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Cantella Quarterly

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Keep an eye out...

for an invitation to the upcoming regional conference we're hosting on December 10-11 at the Raymond James campus in St. Petersburg, Florida.

While this event will be held at Raymond James, the conference itself is clearing-firm agnostic and all advisors are encouraged to come, regardless of where you custody your business. We'll be covering a multitude of topics, including:

- Succession Planning
- Our New Managed Investment Platform
- Utilizing the New Tax Code to Add Value and much more!

From the President

We didn't have many "lazy days of summer" this year – it was a true whirlwind. So far in 2018, we've onboarded more than 20 advisors, we've seen asset growth of more than \$1 billion (17%) and our revenue is on pace to grow at almost the same rate. Add our numerous technology initiatives, long-term investments in the business, and regional conference plans, and it's no wonder the year is flying by.

At a Fidelity conference this summer, one of the speakers used a great term that very much encapsulates how we see the world of technology as it relates to our firm and our advisors. He used the word "bionic," explaining that while new technology is critical to our industry, it does not in any way negate the need for financial advisors – in fact, it only increases the need for "the human factor" in financial services.

Just like The Bionic Woman, technology arms you with the tools to enhance your capabilities and provide more valuable service to your clients as individuals. With superior technology, you can operate more efficiently, provide personalized solutions and devote extra attention to each client. At Cantella, we've long championed this idea, and we will continue our commitment to investing in innovative products and services to help you, our "bionic advisors", expand your businesses and help your clients. This commitment also augments Cantella's ability to grow and better serve our clients - you.

Here's what's been happening around the office and what you can expect as we head into the final quarter.

Sincerely,

Jennie Devlin

President and Chief Revenue Officer





Cantella & Co., Inc. is an independently owned, Boston-based broker/dealer and RIA that has been an innovator in the financial services industry for more than 65 years.

Founded in 1952 as a specialist on the floor of the Boston Stock Exchange, Cantella made markets in hundreds of New England-based companies and was one of the largest execution providers for institutional investors and asset owners based in Pacific Rim countries.

Always forward looking, the firm's business lines evolved to remain relevant as the landscape changed. Today, Cantella provides solutions to financial advisors, broker/dealers and RIAs. Staying true to our roots of loyalty and innovation, we continue to help our clients realize their unique visions.

New Initiatives and Rollouts

If you've visited www.cantella.com recently, you probably noticed that our website has changed.

We called it a makeover: We're the same people with the same strengths, but we've upgraded our site to more clearly and effectively convey this. It's an exciting milestone that has gotten a lot of positive feedback.

In addition to the redesign, you'll see that we recently made a number of functional enhancements to the Cantella Portal, many of which were the result of your suggestions!

- We have subscribed to an additional DTCC pricing service for mutual funds, which enables us to price our positions on a daily basis. This allows us to more accurately value direct assets in 529 plans and retirement plans with institutional share classes. This updated reporting may lead to a spike in your AUM on Production Dashboard if you have substantial assets in these account types.
- We have enhanced the Account Search sort order for all brokerage accounts. The previous search result sorting was to collect funded accounts first, followed by short-name. The new sort order will return funded accounts first, then sort within those by household (driven by statement house-holding), then by shortname for those accounts not in a household.
- The Account Search has also been enhanced for Pershing accounts to search SSN/TIN against all individuals and entities associated with accounts, rather than only the primary holder.
- The Pershing Account Profile screen will now display details of E-Delivery enrollment or de-enrollment status in the event that the email address is no longer valid. This can be found in the NetXInvestor ID bricklet.

Our Advisory Platform Launch Continues

As the year has progressed, we have continued to fine-tune the integration of RiskPro and Folio with our four clearing and custody platforms. While more time consuming than we expected, the project has gone well.

We've already seen the potential impact of our advisory platform: One of our advisors recently landed/won a million-dollar client by using the risk profiling tool to show how much risk the client had in his (formerly) self-directed portfolio at Schwab.

