



**AG** Advisor Group

# Business Overview

## Valerie Brown

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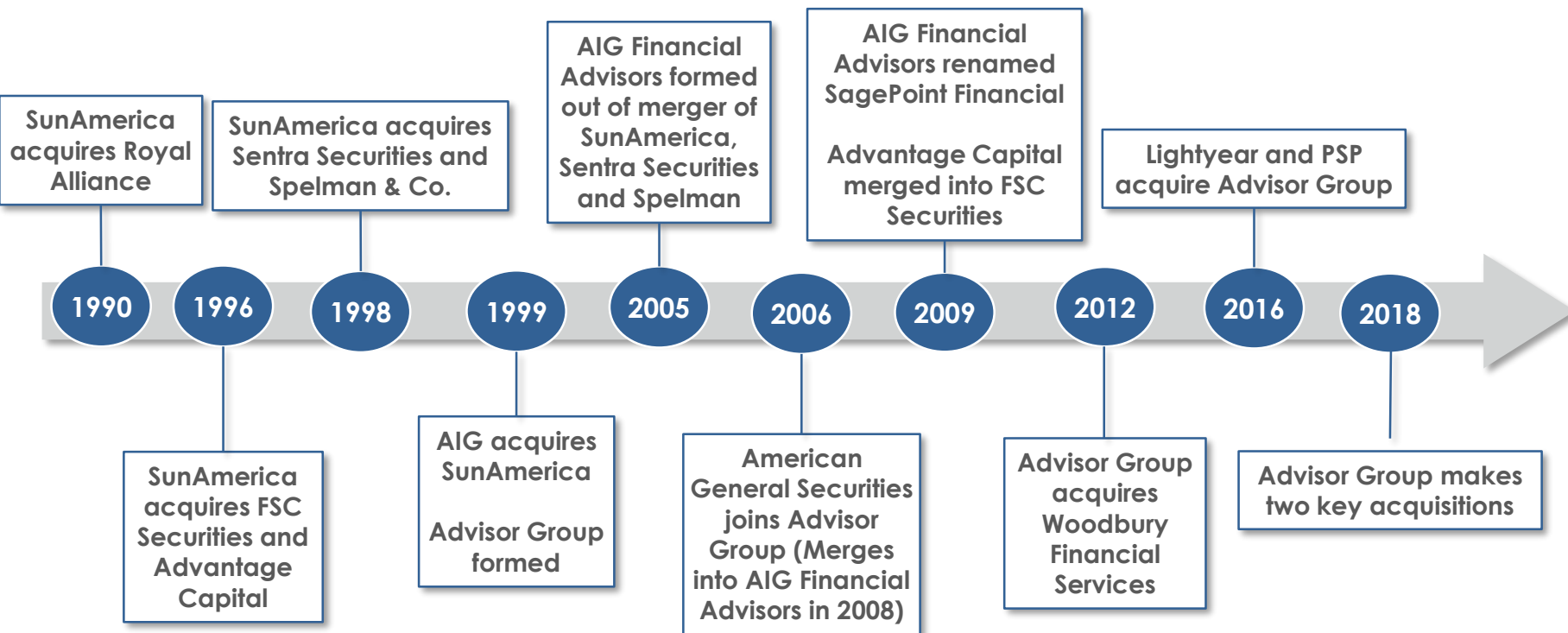
# MEET ADVISOR GROUP

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- I. Our Company
- II. Our Value Proposition
- III. How we make money in the Fiduciary Era

