

REGULATION

THE TOP 5 PLATFORMS OFFERING THE BEST DISTRIBUTION AND VALUE FOR MONEY

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Platforms and wraps represent a significant channel for wealth management businesses to make their investment offerings more accessible to advisers looking to outsource investment management in the run-up to the retail distribution review (RDR).

There are two strands to the growing trend towards platforms by discretionary managers. First, the option to ease administrative burden by outsourcing share and fund dealing, and second, the opportunity to gain visibility and attract assets from advisers by listing their model portfolios on platforms.

Both aspects offer firms the potential to increase the attractiveness of their discretionary service by making it more transparent and easier for advisers to administer.

Holly Mackay, managing director of the Platform, a company that provides various consultancy services, is quick to point out that some of the larger platforms are unable to support holdings in listed securities. As many originated as fund trading platforms, functionality hasn't always kept up with demand to cater for discretionaries, she says.

'The problem is that platforms developed from mutual funds systems all struggle when you push them beyond collectives and traditional tax wrappers,' adds Mackay.

'Once they include listed securities, I am not sure whether it is a smooth process. The move to model portfolios is a good one, but there has been some operational clumsiness on platforms and some of the charging structures are too high. If a discretionary fund manager is outsourcing to a platform, their revenue expectations have to come down.'

She also says that wealth managers looking to list model portfolios on wraps and platforms should have their adviser clients and their preferences as a starting point.

'The top five platforms typically have 76% of platform assets, but the question is about distribution, not just assets. For example, what is the discretionary manager's target market, what advisers do they do business with?' Mackay says.

In an overcrowded space, we look at the top five platforms that wealth managers are opting to work with.

Novia

Mackay highlights Novia as a platform that has been relatively 'forward thinking in terms of



Alan Miller: All platforms have their own advantages and challenges

coming to arrangements with discretionary fund managers'. Novia's trading system allows managers to view a client's investments online at any time through model portfolios or bespoke portfolio management.

The adviser's choice of discretionary manager and commission paid to them to remain an agreement between the client and adviser. Managers can be remunerated in a transparent manner directly from the cash facility.

Black Swan Capital's Stephen Todd said the firm had opted to use Novia as it is smaller and more nimble compared with some of its competitors. The firm likes the platform's ability to offer the option to view 'off-platform' assets.

As the firm specialises in collectives, Todd likes that clients can also execute their own share dealing, while the platform has the functionality to set up both gross and net nominee companies, so income can be distributed on a gross basis without the need for anyone to reclaim tax credits on behalf of the client.

This is particularly beneficial for offshore bonds, Sipsps and charitable trusts, and helps to reduce the costs associated with administrators/trustees reclaiming tax back on behalf of the trust, Todd says.

Transact

Transact also features among the wraps that London & Capital has opted to work with, alongside Novia.

'Transact is a traditional platform but has spent a lot of money developing its platform to allow discretionary managers to provide portfolios,' says

Bruce-Ely Johnston, head of adviser solutions at London and Capital.

Transact prides itself on providing a personal service to its users, which it says allows it to provide a flexible service to deal with the complexity of real-world financial plans and investment portfolios, something they say can't be completely automated.

Ascentric

Alan Miller of SCM Private says all of the platforms the firm works with, which include Ascentric, Transact and Praemium, have their own advantages and challenges, however he is particularly positive about Ascentric's lower charges.

'Ascentric has a fantastic mechanism for our model portfolios, as it only charges £1 per change,' Miller says.

Praemium

Praemium, which provides an online discretionary platform service (dps) for advisers and wealth managers, is also favoured by Miller, particularly in relation to charges and efficiencies.

'All clients are amalgamated so there are only costs for one deal,' Miller says.

He also welcomes the transparency that Praemium, alongside the others, offers.

AJ Bell

For wealth management firms looking to outsource their back office functions to a third party platform, AJ Bell Securities' IMAS service could represent a viable option.

Charteris Treasury Portfolio Managers uses the service, which includes guaranteed settlement. The IMAS system also integrates these services and goes beyond with a new front office interface that enables wealth managers to connect via a secure online portal to manage client portfolios.

The interface provides valuations, customer relationship management and portfolio management tools, including performance, modelling and rebalancing.

'If you are a private client and you come to Charteris, you know that all your shares and cash are effectively being held in safe custody within AJ Bell. It is not just about performance but also security. Something people question about boutique fund managers is how secure is my money?' says Charteris CEO and former *Wealth Manager* cover star Ian Williams.

'It gives clients that added layer of extra comfort, as they know the largest custodian company is looking after their investments and it frees time previously spent reconciling trades,' he adds.