

Charles Schwab Purchases Motif's Technology Capabilities

Thursday, May 07, 2020 08:15:00 PM (GMT)

The Charles Schwab Corporation ("Schwab") today announced that it has entered into an asset purchase agreement to acquire the technology and intellectual property of Motif in an all cash transaction. Motif is a fintech pioneer that has combined breakthrough technology and data science to deliver customized thematic portfolios to investors. The acquisition will include all of Motif's technology and intellectual property, including algorithms, patents and source code.

"As a company with a deep history of innovating to improve the financial lives of investors, we are thrilled to bring transformative technology to Schwab to help our clients navigate their investment needs in a more personal way," said Neesha Hathi, EVP and Chief Digital Officer at Schwab. "We continue to see an increasing number of clients interested in customizing their investing experience to suit their values, objectives and personal circumstances. We intend to leverage Motif's platform to build on Schwab's existing capabilities and help accelerate our development of thematic and direct indexing solutions for Schwab's retail investors and RIA clients – all with the sophisticated digital experience our clients expect from Schwab."

Schwab will be hiring a majority of Motif's development and investment talent. Founder and CEO, Hardeep Walia, will join Schwab as part of its acquisition-related hiring of Motif's staff.

"For over a decade, Motif's unwavering mission has been to introduce investors to the power of thematic investing. By combining data science and automation, we have developed an innovative and personalized investing platform that appeals to both individuals and advisors," said Walia. "Schwab shares our spirit and passion for making personalized investing easier and more accessible for all. We're excited to join them in helping to shape the future of wealth management to better serve investors."

In addition to thematic investing, Motif's technology platform offers the flexibility to personalize investments, supports real-time fractional share trading and can help enable sophisticated tax optimization strategies within investment portfolios.

"In addition to an increasing interest in personalizing portfolios, we know many individual investors and RIAs seek the powerful tools that allow them to minimize taxes, efficiently manage transitions out of concentrated stock positions, and incorporate personal investing preferences - all of which can be provided by a robust direct indexing offer," said Rick Wurster, EVP and Head of Schwab Asset Management Solutions. "We intend to bring these solutions to our clients, democratizing capabilities that previously only existed for institutions and high net-worth individuals."

Schwab will leverage its experience and expertise as a leading index manager as it builds out direct indexing capabilities. Schwab's asset management arm is the industry's third largest index mutual fund provider, fifth largest ETF provider and fourth largest provider of retail separately managed accounts¹.

Motif's broker-dealer, RIA, client accounts and client assets are not included in the acquisition. Motif recently announced the sale of its client accounts to Folio Investments.

The transaction is expected to close by the middle of 2020, subject to customary closing conditions. Financial terms are not being disclosed.

About Charles Schwab

The Charles Schwab Corporation (NYSE: SCHW) is a leading provider of financial services, with more than 360 offices and 12.7 million active brokerage accounts, 1.7 million corporate retirement plan participants, 1.4 million banking accounts, and \$3.50 trillion in client assets as of March 31, 2020. Through its operating subsidiaries, the company provides a full range of wealth management, securities brokerage, banking, asset management, custody, and financial advisory services to individual investors and independent investment advisors. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member [SIPC](#), www.sipc.org), and affiliates offer a complete range of investment services and products including an extensive selection of mutual funds; financial planning and investment advice; retirement plan and equity compensation plan

services; referrals to independent, fee-based investment advisors; and custodial, operational and trading support for independent, fee-based investment advisors through Schwab Advisor Services. Its banking subsidiary, Charles Schwab Bank (member FDIC and an Equal Housing Lender), provides banking and lending services and products. More information is available at www.aboutschwab.com. Follow us on [Twitter](#), [Facebook](#), [YouTube](#) and [LinkedIn](#).

About Motif

Motif uses breakthrough technology and data science to build innovative investment products for individuals, institutions, and advisors. The company specializes in thematic investment strategies and allows investors to trade intelligently weighted baskets of stocks built around themes, investing styles or multi-asset models. Current board members include former Securities Exchange Commission Chairman Arthur Levitt and former Boston Consulting Group Chairman & CEO Carl Stern. Motif is a FINRA registered broker-dealer and an SEC-registered institutional investment advisor, headquartered in San Mateo, California.

Forward-Looking Statements

This press release contains forward-looking statements relating to the acquisition of assets from Motif, including the timing of closing, and the growth of Schwab's development of personalized indexing solutions, which reflect management's expectations as of the date hereof. Achievement of these expectations is subject to risks and uncertainties that could cause actual results to differ materially from the expressed expectations.

Important factors that may cause such differences include, but are not limited to, failure to satisfy the closing conditions in the purchase agreement in a timely manner or at all; failure to satisfy the closing conditions in the purchase agreement in a timely manner or at all; integration of Motif's intellectual property into Schwab; client demand for personalized indexing solutions; general market conditions and other factors set forth in Schwab's most recent report on Form 10-K.

¹ Index mutual fund and ETF provider industry rankings: Charles Schwab Investment Management, Inc. (CSIM) is the investment adviser. All rankings based on assets under management as of 3/31/20. Source: ISS Market Intelligence Simfund; Retail separately managed account ranking: As of 12/31/19. Source: Cerulli Edge U.S. Managed Accounts Edition 1Q 2020. Reflects estimated ranking for manager-traded retail SMAs; includes CSIM's managed account strategies (Schwab Managed Portfolios, Windhaven Strategies, ThomasPartners Strategies).

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