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Fixed Income, Tax-Aware SMAs Limit Shift to Model Delivery

Separately managed account assets are split between model-delivered equity strategies and more complex, manager-traded strategies focused on fixed income and tax optimization.

By Sabiq Shahidullah | August 17, 2026

As wealth firms build out the capabilities to trade separately managed account strategies themselves, the rise of complex tax-aware and fixed income investments is keeping up demand for manager-traded strategies — and creating challenges for model-delivery.

As unified managed account platforms grow in popularity, wealth firms and turnkey asset management platforms have been able to take model-delivered SMAs from asset managers and execute trades themselves.

Total SMA assets reached $4.7 trillion in the first quarter, a 22% jump from the same period last year, according to data from Cerulli Associates. UMA assets, meanwhile, topped $4 trillion in the first quarter, a 24% rise from 2025.

Wirehouses in recent years have pushed advisors toward single-contract and model-delivered SMAs within a UMA to streamline processes and minimize fiduciary risk.

In April, UBS brought overlay management in-house and shifted most of the equity strategies on its platform managed by external managers to model delivery.

Still, despite the rise in model delivery, a surge in investor interest in complex tax-aware SMA strategies, such as direct indexing, tax-aware long/short and taxable fixed income, are maintaining demand for manager-traded strategies.

Manager-traded strategies still made up roughly 61%, or $2.9 trillion in SMA assets in the first quarter, while model-delivered strategies represented 39%, or $1.8 trillion, according to Cerulli.

Asset managers have long been responsible for the trading and implementation of SMA strategies, said Marina Gross, head of Natixis Investment Manager Solutions. But the growth of UMA platforms has made it easier for wealth firms to trade SMA models in-house or through a TAMP, she said.

"Now the sponsor firms, as well as the TAMPs and intermediary platforms, have the capabilities to integrate multiple sleeves, do the implementation, do some tax management," Gross said. "They don't really need to pay the premium for a manager-traded strategy."

About half of Natixis' $100 billion in SMA assets are model delivered.

Cost effectiveness is also pushing more investors toward model delivery. Model-delivered strategies typically have lower fees than manager-traded offerings, although investors give up some ability to customize, Gross said.

Most equity SMA strategies tend to be model delivered, while fixed income strategies are typically manager-traded, said Scott Smith, senior director of advice relationships at Cerulli Associates.

Equity strategies are straightforward to execute, as the manager just communicates the list of stocks for a wealth platform to trade, Smith said. Fixed income is more complex, as managers need to navigate differences in yields, issues, credit quality and available securities, making it more difficult to develop a reproducible model, he added.

"It's a little bit harder because it's not easy to fulfill the recipe," Smith said. "That's why a lot more of fixed income is on the managed trade side because figuring out those recipes is their intellectual property, where they're really creating value."

Some wealth platforms are building out the technology and trading abilities to implement model-delivered fixed income SMA strategies, Gross said. "It requires not just technology, but human capital and the experience trading fixed income to be able to deliver a comparable outcome."

UMA platforms will also need to account for a surge of complex manager-traded SMA strategies focused on tax efficiency.

Standalone SMA asset growth has been driven by manager-traded strategies across fixed income, direct indexing and tax-aware long/short capabilities, Smith said. Direct indexing, municipal fixed income, taxable fixed income and tax-aware long/short strategies made up more than 80% of all manager-traded SMAs, according to Cerulli.

Direct indexing reached about $1.2 trillion in assets in the first quarter, the first SMA asset class to exceed $1 trillion, while tax-aware long/short had $116.5 billion.

Direct indexing and tax-aware long/short SMA strategies will need to be manager-traded for some time because each client has unique tax circumstances, Gross said.

"Not only do they have a unique set of underlying securities, but then they also have their own tax lots, their own cost basis, and so all of that has to be taken into account in order to produce the after-tax benefit," Gross said. "It's just too nuanced to be model based."

The next step for wealth firms and TAMPs is to add manager-traded sleeves to UMA platforms, allowing advisors to combine both manager-traded and model delivered SMAs with exchange-traded funds, mutual funds and alternatives, Smith said.

"They'll be able to cross-reference things and make sure that nothing is affecting other accounts in the household's portfolio negatively," Smith said. "Having that integration across the portfolio is going to be a general benefit for the household on an after-tax basis."

RBC Wealth Management added manager-traded sleeves to its UMA platform earlier this year, while Morgan Stanley Wealth Management supports fixed income, structured product and alternative manager-traded SMAs and introduced Parametric's manager-traded direct indexing strategies to its UMA platform last year.

The shifts in SMA and UMA technology means that asset managers should be able to deliver strategies in multiple formats rather than focusing exclusively on models or manager-traded offerings, said Tony Svach, head of U.S. intermediary distribution at Allspring.

"You want to be able to match whatever the clients need," Svach said. "When we go to the home offices and have these discussions, they're actually being creative with their asset managers to have more choice for their platform. They'll have different managers provide their capabilities in different ways."

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