The Cerulli **Report**

U.S. Asset Allocation Model Portfolios 2021

Improving the Advisor Experience

OVERVIEW & METHODOLOGY

This annual report takes a deep dive into the advisor experience with model portfolios to help model providers understand how they can remove friction between advisors and their model portfolios. Additionally, the report keys in on the model landscape by sizing it from the financial advisor and model provider perspectives. Moreover, Cerulli reviews the opportunity set presented by various retail intermediary channels and model marketplaces, distribution strategy, model design, and service/support initiatives. Finally, it looks at financial advisors by portfolio construction segment to better understand practice attributes of advisors across the various portfolio construction segments.

USE THIS REPORT TO

- Uncover how model providers can improve the “ease of use” factor of their model portfolios
- Understand the key differentiators for model provider firms to stand out as the number of model portfolios continues to grow
- Find out the opportunities that exist behind model providers’ growing interest in the wirehouse and fintech marketplace channels
- Explore the reasons behind model portfolio growth being greater for asset managers and third-party strategists compared to broker/dealers and advisory turnkey asset management providers (TAMPs)

QUESTIONS ANSWERED

- Where and how do financial advisors access model portfolios?
- Which are the most important factors financial advisors look at when selecting model portfolios?
- What are the most important components of maintaining relationships with advisors who use a firm’s model portfolios?
- What is the true opportunity set for model providers in the U.S.?
- Which position types are most instrumental to model portfolio distribution?

PRODUCT DETAILS

Included with Purchase

- Digital report in PDF format
- Unlimited online firm-wide access
- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

Interactive Report Dashboards

Interact and explore select report data with Cerulli’s visualization tool.

- **Portfolio Construction Sizing:** Compare current and optimal portfolio construction asset sizing, marketshare, and headcount distribution across several advisor channels.
- **Advisor Profile:** Examine a detailed analysis of the advisor marketplace, including comparisons by type of model user (insourcer, outsourcer, modifier, etc.) on metrics such as age, gender, years of experience, time allocations, current vs. expected product mix, services offered, average client size, and core market distribution.
- **Model Provider Leaderboard:** Analyze a leaderboard of the top-50 model providers by total assets over the past two years with filters by model provider type.
- **Model Provider Landscape:** Review asset-weighted average model allocations and current use of management styles by investment vehicle, a comparison of asset managers’ and third-party strategists’ investment use, providers’ number of models and objectives offered, frequency of requests from advisors, fees of investment products, and model architecture over the past three years.
- **Model Providers: Headcount and Contribution to Model Distribution:** Gain insight into the number of position types that contribute to asset allocation model distribution by role and the degree to which select position types contribute to distribution.

CERULLI ASSOCIATES

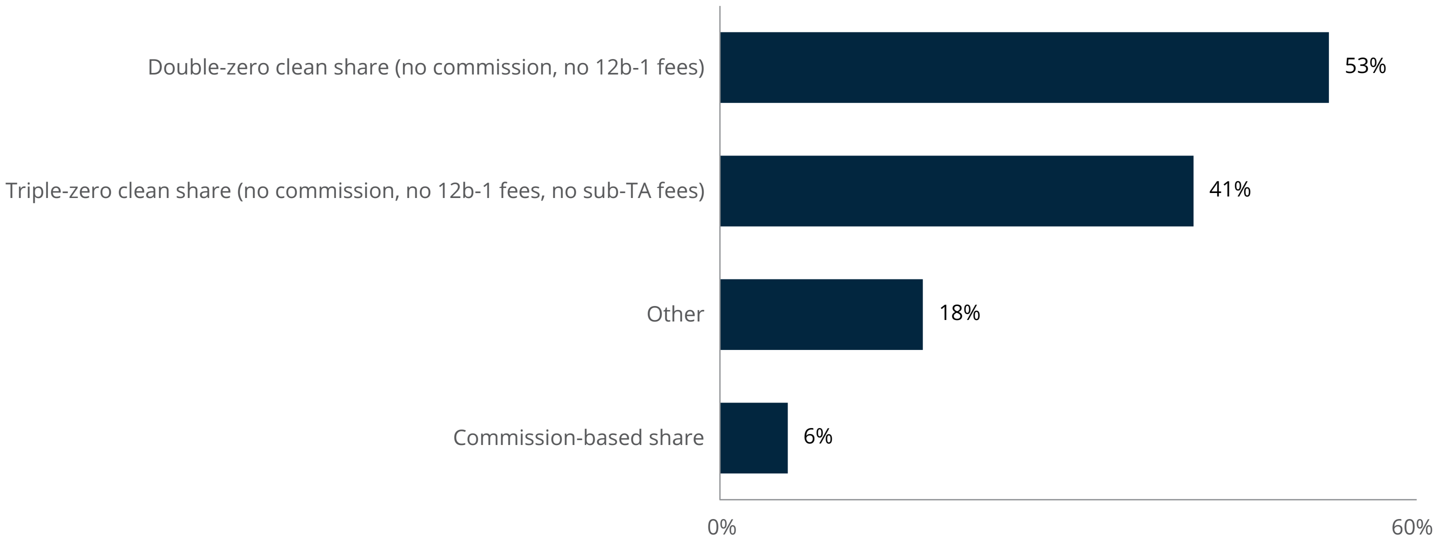
Research | Analytics | Consulting

Exhibit 3.10

Model Providers: Mutual Fund Share Class Types in Firm's Model Portfolios, 2021

Source: Cerulli Associates

Analyst Note: Data in this analysis represents only model providers using mutual funds as underlying investment products.



- Of those model providers that use mutual funds as a building block for their models, most rely on double-zero clean shares (53%) or triple-zero clean shares (41%).
- Given that model portfolios are primarily used in fee-based accounts, commission-based mutual fund shares are not commonly used.

Key Implication: Double-zero clean shares, which do not carry a sales load or 12b-1 fees, are commonly offered by model providers. Most B/D platforms require double-zero cleans shares because they are low cost but still contain sub-TA fees that compensate them for maintaining client accounts and positions on their side. Many model providers would prefer triple-zero clean shares that do not contain sub-TA fees because they are inherently lower cost and reduce the all-in cost of the model for advisors. However, sub-TA fees remain a sticking point for B/Ds and remain a hurdle to use of these triple-zero clean shares.

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