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Direct b/ds, third-party vendors hold most managed account assets

By Editor Test *Mon, Dec 17, 2012*

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Managed Account Packaging by Channel, 3Q 2012

Source: Cerulli Associates

Channel	Packaged	Open/Hybrid	3Q 2012 Assets ($ billions)
Wirehouse	6%	94%	$1,053
Independent B/D	15%	85%	$446
Third-party vendor	66%	34%	$153
Regional	54%	46%	$174
Direct/discount	77%	23%	$192
Bank	52%	48%	$67
Industry total	**24%**	**76%**	**$2,085**

Note: For the purposes of this analysis, separate account assets were removed from the packaging breakdown. This provides mutual fund and ETF companies with a more precise view on how their specific vehicles are packaged in the different channels.

Direct broker/dealers and third-party vendors hold most managed account assets, according to new research by Cerulli Associates, the Boston-based research firm. The 4Q issue of the Managed Accounts Edition of The Cerulli Edge reviews which channels have the best distribution opportunities for centrally managed, fee-based portfolios.

"Direct providers and third-party vendors (TPVs) have the highest percentage of assets in packaged programs with 77% and 66% respectively," said Patrick Newcomb, senior analyst at Cerulli, in a release. "This translates to almost $350 billion in packaged assets between the two channels, nearly three-quarters of the $500 billion managed accounts industry."

"These two channels fall outside of the traditional brokerage firms, but, we see the high concentration of decision-making by a central group a perfect opportunity for a manager to pursue platform placement," the release said.

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"We have found that many of the firms in these channels, specifically in the direct channel, typically use more proprietary products than other distribution channels," Newcomb continues. "Asset managers should evaluate the product menu at these firms to determine the percentage of the assets outsourced to third-party managers."

The wirehouse and independent broker/dealer channels have the lowest percentage of assets in centrally managed portfolios, with 6% and 15%, respectively. This is likely due to the higher use of rep-driven programs and flexible mutual fund advisory programs within these two channels.

Cerulli recommends that asset managers properly segment managed account programs into two groups: those that are controlled by the advisor and those that are controlled by a centrally managed group. Managers should target specific firms within each channel to maximize new flows.