

Direct indexing is very well known in the USA but much less in Europe and Switzerland, at least for the moment. The purpose in Europe and Switzerland being, from beginning on, that of allowing a large diversity of indices – and this includes the ones related to alternative investment strategies. The latter is a key difference to the US.

We will discuss here in details what the value proposition of direct indexing is and why it is likely meant to grow rather fast.

### What does a direct indexing platform make possible?

A direct indexing platform is first an advanced technological solution hence the true digitalization dimension. It allows on one side that essentially active strategy providers (possible on a multitude of assets) “feed” the platform with their own indices and on the other side that users – among them, end investors – implement those (indices) themselves through the confirmation of orders that have been set-up in order to track the index, at appropriate size (calculated automatically). The indices can of course also be tailored to the specific needs of the platform user. It should be noted here that it is the index user that has the full control about the transactions effectively executed.

It implies, of course, that the platform is connected IT-wise with banks and brokers that finally “hold” the positions as a result of the users’ past and current orders. The necessity of such a link requires that both concerned parties (platform and bank) work together so that it is efficiently and effectively implemented IT-wise. There is a contract between the platform and the provider as well as between the platform and the index user.

### The extensions of solutions

The direct indexing platform can also allow the asset manager or advisor to deliver a more integrated way to propose an Actively Managed Certificate or AMC, a tracker of an index... As a structured product with an ISIN code, the AMC offers the investor the possibility to invest in an easy to settle “packaged” strategy. Moreover, the second generation of AMC gives the possibility to drastically reduce the issuer’s credit risk in particular.

### Why is it meant to grow rather fast?

As we saw, it is both the **extensive offerings** and the **advanced level of digitalization** that make direct indexing particularly attractive. The index user can “access” new strategies that likely are not available otherwise, especially when there is a certain level of tailoring – an example being a particular Environment Social Governance or ESG approach given that there are little standards in that area.

### Conclusion

Direct indexing is an additional tool for the Professional Investor – or the Wealth Manager – to increase the portfolio management capacity in an efficient way, considering tailoring possibilities. While it is still a developing story – outside the US, direct indexing has a remarkable potential to become a true... success story.

## Application

C8 is a major direct indexing platform C8 Studio ([www.c8-technologies.com](http://www.c8-technologies.com)) covering Europe, Switzerland and the US. That’s also where currently 3 of EVOLIDS’ risk-based and systematic Equity Long/Short/(Out) indices can be found (access via login is required). It is actually an ecosystem of indices that can be consistently combined.