The Cerulli **Report**

U.S. Asset Allocation Model Portfolios 2020

How Models Fit into a Broader Portfolio Construction Solution Set

CERULLI ASSOCIATES

Research | Analytics | Consulting

OVERVIEW & METHODOLOGY

This report explains how asset allocation model portfolios fit into a broader set of portfolio construction solutions that asset managers can offer to financial advisors to help them create a more scalable portfolio construction process. These other solutions broadly include portfolio construction consultants, technology tools, and custom asset allocation model portfolios. In the case of portfolio construction consultants, Cerulli helps asset managers determine how to optimally deploy these resources and judge their success. For technology tools, the report answers key questions regarding functionality offered and how to go about building the tools.

The report then takes a deep dive into asset allocation models covering model marketplaces, distribution strategy, staffing resources, model design, and service/support initiatives. It also looks at financial advisors by portfolio construction segment to better understand the addressable market for asset allocation model portfolios and other portfolio construction solutions. The advisor data includes a review of practice attributes of advisors across the various portfolio construction segments.

USE THIS REPORT TO

- Learn how asset managers and third-party strategists can position themselves to define an efficient and scalable portfolio construction services offering
- Understand how firms can formulate and position an asset allocation model distribution strategy
- Review the model provider landscape with a top-50 leaderboard, model design specifications, and methods of compensation
- Gain insight into the types of model marketplaces and broker/dealer channel opportunity
- Explore advisor product use metrics, practice attributes, and model costs

QUESTIONS ANSWERED

- How should firms align portfolio construction solutions with financial advisor portfolio construction segments?
- How do asset managers deploy portfolio construction consultants to work with financial advisors and what types of functionality do portfolio construction technology tools typically offer?
- How can firms participate in asset allocation models and which position types do they need to distribute them?
- How are model providers considering certain design specifications (*e.g.*, architecture, vehicle decision, active/passive exposure) when building models?
- What are the critical elements of providing the necessary service and support for an advisor using a firm's model?

PRODUCT DETAILS

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- Digital copy in color
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- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

Interactive Report Dashboards

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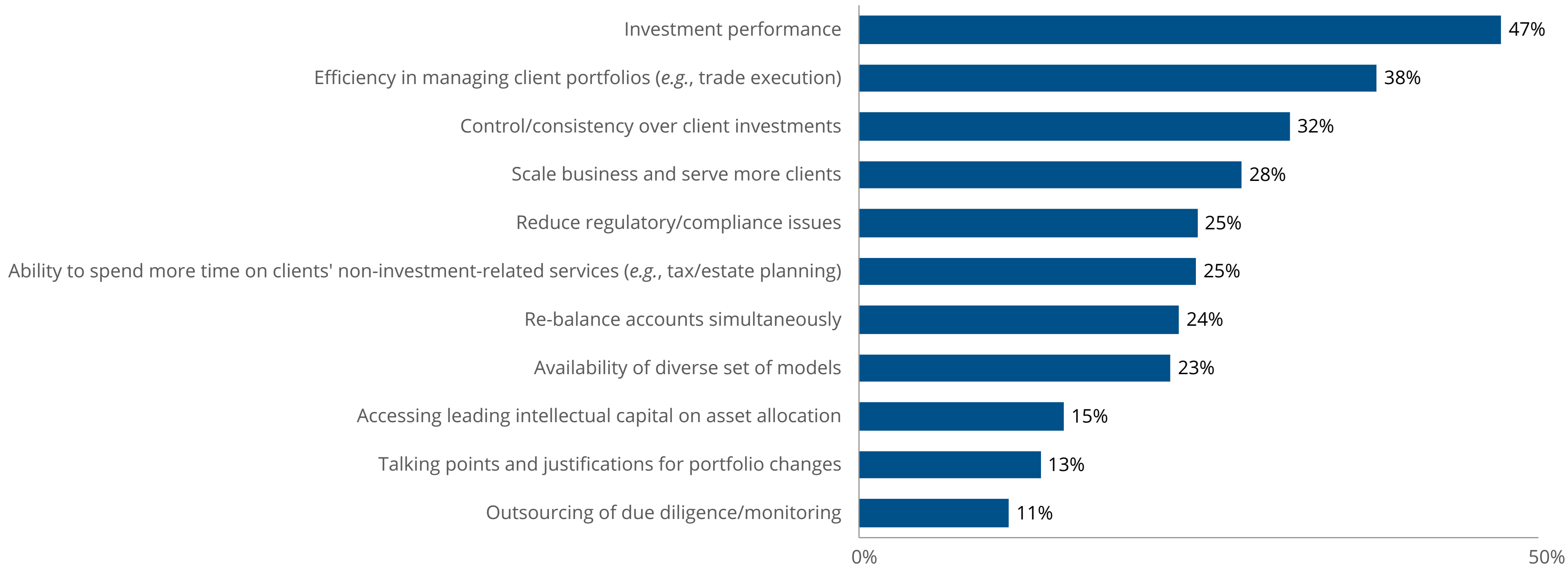
- **Portfolio Construction Sizing:** Compare the current vs. optimal portfolio construction asset sizing, marketshare, and practice distribution segmented by channel and by portfolio construction segment (insourcer, modifier, outsourcer).
- **Portfolio Construction Solutions:** Review the top portfolio construction solutions that model providers offer to financial advisors.
- **Model Portfolio Scorecards:** Analyze each intermediary channel's total assets broken out by model user type (non-user, mosaic, model target, model user). Understand the model marketplace and model provider opportunity for each channel.
- **Model Provider Leaderboard:** Review the top-50 providers of asset allocation model portfolios by total assets, with filters by four main model provider types (advisory TAMP, asset manager, broker/dealer, and third-party strategist).
- **Advisor Profile:** Compare the current and optimal levels of advisor age, years of experience, product mix, time allocation to various activities, and planning services offered, with all charts segmented by model user type.

Exhibit 5.18

Financial Advisors: Importance of Select Factors in Determining the Use of Asset Allocation Models, 2020

Source: Cerulli Associates

Analyst Note: Respondents were asked to select the three most-important factors in determining their use of asset allocation models.



- Investment performance (47%), efficiency in managing client portfolios (38%), and control/consistency over client investments (32%) are the three most-important factors for advisors when choosing to use asset allocation models.
- One-quarter (25%) of advisors say the ability to spend more time on non-investment related services is an important factor in choosing their asset allocation models.

Key Implication: Performance will always be a main consideration for advisors and their clients, and strong, proven performance is table stakes for asset managers and model providers when marketing their offerings. However, Cerulli continues to believe that the most successful advisors and practices will offer clients more comprehensive financial planning and move their focus away from merely beating a benchmark. Asset managers and model providers should help advisors to make this transition by providing them with educational resources they can use with their clients (*e.g.,* seminars on advanced financial planning or retirement planning resources). Providing these resources can allow asset managers and model providers to build deeper relationships with advisors who can weather a down market or a bad year.

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