

U.S. Asset Allocation Model Portfolios 2025

Assessing the Role of Alternatives in Model Portfolios

OVERVIEW & METHODOLOGY

Cerulli's *2025 U.S. Asset Allocation Model Portfolios* report evaluates the potential role of alternatives, specifically private market strategies within model portfolios. This includes the current state as well as the direction in which product development efforts are headed (e.g., alternatives in models within UMAs). The coverage concludes with several key takeaways for model providers, including where to focus on product development, how to provide a support ecosystem, and how to position models. The report continues to build on data from prior years, observing the continued movement of advisors toward model use and away from building custom portfolios for clients. Cerulli digs into trends in product development and distribution by model providers, including the continued push into custom model portfolio engagements and the pursuit of enhanced tax efficiency. The report also sizes the model landscape from the advisor lens and model provider lens.

USE THIS REPORT TO

- Review several key model portfolio development trends that should help broaden model portfolio use, including custom models, tax-efficient models, and models that include allocation to alternatives
- Analyze model portfolio assets growing as advisors recognize their potential as a tool to help them scale and grow by outsourcing asset allocation and fund selection decisions
- Learn about model portfolios addressability across distribution channels and specific model marketplaces

QUESTIONS ANSWERED

- How are model providers incorporating alternatives into model portfolios?
- What is the total addressable market for asset allocation model portfolio use?
- What are the top product development initiatives for model providers?
- What channels and platforms represent the greatest opportunity for model distribution?
- What attributes should model providers look for in advisors who may be model targets?

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.

Model Provider Leaderboard: Review the top-50 model providers by model assets.

Model Portfolio Assets and Projections: View Cerulli's three-year projections for asset allocation model assets, grouped by asset managers and third-party strategists relative to broker/dealers and advisory TAMPs.

Portfolio Construction Sizing: Examine the asset, practice, and headcount sizing of the current and optimal portfolio construction segments, including breakdown by channel.

Model Provider Landscape: Evaluate the building blocks used to construct model portfolios, including vehicle use, management styles, and fees of underlying products. Also, understand the types of model portfolios that are offered by model providers and requested by financial advisors, including portfolio architecture.rs and requested by financial advisors, including portfolio architecture.

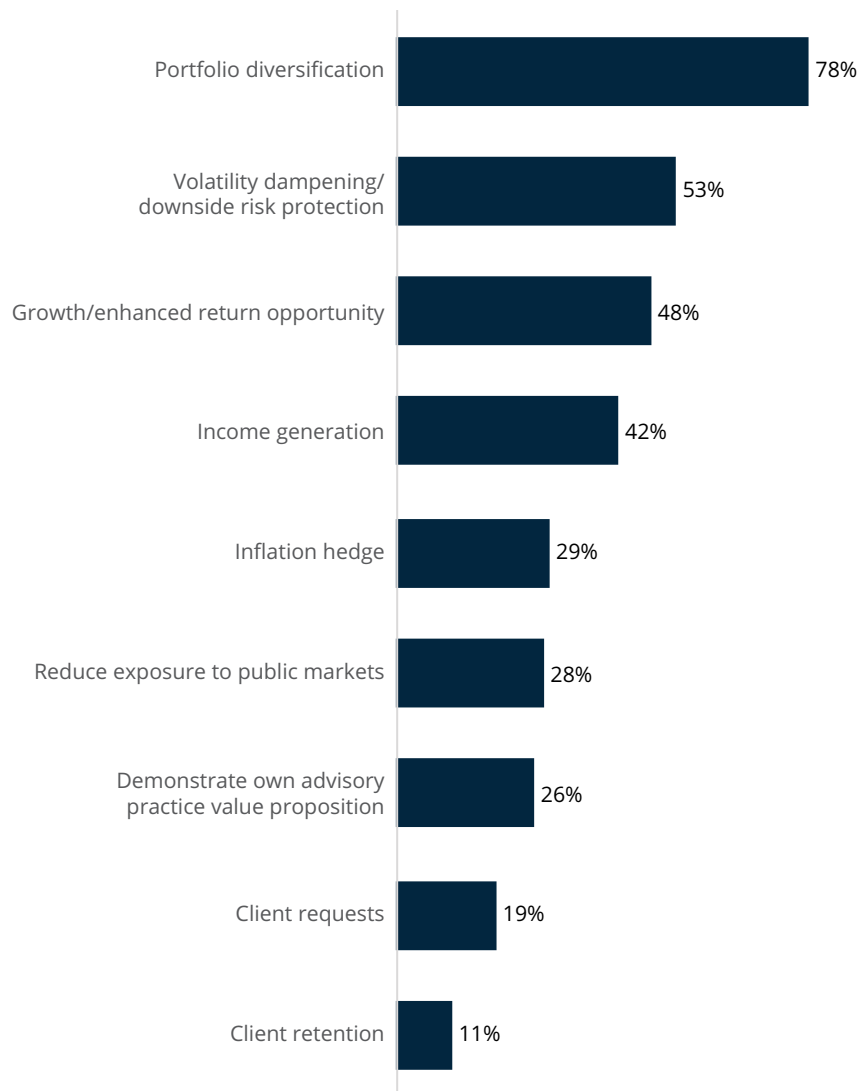
Model Distribution: Understand the composition of model distribution organizations, along with their viewpoints on model distribution strategy and factors challenging model asset growth.

Advisor Profile: Review demographics of advisors and characteristics of advisory practices for each cohort of current and optimal portfolio construction segments.

Exhibit 1.05

Financial Advisors: Key Motivations for Using Alternative Investments, 2025

Source: Cerulli Associates



Key Considerations for Model Providers

In order to increase adoption rates of alternatives in models offerings, providers should focus specifically on bolstering product development, improving the support ecosystem, and reframing the perception of model portfolio use.

Focus on Product Development

Continued focus on product development is essential for increasing adoption rates among advisors. Unlike the standalone mutual fund or ETF universes, where there is arguably too much product, this is still a nascent space, and there is plenty of room to provide advisors with more choice. More choice gives them the tools they need for their different use cases and client circumstances. Zooming out from alternatives in models or models of alternatives, not having a diverse selection of model portfolios has been an impediment to adoption. Of advisors surveyed who did not use model portfolios as of early 2025, 44% of branch network advisors and 30% of independent advisors tell Cerulli that one of their reasons is that the models available do not provide them with access to investment vehicles or asset classes they prefer.

Additionally, the industry needs to develop model portfolios that can be implemented with a UMA structure, complementing the existing paper models available. By alleviating some of the implementation burdens and enhancing integration, advisors who are overwhelmed by the operational burden are much more likely to incorporate these strategies. For example, the issue of rebalancing during a liquidity mismatch poses a valid obstacle for advisors. However, managed account sponsors, advisory TAMPs, and tech providers can help mitigate this challenge by using cash inflows, adjusting the timing of rebalancing different portions of the portfolio, and employing public market proxies to assist during portfolio transitions. Furthermore, asset managers and technology providers should be prepared to help reduce friction points during the onboarding process (*e.g.*, subscription document) wherever possible.

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