PRELIMINARY
EDITION FOR YOUR REVIEW

OPERATING EFFICIENCY INDEX (OEI)

How the index works

A summary of the methodology · Data compiled August 2026

WHAT THE INDEX MEASURES

The Operating Efficiency Index measures how effectively an investment adviser converts its people and locations into assets under management, relative to firms of similar size.

It is a point-in-time view of operating characteristics. It is not a measure of investment performance, client outcomes, advice quality or profitability, and it says nothing about them.

> **A score is a position, not a grade.** A firm at 56 sits ahead of 56% of the firms its size. It is not 56% efficient, and it is not scored against any absolute standard.

WHO IS IN IT

More than 7,000 U.S. domiciled, SEC registered investment advisers with $100 million or more in reported assets under management. Every input comes from Form ADV filings and selected third-party data. Institutional asset managers, whose books are not comparable to an advisory practice, are excluded. Individual scores are not published.

WHY FIRMS ARE COMPARED ONLY TO FIRMS THEIR SIZE

Nearly every operating measure rises with scale. Compared against the whole market, the index would mostly be measuring size. So every calculation is performed within one of seven cohorts, and a firm is never compared outside its own.

$100M–$500M	**$500M–$1B**	**$1B–$2.5B**	**$2.5B–$5B**	**$5B–$7.5B**	**$7.5B–$10B**	**$10B and above**

Scores are comparable within a cohort, not across cohorts. A 70 at $300 million and a 70 at $3 billion describe the same relative standing among different peers.

THE THREE COMPONENTS

Each component is built from a small number of inputs. Every input is ranked within the cohort in the same way, by how many peers sit below the firm on that measure, with tied firms taking the same position. No input uses a bespoke scale or lookup table.

- **Productivity.** Output relative to the people and locations producing it: assets per advisor, per employee and per office. This is the base of the index.
- **Complexity carried.** How hard the book is to run: clients per advisor, concentration in high net worth clients, number of custodians, and number of offices. Complexity is treated as a credit rather than a penalty, because a firm producing at scale under a hard book has demonstrated something a firm producing the same at ease has not.
- **Sustained growth.** Whether the firm is still scaling, and whether assets are growing faster than headcount: market-adjusted asset growth, operating leverage, client growth and high net worth client growth, each blended across one, three and five year horizons toward the most recent.

HOW THE COMPONENTS COMBINE

Productivity is the base. Complexity and growth act as multipliers on it, each adjusting the base within a fixed range around the cohort median. A firm at its cohort's median on complexity and growth is scored on productivity alone; a firm carrying more complexity or sustaining more growth than its peers earns more credit for the same output, and a firm carrying less earns less.

The components are multiplied rather than added, so they cannot substitute for one another. Strong growth and a hard book do not rescue a firm that is not producing, and a productive firm in simple conditions is not heavily penalised for them.

> **The specific weights and combination parameters are set by judgment.** They are disclosed to each firm during its review, so that a firm can see exactly how its own result was built, and they are not published. They were not derived from a statistical model or fitted to outcomes, and reasonable practitioners could set them differently.

THE PUBLISHED SCORE

Firms are ranked on the combined result within their cohort, and the published figure is the percentile of the cohort ranked below the firm. It is bounded at 1 and 99. A zero would read as a firm that produces nothing, and a hundred as a firm with no room left; neither is true of any firm in the index.

WHAT THE INDEX DOES NOT MEASURE

Technology and how it is integrated, which is likely one of the largest real drivers of efficiency and is invisible in public filings. Profitability, margins and compensation. Advice quality, planning quality, client satisfaction and retention. Culture, succession and leadership. Some firms deliberately run high-touch models with low client loads, and the index does not fully distinguish that design from inefficiency. A low score is not evidence of a badly run firm, and a high score is not evidence of a well run one.

LIMITATIONS TO KEEP IN MIND

- All data is self-reported in regulatory filings and cannot be independently verified. Advisor and employee counts are reported inconsistently across firms and carry significant weight.
- Advisers amend Form ADV on their own schedules, so one firm's data may be months newer than another's. This is the most common source of error in an individual score.
- Firms without reported growth history currently rank at the bottom of that input rather than at the median. A recently registered firm may be understated for that reason.
- Smaller cohorts produce less stable rankings than larger ones.

UPDATES, AND WHY A SCORE CAN MOVE

The index is rebuilt annually, after the first-quarter window in which most advisers file their annual amendment, and each edition carries its data date. A score can move between editions for four reasons, only the first of which is about the firm: its own operations changed; its peers changed; its cohort changed, as when a firm crosses a size boundary; or its filing changed. A movement of a few points is not a change in operating performance. Sustained direction across editions is the signal.

CORRECTIONS

The index is published on the understanding that firm-level data may be wrong. Any firm may request its inputs and challenge them. Where an input is corrected, the firm is rescored and, because ranking is relative, its cohort is rescored with it.

Methodology. Every input is ranked within a peer group of firms of similar assets under management, never against the full market. Every input is ranked the same way, with no bespoke scale, threshold or lookup table. The three component scores are combined multiplicatively, with productivity as the base and complexity and growth applied as bounded adjustment factors, so that each raises or lowers the credit productivity earns without being able to substitute for it. The result is ranked within the peer group and published as a percentile against that group, bounded at 1 and 99 so that no firm shows 0 or 100. Full input definitions and known limitations are described in the public methodology summary, How the index works. The specific weights and combination parameters are set by judgment; they are disclosed to each firm during its review and are not published.