# I. | Our Company

# RECENT HISTORY



# OUR INVESTORS



## Other selected previous and current relevant investments



# KEY STATS



**~76.5%**  
Recurring  
Revenue<sup>2</sup>



**\$177bn**  
Assets under  
Administration<sup>1</sup>



**10 years**  
Avg. Advisor  
Tenure<sup>1</sup>



**\$224k**  
GDC  
per Advisor<sup>3</sup>



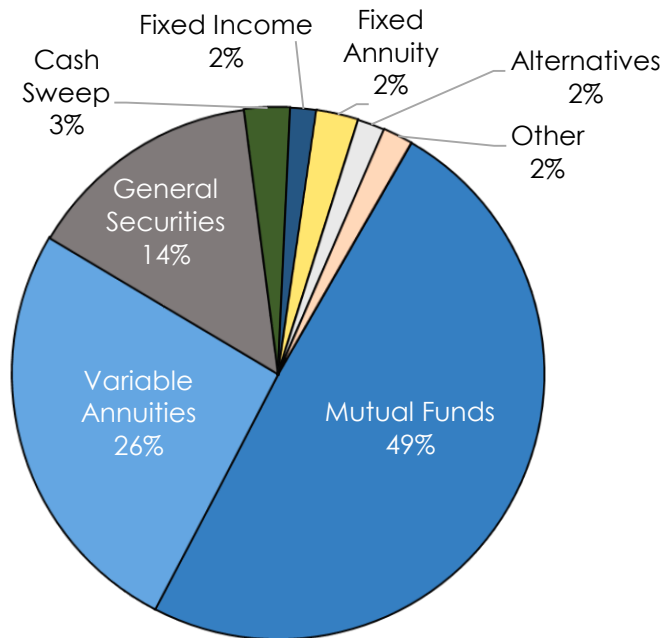
**4,907**  
Productive  
Advisors<sup>1</sup>



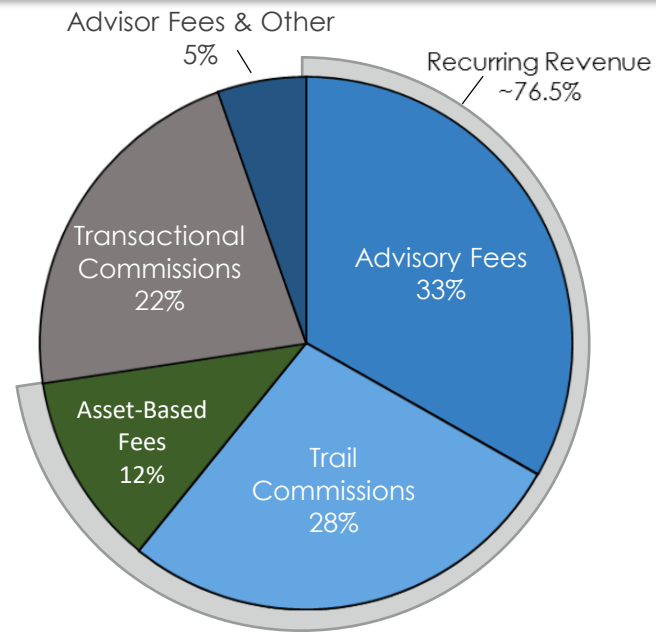
**7.8%**  
Adj. EBITDA  
Margin<sup>2</sup>

