CASE STUDY

Personalized Index

Adhesion wealth
An AssetMark Company

Background

The advisor sought Adhesion's help for an ultra-high-net-worth (UHNW) household that faced over $5 million in embedded gains in their portfolio. Historically, the advisor favored active management for most of his business but wanted to lower his client's overall fees and shift towards a more passive investment strategy. Over time, the advisor's frustration grew as he observed his managers periodically falling in and out of favor, leading him to seek more consistent, index-like performance for his clients.

Winning Solution

Adhesion introduced the advisor to two Personalized Index products designed to incorporate a large portion of the existing equity and ETF holdings with embedded capital gains. These products provided more consistent tracking errors relative to the advisor's preferred indices (Russell 3000 and MSCI EAFE). Over time, the Personalized Index from Adhesion attracted over $20 million from various accounts, supporting the advisor's objective to transition away from legacy assets burdened with high embedded capital gains. This transition also focused on reducing the portfolio's tracking error. Moreover, the advisor achieved a significant reduction in management fees by opting for a Personalized Index portfolio over selecting active managers.

Key Takeaways

Cost Effective

The advisor leveraged Direct Indexing to offer clients benefits such as lower costs, effective tax management, reduced active investment risk, and guidance toward achieving life goals.

Flexibility

Adhesion's Personal Index solution offered the flexibility to manage complex scenarios for clients, addressing tax concerns, values, and competitive management fees.

Effective Resolutions

Integrating legacy holdings into the index effectively resolved significant tax-related issues for end clients.

C24-21104 | EXP 3/31/2026