

Merrill Adds Third-Party ESG, HNW Model Portfolios to Lineup

By Alyson Velati November 13, 2020

Merrill Lynch has bolstered its lineup of third-party model portfolios with the addition of environmental, social and governance (ESG), high-net-worth, and hybrid strategies.

The new models give advisors and their clients access to a broader mix of active, passive and hybrid strategies, which follow strategic asset allocation guidelines from Merrill's Chief Investment Office. Within the models, asset managers can implement their own market views through asset allocation and investment selection.

Merrill Lynch
NUMBER OF ADVISORS 17760
FIRM-WIDE ASSETS \$2,570,252 Million
FEE-BASED ADVISORY ASSETS \$1,286,145 Million
DISCRETIONARY ASSETS \$247,640 Million
KEY PLATFORMS Merrill Edge Advisory Account Program (MEAP), Merrill Lynch - Strategic Portfolio Advisor, Merrill One - Custom Managed Strategy, Merrill One - Defined Strategy, ...
Profile updated as of 11/18/2020

"The strategic addition of these model portfolios to our platform offer advisors more personalized strategies to help clients pursue their investment and personal goals," said Sandy Bolton, head of managed investments at Bank of America, in an announcement.

For the first time, DWS, Goldman Sachs Asset Management and **Neuberger Berman** have added suites of sustainable model portfolios to Merrill's investment advisory program, building upon an existing suite of sustainable model portfolios managed by the firm's Chief Investment Office.

DWS added a total of 12 model portfolios to Merrill's platform: sustainable core portfolios for tax aware clients, sustainable core portfolios for less tax sensitive clients, climate impact portfolios, and portfolios that align with

the United Nations' Sustainable Development Goals, says JJ Wilczewski, head of client coverage for the Americas and global head of institutional clients and consultants at DWS. The investment minimums are \$50,000.

Advisors and clients have been demanding more choice and selection within the ESG space, says Wilczewski, who says he has seen more questions surrounding ESG on request for proposals from distribution firms.

Neuberger Berman rolled out six model portfolios: three sustainable offerings that are higher tax-sensitive, and three with a lower tax sensitivity made up of mutual funds and exchange-traded funds (ETFs), says **Erik Knutzen**, CIO of multi-asset class at Neuberger Berman. The investment minimums are \$50,000.

Once Merrill set the strategic asset allocation guidelines, Neuberger used its ESG team and investment research capabilities “to identify strong equity and fixed income portfolios that also reflect high levels of integration and input of ESG research and factors,” says Knutzen.

Merrill has also grown its lineup of tax-efficient, high-net-worth portfolios with the addition of hybrid model portfolios from Columbia Threadneedle Investments, which is adding model portfolios to Merrill’s platform for the first time, says Scott Brady, head of product development and strategy. The new suite, dubbed the “Columbia SMA/ETF Tax Aware Models,” includes three models ranging across different risk tolerances and features separately managed accounts (SMAs) and ETFs. The investment minimums for these portfolios are \$1 million.

When building these portfolios, the firm considered “sensitive points” for high-net-worth clients like taxes, costs and risk, says Brady.

Finally, 10 new hybrid portfolios through a partnership between Vanguard and Capital Group have been added to Merrill’s platform. The hybrid models include active funds with “broadly diversified index ETFs,” says Amma Boateng, head of broker-dealer within Vanguard Financial Advisor Services, in an email.

The models allow “investors to simultaneously invest in the benchmark as well as benefit from carefully selected actively managed American Funds,” says Kris Spazafumo, v.p. of model portfolio business development at Capital Group, via email. “The model portfolios are designed to deliver excess returns over time with lower volatility – all at a low cost.”

In September, Merrill added model portfolios from new and existing third-party asset managers to its platform, after it introduced third-party models last October. Since launching model portfolios through the firm’s CIO office in 2017, the firm offers 140 model portfolios from 17 different third-party investment managers, and 125 CIO-managed model portfolios, according to the firm. Nine of out 10 Merrill Lynch advisors use at least one CIO model portfolio.

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Information and characteristics about model portfolios is as of the date indicated and subject to change without notice.

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