# BUSINESS MIX: HOW WE MAKE MONEY

## Assets Under Administration (1)

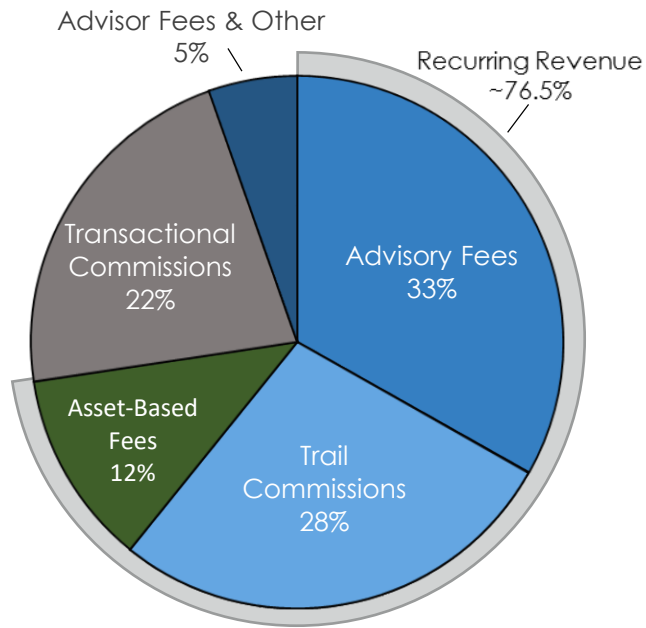


## Gross Revenue Mix (2)



# BUSINESS MIX: HOW WE MAKE MONEY

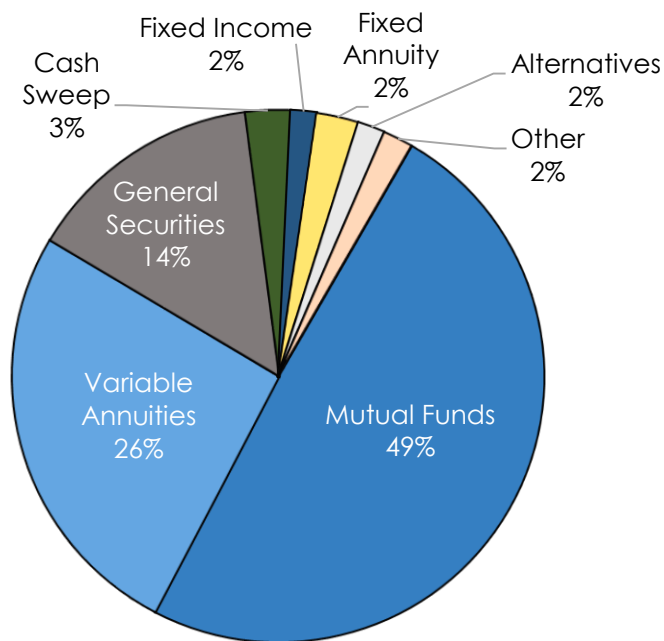
## Gross Revenue Mix (2)





# BUSINESS MIX: HOW WE MAKE MONEY

## Assets Under Administration <sup>(1)</sup>



- 1) As of September 30, 2017  
2) For the YTD period ended September 30, 2017

# DELIVERING SERVICE THROUGH FOUR SUBSIDIARIES



Nearly  
60 years  
old!



- Headquarters: Atlanta, GA
- Established: 1958
- Acquired: 1996



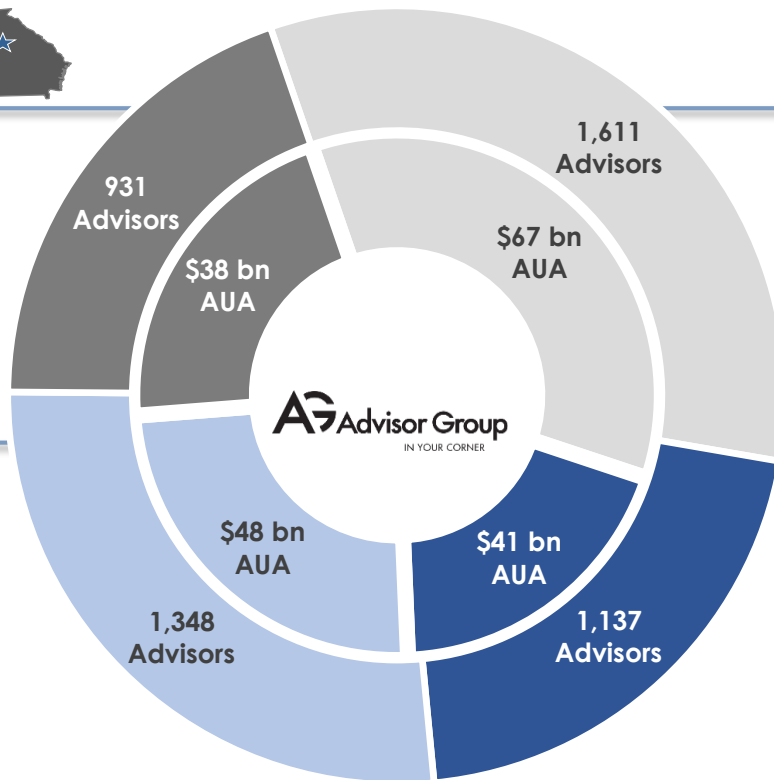
- Headquarters: Phoenix, AZ
- Established: 1970
- Acquired: 2005



