The independent movement

Trends in new independent advisor registrations

Analysis of 2016 SEC registration data by Schwab Advisor Services

October 2017

Media contact:
Rob Farmer
Corporate Public Relations
(415) 920-3816
rob.farmer@schwab.com
Executive Summary

The independent movement continues
- Firms representing nearly $55B in new SEC registrations in 2016
- 75% increase in number of new SEC registrations since 2012

Larger firms are fueling the movement
- $300M+ firms with new SEC registrations has doubled since 2013
- Average deal size for SEC registered firms increased 2% to $276M since 2015, and larger deals are driving more multi-custodian selections

Schwab continues to be the leader
- Schwab has 40% market share of the newly registered SEC firms making a single custodian selection
- Schwab was named in 66% of multi-custodian deals in 2016

1 As of December 31, 2016
Source: 2016 SEC ADV filings and Schwab analysis
Move to independence is stronger than ever, with more firms going independent in the past five years

Number of New SEC RIA registrations YOY

Source: SEC ADV Filings / Discovery Data
Filings by firms >$300M continues to increase YOY and represents 25% of newly independent firms in 2016

Single and Multi-Custodian Firms By Size

- 2012: 89%
  - 3% $1B+
  - 6% $500M-$1B
  - 2% $300-$500M
  - 90% $100-$300M (2% other)
- 2013: 88%
  - 4% $1B+
  - 4% $500M-$1B
  - 2% $300-$500M
  - 94% $100-$300M (2% other)
- 2014: 83%
  - 4% $1B+
  - 5% $500M-$1B
  - 7% $300-$500M
  - 88% $100-$300M (2% other)
- 2015: 77%
  - 7% $1B+
  - 7% $500M-$1B
  - 9% $300-$500M
  - 85% $100-$300M (5% other)
- 2016: 75%
  - 6% $1B+
  - 5% $500M-$1B
  - 14% $300-$500M
  - 80% $100-$300M (10% other)

Source: SEC ADV Filings / Discovery Data

- Does not include firms under $100M or firms that did not disclose their AUM
- Due to rounding, some values may not add up to 100
Multi-custodian registrations increased 36% YOY as larger firms move to independence

New Firm Custodian Selection Types (2012-2016)

- 12% Single Custodian
- 75% Multi Custodian
- 11% Not Disclosed

<table>
<thead>
<tr>
<th>Year</th>
<th>Single Custodian</th>
<th>Multi Custodian</th>
<th>Not Disclosed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>12%</td>
<td>75%</td>
<td>12%</td>
</tr>
<tr>
<td>2013</td>
<td>30%</td>
<td>55%</td>
<td>15%</td>
</tr>
<tr>
<td>2014</td>
<td>20%</td>
<td>66%</td>
<td>14%</td>
</tr>
<tr>
<td>2015</td>
<td>9%</td>
<td>65%</td>
<td>26%</td>
</tr>
<tr>
<td>2016</td>
<td>11%</td>
<td>55%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Approved # | Avg Size
---|---
Single | 110 | $200M
Multi | 68 | $379M
Not disclosed | 21 | $342M

SEC Status Description:
- Firms meet SEC asset size filing requirements >$100M
- Approved status with <$100M due to other SEC filing requirements
- AUM disclosed in filing

Schwab has 40% market share of newly registered SEC firms making a single custodian selection.

Schwab was named in 66% of multi custodian deals in 2016.

Source: SEC ADV Filings, Schwab AIT Analysis
Record-setting number of breakaway teams select Schwab’s custody platform

Number of AITs selecting Schwab's custody platform is 35% higher than 2016, surpassing all full year totals

Source of Advisors in Transition (AIT)

<table>
<thead>
<tr>
<th>Source</th>
<th>YTD 3Q16</th>
<th>YTD 3Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBD</td>
<td>128</td>
<td>173</td>
</tr>
<tr>
<td>Wirehouse</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RBD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Of those selecting Schwab's custody platform, average AIT size is up ~60%

Average AIT Size ($M)

<table>
<thead>
<tr>
<th></th>
<th>YTD 3Q16</th>
<th>YTD 3Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>$95</td>
<td></td>
<td>$151</td>
</tr>
</tbody>
</table>

+59%

AIIts driving a 74% overall increase in NNA for Schwab Advisor Services

Schwab Advisor Services NNA

<table>
<thead>
<tr>
<th></th>
<th>YTD 3Q16</th>
<th>YTD 3Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>New RIAs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing RIAs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Excludes retirement Business Services. IBD = Independent Broker Dealer, RBD – Regional Broker Dealer, Other = Banks, Institutional BDs, Trusts and Insurance

Source: Charles Schwab Fall 2017 Business Update
methodology:

sec: new ria filings

- Based on all 2016 RIA filings currently approved by the SEC
- Organized under US Law and established in 2016
- Actively engaged in ongoing supervisory or management of securities portfolios
- Not an advisor to a private fund
- Must have AUM for HNW clients
- Less than 50% of client AUM in Pensions or Profit Sharing Plans, Pooled Investment Vehicles, or in State or Municipal entities
- Not a broker/dealer or a representative of a broker/dealer