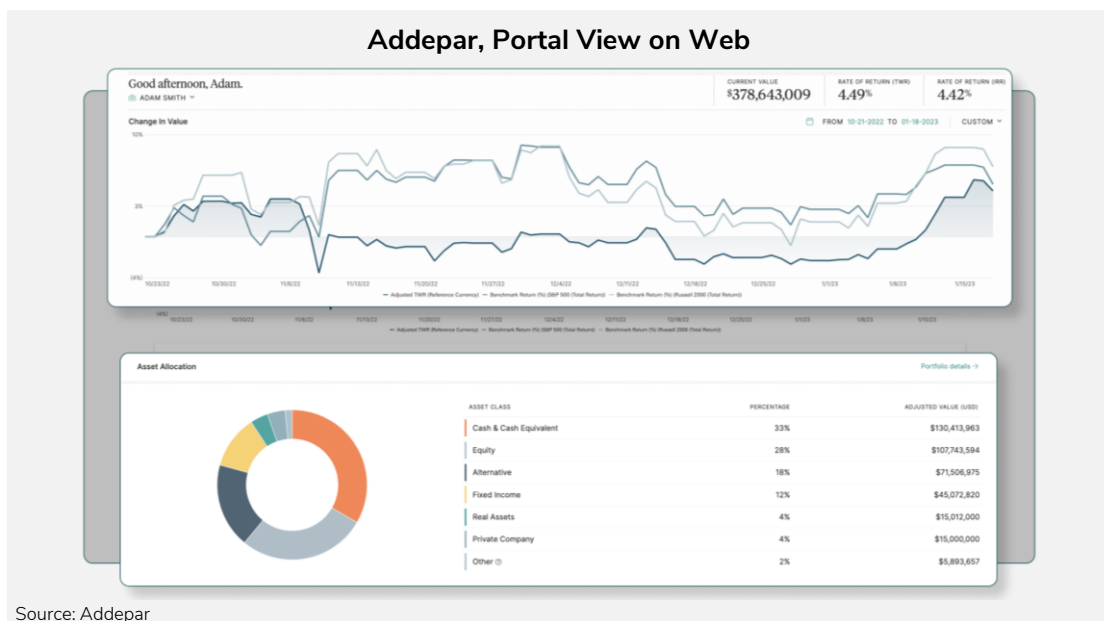
- **Data aggregation and reconciliation:** The Addepar platform aggregates and models data across asset classes, alternatives, and ownership structures, capturing the most granular detail for positions and transactions denominated in any currency (Figure 4).
 - **Automated portfolio data aggregation:** Addepar builds direct, automated feeds to hundreds of custodians, fund administrators, data aggregators, and data warehouses.
 - **Ability to import data:** Importing data can be done directly into Addepar's application or via imported batches of data from an Excel spreadsheet.
 - **Enriched by third-party market data:** Third-party market data from providers, including MSCI and S&P Global Industry Classification Standard (GICS), Clarity AI ESG scores, Morningstar reference data, and others enrich and reconcile incomplete or inaccurate portfolio data, providing clearer, richer insight into investments.
 - **Normalized for consistency:** Addepar brings together raw data from hundreds of custodians, fund administrators, and proprietary data warehouses and then standardizes it, allowing advisors to analyze portfolios effectively from a single source of truth.
 - **Verified for accuracy:** Addepar's automated verification toolset and data management team detect and resolve inconsistencies and anomalies in incoming data.

