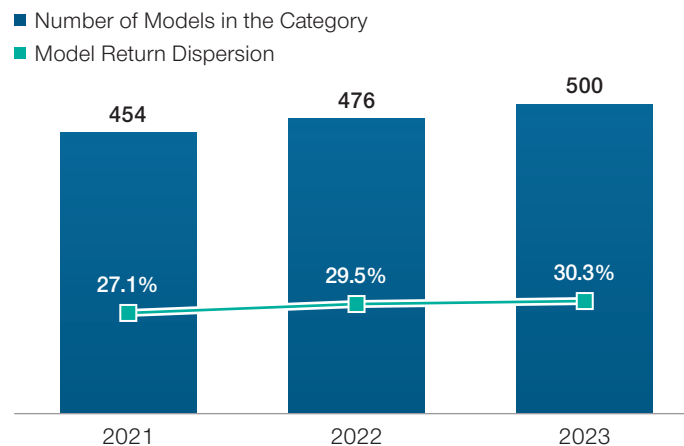






6 Things to Consider When Choosing a Model Portfolio

Model portfolios¹ have recently surged in popularity, as have the number and variety of offerings available. The reasons are clear: Model portfolios can help simplify your investment process, potentially reduce risk and improve performance, and—most importantly—allow you to spend more time with clients.

In Morningstar's U.S. Model Moderate Allocation category, return dispersion was 29%, on average, over the last 3 years—and widened as more models launched.



 1,000+
models launched since 2018²

 2,700+
model portfolios in
Morningstar's database²

¹ Model portfolios are a professionally-managed investment solution provided by asset managers to financial intermediaries, reflecting a design for a group of underlying investments that together target a certain investment objective, or a range of risk or return levels. Model portfolios are typically not directly investable, and financial professional's actual implementation of provided design may vary from the asset manager's suggested design.

² Morningstar database, March 2024.

What to Look for When Evaluating Model Portfolios



An Experienced Provider

- Who manages the portfolio and what's their track record for delivering asset allocation guidance?
- What is the portfolio manager's reputation, and what qualities are associated with its culture? Do these qualities align with your own perspective and your clients' goals?

Strategic Portfolio Design

- How did the portfolio manager arrive at a particular asset mix or global diversification profile?
- Is the portfolio's target mix of asset classes consistent with your client's objectives, risk tolerance, and time horizon?

Tactical Asset Allocation

- Is tactical asset allocation a feature of the model?
- Does the manager have a track record of improving outcomes through tactical asset allocation?
- How frequently and at what magnitude are their model portfolios rebalanced?

Underlying Components

- How were the underlying components selected? Are they entirely proprietary or are third-party funds included?
- Are the underlying funds actively or passively managed, or do they include a mix of both? How was this distribution determined?
- What is your client's fee budget and cost sensitivity? Is there an overlay fee or is the fee a weighted average of underlying funds?

Due Diligence

- What processes does the manager have in place to monitor and manage the portfolio's asset allocations or potential risk exposures?

Ongoing Support

- What kind of support does the model provider offer to help keep you and your clients informed about their model portfolios and overall market conditions?

Need help evaluating your existing models or creating new ones? For more information on Portfolio Construction Solutions, visit troweprice.com/portfolioconstruction or call 1-800-564-6958.

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