- Headquarters: Jersey City, NJ
- Established: 1969
- Acquired: 1990



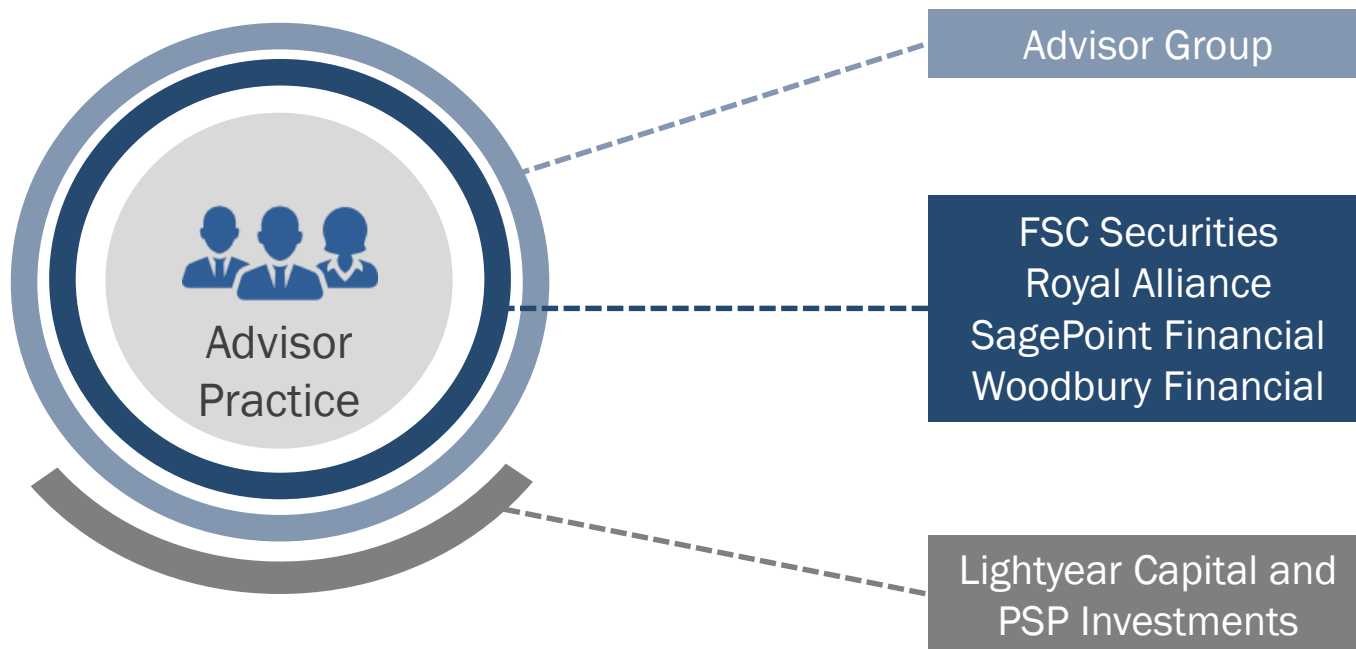
- Headquarters: Oakdale, MN
- Established: 1968
- Acquired: 2012



**AG** Advisor Group  
IN YOUR CORNER

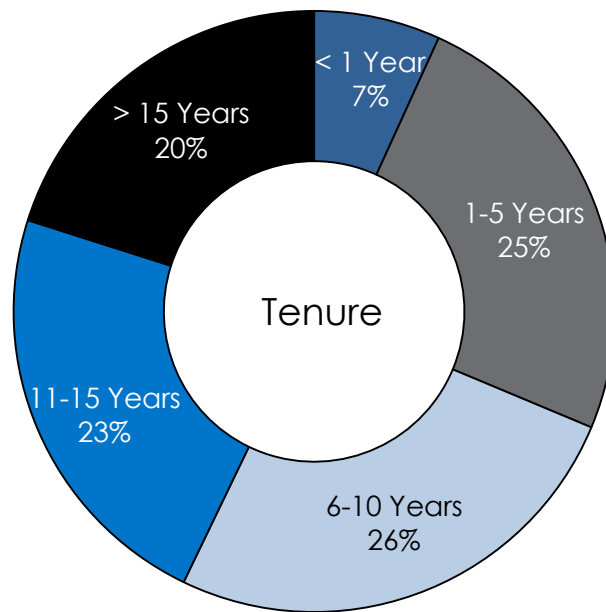
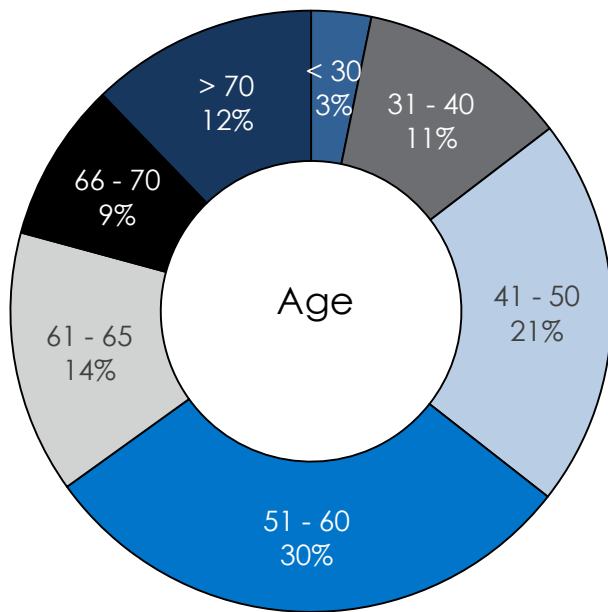
# STRENGTH IN PARTNERSHIPS

