

55ip: Helping Our Partners Redesign Wealth Management

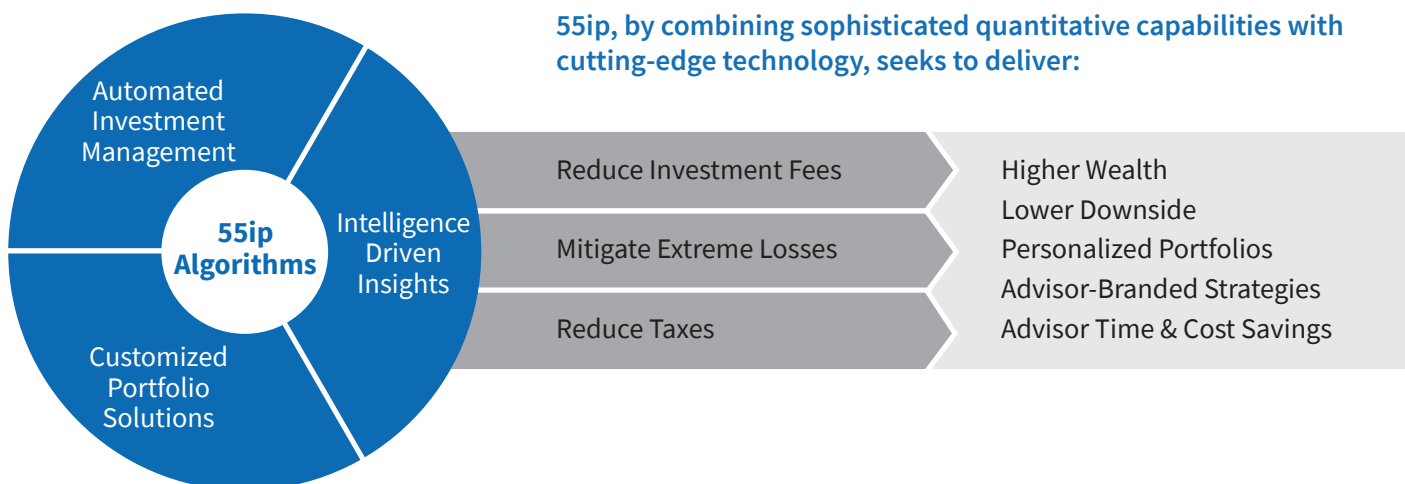
Dr. Vinay Nair

OUR PHILOSOPHY

It's not rocket science. Your clients want to steadily grow their wealth so that it carries them through retirement and beyond. At 55ip, we offer a compelling, easy-to-use investment management platform so that you can help them achieve their dreams.

The 55ip approach reflects the rapidly-changing marketplace. Historically, advisors relied heavily on active money managers to invest their clients' funds. However, the performance of these managers has disappointed for an extended period of time. Today, many advisors are increasingly steering their clients toward low-cost index and index-like instruments. Even so, without easy access to leading science and portfolio construction capabilities, they are leaving money on the table. Too many advisors are offered a static investment model for what appears to be a low cost until market conditions suddenly shift, and the real costs are anything but low. Expected returns are weighed down by sudden extreme losses, inefficient tax management, and hidden investment fees.

There is a better way to manage a modern portfolio – one that uses the latest investment management intelligence to address frictions and leverages cutting-edge technology to take advantage of customization and automation.



55ip's platform gives investors the choice to control all, or outsource part of, every major phase of the investment management decision-making process:

Fund Selection
Asset Allocation
Portfolio Construction
Tax Management
Trading

Indeed, 55ip is one of the first firms to apply advanced quantitative methods to personalized portfolio solutions. We don't just provide you with tools and dials for you to manage yourself. Instead, we have built proprietary algorithms directly into our platform that automate the same type of sophisticated capabilities the world's leading asset managers deploy for their largest clients. The result? We are redesigning wealth management for advisors, family offices and other financial professionals – and empowering them to:

▶ **Minimize Investment Fees**

Clients often leave their portfolios sub-optimized for fees. At one extreme, some simply ignore how significantly they are eroding their returns. Others may be far too focused on their expense ratios, ignoring the quality of their overall investments. 55ip can help you lower the fees your clients pay for the same level of risk exposure. Between advisor fees, SMA manager fees, and the underlying product fees, the savings can be material. For example, a 100-basis-point, or 1%, reduction in fees can translate into \$1.32 million in savings for a client with \$10 million to invest over 10 years. That is 13.2% of the investment amount.

▶ **Mitigate Extreme Losses**

We cannot avoid losses when investing. But we seek to avoid, or at least mitigate extreme losses, since we find many portfolios are constructed with little attention to the likelihood of such painful scenarios. Clients often assume that buying a basket of many different securities, or “diversifying” their investment portfolio, addresses concentration risk. What they often neglect is that true diversification requires attention to more than just the number of stocks or bonds that they hold. If all the securities have a similar exposure, concentration risk is not lowered. For example, buying dozens of energy stocks does not reduce risk relative to owning just Exxon. In fact, it may even increase the risk depending on the selected names.

