S&P Dow Jones Indices

A Division of S&P Global

# TalkingPoints

## Beyond the Numbers – Key Factors Driving Indexing Strategy Decisions

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### 1. What are the priorities for professional investors when assessing index-based strategies today? How do considerations—such as index methodology, expense ratios or performance—shape their decision-making?

Professional investors assessing index-based strategies today prioritize cost-efficiency, performance consistency and index quality. According to Cerulli Associates' research,[1] which explores how index-based strategies are reshaping U.S. wealth management, expense ratio and historical performance are the top factors influencing product selection, followed closely by the brand of the asset manager and index methodology. While index methodology investors increasingly recognize that indices are not interchangeable; the quality of index construction directly impacts tracking accuracy and portfolio outcomes.

As index-based strategies expand across asset classes, particularly in fixed income and direct indexing SMAs (separately managed accounts), professional investors are also engaging more deeply with index providers for thought leadership, customization and educational support. This shift reflects a broader trend toward predictable, low-cost exposures aligned with financial planning goals, rather than alpha generation alone.

### 2. What do investors and asset managers value most from an index provider—methodology, data, educational content or direct support—and how does S&P Dow Jones Indices (S&P DJI) approach this?

Investors and asset managers value index methodology and data quality most from index providers, but educational content and direct support are increasingly important differentiators. Cerulli Associates' research shows that 82% of financial advisors rank quality of index design and methodology as a top-three factor when reviewing an index. This reflects a growing awareness that well-constructed indices are essential for consistency, transparency and cost-effectiveness.

While expense ratios and performance drive product-level decisions, deeper engagement with index providers—through thought leadership, educational resources and direct consultation—is becoming more common, especially among financial advisors building custom portfolios or using direct indexing.

S&P DJI stands out by offering not only widely recognized benchmarks but also cross-asset-class capabilities, custom index solutions and robust educational content. Our strong brand reputation (91% of the financial advisors surveyed by Cerulli Associates rate us favorably) and legacy of creating visible, trusted indices make us a preferred partner. S&P DJI also supports financial advisors through webinars, whitepapers and strategic engagement, helping them better understand index methodologies and make informed decisions.

This article was first published by ETF Stream.

[1] The Cerulli Associates whitepaper "Redefining the Role of Index Providers" was sponsored by S&P DJI.

## 3. How do the needs of different investors differ when engaging with index providers and how does S&P DJI adjust its approach to each group?

S&P DJI engages with a wide range of financial institutions and product providers to license our innovative indices and data to make them available to a variety of market participants and channels. We develop benchmarks to help investors and market participants measure performance and track trends. Our indices can be licensed and replicated to develop index-based investment strategies.

Firms and investors that implement index-based investment strategies have the opportunity to work closely with S&P DJI to customize indices or create white-label products. Many firms in wealth management develop model portfolios that use our indices as building blocks for portfolio construction. We have teams dedicated to specializing in index-based solutions and applications across specific channels like wealth, asset owner, retirement, insurance, exchanges and consultants (to name a few); these individuals work both with product providers and financial advisors to understand their needs and use cases, which results in a collaborative working relationship.

Index providers have become more than data vendors, having expanded to fulfill the role of strategic ally to financial advisors.

Delivering educational resources and market insights can enhance advisor engagement with their clients, offering differentiation in a competitive market.

## 4. Are there areas where S&P DJI is innovating or expanding its role through new data capabilities or initiatives, such as the ARC acquisition?

We just closed our acquisition of ARC Research, a dataset focused on private-client performance analytics. Being a returns-based index, we can pull anonymized account-level performance data and aggregate it by risk category.

We are also working on multi-asset indices for model portfolios using real-world holdings data—anonymized and aggregated—to provide greater clarity around allocation and performance standards for risk control portfolios.

We utilize unique datasets to deliver rules-based transparency for a comprehensive suite of environmental, social and governance (ESG) and sustainability indices across appropriate factors. These are especially prominent in Europe, due to Article 8/9 regulation and the broader push toward net-zero standards.

We have multi-asset solutions, such as options overlays that provide buffers or income, as well as retirement-date and relative-risk suites.

We continue to collaborate with a variety of data providers; this includes distinctive partnerships with firms that provide clarity to less transparent market segments, including private markets.

Indices are not designed in a vacuum. Asset managers, wealth managers and asset owners often come to us with specific objectives and we work together to design solutions that meet these needs. We have a dedicated team for research and index design, much of it done in collaboration with clients.

## 5. How do you see the experiences in the U.S. market translating to Europe's evolving passive investing and wealth management landscape?

We view all regions through a local lens, but support and coordinate our coverage with global resourcing. Europe is, of course, distinct from the U.S. market, and individual countries within Europe have unique market structures. With this knowledge, we can still draw parallels across the landscapes and bring lessons learned into tangential regions.

Index-based investing represents a relatively lower percentage of the European market as compared to the U.S. market. However, similar to the U.S., we expect to see steady growth in index-based investment like ETFs.

In certain markets, we see investment services like managed portfolio services (MPS; akin to model portfolios in the U.S.) exhibit signs of acceleration. These services can utilize index-based products in their investment process.

In other areas, we see expansion of direct-to-consumer platforms and savings plans that offer ETFs as default investment solutions.

Europe has taken a somewhat different approach to index-based investing and, depending on the country, may be at a diverse stage of market maturity; however, there are many similarities to how these markets evolve over time. Cost efficiency, transparency and financial planning tend to drive market dynamics, and index-based investing may facilitate a foundational solution for these tenets.

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