A boutique type of support and service backed by deep institutional resources



# OUR ADVISOR DEMOGRAPHICS...

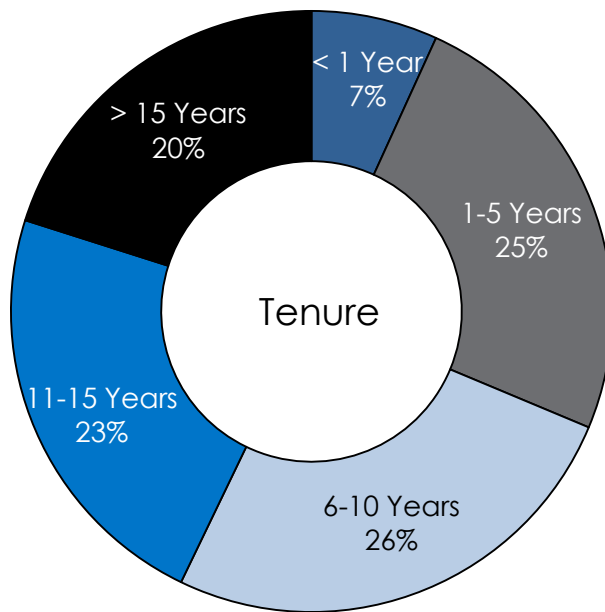
## Advisors by Age and Tenure



Note: All financials as of March 31, 2017

# OUR ADVISOR DEMOGRAPHICS...

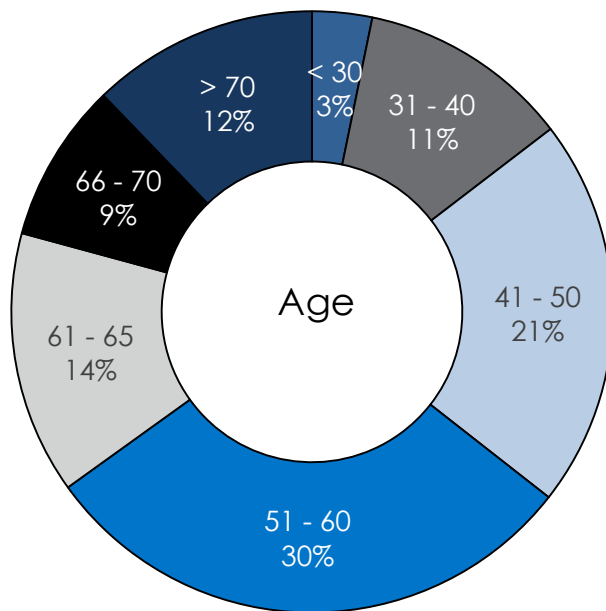
