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HANDBRAKES TAKEN OFF SMA GROWTH

By [Milana Pokrajac](#) on 14 October 2010 [0 comments](#)

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New discussions have emerged about separately managed accounts (SMAs) and their potential for future growth, as some fund managers have allowed for coexistence between wrap accounts and SMAs on the same platform.

SMAs' separate and standalone existence in the market has been one of the handbrakes to the growth of this sector, according to Praemium executive director Arthur Naoumidis, who added the lack of ease of business was a contributing factor.

"The physical reality is that no one client would want to have all their assets in one SMA and advisers would not put all their clients onto this structure," Naoumidis said.

He claimed advisers would now be encouraged to recommend SMAs because assets were easier to move within the one platform.

However, Darren Pettiona, the founder of the Hub 24 platform that was recently embraced by Matrix Planning Solutions, said SMAs were a more efficient way than unitised managed funds to engage in professional funds management for Australian equities and should not complement them.

"What is evident in Australian equities is that the unit trust structure is just not efficient — it should be non-unitised, whether you call them SMAs or not," Pettiona said.

"SMAs are not a product but a paradigm shift, and as soon as people see that they will realise that wraps are nothing more than administration systems," he said.

Financial planners have placed 4 per cent of client investments into SMAs this year and expect this trend to grow to 7 per cent in three years time, according to Investment Trends' October 2010 Planner Business Model Report, which is yet to be released.

Investment Trends analyst Recep Peker said the research house had seen a pick up in the use of SMAs for the first time this year and that the anticipated growth was satisfactory considering it had been "static in the past few years".

"Another thing behind the increased placement of funds into SMAs is increased planner awareness, with the majority of them showing a fairly good understanding of the benefits offered by this structure," Peker said.

According to Pettiona, one of the reasons that the non-unitised structure was not taking off in Australia was that fund managers weren't keen on SMAs because money in retail unit structures was 'sticky'.

"If you have three or four years of good performance and people have accumulated gains within that trust and then you have a bad period — it is still a big decision for a planner to move the client out because of all the tax consequences," he said.

"Whereas in a non-unitised world it may be a lot easier to transition out to a better performing manager," Pettiona added.

However, Naoumidis is confident notable funds will start to transition into SMAs over the next 12 months.

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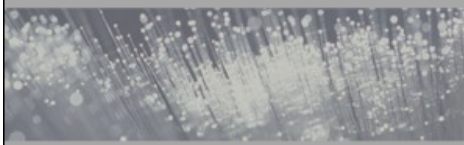
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