FIGURE 4: ADDEPAR OWNERSHIP STRUCTURE



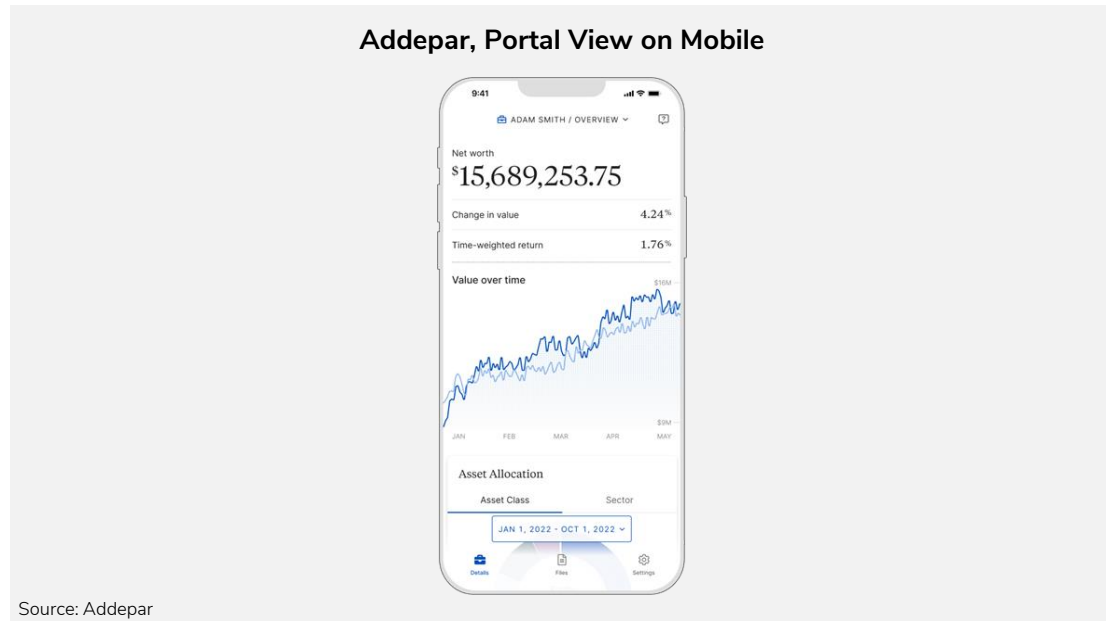
- Portfolio analysis:** The Addepar platform can build custom dashboards or leverage Addepar templates to analyze investment portfolios, drilling down to the smallest transaction, or scaling up to gain a holistic view, modeling ownership structures as they appear in the real world. It has the following features:
 - Comprehensive suite of portfolio metrics:** Advisors can leverage Addepar's expansive library of performance and risk calculations, including IRR, TR, and TWR, or create custom formulas to evaluate performance across any period.
 - Ownership structure mapping:** Advisors can set up and analyze portfolios for any direct, indirect, or joint ownership held by individual family members, entire organizations, or clustered groups of stakeholders.
 - Custom or template dashboards:** Advisors can create, edit, and save their favorite analysis views for efficiency, consistency, and ease of use.
 - Flexible data customization:** Advisors can annotate their investment and transaction data to view or analyze portfolios and investments in any way they want.
- Reporting and portal:** Addepar allows advisors to meet and potentially exceed client expectations. Figure 5 illustrates the portable view on the web, and Figure 6 represents the view on mobile devices.

