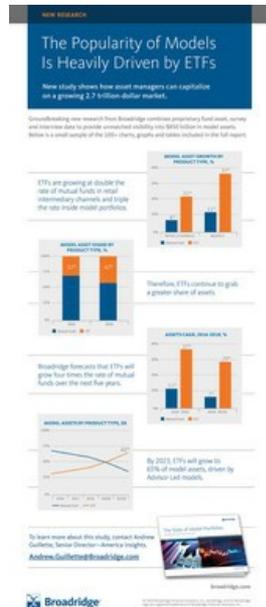


Model Portfolio Market Reaches \$2.7 Trillion USD, Growing 19% Annually, According to Broadridge

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NEW YORK, Oct. 14, 2019 /PRNewswire/ -- A new report from [Broadridge Financial Solutions, Inc.](#) (NYSE: BR), a global Fintech leader and part of the S&P 500® Index, reveals that assets under management (AUM) for model portfolios is approaching \$3 trillion, with 35% of those assets owned by two asset managers. *The State of Model Portfolios: Reshaping the Distribution Landscape* is derived from a proprietary algorithm developed by Broadridge.



Models Outpacing the Market

The use of model portfolios, investment solutions that group funds together and help financial advisors spend more time with clients, has grown nearly 19% annually since 2016, reflecting aligned interests from investors, advisors, distributors and asset managers. As the fastest-growing component of the intermediary-sold product landscape, Broadridge predicts that model portfolio assets will more than double by 2023, with advisor-led models registering the largest gains.

Advisor-led portfolios encompass \$1.4 trillion of total model portfolio AUM. As a natural entry point for advisors, Broadridge anticipates that advisor-led models will grow by \$1.9 trillion by 2023. A survey of 500 advisors conducted by Broadridge found that advisors plan to rely more on model portfolios as their clients' business needs become more complex.

"As client needs and prospecting demand more of advisors' time, those advisors are increasingly turning toward model portfolios to reach their business goals," said Andrew Guillette, U.S. Distribution Insights, Broadridge. "Our recent studies and analysis have found that advisors are largely looking for ways to spend more time with clients on holistic financial planning, where as in the past they spent much of their time customizing investment solutions. As a result, we are entering the age of models."

ETFs to Eclipse Mutual Funds in 2020

According to current Broadridge analysis, 42% of model assets are in ETFs. Based on current data, Broadridge predicts that ETFs will surpass mutual funds in 2020, reaching more than 50% of overall model assets and growing at triple the rate of mutual funds inside model portfolios.

Asset share among the top ten mutual fund managers is less concentrated in the model space at 44% versus the broader retail mutual fund industry at 65%. This suggests model opportunities for well-focused competitors.

Room for Diversification in Model Asset Classes

The top 25 investment categories account for 84% of model assets, nearly matching the total industry at 80%. While models can allow advisors to more easily diversify across asset classes, 90% of model assets are anchored by core equity and fixed-income products and 28% of models are made up solely of equity and fixed-income funds.

"Equity and bond funds remain the most popular strategies in the model space as well as in ETF strategies. But as advisors move upmarket and face more sophisticated client needs, we anticipate a demand for more specialized models, including those offering commodities, alternatives and other asset classes," said Guillette.

The report includes over 100 charts and insight on the model marketplace stemming from Broadridge's proprietary data as well as conversations with industry leaders.

Methodology

Broadridge's proprietary algorithm provides transparency on model portfolio activity across \$14 trillion of directly sourced mutual fund and ETF assets. Sample dimensions tracked include model type (home-office, third-party, advisor-led), investment style, active-passive, and mutual fund versus ETF. Analytics are provided at the industry, channel, distributor and city level.

The data is complemented by survey results from 500 qualified financial advisors on the topic of portfolio construction, fee-based business and model portfolio attitudes and usage. These advisors all work in wirehouse, regional, independent broker-dealer or registered investment advisor channels, and have 50%+ of assets with individual retail investors, more than \$10 million in AUM, at least 25% of AUM in mutual funds or ETFs and at least 25% of AUM in fee-based advisory.

In addition to data and survey results, in-depth interviews were conducted with more than 25 key industry executives to gain additional perspective on model usage and trends. These executives have responsibilities that include overseeing heads of sales, national accounts, models, product, strategy and research.

About Broadridge

Broadridge Financial Solutions, Inc. (NYSE: BR), a \$4 billion global Fintech leader and a part of the S&P 500® Index, is a leading provider of investor communications and technology-driven solutions to banks, broker-dealers, asset and wealth managers and corporate issuers. With over 50 years of experience, including more than 10 years as an independent public company, Broadridge provides an important infrastructure that powers the financial services industry. Broadridge's infrastructure underpins proxy voting services for over 50 percent of public companies and mutual funds globally, and processes on average more than U.S.\$7 trillion in fixed income and equity trades per day of securities. Broadridge employs over 11,000 full-time associates in 18 countries. For more information about Broadridge, please visit www.broadridge.com.

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