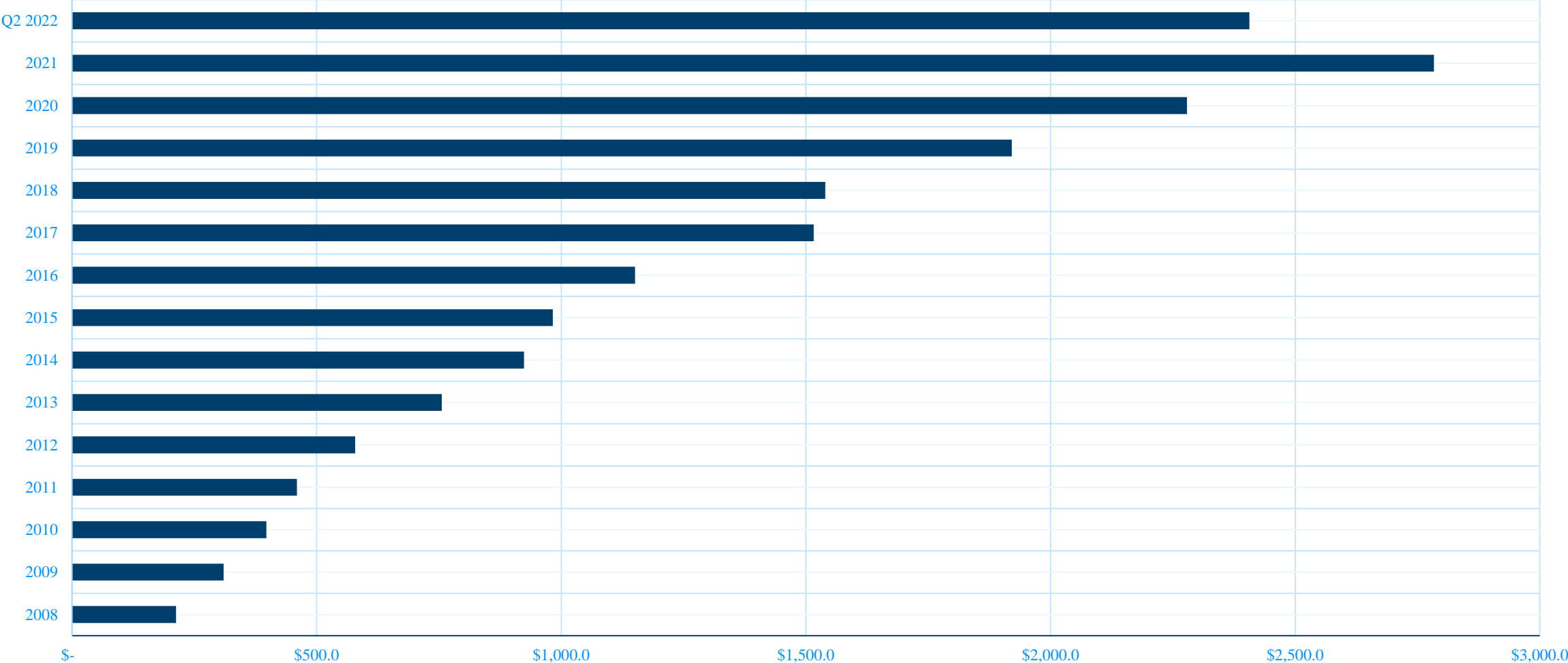# Rep as Portfolio Manager (PM)
Investment Performance Monitoring and Supervision

