



Advisor Software Customer Solution Case Study



Barclays Global Investors—Extension into Portfolio Advice

Case Study Overview

Date

December 2003

Customer Profile

Barclays Global Investors transformed the investment industry by creating the first index strategy in 1971 and the first quantitative active strategy in 1978; they remain one of the largest asset managers in the world.

Business Opportunity

BGI initiated a project to expand the range of tools they provide to investment advisors on iShares.com, to give advisors the ability to incorporate iShares ETFs into smart, professional investment proposals.

ASI Solution

ASI developed the iShares "Allocation Proposal Tool" on the iShares web site, which has been used by thousands of investment advisors from hundreds of different firms.

Benefits

- World-class analytics
- Intuitive and powerful portfolio advice
- Extensive customization of application
- ASI hosted solution; quarterly updates

"We spent a great deal of time evaluating all the leading vendors for this project, and Advisor Software was the clear choice. This project is focused on enhancing BGI's relationships within our advisor community, and no other company was able to provide the high-end analytics, tailored workflows, and the flexibility to accommodate our unique iShares products the way we wanted. ASI really understands the advisor. The results speak for themselves – advisors are using the tool and our business is growing."

J. Parsons, Managing Director, BGI

Early in 2003, BGI initiated a project to expand the range of tools they provide to investment advisors on iShares.com, to give advisors the ability to incorporate iShares ETFs into smart, professional investment proposals.

BGI selected ASI to provide the technology. Since its launch late in 2003 on the iShares web site, the iShares "Allocation Proposal Tool" has been used by thousands of investment advisors from hundreds of different firms.

Advisors from independent broker/dealers, wirehouses, regional banks, insurance companies, and RIAs all rely on the application to generate customized, objective investment proposals for their clients.

Business Opportunity

BGI envisioned a solution that would improve advisors' ability to provide insightful portfolio analysis and actionable investment advice in an easy-to-use application. Specifically, BGI wanted to enable advisors to produce tailored, compelling investment proposals – quickly and efficiently – in a way that would clearly demonstrate the diversification benefits of iShares.

The application needed to walk the advisor through a logical sequence of steps: risk assessment, asset allocation, analysis of current holdings, investment recommendations and selection, and proposal generation. In addition, BGI had several requirements:

1. The chosen solution needed to have proven, flexible analytics to support the development and inclusion of customized asset allocation models.
2. The right solution would not only accommodate BGI's workflow approach and reflect BGI's corporate look, feel and preferences, but also offer unbranded output to serve advisors' individual needs.

ASI Solution

BGI's requirements and objectives have been achieved through an intuitive and powerful ASI portfolio advice tool. Leveraging its domain expertise and analytical resources, Advisor Software has aligned the solution to meet BGI's needs:

Flexibility

ASI Client Acquisition Solution is engineered to be efficiently configured and

optimized to clients' unique requirements. For example, ASI tailored risk assessment questions and scoring logic, asset allocation categories and models, investment selection process, proposal content and format, workflow design and sequence, and screen design to effectively illustrate BGI's product offerings.

Analytics

Advisor Software's solutions are built upon a formidable heritage of institutional-class analytics and wealth of investment expertise. To accommodate BGI's business requirements and the distinct attributes of ETFs, Advisor Software provided a customized asset allocation process, as well as customized iShares universes. Advisor Software applies holdings-based style analysis for each iShare to ensure proper categorization.

Workflow

BGI's Allocation Proposal Tool is built upon Advisor Software's deep domain experience and detailed knowledge of the investment advice process, and guides advisors through a specific sequence of actions to accomplish several objectives. For BGI, the solution has been configured to lead advisors through an intuitive, linear process which will result in the generation of a customized, professional proposal.

Benefits

ASI solutions are configured from several core Advice Modules, configured to each firm's specifications: risk assessment, asset allocation, assessment of current holdings, investment selection, and proposal generation.



WORKFLOW:

Advisors follow an intuitive process resulting in a customized, professional investment proposal.

- Risk Assessment** – Advisors complete a risk profiling questionnaire for each investor to assess his or her risk tolerance, current financial situation, past investment behavior, financial goals and objectives, and time horizon. Responses are scored and matched with one of four asset allocation models with risk levels ranging from stable to aggressive.

- Asset Allocation** – To support the full range of BGI’s iShares, Advisor Software provides several alternative asset allocation schemes. The allocation models are based on quantitative risk/return characteristics, standard industry practices, and ASI proprietary models. For BGI, recommended asset allocations are provided across 5 investment categories (equities, fixed income, cash, REITs, international) which have been configured to BGI’s specifications. Equities are further broken into large-cap, mid-cap, and small-cap, as well as growth and value styles.

- Analysis of Current Portfolio Holdings** – Advisors have the ability to upload current holdings information. Existing holdings are then compared with target asset allocations and various market benchmarks, and analyzed across numerous dimensions, including sector and style diversification.

- Investment Selection and Rebalancing** – Based on the asset allocation recommendation and analysis of current holdings, the advisor is prompted through a

process to diversify the investor’s portfolio. A universe of BGI iShares products is presented to meet specific portfolio rebalancing recommendations. Advisors may also include other securities, and construct their own universes and model portfolios to simplify the investment selection process.

- Proposal Generation** – A comprehensive, customized investment proposal is produced for the investor. The format of the proposal has been tailored for BGI, and each advisor may further customize the proposals to meet their individual needs and client preferences. The proposal is created in a PDF format which may be printed or emailed by the advisor.

Technology & Rapid Deployment

Advisor Software provides the application to BGI as a hosted solution, and provides quarterly updates of the software and analytics. The company’s modular, J2EE-compliant architecture permits extensive customization to be achieved through configuration files, as opposed to custom code development, allowing for rapid deployment and simple application maintenance. The entire solution was configured and delivered within two months at a very competitive cost.

Why Advisor Software?

BGI set rigorous standards for their Allocation Proposal Tool. From an extensive list of industry vendors, Advisor Software was selected based on world-class analytics, unparalleled domain expertise, flexible software to accommodate their products and preferences, and the ability to present tailored workflows to advisors.

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