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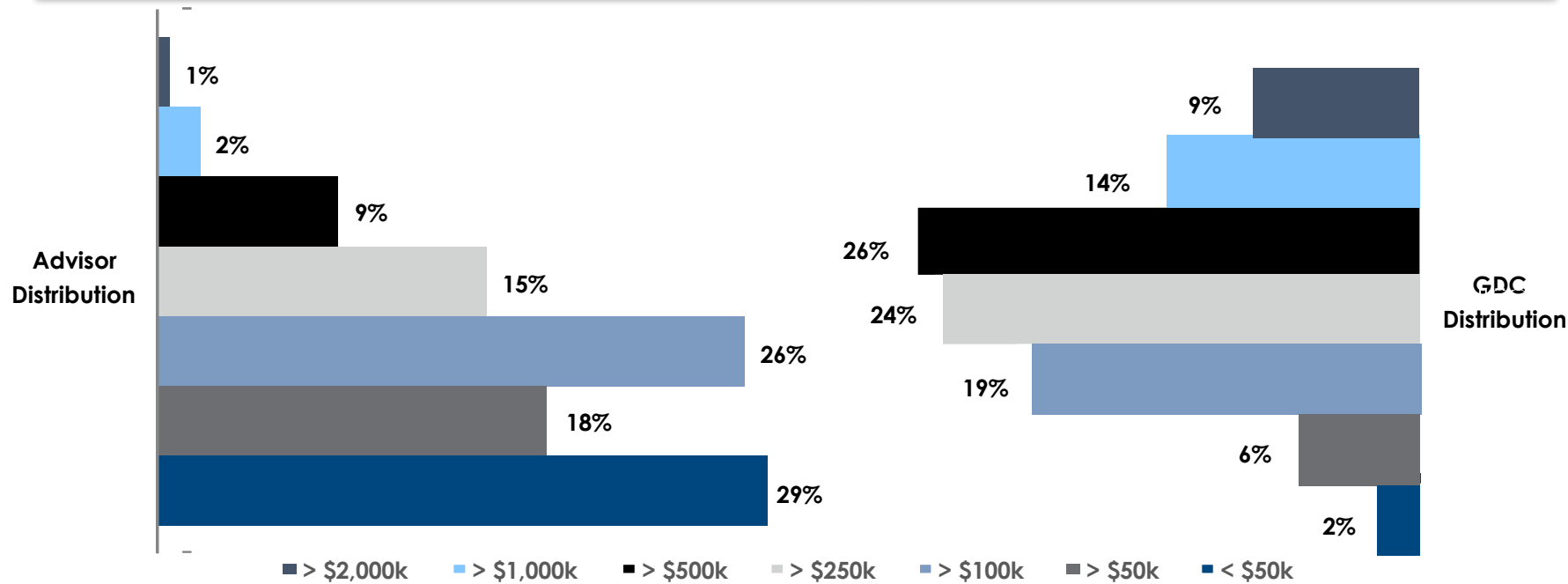
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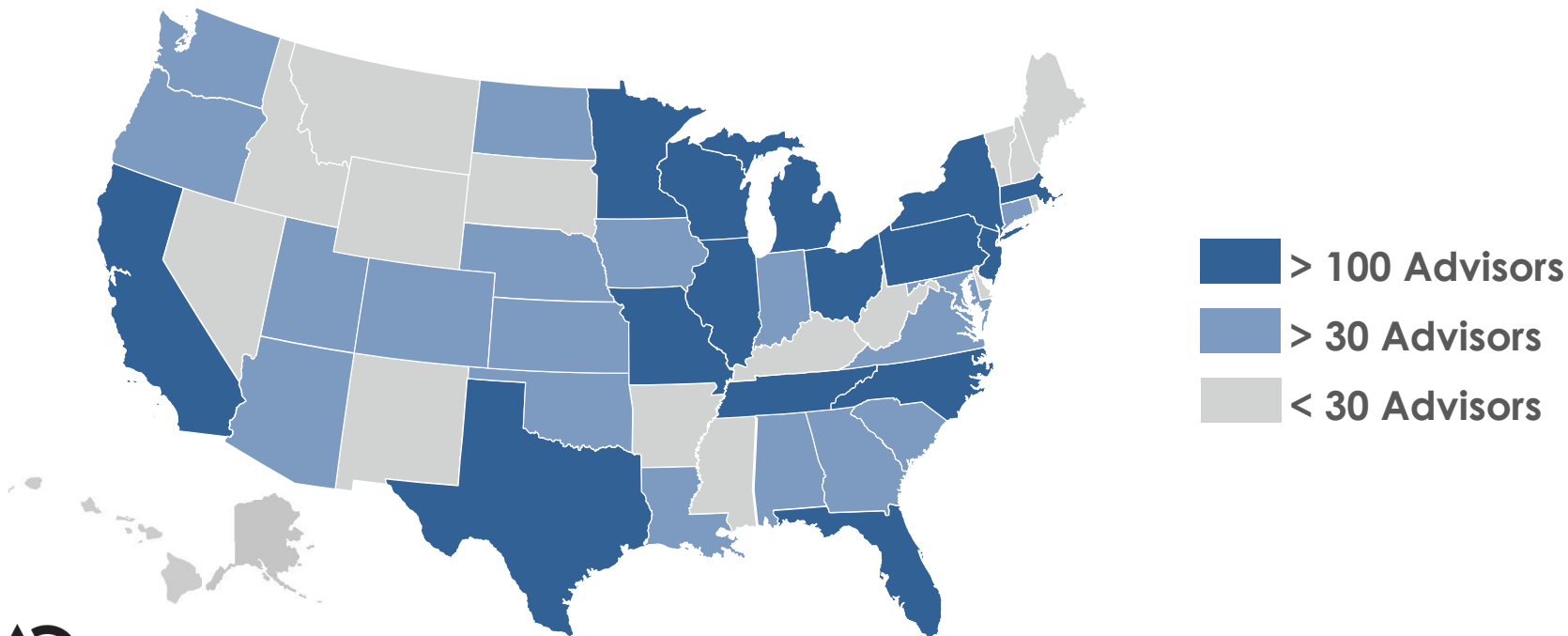
## Advisors and GDC\* by Production Tier



