A Series of Multi-Asset Model Portfolios for High Net Worth Clients

Expertly constructed multi-asset model portfolios to complement your practice and help meet your clients' unique goals.

Model portfolios have seen huge growth in recent years as technology has made them easier to build, providing financial advisors with the type of sophisticated and customizable products today's clients demand.

They have also become an important asset for financial advisors themselves, whose ever-expanding relationship with clients has stripped them of the time they traditionally spent on portfolio management.

But if model portfolios provide solutions to those pressing demands, how do financial advisors choose the most appropriate ones for their clients' needs? The answer lies in the way they are constructed and the priorities that underpin that process.

Columbia Threadneedle Investments' model portfolios strive to meet investors' unique goals. For high-net-worth individuals, a series of multi-asset, core models are set apart by their focus on three priorities: taxes, risk and cost.

Tax-aware

Investing to mitigate tax consequences by investing in ETFs and SMAs

Taxes are unavoidable, as everyone knows. But failure to incorporate a tax-aware investment strategy can make a big difference to a portfolio's total return. One strategy Columbia Threadneedle uses to help mitigate a client's overall tax-burden is through the choice of **tax-friendly vehicles**, the use of exchange traded funds (ETFs) and separately managed accounts (SMAs).

ETFs are tax efficient because of their ability to transact on an in-kind basis rather than in cash creates fewer taxable events and lowers capital gains compared with mutual funds, for example. SMAs are an important tool because they allow investors to harvest tax losses, using losses in one area of a portfolio during periods of market crisis or volatility and offsetting them against gains in another area of the portfolio.

Investing in muni SMAs can provide tax exempt income and the opportunity for customization, which is potentially important for clients living in high-taxation states.

Columbia Threadneedle adds additional layers of tax efficiency to its models by analyzing the **trading patterns of the asset managers** it works with in order to understand the type of tax liabilities they are likely to generate. It also applies a high-conviction approach to all of its portfolio construction trades – an approach that looks to maximize returns while **controlling the overall number of taxable transactions.**

"Managing turnover is a simple but powerful way of managing the tax experience for an investor," explains Joshua Kutin, Head of Asset Allocation, North America, at Columbia Threadneedle.
"The fewer times that you trade, the fewer taxable events you create so it's important that we're only trading when it's a high-conviction idea."

Cost-aware

Delivering carefully curated cost effective exposures without charging a strategist fee

On cost-awareness, Columbia Threadneedle's use of a **combination of passive ETFs and SMAs** helps keep overall fees low. These portfolios are also open architecture, which means that they use best-in-class, third-party managers hand-picked by Columbia Threadneedle. The due diligence behind that selection process, as well as asset allocation and portfolio management are all provided without any strategist or overlay fee.

Today's high-net-worth clients demand sophisticated products to meet specific needs. By focusing on tax reduction, risk mitigation and low overall costs, Columbia Threadneedle's model portfolios can be customized to do just that – seeking to protect investments while helping to grow wealth.

Risk-aware

Offering institutional quality processes designed to generate alpha and mitigate risk

A priority for high-net-worth clients is managing risk, which Columbia Threadneedle does using a series of **real-time and forward-looking indicators** to assess the state of the market and tactical exposures.

Its **proprietary market-state classification system**, which examines macroeconomic data as well as valuations, volatility and momentum, can be utilized to adapt portfolios' asset allocation and diversification mix based on changing market conditions.

That helps tilt towards risk asset classes when risk is off. Importantly for higher-net-worth clients, it also aims to mitigate downside risk when risk is on. The result helps to smooth the ride for investors over the economic cycle and to **mitigate drawdowns**, which are costly in the short term and can frustrate long-term savings goals.

Portfolio building blocks are carefully selected using a manager research and selection investment process to pick the best third-party managers. David Weiss, Head of Sub-Advisory Management, says that this level of risk-related due diligence even extends beyond the manager-selection to managers' equipment, systems and protocols.

"Our team looks at the tools they're using, how risk management is structured, and ultimately how risks are escalated within the firm once they've been identified," he says. "As part of building these multi-manager, multi-asset portfolios, it's critically important that each manager have the proper risk-management procedures in place."

Find the right model portfolio for your clients by calling 800.870.8582 or visit www.columbiathreadneedleus.com/modelportfolios