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UMAs Steal the Spotlight as Wirehouses Streamline Platforms

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Unified managed accounts (UMA) programs and model-delivered separately managed accounts (SMAs) are gaining steam as wirehouses and other advisory program sponsors charge ahead with plans to consolidate platforms.

Assets in UMA programs climbed 5.5% in the quarter to reach $437.4 billion, outpacing the growth of other types of advisory programs in the period, according to data from Cerulli Associates. And SMA strategies within UMA programs, typically provided as models, surged ahead even faster, notching 7.7% growth in the quarter to reach $205.7 billion. Traditional SMA program assets grew at a more measured pace, swelling 1.1% in the second quarter to $871.1 billion, according to Cerulli data. That compares to 1.6% growth for the $4.17 trillion overall investment advisory industry.

Top UMA Program Sponsors

Largest UMA program sponsors based on second quarter assets under management.

Firm	AUM ($B)
Morgan Stanley Wealth Management	$102.9
Merrill Lynch	$82.5
JPM Chase	$50.4
Fidelity Investments	$36.6
Envestnet	$29.8
USAA Investment Management	$19.8
Wells Fargo Advisors	$17.9
TIAA-CREF	$15.4
UBS	$12.1
AssetMark Investment Services	$12.1

Source: Cerulli Associates

Distributor efforts to merge disparate legacy platforms into unified systems should continue to boost the growth of UMA programs and separate accounts within UMAs, says Frederick Pickering, managed accounts analyst at Cerulli.

"A lot of the other wirehouses have come out and stated publicly that they're looking to consolidate into one [advisory] platform," Pickering says. "As that trend continues and those systems get implemented, you're going to continue to see this growth of the UMA space [and] the growth of models at the expense of the traditional SMA space and the traditional mutual fund space."

Quarterly data highlights such a shift taking place at one major distributor. As Merrill Lynch has continued the process of transitioning clients from legacy advisory programs to its revamped Merrill Lynch One platform, more dollars have shifted to UMA-type programs, away from traditional mutual fund advisory and separate account programs, according to Cerulli.

"You're seeing a lot of conversion of those assets into model separate accounts," Pickering says. "That comes at the expense of the mutual fund space and the traditional separate account space."

As other distributors make similar changes, more assets are likely to head toward UMA-type programs and model SMAs, Pickering says.

The platform consolidation trend is well underway in the industry, says **Tirdad Shojaie**, **head of product, marketing and business strategy** for **Fiserv Investment Services**.

"The march is on," Shojaie says. "Now, more and more, the focus is [on] efficiency."

And the wirehouses aren't the only distributors working to streamline investment advisory platforms.

"It's not just a wirehouse phenomenon," says Jean Sullivan, managing principal of Dover Financial Research. "This is a trend that all sponsor firms are marching toward."

In fact, 71% of sponsor firms surveyed by the Money Management Institute (MMI) and Dover indicated that unified managed accounts and single integrated platforms represented the best opportunities for advisory program growth. That's a significant jump from two years earlier, when just 40% cited UMAs and 50% cited a single integrated platform as top opportunities.

UMA flows in the second quarter were also boosted by third-party service providers, such as Envestnet, FolioDynamix, AssetMark and Pershing, onboarding new clients.

"The growth was really new clients, new assets entering that market segment," Sullivan says.

There is a changing of the guard underway with more emerging advisor practices and the fastest growing large practices turning to scalable programs like UMAs, says Jay Hummel, senior v.p. of Envestnet.

"Many of those firms are starting to see the scalability [of UMA programs]," Hummel says. "We're seeing a lot of these top growth advisors, as they scale their money management process, it frees up their time to be able to go deeper with clients."

As more and more sponsors adopt UMA technology and move to ask SMA managers to hand over models, managers that want to continue distributing through wirehouses will have to adapt.

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The table shows net flows in the second quarter to each type of program.

Program Type	Net Flows ($B)	Total Assets ($B)
UMA Advisory	$17.6	$473.3
SMA Advisory	$11.3	$885.3
Rep as PM	$27.8	$959.2
Rep as Advisor	$0.1	$789.6
Mutual Fund Advisory	$5.5	$1,071.9
ETF Advisory	$0.5	$42.5

Source: Money Management Institute and Dover Financial Research

"The shift toward models is clearly here," Sullivan says. "SMA managers need to just embrace that."

Making strategies available in multiple formats is key.

Top SMA Program Sponsors

Largest SMA program sponsors based on second quarter assets under management.

Firm	AUM ($B)
Morgan Stanley Wealth Management	$292.0
Merrill Lynch	$157.6
Charles Schwab	$97.8
Wells Fargo Advisors	$80.0
UBS	$78.9
Fidelity Investments	$33.0
Raymond James	$17.2
Envestnet	$17.1
RBC Wealth Management	$16.6
Oppenheimer & Co.	$9.4

Source: Cerulli Associates

"Sponsor firms are looking for vehicle-agnostic providers or managers," Sullivan says. "They want to be able to distribute a traditional SMA product, as well as a model-based SMA product, as well as a mutual fund."

While the outlook for traditional SMA growth isn't quite as rosy, analysts project that they will still have a place.

"You're seeing SMAs move upmarket a little bit," Sullivan says. "Now that SMAs can be delivered as models, you'll see the retail SMA products being delivered through the UMA platforms."

SMA managers that are focused on distributing at wirehouses or turnkey asset management platforms (TAMPs) will need to be open to delivering models, says Tom O'Shea, associate director at Cerulli. But there are other outlets where traditional SMAs will remain viable, he says.

"If they're targeting family offices and high-net-worth advisors at either brokerage firms or RIA firms, then they can continue to successfully sell [traditional] separate accounts, because that's really going to become the sweet spot for the standalone separate account product," O'Shea says.

O'Shea and Sullivan both project that the SMA market will continue to grow, albeit at a slowing pace.

But UMAs should continue to charge ahead in quarters to come, says Cerulli's Pickering.

"UMAs are going to be a strong growth engine going forward," Pickering says.