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WEALTH MANAGEMENT

Investment Trends names top SMAs

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BlackRock, MLC and Tricom are among the top separately managed account (SMA) players according to a new Investment Trends report.

BlackRock has surged ahead of the separately managed account (SMA) pack to be crowned the provider with best overall functionality, according to Investment Trends' latest SMA Benchmarking and Technology report.

BlackRock, who was also named last year's number one provider along with its software partner Praemium, remain the top firm in the space, while new entrant MLC MasterKey Custom Adviser Managed Accounts (AMA) snagged the silver medal. New entrant Tricom, also scored highly in the survey.

According to the report, BlackRock's strong selling points were its extensive online functionality for advisers and good integration capabilities.

"BlackRock's system was also found to offer the largest number of SMA model manager and mandates providing good choice," said Investment Trends Principal Mark Johnston.

Meanwhile, MLC MasterKey Custom AMA were commended for their functionality where the adviser had control of model construction and trading. Advisers were also able to rebalance their portfolios across all investments, including managed funds.

ShareInvest II, which came third in the survey, was given the nod in the decision support and integration categories. Newcomer Tricom came first in the reporting category.

"Tricom's SMA brings some unique features to the Australian market, while missing a couple of the strengths of its competitors. If they are able to plug those gaps, they could certainly become a competitor to BlackRock/Praemium for the number one ranking on adviser functionality," said Johnston.

The report found that for lower balances, BlackRock, Tricom and ShareInvest II represented the best value for money. For large balances, MLC provided top value and competitive fees.

However, not everything is rosy on the SMA front. The report found that SMAs are becoming cheaper, although at an industry level SMA pricing remained complex and unwieldy – making it very difficult for advisers to compare between SMAs or traditional unit trust investments.

Adam Dawes, director of the Institute of Managed Account Providers (IMAP) and head of portfolio and financial services at Shaw Stockbroking, agreed that certain aspects of SMA pricing remained complex but the issue was largely contained in the performance fees front.

"Yes [pricing] does remain complex. But I think what makes it quite complex is the performance fees," said Dawes.

"In other words providers may have a low management fee, 1 per cent, 1.2 for instance, but then the performance fees that sit on top of that are the ones that are hard to quantify. That's what I think is where the real confusion lies," he said.

The Investment Trends report provides a detailed comparison of the functionality of the ten SMA products available to advisers and investors in Australia, based on analyst reviews covering over 400 criteria.

Ruth Liew

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