As with any launch, our pilot program identified areas where we can better streamline the technology. To that end, we've been working with RiskPro and Folio to make some platform enhancements (e.g., making some of the risk profiling and model building areas more intuitive). We anticipate these updates to be ready in the first quarter of 2019. In the midst of our launch, Envestnet purchased Folio. While unexpected, we believe this will be a great benefit to the platform, as we'll be able to add some of Envestnet's technology to our offering. We will keep you posted as we learn more. Advisory assets continue to grow at over 50%, and show no signs of slowing. Our total advisory assets under management and administration crossed \$2 billion this month, less than two years after we crossed the \$1 billion mark.

New Marketing Brochure

We are pleased to share an updated version of our "How We Support You and Your Financial Advisor" brochure. This brochure was originally created for our advisors to use with clients to explain the role of a clearing firm vs. a broker/dealer vs. a financial advisor, as well as to address the safety and security of client assets. Thanks to the suggestions of a couple of branches, we have enhanced the brochure to be a marketing piece you can use when transitioning to Cantella, as well as with new clients.

The changes are as follows:

- You can add your own logo
- Explains the values and services you provide to your clients (we have provided generic language, but each advisor can customize)
- A clearing firm-specific section (e.g., if you clear through Pershing, you would use the Pershing version of the brochure)

Cantella & Co., Inc. provides services to the following:

- Financial Advisors
- RIAs and Hybrid RIAs
- Broker-Dealers
- Technology Acquirers

We are going to be working on another version that our hybrid RIAs can customize and use with their clients as well.

Investment at the Office – We’re Moving!

We are excited to announce that Cantella recently closed on a development site in Malden, which is about 10 minutes north of Boston. Construction design is underway on a new building, which will include a mix of office and retail inside a 50,000 square-foot building on 1.1 acres. We estimate construction will take 16-18 months once we break ground. In the interim, we will be moving in December to an office space almost adjacent to the development site.

What worked during the last 65 years of our business is no longer good enough – we will not be complacent. Just in the last 15 years, Broker-Dealers have been closing at a rate of 5-8% per year, while new firm formation has never been more than 6%. Over the last 10 years, new firm formation has been just 2-4% (a net reduction of almost 25% of firms in only 10 years).¹ This is reflective of the continuing pressures on our business. We view this capital investment as a counterbalance to the escalation in fixed costs that is a large driver of this trend.

While this is a decision that checks all the financial boxes, it’s also another stake in the ground for the future of Cantella. Our immediate footprint will be about 40% larger than our current office, and constructing a mixed-use building provides a diversified revenue stream, stability of fixed costs and room for our future expansion. The City of Malden has been extraordinarily welcoming, and we are excited to be a part of a rapidly expanding downtown.

Continued Investments in Human Capital

Matt Guba has joined us and will help further grow several key areas of our business. Matt will take point as a product specialist overseeing requests for new products and services, help transitioning advisors map existing business, and assist with navigating the extensive suite of products and resources available through Cantella and our clearing partners. Further, he will serve as a relationship manager for certain relationships, as well as a transitions specialist.

Community

We organized and hosted another successful career night for young people served by the Massachusetts Department of Children and Families (DCF) foster care program. The event included speakers from Cantella and a variety of other careers, resume help, mock interviews, and one-on-one time with professionals according to each person’s areas of interest. This continues to be a deeply rewarding relationship for us. We are able to provide smart and hard-working kids with a paying job and opportunities to grow and excel.

In the last few years, we have been fortunate to work with extremely talented young individuals, who provide meaningful contributions to our company while getting the professional experience necessary to jump-start their careers.

To further expand our ongoing commitment to Massachusetts’ foster care program, we teamed up with the Massachusetts Network of Foster Care Alumni (MassNFCA) and sponsored a Cantella career table at this year’s Foster Alumni Walk, which draws attention to issues facing current and former foster youth, encourages foster care alumni and the greater community to improve the foster care system, and creates opportunities for current and former foster youth through education, employment, service and leadership.

Into the Final Quarter

We’re excited for the final quarter of the year, which is always a busy one for us and our partners. Expect more news from us as we continue with these endeavors and more!