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## NEWS RELEASE

GARTMORE GLOBAL INVESTMENTS USES JP MORGAN MANAGED ACCOUNT SOLUTIONS FOR SMA STRATEGIES

### JP MORGAN INKS FIRST MANAGED ACCT OPS DEAL

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JPMorgan has announced its first deal after launching its separately managed account (SMA) outsourcing business a year and a half ago. Gartmore Global Investments is using JPMorgan Managed Account Solutions for three SMA strategies that it just recently landed on the Merrill Lynch Consults program.

All eight SMA outsourcing providers have now announced deals, the number of which have doubled in just this year alone to roughly 20. The increase in activity could make outsourcing seem like a more viable option for managers still considering it.

"In and of itself this deal will not make much of a statement to managers, but as part of a continuation of a trend it will," says Dan Seivert managing director of Los Angeles-based investment bank and consulting firm 3C Financial Partners. (See end of article for an updated list of outsourcing deals to date.)

JPMorgan is running the middle- and back-office operations for small-, mid- and smid-cap growth strategies from Gartmore's affiliate NorthPointe Capital. Those strategies just recently landed on the Merrill Lynch Consults program.

Tim Grugeon, v.p. of business unit support and outsourcing at Gartmore Global Investment, says the decision to outsource operations for SMAs is part of the firm's overall strategy.

"Wherever feasible, we're likely to outsource," he says, adding that Gartmore already outsources operations for its institutional managed accounts and its mutual funds. "Outsourcing allows us to be scalable."

Grugeon declines to disclose assets in the three strategies on the Consults platform. Gartmore manages roughly \$81 billion, most of which is in its mutual funds and institutional business.

Gartmore had approximately \$500 million in SMA assets when it launched the NorthPointe SMAs last month. Most of those assets are in a large-cap growth strategy managed by Gartmore Separate Accounts, formerly Groupama Asset Management, a firm Gartmore bought in 2003 and rebranded. That strategy is currently offered through Merrill, Morgan Stanley, UBS and Wachovia.

Still, Gartmore chose to outsource the back-office only for its newest strategies.

"We plan to put any new managers entering the (SMA) business on the JPMorgan-Vestmark platform," says Grugeon. "There are currently no plans to put existing business on that platform."

Grugeon says that JPMorgan's relationship with technology provider Vestmark was an important factor in his decision. Among the benefits of Vestmark's technology is that it allows for "seamless interfacing with multiple sponsor back office systems allowing for seamless reporting of sponsor information," he says.

The fact that JPMorgan owns a stake in Vestmark demonstrated its commitment to the technology, adds Grugeon. "They are putting their money where their mouth is," he says. A JPMorgan spokeswoman declines to quantify the stake.

JPMorgan's competitors in the SMA outsourcing space are Bank of New York, Bisys, Citigroup, Mellon, PFPC, SEI Investments and State Street Corp. Citi and Bisys also use Vestmark's technology. The three Vestmark users have knotted four of the ten deals this year, most of which were with fledgling SMA managers.

For its part, JPMorgan hopes the Gartmore deal is a sign of things to come.

The firm signed on with Vestmark a year and a half ago and hired Brett Rainey, former director of SMA operations at MFS Investment Management, and Stephen Boyle, former director of SMA operations at Bear Stearns, about a year ago to run the program.

Boyle says there are other deals JPMorgan is currently working on but nothing it can announce yet.

"It's huge for any firm trying to market its services to have that initial deal," says 3C's Seivert, "They need a reference-able client."

Seivert adds, however, that it is one thing for a firm to show it has a client, and an entirely different thing to show it can convert accounts over to its system and run a "meaningful number" of accounts.

"JPMorgan has yet to prove this specifically in the area of managed accounts," he says, "but they have a number of similar successes in their other lines of outsourcing business that may help bridge this gap."

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## Managed Account Outsourcing Deals

Manager	Outsourcing provider	Month/Year
Provident Investment Counsel*	Mellon	1995
TCW Investment Management**	Mellon	1999
Dreyfus	Mellon	2002
J & W Seligman	State Street	2002
ING Managed Account Group	Bank of New York	Feb. 2003
Henderson Global Investors	Advantage Outsourcing Solutions***	Apr. 2003
ABN Amro Investment Fund Services	Bank of New York	Oct. 2003
State Street Global Advisors	State Street	2004
Old Mutual Investment Partners****	Mellon	July 2004
Neuberger Berman	PFPC	July 2004
Transamerica Investment Management	SEI	Oct. 2004
Brandywine Asset Management	State Street	Feb. 2005
Vontobel Asset Management	Citigroup	Mar. 2005
TCW Investment Management	SEI	Apr. 2005
MFS Investment Management	SEI	Apr. 2005
Fiduciary Asset Management	Bisys	May 2005
Hilliard Lyons Asset Management	PFPC	May 2005
Chartwell Investment Partners	PFPC	May 2005
Clover Capital Management	Mellon	May 2005
Fifth Third Asset Management	Bisys	Aug. 2005
Gartmore Global Investments	JPMorgan	Oct. 2005

\* Provident is now an affiliate of Old Mutual.

\*\* TCW switched to SEI in April, 2005.

\*\*\* Advantage Outsourcing Solutions is a subsidiary of Affiliated Managers Group and Rorer Asset Management.

\*\*\*\* In addition to the Provident business, Old Mutual chose Mellon for the rest of its affiliates.

## ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as “investment product developers and distributors” (IPDADs). Since that time, ECHELON’s professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON’s business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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