



# Blended Benchmarks



CHALLENGE

When an advisor is selecting a benchmark for an Aperio account, many of the standard benchmarks (from S&P, Russell, and MSCI) do not match well with the regional and/or size segment allocations from the equity portion of the advisor's strategic asset allocation.



Example

If the equity allocation for US stocks is 75% and for non-US stocks is 25%, no standard benchmark today can match a US weight in the 70-80% range



SOLUTION

Aperio offers customized\* "blended benchmarks" in which multiple indexes can be combined with different percentage mixes to better reflect the client's desired equity allocations



Example

If the equity allocation for US stocks is 75% and for non-US stocks is 25%, Aperio can use a blended benchmark of 75% of a US index (e.g., S&P 500, Russell 3000) and 25% of a non-US index (e.g., MSCI ACWI ex-US)

\* Aperio can blend up to five indexes into a blended benchmark



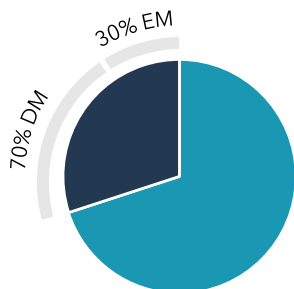
BENEFITS

Using a blended benchmark for a client portfolio may provide several benefits, including:

- ✓ Alignment of the portfolio with the strategic equity allocation
- ✓ Ease of changing the blend if the strategic equity allocation changes
- ✓ Lower tracking error to the blended benchmark than to a standard benchmark
- ✓ Performance reporting showing the portfolio performance versus the blended allocation benchmark
- ✓ Use of a single account (as opposed to multiple accounts with standard benchmarks) that may bring additional benefits, including:
  - More simplicity and lower operational burden
  - A tracking error in the single account that is potentially lower than the weighted average tracking error from the multiple accounts
  - Potential help reaching minimum accounts sizes
  - Possibly resulting in lower fees
  - Possible slight increase in tax efficiency from being able to use names across regions as replacement stocks

## CASE STUDY

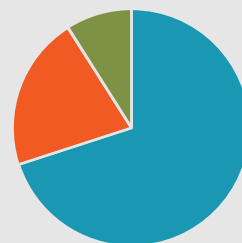
Client's strategic asset allocation within equities was **70% US** and **30% non-US**, and the non-US allocation was 70% developed markets and 30% emerging markets



Strategic Equity Allocation

Aperio created a blended benchmark of

**70% Russell 3000**  
**+ 21% MSCI World ex-US**  
**+ 9% MSCI Emerging Markets**



Customized Blended Benchmark

### Supplemental Information

- Aperio optimizes portfolios to approximately 40 single-index benchmarks and to approximately 200 blended benchmarks
- Most of these single-index benchmarks are market-capitalization-weighted indexes; other single-index benchmarks include style indexes (e.g., Value, Growth), as well as benchmarks for niche strategies (e.g., REITs)

### Disclosure

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