



# UMA update: U.S. Bank, Adhesion Technologies, CMC

Thomas Coyle - 15 October 2007

**U.S. Bank's Wealth Management** group has launched a unified managed account (UMA) program that uses overlay-management technology from **Smartleaf**. The Minneapolis-based bank says the idea is give its high-net-worth clients -- especially those in the wealth-accumulation phase -- access to increased diversification in a fairly straightforward and customizable investment vehicle.

"This represents a continuous process of enhancing our product line and capabilities to meet the needs of our affluent clients," says U.S. Bank Wealth Management's president **Mark Jordahl**.

UMAs are single-CUSIP portfolios that blend separately managed accounts (SMAs), mutual funds, ETFs and sometimes, as with U.S. Bank's new offering, fixed-income securities. Overlay management is the process of coordinating trades, managing cash flow and -- in theory anyway -- enhancing their overall tax efficiency of models-based portfolios.

U.S. Bank could have outsourced the overlay management of its UMA to a specialist firm such as **Placemark Investments**, **Eaton Vance's Parametric** or **Natixis'** asp **Managed Portfolio Advisors**. But it went with Smartleaf's web-based technology to ensure that its wealth-management unit's 170 or so client-facing portfolio managers had on-going and uninterrupted "ownership" of the client relationship, says Jordahl.

## Customization

This makes U.S. Bank "a leader in the way wealth is managed," according to Smartleaf's president **Gerard Michael**. "There are various ways overlay technology can be deployed, and we believe the direction U.S. Bank is taking, giving the portfolio manager oversight of the client's account, will be very successful."

Cambridge, Mass.-based Smartleaf has been around for about eight years. It has roughly 50 clients, mostly small- and middle-market banks, and its technology is used to manage around \$10 billion across 20,000 accounts. To date its biggest client is Birmingham, Ala.-based **Compass Bank**.

Last month Atlanta-based **SunTrust Banks** said it planned to launch a UMA platform using overlay technology from **CheckFree's Investment Services** division -- more specifically from **Upstream Technologies**, which CheckFree acquired this past spring. (Since then **Fiserv** has agreed to acquire CheckFree.)

Last week **Bank of America** introduced a UMA program, managed by Seattle-based Parametric, to clients of its wealth-management division, starting with its private-banking clients. Bank of America rolled out a similar platform last year, also managed by Parametric, for distribution through its retail brokerage group.

U.S. Bank expects that its new UMA will appeal to clients -- many of them early- and mid-career business owners and professionals -- who are looking for a sophisticated product that can be tailored to their individual investment goals and requirements.

"The high degree of customization and analysis we can offer to high net-worth clients and foundations with our UMA is exceeding our expectations," says Jordahl. "This unique product is simple for the client to understand and enhances what we can offer clients and prospects."

Though U.S. Bank doesn't have a fixed minimum for its UMA, Jordahl says the bank's wealth-management clients generally come in with at least \$1 million to invest.

There was \$31.8 billion in UMAs at the end of June 2007, says Boston-based research firm **Cerulli Associates**. There was another \$88 billion or so in multiple-discipline accounts (MDA) , which feature distinct managed account sleeves in a single account, according to the **Money Management Institute**, a Washington, D.C.-based association of SMA managers and program sponsors.

The bulk of these assets were distributed through the wirehouses, with banks accounting for a small but fast-growing proportion.

## **Independents**

UMA providers and overlay players are also targeting the independent RIA space. In part they're responding to demand on the part of ex-wirehouse brokers who want access to a product they're accustomed to offering. Other RIAs who have traditionally taken a hands-on approach to managing their clients' portfolios may see value in using a relatively flexible packaged product, just as advisors who have tended to rely on mutual funds are may start to see value in using a customizable investment vehicle that's fairly broadly diversified and includes account-level reporting.

**Pershing's Advisor Solutions** unit and **Fidelity's Institutional Wealth Services** division (formerly **Fidelity RIA Group**) offer UMAs. Earlier this year **TD Ameritrade Institutional** tapped custom-platform consultancy **Capital Market Consultants** (CMC) to support its UMA program. (**Schwab** -- the biggest non-wirehouse distributor of retail SMAs -- isn't out with a UMA yet, but it debuted an 11-portfolio MDA program in June 2006.)

Now CMC is providing multi-manager model strategies for delivery to RIAs via **Adhesion Technologies'** WealthADV UMA platform.

"One of the most necessary, time consuming and expensive aspects of an investment advisory business is ensuring access to the high-quality manager choices necessary for making prudent portfolio decisions as part of [its] fiduciary duty", says **Barrett Ayers**, head of product and portfolio management at Charlotte, N.C.-based Adhesion.

Adhesion offers overlay for its UMA using model-management, investment-management and trade-order-management technology from Checkfree's Upstream Technologies, both as an outsourced offering to its clients and as a do-it-yourself option.

CMC and Adhesion have been working together for a while already, at least with client. Late last year Newtown, Pa.-based **CoreStates Capital Advisors** chose Adhesion's WealthADV as its UMA provider. A few months later CoreStates Capital selected CMC to provide investment research and manager due-diligence for the same program. -FWR