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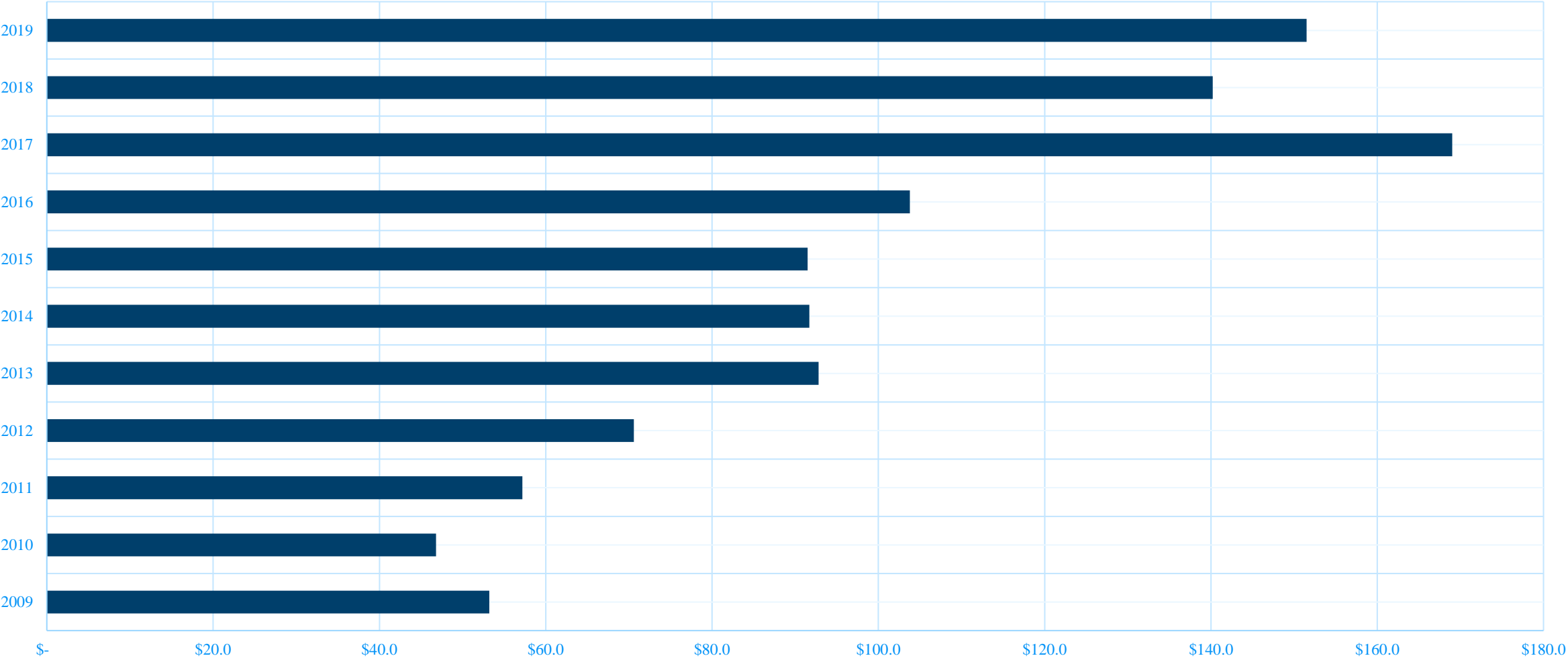# Rep as PM: Assets

Assets ($ in billions) [1]

Rep as PM: Net Cash Flows

Net Cash Flows ($ in billions) [2]

Rep as PM: Investment Performance Risk and Controls

- According to Cerulli, Rep as PM program assets have increased from $213b in 2008 to $2.4t in 2022

- Based on a study conducted by Envestnet in 2017 [3], Rep as PM portfolios on average underperformed home office managed portfolios and had greater return dispersion

- Some firms offer guided Rep as PM platforms:
  - Less flexibility and restrictive assortment of product offerings (e.g., follow home office model portfolios, recommended list products only)
  - Access to more sophisticated tools with performance and risk analytics
  - Underperforming reps are coached, which may result in desertification and move to home office products

- Success factors:
  - Size of the team (one person shop vs large practice)
  - Infrastructure such as investment committee, utilization of tools
  - Model-based investment process (similar clients should be getting similar performance)

- More intense regulatory scrutiny as a result of DoL's fiduciary model put accountability on the home office and requires technology to supervise Rep as PM business

- Some broker-dealers are evaluating and enhancing their monitoring, supervision and compliance controls to mitigate risk related to performance
  - There is no one standard way to measure advisor investment performance
  - Focus appears to be on (i) dispersion of returns for similar clients, and (ii) comparison of advisor-driven portfolios to other investment options
  - Develop tools (based on specific risk/performance criteria) to supervise advisor performance, and consider providing advisors with access to this tool/data for proactive self-supervision
  - Committee responsible for approving changes to supervision criteria and other decisions
  - More training and qualification criteria for advisors