FIGURE 5: ADDEPAR PORTAL VIEW ON WEB



Source: Addepar

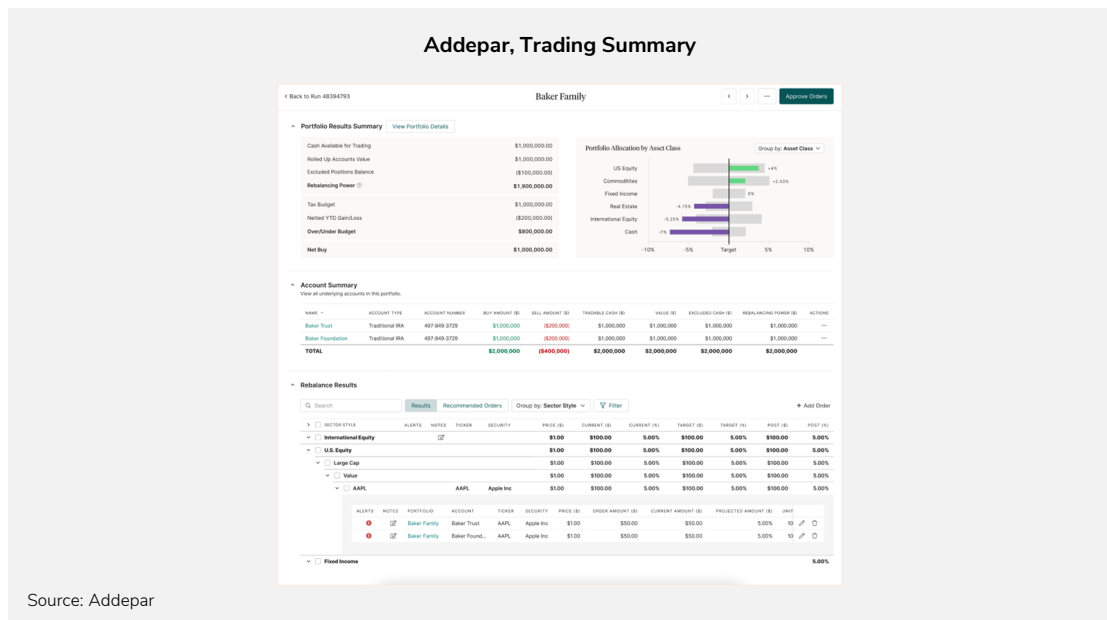
FIGURE 6: ADDEPAR PORTAL VIEW ON MOBILE



- **Intuitive user interface:** Visually appealing and scalable reports can be created with Addepar’s easy-to-use report builder that is dynamically linked to the data platform.
- **Tailored or template reports:** Advisors can leverage the Addepar report building blocks or create custom ad hoc content using their firm’s branding, logos, and colors.
- **Document storage and file sharing:** A cloud-based storage solution for documents allows advisors to share files easily with key stakeholders.
- **Robust permission and access controls:** Firm administrators can manage the level of access for all communications, adjusting which stakeholders see what information and when.
- **Trading:** This helps advisors maximize efficiency through seamless integrations, powerful features, and enterprise-class customer support and offers the following features (Figure 7):
 - **Model management:** Advisors can leverage flexible model inputs based on their firm’s style, including the ability to create customized layered models for sleeve-style offerings.

- **Trading and rebalancing:** Advisors can align portfolios to targets with portfolio decisions powered by aggregated Addepar data, including rebalancing on demand for select accounts, households, portfolios, or entire books of business.
- **Order execution:** Advisors can create order and trade blocks with allocation instructions for a high-level view of security activity, direct where orders go, and leverage connectivity to custodians, global routing networks, or OMS.

