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NEWS RELEASE

WILSHIRE, CITI TEAM UP FOR WEALTH TURNKEY BIZ

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Wilshire Associates is spreading out further from its institutional investment consulting home base and into the wealth management market through a new partnership with Citigroup's managed accounts trading platform business. The combination allows Wilshire to compete more directly with turnkey asset management program outsourcers that supply product sets and other services to brokerages, banks and independent advisor firms.

Investment consultants have been trying to pierce the wealth management market for several years, aiming to market their core asset allocation and manager vetting infrastructure for application at wealth firms that want help running their fee-based investment management programs. Wilshire is among several peers – including Mercer, Fund Evaluation Group, Callan Associates and Rogerscasey – that in recent years have extended their manager research and portfolio shaping capabilities as consultants to also support wealth management firms serving high-net-worth clients.

But Wilshire's use of Citigroup's OpenWealth managed accounts trading platform creates a more complete package of due diligence and product management to offer to advisory firms, allowing it to compete with one-stop investment program outsourcers such as Envestnet, Genworth Financial, Pershing, SEI and FolioDynamix.

Wilshire is essentially hiring Citigroup to use the banking giant's unified managed household (UMH) platform, which lets an advisor consolidate various investment vehicles – such as separately managed accounts and mutual funds – into a single client account, while also offering broad data aggregation tools to track client assets held at other providers. The consultant is already in discussions with potential clients for the new combined offering, says Lawrence Davanzo, Wilshire's president.

"The most likely scenario for [winning] clients is where they have an existing platform and want to build on it to access new features or new asset classes," he adds.

In other words, Wilshire is likely to promote the features that today's typical turnkey providers aren't offering widely, such as access to alternative investments and to UMH functionality. But those prospective clients are probably going to already have turnkey provider relationships they would be replacing, which makes the effort more challenging, says **Dan Seivert**, CEO of **Echelon Partners**, an investment bank and strategic consultant.

"It's very hard to be a new player, because it's a takeaway game," he adds. "And there's a decent burden to transfer, because your advisors have to learn new systems, and there is a pretty healthy data conversion process."

Wilshire will also be going up against a turnkey outsourcer market that has been evolving for two decades, mostly by consolidating platforms and adding new features. Today's typical turnkey provider not only offers managed account product platforms but also an array of services and systems to help advisory firms with their back office, wholesaling, investment research, customer relationship management and client proposal generation needs.

"Practice management is an important new playing field for most of the [turnkey firms]," Seivert adds. "It's not just having the products and services and technology, but also the tools and education to help advisors on things like continuity planning and leadership development and mergers and acquisitions."

For those reasons, Seivert says Wilshire is likely to tout its investment manager selection prowess as it seeks new wealth management firm clients.

Indeed, Wilshire sees its overall manager due diligence specialty and access to a wide universe of products as a big selling point. Davanzo says the firm for decades has researched nearly the entire universe of institutional and retail separate account managers, and over the last five years has added monitoring of mutual funds, which has helped support its Wilshire Funds Management multi-manager unit that currently runs more than \$65 billion in assets. That wide coverage gives it the ability to extend access to specialty products – such as emerging markets debt managers or alternative funds – to its wealth management advisor clients.

On the alternatives side, Wilshire offers access not only to the fast-growing variety of mutual fund-style products, but also to the firm's own slate of alternative manager separate accounts.

Echelon's Seivert says few turnkey outsourcers have successfully added alternative investment product platforms to the mix, partly because advisors put only a small amount of client assets toward these strategies. Some firms that invested in alternatives platforms have found little asset-gathering traction, he adds.

Nevertheless, advisors regularly clamor for access to alternative investments, and some turnkey firms are still making moves to expand their offerings. Just a few weeks ago, Genworth purchased Altegris Investments, a specialty turnkey platform focused on alternatives, as reported.

Davanzo says the Citigroup trading platform will allow clients to create any managed account programs they wish, customized to the sponsor firm's requirements.

That means advisory firms can set up a single platform where all client accounts are managed in a unified account format, or instead create stand-alone managed account "silos" such as SMA or mutual fund wrap programs, says Andy Clipper, director in the investor services unit of Citi Markets & Banking, the unit that runs OpenWealth.

"The platform also integrates suitability and strategy management," he adds. "The sponsor can set it up so the investor clients can be automatically offered the product suite that is most appropriate for them based on their risk tolerance, size and needs across the available product."

The OpenWealth platform also offers tools such as automated household-level rebalancing and performance reporting, tax flow optimization and pre-trade compliance reviews.

In its core business, Wilshire advises on more than \$800 billion in institutional client assets.

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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.

Daniel Seivert
Managing Director
dseivert@echelon-group.com

Tyler Resh
Principal
tresh@echelon-group.com