

## AG EDWARDS OFFERS MORE OPTIONS TO WEALTHY INVESTORS

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A.G. Edwards is rolling out a new unified managed account (UMA) platform next month that will give wealthy investors the choice of three distinct programs that vary in their investing approach. The launch leaves just two of the top 10 sponsors in the separately managed account industry without UMAs.

In launching Unified Managed Portfolios with overlay managers Parametric Portfolio Associates and Gallatin Asset Management, the St. Louis-based brokerage has become the latest sponsor to stake a claim to the growing UMA market. Hailed for their product-neutral nature and overall convenience, UMAs allow separately managed accounts (SMAs), exchange-traded funds (ETFs) and mutual funds to exist together under a single account registration.

A.G. Edwards' platform seeks to differentiate itself by giving advisors and end-clients the opportunity to pick from three unified programs; two offerings with pre-set manager models and asset allocation targets, and one selection that's committed to full client customization.

"It gives financial consultants the ability to select pre-defined models that Gallatin develops," says Leeann Gasperoni, associate v.p. and team leader of Unified Managed Portfolios marketing. "It also gives financial consultants the ability to sit down and work out customized portfolios for their client. We are giving them a lot of choices."

The most managed account-focused option is Unified Multi-Style Portfolios, which is mainly built with SMAs while allowing some room, when desirable, for mutual funds and ETFs. The product is the evolution of the soon-to-be re-branded A.G. Edwards' multi-style account program. Contrasting with the latter program is Unified Fundamental Multi-Style Portfolios. That offering has more capacity for mutual funds and ETFs, and therefore comes with lower account minimums.

With the two aforementioned programs, strategic asset allocation guidelines are established by A.G. Edwards' Investment Strategy Committee, while manager due diligence is done by Gallatin Asset Management, a wholly-owned subsidiary of the brokerage. The final UMA selection is Unified Custom Multi-Style Portfolios, which has no pre-set asset allocation guidelines. The portfolio's structure is strictly reliant on discussions between high-net-worth investors and their A.G. Edwards financial consultant

In giving clients three distinct choices, A.G. Edwards is creating its own unique method of delivering managed accounts to high-net-worth investors, comments Daniel Seivert, managing partner of investment bank and consultancy 3C Financial Partners in Manhattan Beach, Calif.

"I like it," he says of the firm's strategy. "Allowing reps to customize their managed account selection or employ the services of an overlay manager is really the requirement for competitiveness for today's SMA sponsors. Offering these elements inside a UMA puts one in the leading pack," Seivert adds.

Fees vary for the different programs, and are based on the portfolios that are selected and the client's account balance. Account minimums begin at \$100,000. Seattle-based Parametric will serve as overlay manager for two of three UMA programs, the SMA-focused Unified Multi-Style Portfolios and the more fluid Unified Custom Multi-Style Portfolios. Gallatin Asset Management will conduct overlay management for the Unified Fundamental Multi-Style Portfolios.

Parametric's UMA partnership stems from the overlay management work the third-party provider has done on A.G. Edwards' existing multi-style account program. Parametric's other clients include Deutsche Bank Alex.Brown and Bank of America. (Overlay managers are used to conduct automatic portfolio rebalancing, tax management services and trade coordination in managed account portfolios).

Mike Scafati, senior v.p. and manager of A.G. Edwards' Managed Products Department, sees the Unified Managed Portfolios as the logical progression of the brokerage's multi-style program as well as an obvious testament to the desirability of product neutral strategies.

"Bringing together multiple managers in one account was a good first step when we launched multi-style portfolios, but the new unified structure takes things one step further by adding mutual funds and ETFs to the investment mix, allowing our financial consultants the ability to offer solid investment alternatives in a single, coordinated portfolio offering," Scafati says in a statement.

Boston-based research firm Cerulli Associates estimates that A.G. Edwards had \$16.3 billion in assets under management in SMAs as of the third quarter. That means the brokerage would stand as the ninth largest SMA sponsor in the country, ahead of Wells Fargo, Lehman Brothers, RBC Dain Rauscher and Deutsche Bank Alex.Brown.

Of the top 10 sponsors in the \$800 billion separately managed account industry, Merrill Lynch and Charles Schwab are the only sponsors that lack UMA platforms. Schwab executives are committed to launching a UMA in the near future. Merrill's plans are not publicly known.

Jean Sullivan, principal at Dover Financial Research in Westwood, Mass., expects even more firms will be rolling out such platforms in the coming months. Along with A.G. Edwards' announcement Wednesday, Oppenheimer & Co. revealed Tuesday that it had launched a UMA with overlay manager Placemark Investments.

"What we have forecast earlier on is that most firms would be developing UMAs, even firms that developed multi-discipline account products would morph over into UMAs. It will happen. It will still take more time," Sullivan says.

Seivert of Echelon Partners believes many firms this year will be compelled to adopt UMAs due to pressure from competing sponsors. In this environment, managed account distributors that arrived to the UMA scene early will be in a much stronger position than their peers, he says. "2003 through 2005 was largely the time of early adoption," Seivert says. "2006 was the time when many more firms were conducting serious evaluation, reviewing the economics and listening to the experiences of early adopters.

"2007 will likely see more tire kickers and a significant increase in adopters and implementers that have graduated to this level based on the work they did in '06. This year's tire kickers will likely move quicker with a sense of fear that they are losing precious time to competitors that took more of a gamble early on," Seivert says.

## ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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