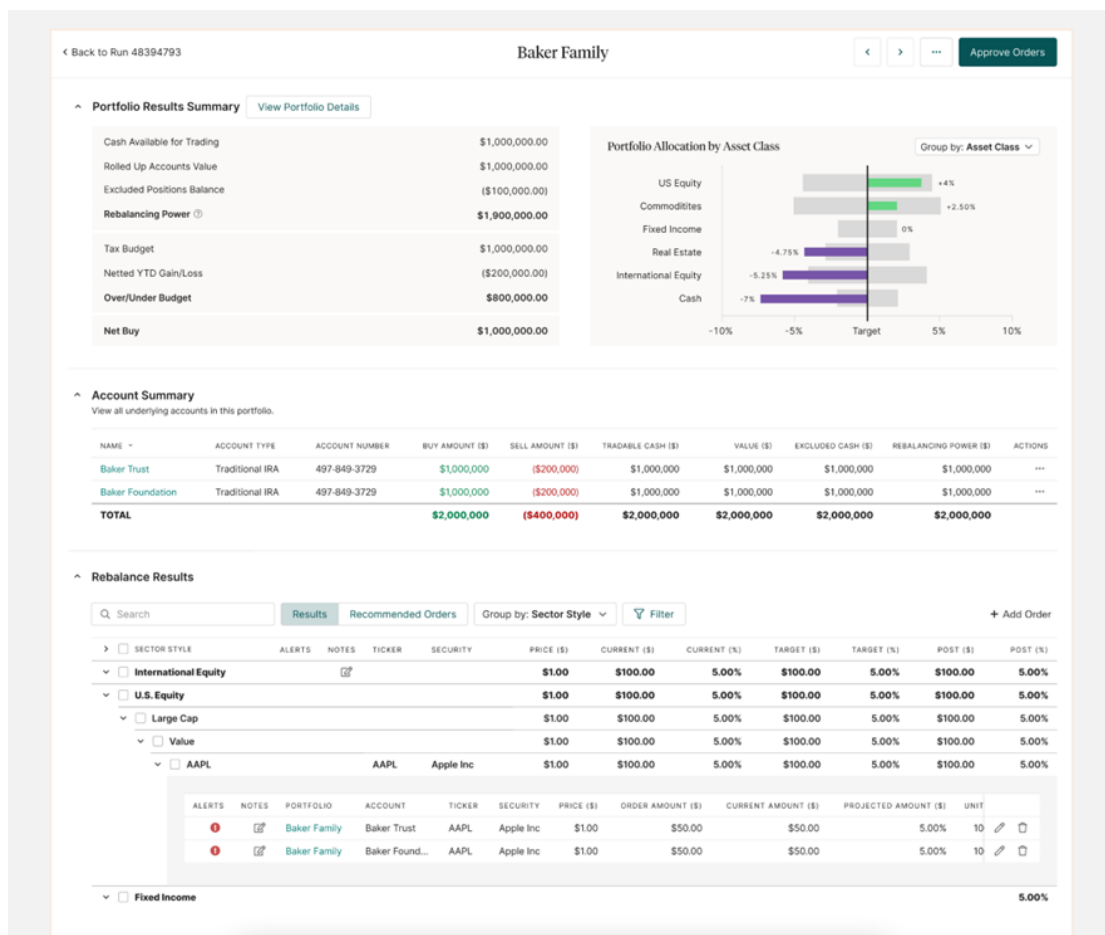
FIGURE 7: TRADING SUMMARY



- **Navigator:** Navigator enables clients to project all asset types, whether liquid or illiquid, public or private, directly held or invested through funds to construct pacing models and incorporate capital markets assumptions using customizable forecasting scenarios (Figure 8). It has the following capabilities:
 - **Portfolio cash flow:** Advisors can customize market scenarios and compare their impact to “base case” model forecasts to enable analyses of projected cash flows and cash balances to determine how much “dry powder” is available for investment opportunities.
 - **Model and assess new market opportunities:** Advisors can assess the impact of potential investments and seamlessly modify assumptions without spreadsheets.

- **Spending and investment planning:** Advisors can optimize investment planning by modeling and projecting portfolio spending, investment costs, and distributions over an entire investment cycle.
- **Customizable forecasting scenarios:** These enable advisors to determine the level of capital commitment and pacing to apply over time while keeping in line with investment mandates.

FIGURE 8: NAVIGATOR J-CURVE CHART FOR AN ASSUMPTION WITH CUSTOMIZABLE CRITERIA

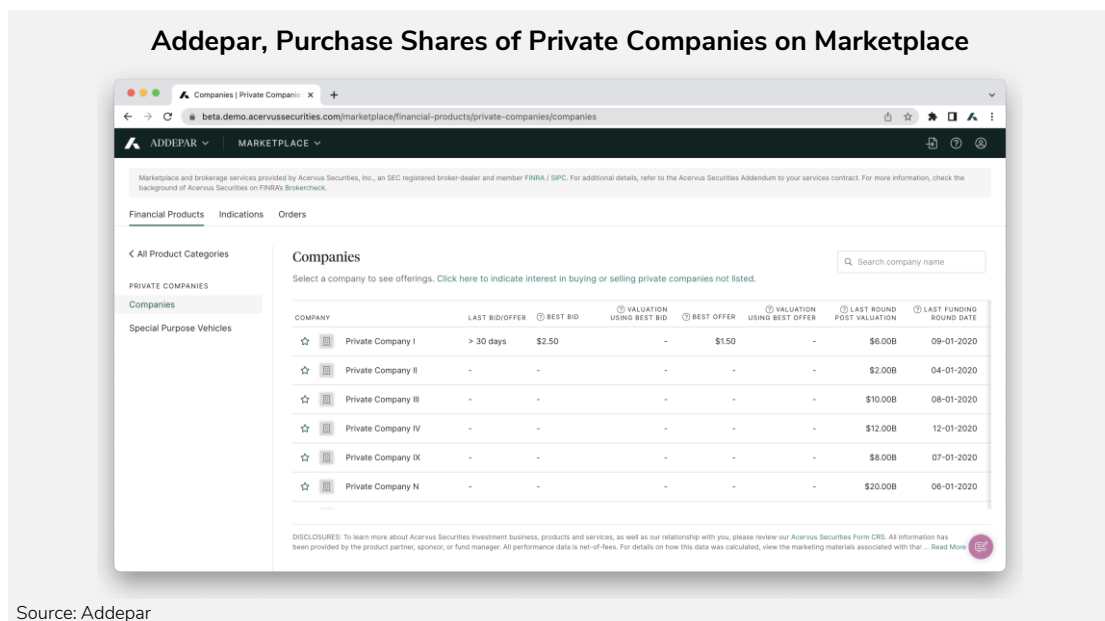


Source: Addepar

- **Integration Center and APIs:** Addepar’s open platform architecture is predicated on freedom of choice, providing APIs and integrations with the industry’s best software, data, and service providers.

