

insights:

THE RISE OF MODEL PORTFOLIOS: 3 TIPS FOR ASSET MANAGERS EXPLORING THE OPPORTUNITY

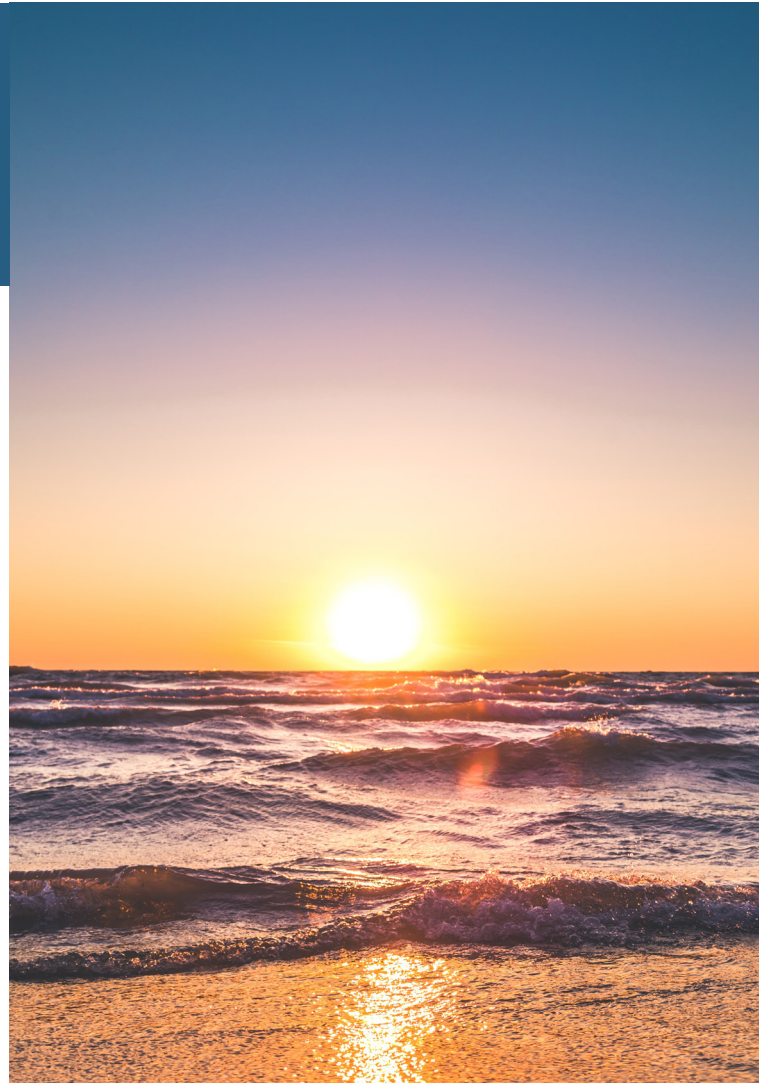
The increased demand for model portfolios presents asset managers with an opportunity to grow their business.

Today, the role of a financial advisor has evolved from a money manager to a total wealth manager. This means handling everything from financial planning, retirement preparation, estate planning, and more. On top of all this, investors today want access to cutting edge investment expertise as well as highly customizable portfolios. To maximize their impact, financial advisors are outsourcing some aspects of portfolio management by leveraging model portfolios offered by third-party investment managers.

As investor needs continue to evolve, model portfolios have grown in popularity because of their ability to deliver investment management expertise and be customized for investor preferences, such as ESG and tax optimization. According to a report from Cerulli Associates, more than 40% of financial advisors have used models created outside their practice when building client portfolios, representing as much as \$28 trillion in assets.

The increased demand for model portfolios presents asset managers with an opportunity to grow their business. As new technology makes it possible to deliver customized products on a larger scale, and as distributors look to offer investment strategies in an array of different product types, we are seeing a surge of managers turn to model portfolios.

Earning model placement can be a cost-effective and efficient way for managers to expand their distribution footprints. In addition, delivering their portfolios through models enables asset managers to spend more time on refining their investment expertise and other more strategic parts of their business while outsourcing trading and operational tasks.



Asset managers considering model delivery as part of their growth strategy must keep the following tips in mind:

1. DISTRIBUTORS ARE SEEKING OPTIONS WHEN IT COMES TO COMBINING STRATEGIES AND PRODUCT TYPES.

Managers should start by taking inventory of their distribution relationships. Then, they should identify where there is appetite for offering their strategy in a model, which would enable them to maximize their existing intellectual capital and expertise.

2. TECHNOLOGY AND OPERATIONS SUPPORT IS A MUST.

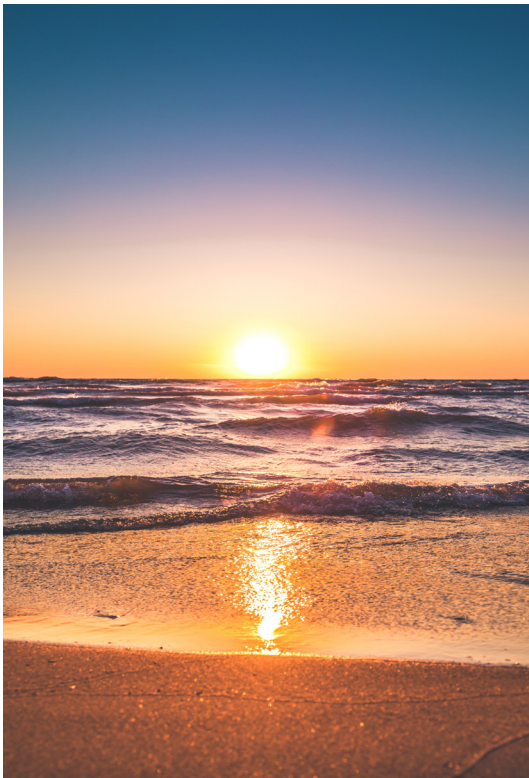
Managers should ensure their operational infrastructure can handle all their products across all channels. Managing large volumes cannot be done manually in a cost-effective manner; instead, scaling requires technology, connectivity, and automations to take care of the heavy lifting.

Today, new technology makes it possible for firms to create customized experiences with less day-to-day manual upkeep and has become a must for managers looking to leverage customized products in ways that will grow their firm.

3. CLIENTS' CRAVING FOR CUSTOMIZATION IS AN EMERGING TREND THAT WILL ONLY CONTINUE.

Model portfolios offer a way for managers to satisfy it. In the past, customized investing required high levels of manager involvement and oversight, which made providing these products at scale costeffectively difficult. Today, new technology makes it possible for firms to create customized experiences with less day-to-day manual upkeep and has become a must for managers looking to leverage customized products in ways that will grow their firm.

When seeking long-term growth, asset managers must ensure they are able to meet the needs of distribution partners as well as financial advisors and investors. A strong understanding of those needs and a flexible operational infrastructure are key to pivoting to respond to industry trends, whether that be through model delivery or otherwise. The support of an outside technology partner can further help asset managers remain nimble and competitive in the market. As investor preferences continue to shift, this flexible infrastructure will free up pathways to revenue and AUM growth now and in the future.



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