\*Gross Dealer Concessions

## OUR ADVISOR DEMOGRAPHICS...

## Advisors by Geography





## II. | Our Value Proposition

# THE RETAIL WEALTH MANAGEMENT ECOSYSTEM



# VALUE-ADD SUPPORT SERVICES FOR ADVISORS



**Fee-Based Advisory  
Platform**



**Product Access  
and Due Diligence**



**Technology**



**Compliance and  
Risk Supervision**



**Resources and  
Education**



**Practice Acquisition  
& Succession  
Planning**

**AG** Advisor Group

### III. | How we make money in the Fiduciary Era

# DOL FIDUCIARY RULE IMPACT AND REGULATORY VIEW

## Timeline

Obama administration originally proposes increasing B-D regulation

| 2010

Fiduciary rule was re-proposed, followed by comment period

| Apr 2015

Final version of the fiduciary rule issued, with planned effective date in April 2017

| Apr 2016

President Trump orders a review of the fiduciary rule

| Feb 2017

DOL calls for 60-day delay in applicability of the rule

| Mar 2017

Partial implementation as of June 9

| Jun 2017

Full implementation planned for January 1

| Jan 2018

## What the Fiduciary Rule Impacts

“The  
Fiduciary  
Era”

Account  
Type

IRA “qualified” accounts



401k accounts



“Non-qualified” accounts

*Exempt*

Revenue  
Type

Commissions



12b-1 fees

*No impact*

Asset-based fees



# HOW THE DOL RULE CHANGES THE WAY ADVISORS WILL MAKE MONEY IN THE FIDUCIARY ERA

- ❑ Suitability versus Best Interest standard
- ❑ Have a clearly defined value proposition that goes beyond investment advice – and charge for it
- ❑ Segment their clients and – if focused on lower asset clients – need to scale their business

## **What to watch out for:**

- ❑ Unexplainable, un-level fees
- ❑ Continued poor investment performance, when other options are available
- ❑ Poor/no documentation of prudent choices among investment/service options

# SUMMARY

- 1 Advisor Group is a leading wealth management platform with distinct value proposition
- 2 Fragmented industry with highly compelling tailwinds
- 3 Efficient, highly scalable shared services platform
- 4 Strong cash flow profile with growing stream of recurring revenue
- 5 Experienced management team with longstanding advisor relationships
- 6 Poised for Growth !

# I. | Appendix



# OUR VALUE PROPOSITION

Help our advisors deliver an exceptional experience for their clients



Make it **easy** for advisors to do business with us and for their clients to do business with them



Help advisors **grow** and achieve their vision of success



Help advisors become **better** financial planners and holistic wealth managers



Protect advisors and their clients through **business-friendly** compliance and industry leading cyber-security measures



Help attract the next generation of advisors and assist current advisors with **succession, continuity and M&A**

# AREAS OF FOCUS IN 2017



Digital Account Opening  
Solution (Advisor Led)



Robo Advice Solution  
(Client Led)



Advisor Growth  
Programs



Advisor Marketing  
Portal




Succession Planning  
Site



Retirement  
Solutions

# NEW PRODUCTS SERVE A NEW FIDUCIARY ERA



**NTF Mutual Fund Platform Brokerage Only**

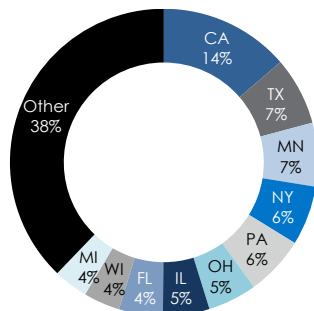
- DOL share class TBD (will use A Shares if the rule is amended)
- Allows existing A, B, or C Shares to be moved into DirectChoice
- No IRA fee, No transaction fee, No inactivity fee, No paper fee, etc.

