

UNDERSTANDING THE “ROBO-ADVISOR” LANDSCAPE

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UNDERSTANDING “ROBO-ADVISORS”

- Defining a “Robo Advisor”
 - Software to automate the implementation of portfolio asset allocation through algorithms
 - Determining both the assets in the portfolio, and the “matching” of the portfolio to the investor
 - Intended to be “cheaper” by eliminating human advisors
 - Other notable features
 - Automated rebalancing & tax loss harvesting
 - Fully electronic/online onboarding process
 - Excellent client experience through technology

UNDERSTANDING “ROBO-ADVISORS”

- “Robo Advisor” versus
Technology augmentation versus
Online Advice
- Using technology or an online delivery model does not
define “robo advisor” – that’s just a human using
technology!
 - The “cyborg” or “bionic” advisor
leverages technology **and** human interaction

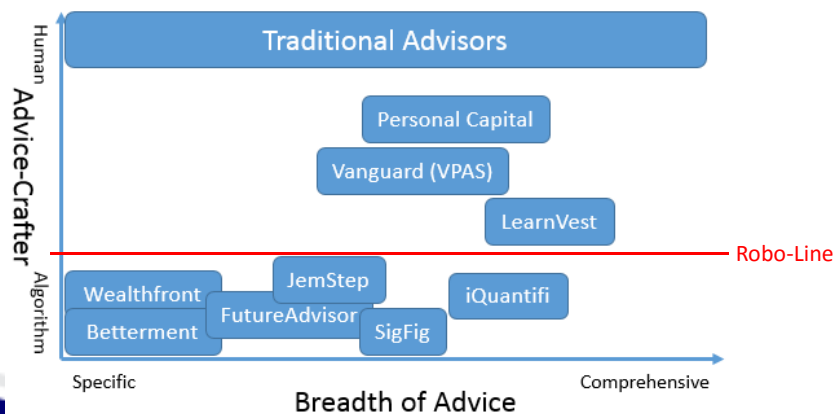
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UNDERSTANDING “ROBO-ADVISORS”

- Framing the “Robo Advisor” landscape



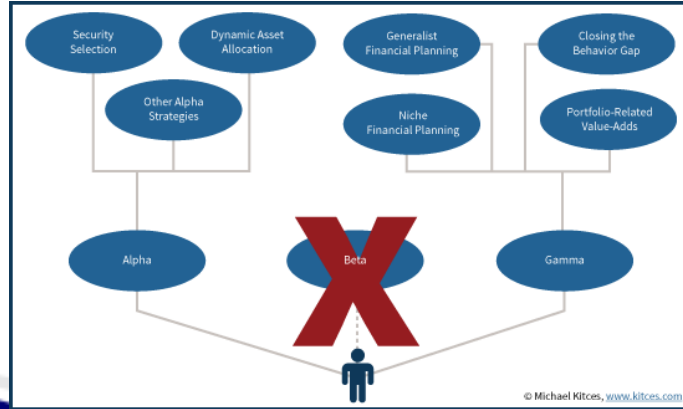
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UNDERSTANDING "ROBO-ADVISORS"

- "Robo Advisors" driving down the cost of beta



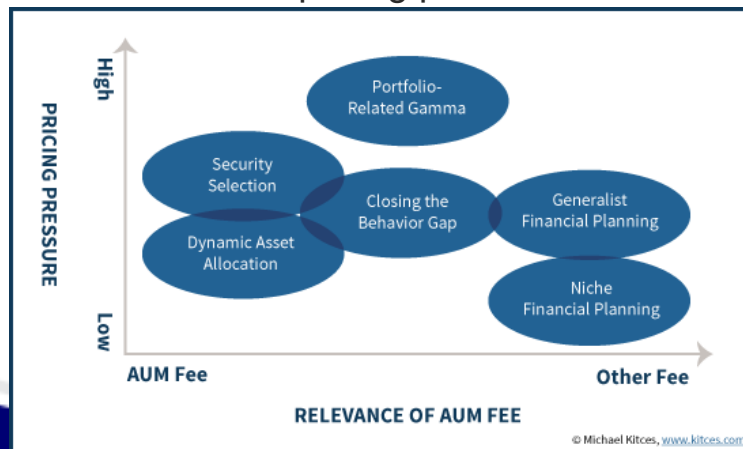
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UNDERSTANDING "ROBO-ADVISORS"

- "Robo Advisors" & pricing pressure



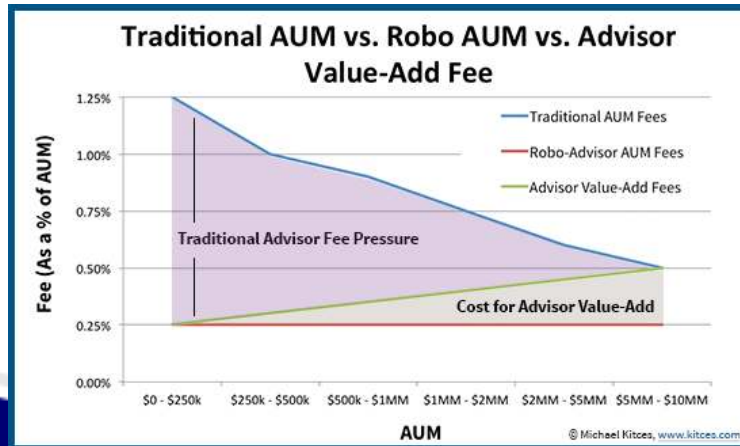
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UNDERSTANDING "ROBO-ADVISORS"

- "Robo Advisors" & who's really winning?

Firm	AUM	% Fee	Revenue
Wealthfront	\$2.6B	0.25%	\$6.5M
Betterment	\$2.6B	0.25%	\$6.5M
FutureAdvisor	\$600M	0.50%	\$3.0M
Total	\$5.8M		\$16.0M

- Personal Capital: \$1.5B AUM, \$13.5M revenue?
- VPAS: \$10B+ AUM, \$30M+ revenue?
 - Plus another \$7B AUM that rolled in from legacy?
- Schwab launches quasi-hybrid solution?
 - \$2B in first quarter?

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UNDERSTANDING “ROBO-ADVISORS”

- What *is* a robo-advisor really?
 - An alternative to a mutual fund?
 - A direct-to-consumer SMA?
 - A distribution channel for ETFs?
 - A form of TAMP for advisors?
 - A technology solution for managing assets?
 - Self-directed *or* by advisors?
 - An alternative custodial platform for advisors?

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UNDERSTANDING “ROBO-ADVISORS”

- True “Robo Advisor” threats
 - Mutual and index funds; ETFs
 - Indexing 2.0 solutions
 - Natural tax bias in favor of granularity?
 - Smart beta and algorithmic investing
 - Solved by software
 - Custodian 2.0
 - A generational shift underway?

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UNDERSTANDING “ROBO-ADVISORS”

- Where will robo-advisors go from here?
 - Blurring lines between an investment solution and a technology solution
 - “Everyone” wants better technology, including advisors & companies that serve them
 - Robo-advisors pivoting to serve human advisors
 - Fidelity acquires eMoney, Northwestern buys LearnVest, Envestnet buys FinanceLogix
 - Blackrock buys FutureAdvisor
 - When custodians & broker-dealers step up on tech, are robo-advisors even relevant anymore?
 - Or just another TAMP/SMA?

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QUESTIONS?

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