A COMPELLING CASE

Consolidating Client Assets With One Manager

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Using Goals Based Investing (GBI) to See the Bigger Picture

When client assets are all housed with one manager implementing goals based investing, it allows the manager to take a holistic view by building a dynamic asset allocation that acts as a continuous resource for meeting the investor's goals.

This approach can incorporate client goals at varying time horizons, the specific risk required to achieve these goals and the emotional tolerance for risk taking to maximize the probability of achieving goals in a multitude of potential capital markets environments.

Academic research suggests that asset allocation can be responsible for as much as 100% of long-term investment returns[1].

At CNR, we believe that the GBI approach is appropriate and effective in achieving investors' financial goals in most circumstances. We see the key factors of GBI as flexibility, risk management and client experience.

There are a multitude of benefits to consolidating asset with one manager. They include:

- Using Goals Based Investing to See the Bigger Picture
- Avoiding Chasing Unsustainable Performance
- Creating Tax Efficiency
- Lowering Costs and Leveraging Scale
- Experiencing Simplicity and Convenience

Please refer to our piece "Why Buckets Should Be Adapted to Goals Based Investing" for more detail on this subject.

[1] The Importance of Asset Allocation on JSTOR, as of March/April 2010.

EXHIBIT 1:

Persistence in Manager Ranks

Fund Category	Funds in Top Quartile of Returns in 2019	% of 2019 Top Quartile Funds Remaining in Top 25%			
		2020	2021	2022	2023
All Domestic Funds	529	56.7%	2.8%	0.0%	0.0%
All Large Cap Funds	179	59.2%	6.7%	0.0%	0.0%
All Midcap Funds	68	58.8%	1.5%	0.0%	0.0%
All Small Cap Funds	128	55.5%	0.8%	0.0%	0.0%
All Multicap Funds	124	46.8%	1.6%	0.0%	0.0%

Source: S&P Dow Jones Indices LLC, CRSP. Data as of December 31, 2023.

AVOID CHASING UNSUSTAINABLE PERFORMANCE

Clients using multiple managers have a natural tendency to invest in managers with strong recent performance. This strategy however, counterintuitively serves as a drag on portfolio performance.

According to S&P Global, among the 529 actively managed U.S. equity funds that were in the top quartile of performance in 2019, NOT ONE remained in the top quartile of performance over the subsequent four years.

EXHIBIT 2:

Persistence in Manager Ranks of Subsequent 5 Years

(1% Is Best, 100% Is Worst)

Asset Class	Rank of Top 10%	Rank of Bottom 10%	# of Managers
Domestic Large Cap	51%	46%	2,690
Domestic Small Cap	55%	42%	474
Foreign Large Cap	49%	48%	463
Emerging Markets	49%	53%	283

Source: Meketa Investment Group, Data as of 2012.

Additionally, according to a study of actively managed strategies, of those in the top decile of performance over a five-year period, fewer remained in the top half over the next five years than even a random distribution would suggest. In fact, for domestic (U.S.) managers, the bottom 10% significantly outperformed the top 10% over the subsequent five years. Sticking with one multiasset class manager may reduce the drag of performance chasing.

CREATING TAX EFFICIENCY

By seeing the entire picture of a client's portfolio, we can create greater tax efficiency through asset location and tax loss harvesting.

With tax aware asset location, we can prioritize asset mixes by an account's tax status. Examples of this include overweighting growth stocks in ROTH IRAs, high dividend stocks in taxable accounts and securities that generate ordinary income (e.g. corporate bonds) in traditional IRAs.

Additionally, thoughtful active tax loss harvesting can reduce the amount of capital gains paid on investments without significantly impacting long term risk and return. These two strategies can increase net-of-tax returns without compromising the long-term strategy.

LOWER COSTS

When combining assets with one manager, clients reap the benefit of lower fees as they more easily reach fee reducing breakpoints. In some cases, this can save clients as much as 20 (basis points) bps in annual fees.

SIMPLICITY AND CONVENIENCE

Lastly, in addition to the financial benefits listed above, the mental ease and simplicity of having all assets with one manager solely focused on managing your household's assets can be comforting to many clients.

At CNR, we pride ourselves on delivering comprehensive and personalized wealth management strategies designed to evolve with each of our clients' specific and ever-changing needs.

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