Advisor Group Genesis Series				
	PMC Passive Foundation	PMC American Funds Active Core	PMC Strategic ETF	Russell Inv Hybrid
Overview	7 discretionary, strategically managed portfolios across the risk spectrum constructed of 4-8 passive index mutual funds for low turnover	7 discretionary, strategically managed portfolios constructed around the philosophy of selecting a core group of active managers to achieve potentially superior long-term results	7 discretionary, strategically managed portfolios constructed using only long-term ETFs. Portfolios span the investor risk/return spectrum, from capital preservation to aggressive	5 discretionary, strategically managed portfolios constructed to provide a balance between investor's preference for active management returns and their aversion to the risk of active management underperformance by combining multiple investment approaches.
Investment Products	Mutual Funds (Multiple managers)	Mutual Funds (American Funds)	ETFs (including Vanguard & iShares)	Hybrid: Mutual Funds & ETFs
Acct Min.	\$5,500	\$10,000	\$15,000	\$10,000

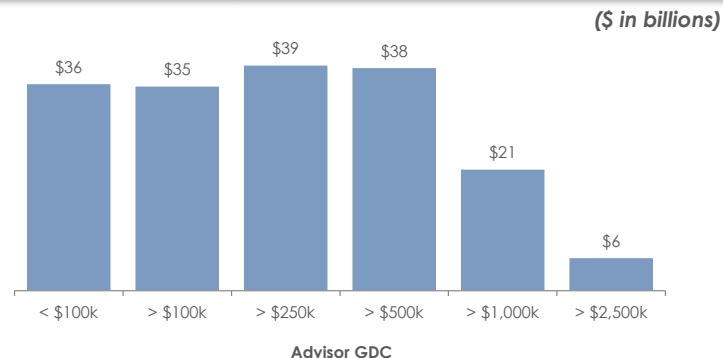
# ADVISORS SERVE A DIVERSIFIED END CLIENT BASE

- ❑ Diverse range of individual retail investors and entities with financial advisory needs... across all stages of wealth management
- ❑ > 1.1 million clients\* across all 50 states... each advisor manages ~230 clients on average
- ❑ Most retail clients considered “middle market” (\$100k to \$500k in investable assets), and “mass affluent” (\$500k to \$2 million in investable assets)

## Advisor AUA by Geography



## AUA by Advisor GDC Tiers



# OUR ADVANCED TECHNOLOGY SUPPORT



# OUR COMPLIANCE SUPERVISION & RISK MANAGEMENT

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**SUNGARD®**



**CFM**Partners

# GLOSSARY OF TERMS

- **Advisor Driven Revenue / Gross Dealer Concessions (“GDC”):** “Compensable” revenue in which the independent advisor is entitled to a percentage of the revenue. Derived from commissions and fees on advisor driven production
- **Assets under Administration (“AUA”):** Assets on which a firm provides consulting and advice but are beneficially owned by end retail clients
- **Assets under Management (“AUM”):** Assets on which a firm actively manages on behalf of an investor
- **Broker-Dealer (“BD”):** A person or firm in the business of buying and selling securities, operating as a broker or a dealer, depending on the transaction. Includes banks, wirehouses, insurance companies, and independent broker-dealers
- **Clearing Firm:** An organization associated with an exchange to handle the confirmation, settlement and delivery of transactions, fulfilling the main obligation of ensuring transactions are made in a prompt and efficient manner.
- **Custodian:** A financial institution that holds customers' securities and other assets in electronic or physical form
- **Hybrid RIA:** A firm that is registered with both the SEC and FINRA and can work as an IBD for commission business and an RIA for fee-based business
- **Fiduciary Standard:** Stipulates that an advisor must place his or her interests below that of the client
- **Independent Broker-Dealer (“IBD”):** Provides middle market & back office support to advisors who work as independent contractors for brokerage houses selling variety of financial products on commission basis. IBDs can also house independent advisors that work on a fee-based model. Required registration with FINRA and governed by Suitability Standard
- **Investment Advisor Representative (“IAR”):** An individual advisor working under an RIA firm
- **Registered Investment Advisor (“RIA”):** Provides middle and back office support to advisors who work completely independently on a fee-based model. Required registration with the SEC and governed by Fiduciary Standard
- **Revenue Retained:** “Non-compensable” revenue whereby the Company retains all of the income
- **Suitability Standard:** Stipulates that an advisor must reasonably believe that any recommendations made are suitable for clients, in terms of the client's financial needs, objectives and unique circumstances
- **Wirehouse:** Advisors work as employees for large integrated brokerage houses that sell a wide variety of financial products on a commission basis