The Cerulli **Report**

U.S. Intermediary Distribution 2021

Leveraging Data to Navigate Change

OVERVIEW & METHODOLOGY

This annual report focuses on the distribution of investment products through financial advisors, providing a sourcebook to asset managers seeking to maximize product distribution through intermediaries across all U.S. channels.

The report includes over 10 years of market sizing of advisor-controlled assets by channel, rankings of the industry's largest distributors, and forward-looking projections of marketshare by channel. It provides comprehensive data on advisor portfolio construction and product use trends. It also provides benchmarking and competitive insights related to asset manager distribution strategy, staffing structure and compensation, and distributor relationships.

Data for this report is compiled from annual proprietary surveys, with responses from over 2,000 advisors, as well as asset manager sales leaders, heads of key accounts, key accounts managers, and wholesalers. Findings in this report also come from interviews with distribution leaders and broker/dealer executives, along with various partnerships and associations. The proprietary data in this report is supplemented with government and third-party sources.

USE THIS REPORT TO

- Uncover the challenges and key considerations as asset managers incorporate data analytics into their distribution efforts
- Evaluate the effect of the pandemic on advisor communication preferences and the implications for asset manager engagement models
- Gain insight into how advisor migration continues to impact channel growth and distribution strategy

QUESTIONS ANSWERED

- How are distribution teams attempting to use data and what are the biggest challenges they face?
- What are best practices for teams beginning to build out their data analytics capabilities?
- How has operating in a remote environment during the pandemic impacted distribution staffing and compensation decisions?
- How is advisor movement impacting asset manager distribution strategy?
- What are the largest factors affecting advisor portfolio construction and product use?

PRODUCT DETAILS

Included with Purchase

- Digital report in PDF format
- Unlimited online firm-wide access
- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

Interactive Report Dashboards

Interact and explore select report data with Cerulli's visualization tool.

- **Advisor Sizing Metrics:** Evaluate the U.S. advisor market with customizable filters by channel and year, including headcount sizing, historical and projected assets and growth rates, average assets under management (AUM) per advisor, and a comparison of Cerulli and custom user asset projections.
- **Data Capabilities Priorities:** Explore side-by-side comparisons of the data capabilities and priorities among distribution executives categorized by firm AUM tier (less than $500 billion AUM and more than $500 billion AUM).
- **Distribution Strategy:** Compare partnership costs among different channels, as well as top strategic partnership initiatives and wholesaling strategies in both 2020 and 2021.
- **Advisor Relationships:** Understand the reasons that advisors and wholesalers have terminated a relationship or mandate and review their most valuable resources in the past two years.
- **Staffing and Compensation:** Review current and historical advisor staffing and compensation trends, including a wholesaler time allocation analysis, a comprehensive dashboard of key accounts time allocation and compensation structures, and a comparison of headcount and expected staffing changes between types of roles.

CERULLI ASSOCIATES

Research | Analytics | Consulting

Exhibit 7.03

Wholesaling Headcount, 2021

Source: Cerulli Associates

Analyst Note: Tier-I asset managers are defined by Cerulli as having more than $20 billion in advisor-sold long-term mutual funds, ETFs, and separate account program assets. Tier-II managers have $20 billion or less in advisor-sold assets.

	Distribution Executives							
	Tier-I Asset Managers Currently Employing Role				Tier-II Managers Currently Employing Role			
Role	First Quartile Headcount	Median Headcount	Third Quartile Headcount	Average Headcount	First Quartile Headcount	Median Headcount	Third Quartile Headcount	Average Headcount
External wholesalers	20	33	44	39	2	5	6	5
Hybrid wholesalers	3	5	8	13	2	2	2	2
Internal wholesalers	14	29	44	35	2	2	4	3

- On average, Tier-II asset managers that used the roles employed five external and three internal wholesalers.
- Median hybrid wholesaler headcount is 5 for Tier-I asset managers versus 2 for Tier-II firms.

Key Implication: Scale continues to play a significant role in determining how distribution teams engage with advisors. The largest firms have the flexibility to implement different tiers of service models for opportunities based on their size and staff appropriately. Increasingly, managers are choosing to have their externals focus on the largest practices, while hybrid and internal wholesalers tackle smaller or more geographically disperse opportunity sets. However, many boutique and mid-sized managers lack the resources to do so and need to maximize every hire.

Whether emerging managers choose to pursue the hybrid or external wholesaler path when expanding headcount, it is important to remember that there is still value in face-to-face meetings, especially when a firm is attempting to initially establish its presence. Both wholesalers and distribution executives agree that while it is possible to do, prospecting is far more challenging in a virtual environment (see **Exhibits 6.01 & 9.01**).

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