- **Access integrations:** The Integration Center centralizes information and collateral on supported Addepar integrations, portfolio, and market data providers, providing a seamless one-stop shop for customizing a firm’s technology stack.
- **Developer portal:** Developers can leverage its suite of APIs and resources to create new solutions and seamlessly integrate Addepar with the firm’s existing systems and workflows.
- **Marketplace:** This enables advisors to evaluate investment opportunities and digitally initiate transactions through Acervus Securities, Addepar’s wholly owned subsidiary (Figure 9).
 - **A wide range of financial products:** Advisors can explore opportunities across hedge funds and private equity, cash management, and secondary trading in private securities and LP interests.
 - **Digital transaction life cycle:** Advisors can view relevant information on products and providers, utilize tools such as common investor profiles, review digital subscription documents, order tracking across all stages of a transaction, and seamlessly upload marketplace transactions back into a client’s Addepar instance.

FIGURE 9: PURCHASE SHARES OF PRIVATE COMPANIES ON MARKETPLACE



Top Three Strategic Product Initiatives Over the Last Three Years

- In October 2021, Addepar acquired AdvisorPeak, a strategic technology partner within Addepar's open ecosystem, to offer investment professionals enterprise-class portfolio management tools that support portfolio trading and rebalancing, incorporating client cash management needs and tax-optimized strategies.
- In May 2020, Addepar launched Marketplace, an application within the Addepar platform that allows clients to view and assess a range of offerings and digitally initiate transactions through trusted partners. Through Addepar's subsidiary broker-dealer, Acervus Securities, Marketplace features private equity and hedge funds, secondary market liquidity solutions, shares in private companies, and cash programs.
- Over the past two years, Addepar has developed and honed an end-to-end billing solution for even the most complex portfolios, simplifying the calculation, production, and tracking of a firm's fees to produce bills that are accurate, clear, and timely.

Top Three Strategic Product Initiatives in the Next 12 to 18 Months

- Addepar plans to continue rapidly innovating and iterating on its existing product lines, launching next-gen versions of many of its flagship solutions and fortifying the underlying Addepar Operating Platform.
- Addepar is also investing in more efficient onboarding for new clients and how it deploys new offerings for existing clients. To this end, Addepar is prioritizing self-service data onboarding and firm onboarding to better serve its strong continued growth in the SFO and RIA markets and the significant interest from institutions and enterprises as a leading multi-segment provider.
- Addepar will also be working on packaging all its newly acquired offerings (Acervus Securities, RCI [now Navigator], and Advisor Peak) to help clients become more efficient and well equipped to know where they are right now (concerning client portfolios) and define as explicitly as possible where they're trying to get to in terms of risk, returns, and tradeoffs using their own capital markets assumptions.

Client Feedback

Three clients provided feedback for Addepar. These clients value their relationship with the vendor and have positive feedback overall.

On a scale of 1 to 5, with 1 being “very dissatisfied” and 5 being “very satisfied,” Addepar scored 4.1, or “satisfied.” Addepar scored an almost perfect 4.7 on features and functionality. The vendor clearly has happy customers, as reflected in Table A.

Surprisingly, its lowest score was on ease of implementation/integration (neutral). Aite-Novarica Group believes this results from input from a client that experienced an unusually long implementation cycle. That said, the same client expressed that it would select Addepar again if they were making the decision today.

TABLE A: ADDEPAR CLIENT REFERENCE CHECKLIST

CLIENT REFERENCE CHECKS	AVERAGE SCORE (BASE: 3 CLIENTS)
User interface	4.3
Support for customization	4.3
Ease of implementation/integration	3.3
Ease of upgrades	4.3
Responsiveness to suggested product changes	3.5
Features and functionality	4.7
Average	4.1

Source: Addepar client feedback, Aite-Novarica Group

Table B displays the vendor’s strengths and weaknesses, as the three client references reflect.

