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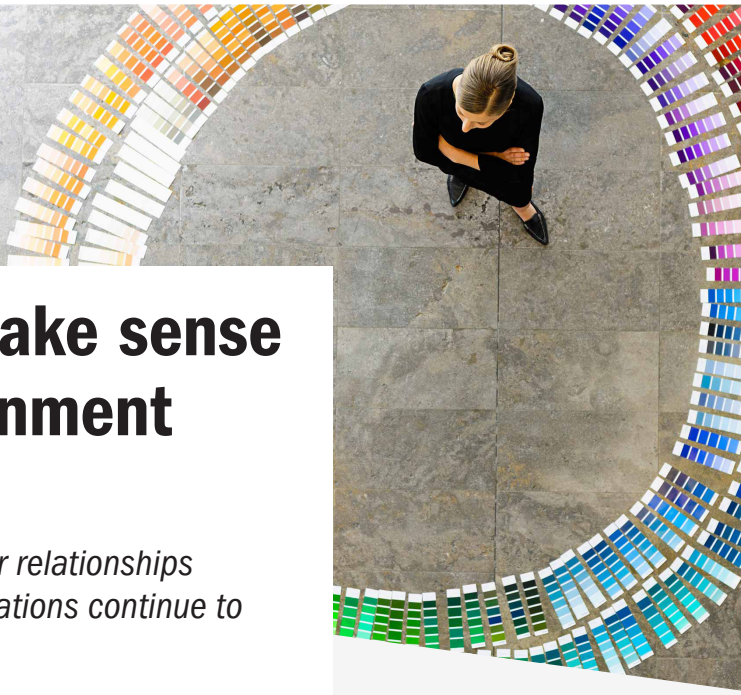

Why managed portfolios make sense in today's uncertain environment

January 31, 2022

Managed portfolios offer partnerships that allow deeper relationships between advisors and clients, whose needs and expectations continue to evolve.

With the stock market at all-time highs, elevated valuations, ultra-low interest rates and tight credit spreads, we believe it's going to be challenging for advisors to continue finding alpha and delivering consistent returns. In an era where we're expecting lower returns across all asset classes, the ability to be more tactical — being able to make appropriate timing, overweighting and underweighting decisions — is going to play a bigger role in meeting long-term investment goals.

Managed portfolios could help advisors successfully navigate this type of environment. From a macro perspective, managed portfolios typically offer diversified global and multi-asset portfolios, providing access to asset classes that advisors might not invest in themselves or that are more niche like commodities, emerging market debt and REITs. Managed portfolios can also be dynamic in that they can incorporate both strategic and tactical repositioning. It allows advisors to be proactive in capturing more upside when risk is on but also seek to protect when risk is off. Moreover, given current market conditions, a robust risk management framework is critically important. Advisors want to be able to provide consistent outcomes for clients and help them smooth the ride through a volatile market. Managed portfolios can provide a rigorous, repeatable and transparent framework for managing such investment risk.

Financial advisors: Earn CE Credit

Don't miss this model portfolio Asset TV Masterclass covering the paradigm shift across the advisor landscape and how financial advisors are using models to drive scale and efficiency in their practice. This one-hour video brings two industry experts together, including Client Portfolio Manager Seth Buks, to discuss:

- Redefining the value profitability of financial advice
- Catalysts of model portfolio adoption and overcoming barriers
- Product development trends and innovations in the industry

Watch Masterclass: Model Portfolios

Free registration required. One hour of CE credit.

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The way clients engage with advisors has also changed. Some clients may still require custom portfolios, but many are rethinking their long-term financial plan and are seeking someone who understands their unique family needs. They may be looking for somebody to talk to about their goals or to just keep their goals on track. These are incredibly valuable but also time-consuming activities, which is important to consider when you realize that advisors who use models are estimated to spend about 10% of their time on investment management activities, compared to 16.2% for advisors who create models within their practice and 19.4% for those who create custom portfolios on a client-by-client basis.* It's important to recognize that advisors are still providing significant value by conducting due diligence on the portfolios and implementing them within the overall broader client portfolio.

TOP REASONS ADVISORS ARE USING MODELS – SAVING TIME TO FOCUS ON WHAT MATTERS MOST, THE CLIENT RELATIONSHIP

Bottom line

As advisors continue to seek new and better ways to add value in an investment environment that may require more frequent tactical shifts, managed portfolios offer a partnership that allows a deeper relationship between advisors and clients whose needs and expectations are continuing to evolve.

*Source: Cerulli - U.S. Asset Allocation Model Portfolios Report, 2018.

To find out more, call 800.426.3750
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