

Reducing Portfolio Frictions – 2018 Review

55ip Helped Advisors Reduce All Three Top Portfolio Frictions in 2018

In 2018, advisors delivering strategies powered by 55ip were able to show clients the importance of reducing common investment frictions that get in the way of client outcomes – fees, risk of extreme losses and taxes.

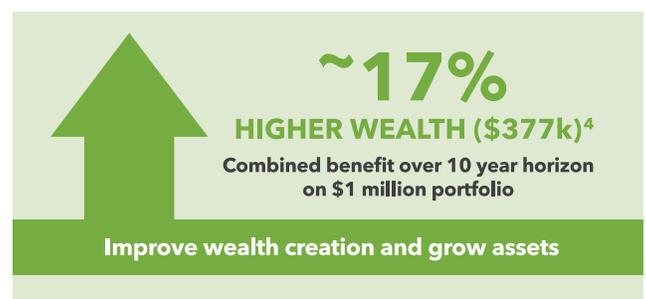
By leveraging 55ip’s investment strategy engine, they were able to combine sophisticated quantitative capabilities with a digital platform to both customize and automate their own investment strategies, managed with 55ip’s intelligent algorithms to reduce frictions in the form of:

 <p>84% lower fees</p> <p>Machine learning algorithms analyzed underlying fees and optimized for comparable asset allocation through lower fee ETFs where appropriate. On average, the underlying product fees in 55ip-powered strategies were 0.12% compared to corresponding portfolios of active mutual funds of 0.73%.¹</p>	 <p>15% lower risk</p> <p>55ip risk measures helped reduce risk in the dynamic strategies as compared to their static benchmark. For example, a standard 60/40 global allocation strategy (60% Equity, 40% Fixed Income), powered by 55ip, delivered ~15% lower volatility and had 23% improved returns compared to the benchmark of 60% ACWI, 40% AGG ETFs for the year.² See 55ip 2018 Risk Management Report for more details.</p>	 <p>4% lower taxes</p> <p>Estimated tax savings are the difference between the average estimated tax bill across portfolios without active tax management and the estimated tax bill with active tax management. Tax loss harvesting helped clients save an average of ~4% of their portfolio values in taxes (approximately ~\$28,000 per client based on the average account size).</p>
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The Long-Term Impact for Your Clients and Your Practice

Your Clients – The reduction of these frictions can vary each year, but may provide benefit over the long-term. For example, reducing all three investment frictions over a 10 year horizon on a \$1 million portfolio could be **17%** or **\$377,000** in higher wealth creation.⁴

Your Practice – Advisors currently spend an average of 18 hours per week on investment management.⁵ With 55ip, advisors can help reduce frictions while automating investment management, freeing time to focus on scaling and growing your practice.



~17%
HIGHER WEALTH (\$377k)⁴
Combined benefit over 10 year horizon on \$1 million portfolio

Improve wealth creation and grow assets

Past performance does not guarantee future results. Please see Page 2 for important assumptions and disclosures.



Learn more - For more information or a quick 1:1 demo about how 55ip can help you reduce frictions for your clients, contact us at **info@55-ip.com** or **617.960.9559**.

Assumptions & Disclosures

1. Estimated weighted average expense ratio in 2018 for strategies powered by 55ip was 0.12%, whereas weighted average expense ratio across the industry was 0.73%. Raw data for industry averages for underlying expense ratios was obtained from Morningstar's Fund Fee Study, April 2018. Weighted average of underlying expense ratios was calculated based on the monthly average asset allocation of the strategies for 2018 for both industry benchmark and for strategies powered by 55ip. These numbers are exclusively for underlying expense ratio and do not include any management fees or trading costs charged by the advisor or by 55ip.
2. Results represent model returns of a 60 ACWI/40 AGG strategy, powered by 55ip. It does not represent actual returns for any particular client account, as investment fees, trading costs and returns might differ. Past performance does not guarantee future results. MSCI ACWI Indexes offer a modern, seamless, and fully integrated approach to measuring the full equity opportunity set with no gaps or overlaps. The iShares Core U.S. Aggregate Bond ETF seeks to track the investment results of an index composed of the total U.S. investment-grade bond market
3. Estimated tax savings are the difference between estimated tax bill if the account did not have active tax management and the estimated tax bill with active tax management, assuming the highest combined federal and state marginal tax rate for 2018 (Long-term rate 23.8% and short-term rate 40.8%). Actual results will differ. Tax loss harvesting may not be appropriate for clients in non-taxable accounts, such as IRAs or 401(k)s, clients whose investments haven't appreciated significantly, and clients who are in a lower tax bracket now than they will likely be later.
4. Example of combined benefit of fees, extreme losses and taxes of 60/40 global allocation portfolio with assumed 8% average annual returns. Average reduction of expenses creates a benefit of about 0.43%. Average reduction in taxes for risk managed portfolio creates a benefit of 0.32% (assumes 10% inflows per quarter) and risk overlay adds a benefit of 1% on average over the 2007-2017 period using multiple inception points.
5. Source: "The Race to Scalability", FlexShares Exchange Traded Funds, 2018.

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These materials describe a risk management strategy that may not work as intended, in part because the strategy is not modified more frequently than monthly. As a result, the strategy cannot be counted on to provide protection to client portfolios. Even when using the strategy, portfolios remain subject to multiple risks, including the risk of loss of the entire amount invested.

The tax loss harvesting service is available for an additional advisory fee and the results shown represent the net effect of the advisory fees but may not consider the impact of fees charged by others, including transaction costs or other brokerage fees. The information in this report is for general information purposes only. It is not intended as personal financial or investment advice and should not be construed or relied on as such. No information contained within this report should be construed or relied upon as providing recommendation in relation to any financial product or investment strategy. Neither 55 Institutional Partners, LLC, nor 55i, LLC provide tax, legal, or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

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