

Managed Accounts - delivering a better outcome to the client

Anthony J. Harper, Chief Executive Officer and Co-founder, Axial Partners tells Hubbis how managed accounts can help deliver better outcomes for clients in Asia's evolving wealth management industry.

CHANGES IN THE ASIAN WEALTH MANAGEMENT INDUSTRY are creating an opportunity for fresh concepts like managed accounts to enter the market, according to Harper.

“There are a number of changes in Asia today around what I would describe as managed money, where a client



ANTHONY J. HARPER
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is looking for a professional to look after his assets and to invest them,” he says.

Historically, he points out, structured products, mutual funds and other collective vehicles dominated the space primarily because of the financial incentive there is for wealth managers to deliver that kind of solution.

But today, there is a shift towards fee-based business, advisory business, and discretionary portfolios, he says, where clients are entrusting their wealth manager to look after all aspects of their investments.

“That’s being driven by regulation, by a change in the relationship between the wealth manager and the client, and by a change in the tools that are available,” he reasons.

Managed accounts fit into some of the gaps created by these changes, according to Harper. “Managed accounts, ultimately are discretionary portfolios with one key distinction,” he explains.

Discretionary portfolios typically are managed in-house by the proprietary asset management team that is part of the wealth manager, he notes.

“A managed account is based on best thinking from a third party asset manager that allows a wealth manager to open up what it delivers to an end client and build an overall portfolio that uses many different asset managers to create an end solution,” he says.

So whereas a discretionary portfolio is classically delivering a proprietary solution, a managed account provides third parties, which ultimately represents diversification for the client’s, he says. Explaining how a managed account works, Harper says that when a client



invests in a managed account, the account invests in a series of equities or fixed-income securities or other targeted investments.

“That portfolio is dynamically invested and rebalanced over time by a professional hired money manager,” he says. “The client benefits from any of the changes made from the professional money manager alongside other institutional investors or other users of that strategy.”

A managed account also makes the question of fees a little less complicated and transparent.

He takes the example of a mutual fund, where you buy the fund, and the fee is expressed through purchase price, at the net asset value, and it is deducted from the fund’s performance.

“Often, we don’t know what the fee is, because it’s part of what was returned rather than something that’s stated explicitly,” he notes. “Many times, the fees between the provider of the fund and the user of the fund, the wealth manager, are not necessarily transparent to the individual investor.”

This is in complete contrast to a managed account, where he says, the end client always knows what is

being paid for as it’s a fixed fee that is part of a discretionary agreement between the client and the wealth manager. That fee is based on the client’s size, intended investment experience, requirements, which is different to a fund, where is one size fits all, he points out. “It’s one price for everyone, and it’s not necessarily clear what that price is when we’re purchasing.”

In the end though, what a managed account brings an individual investor, is the institutional investment experience. A managed account is tailored for that investor versus a fund, which is purchased on a one size fits all basis, says Harper.

“Requirements on a reasonable basis can be set by that client for the account, while using best thinking from world-class asset managers. In a portfolio that is wholly owned by the end client on a beneficial basis, all the underlying holdings and transactions and positions are known to the client at all times,” he says. “The clients see what they own, not just with the securities, but with what they’re paying.”

Tailoring and transparency are hallmarks of a managed account and are of significant value to the individual investor, contends Harper. ■