Even different asset classes sometime have similar exposures. For example, emerging market and U.S. stocks provide significant diversification benefits at times. On other occasions – the 2008 financial crisis, for example – the two asset classes move in lockstep so the perceived benefits of “global diversification” only magnify U.S. equity risk.

55ip's proprietary algorithms constantly rebalance your client's portfolio to ever-changing market conditions and seek to lower the overall risk of a portfolio precisely when returns are likely to be extreme in magnitude. The obvious benefit is that this should minimize the chances of extreme losses, resulting in higher wealth through improved compounding of returns. This is even more likely to be the case when investors seek to generate a steady stream of income from their portfolios. Indeed, simulations show that the wealth enhancement can be as high \$2.8 million for a \$10 million investor who withdraws at a rate equal to their annual expected return.* The implicit benefit is that it also prevents clients from making knee-jerk, trading decisions that hurt their ability to achieve long-term success.

*See 55ip White Paper, “The Secret To Steady Withdrawals is Steady Returns.”

THE 55IP EDGE: POWERING SMARTER PORTFOLIOS

► Optimize Tax Savings

Clients often do not fully consider the impact of taxes on their investment portfolio. First, they ignore tax management in rebalancing and loss harvesting. If tax savings from simple passive strategies result in a 1% increase in investment returns per annum, that translates to an extra \$1.3 million for client who holds a \$10 million portfolio for 10 years. Secondly, the methods and science for tax management can vary in quality: we believe that the difference between the high-quality “Lexus” version and the standard “Honda” version can provide additional lift. And clients are often stuck in the past. They hold investment portfolios and follow stale, static strategies which even they acknowledge may be outdated. Yet, they are hesitant to move because of tax considerations.

55ip’s tax transition technology can help your clients transition to better portfolios, while being thoughtful about the immediate tax implications. The benefits can be extremely high amid volatile markets. What’s more, 55ip’s tax withdrawal engine can help minimize taxes associated with withdrawals while staying true to the desired investment strategy.

55ip brings the “finance” in wealth management related Fintech. We are the first firm to combine sophisticated financial and tax expertise with cutting-edge technology to create a 21st century investment management platform. Then, through greater automation and customization, we are able to deploy many of the same advanced capabilities of the world’s leading asset management firms to personalize your clients’ portfolios, manage liquid exposures and reduce investment frictions in a way you never could before.

In other words, we are redesigning wealth management so that you can scale your business for growth and performance. Here is a closer look at the core benefits that 55ip’s platform provides:

► Intelligence-Driven Investing: A powerful engine that delivers your clients better outcomes

55ip has built and deployed a powerful investment engine that allows users to build their own investment strategies with fund selection, custom asset allocation, quantitative rebalancing rules, proprietary tax optimization technology, and trading. Our platform breaks down the investment management process to allow you to actively calibrate all of these important decisions. You can also choose to rely on our proprietary algorithms that harnesses the insights and research of some of the world’s leading financial minds and practitioners to manage these decisions on your behalf.

▶ **Customized Investing: Advisor-branded and client driven strategies to increase your value proposition**

In a world where advisors and wealth managers have to choose among products and models, the 55ip platform allows them to design their own, branded investment strategies. Users can customize their clients' portfolios while keeping a predetermined asset allocation strategy in place or can adjust for exposures that clients already have through existing liquid or illiquid portfolios or their own labor income. This is true portfolio personalization – it's never one-size-fits all.

▶ **Automated Investing: A turnkey approach that helps you scale your business and save time**

55ip brings a turnkey approach to more efficiently remove the frictions and imperfections that exist in wealth management today. After all, portfolio management is time consuming. Dynamic portfolio management is more time consuming. And customized dynamic portfolio management is prohibitive. Even if they had the expertise to minimize trading related frictions, it is practically impossible for most advisors to make the time to monitor these portfolios and appropriately rebalance them to reflect the changing exposures and tax needs.

Technology allows us to automate these core functions – and, in turn, deliver better outcomes to your clients while freeing up the time you need to grow your business and build your brand.



Dr. Vinay Nair

Dr. Vinay Nair is the founder and chairman of 55ip, a leading investment science and technology company. He brings nearly two decades of experience working with investment management professionals and academics. Dr. Nair is a visiting professor at The Wharton School and the MIT Sloan School of Management, and serves as an advisor or board member to several companies that aim to utilize modern science and technology to solve real-world problems. Dr. Nair holds a PhD in Financial Economics from the Stern School of Business at New York University.

To Learn More

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