TABLE B: KEY STRENGTHS AND CHALLENGES, ADDEPAR

STRENGTHS	CHALLENGES
Cloud-based with an excellent upgrade process and ease of integration	Lack of security master
Creating and scaling reports	User interface permissions
Data aggregation	Somewhat dated client portal
Incredibly flexible and easily customized reporting outputs	Marketable reporting
Alternative asset capabilities	Managing tax lots and corporate actions
Internal investment operations	

Source: Addepar client feedback

CONCLUSION

Buyers:

- Since RIAs and independent advisors have become the primary distribution channel for much of the financial advice Americans receive, they need to report holistically or as close to it as possible. However, firms committed to providing a holistic view and becoming the primary advisor must seek solutions from vendors to generate consolidated reports that include alternative investments, insurance, and credit products.
- Aite-Novarica Group has seen significant advances in proposal generation among several vendors and expects this to become a central reporting capability as advisors demonstrate their value proposition to clients. This is especially important as advisory models continue to embrace financial planning and holistic client financial management.
- Virtually any angle a financial advisor can exploit in a fiduciary manner to capitalize on the largest transfer of wealth currently underway should be nurtured and supported. This new generation prioritizes the use of technology, and their client reporting absolutely needs to reflect that. While enhanced analytics and performance measurement are widely available, firms have a unique opportunity to improve client engagement by making reports more meaningful for their end investors. Firms should exploit this window to take advantage of technological advances to provide more context to client reports, for example, natural language technology that can digest and analyze data and produce a narrative that brings the data to life.
- The value a financial advisor brings to the table needs to be clear and transparent—even to the most cynical private client. Accountability has come to the forefront. Wealth practices need to embrace and practice their fiduciary duty to balance personal values, financial outcomes, and legacy planning for their clients. One of the best ways to demonstrate this accountability is through client reporting because it can inform advice and execution, present options, and, ultimately, demonstrate value and accountability.
- Firms without client reporting outputs that are customizable and interactive, wherein clients can view holdings, transactions, and performance on an intraday basis in real

- time and accessible through any device, are operating at a clear disadvantage today. New features and functionality, such as customizable and interactive outputs, integration of wealth planning to mobile devices and tablets, and sustainable investment impact reporting, will proliferate. This presents a unique opportunity for firms to build loyalty and brand recognition and provide clients with a more consistent experience. It's certainly not too late for firms that are not there yet to catch up. In fact, fear of adoption will cost them—both in dollars and credibility.
- The due diligence list and selection process is long, but Aite-Novarica Group recommends that buyers ask a handful of questions at the outset. Ask and verify how vendors' solutions will communicate data between components of the data stack. Ask about future platform integration plans, the CRM, the client portal, the product development pipeline, enhancements, staffing, and client references. On the pricing side, Aite-Novarica Group expects continued competition on price as platform providers fight for market share and RIAs scale their services across mass-affluent and HNW investors. RIAs that guarantee a minimum asset amount on the platform can negotiate further. Vendors are employing multiple pricing models to accommodate clients and embrace enterprise contracts.

ABOUT AITE-NOVARICA GROUP

Aite-Novarica Group is an advisory firm providing mission-critical insights on technology, regulations, strategy, and operations to hundreds of banks, insurers, payments providers, and investment firms—as well as the technology and service providers that support them. Comprising former senior technology, strategy, and operations executives as well as experienced researchers and consultants, our experts provide actionable advice to our client base, leveraging deep insights developed via our extensive network of clients and other industry contacts.

CONTACT

Research, consulting, and events:
sales@aite-novarica.com

Press inquiries:
pr@aite-novarica.com

All other inquiries:
info@aite-novarica.com

Global headquarters:
6 Liberty Square #2779
Boston, MA 02109
www.aite-novarica.com

AUTHOR INFORMATION

Wally Okby
wokby@aite-novarica.com

© 2023 Aite-Novarica Group. All rights reserved. Reproduction of this report by any means is strictly prohibited. Photocopying or electronic distribution of this document or any of its contents without the prior written consent of the publisher violates U.S. copyright law and is punishable by statutory damages of up to US\$150,000 per infringement, plus attorneys' fees (17 USC 504 et seq.). Without advance permission, illegal copying includes regular photocopying, faxing, excerpting, forwarding electronically, and sharing of online access.