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## NEWS RELEASE

### TWO MANAGED ACCT PROVIDERS TEAM UP ON BANKS

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Two turnkey asset management program providers are teaming up in a bid for both firms to expand the reach of managed account platforms into the bank and trust worlds. The upshot for separately managed account (SMA) money managers already on the platforms is a chance to access more banks, while for new managers that join the programs, the deal presents a broader range of bank clientele.

Minneapolis-based GlobalBridge— which runs a turnkey program for about 70 regional and community bank clients — hired a larger rival, New York-based FolioDynamix, a portfolio accounting technology provider that bought into the turnkey asset management world last summer by acquiring the SunGard Advisor Technologies program.

The move highlights how FolioDynamix hopes to expand its turnkey platform, which targets larger bank and brokerage wealth advisory businesses, into distribution channels that have smaller players, such as community banks and independent registered investment advisors (RIAs), says Joe Mrak, president and CEO of the firm.

“It’s hard for smaller firms in smaller markets to justify the expense for the type of sophisticated technology you need to compete [as an outsourcer],” Mrak says. “For the firms hunting and gathering clients in that small to mid-sized space, it makes a lot of sense to team up with someone like us. And for us, I’d rather strike a deal with a player that markets to those channels, because I only have to do the installation once to reach a lot of smaller advisors and bank [portfolio managers].”

Mrak says FolioDynamix might also pursue the insurance market in the same fashion. He declines to provide details of pending deals. “We’ve got some creative stuff cooking,” he adds.

For GlobalBridge, the deal signals the end of its identity as an in-house technology provider and manager researcher, but not of its focus on providing investment products and services to its bank clients, says Kelly Coughlin, CEO of the firm. “I would like to get rid of all of my legacy technology, though I’m not sure we’ll be able to do that,” he says. “We might be able to get rid of 90% of the cost of maintaining legacy technology.”

GlobalBridge will become a “reseller” of sorts of the core FolioDynamix turnkey platform, Coughlin says. The GlobalBridge legacy will survive in large part through its client relationships and client service arm, as well as through some aspects of its business that will become part of FolioDynamix. The main elements to move are GlobalBridge’s investment platform, which currently has about 50 SMA strategies — about 30 of which will be new to FolioDynamix — as well as two manager research analysts who will move from the smaller firm to join the FolioDynamix team of 11 research analysts.

Coughlin says he had been searching for ways to update the managed account platform technology that GlobalBridge has used for eight years, and finally found the right mix in FolioDynamix’s offering. He says the FolioDynamix platform simply made it unnecessary to keep his old model intact.

"I think every company has to look at their value proposition and continually reassess and determine whether the market has changed," Coughlin says. "Does each function continue to be core and critical? I don't think the collection of manager data, performance reporting, or collection of qualitative and quantitative information about managers is the core value proposition for us. The key is doing it effectively and efficiently. I want to be in the business of helping our client base use high-quality third-party platforms to compete effectively in the market against the wirehouse brokers."

Coughlin says he would never have outsourced these functions five years ago. He says now, however, it is "abundantly clear" this is the right move for GlobalBridge. "I'm very excited about how we will be positioned to compete in the market," he adds.

Outsourcing providers hiring others for parts of their own business is not rare in the financial services world, says **Dan Seivert**, CEO and managing partner of **ECHELON Partners**, a consultant and investment bank in Manhattan Beach, Calif. "It sounds weird to hear that the outsourcers outsource, but many of the [turnkey providers] out there are outsourcing some element of their platform," he says. "There is a lot of custody and clearing, financial planning, billing, compliance, performance reporting, and portfolio accounting technology they can send out. To a large extent they are an amalgamation of products and technologies and services, and sometimes they have the benefit of white-labeling or rebranding those. Very few exist purely on their own."

Seivert says some turnkey outsourcers even farm out the basic manager due diligence function that goes into creating a platform of investment products, similar to the GlobalBridge deal.

FolioDynamix is well suited to be a services supplier because it has its own portfolio accounting systems, Seivert adds. "They're aggressively trying to build bridges and pull together pieces to be more accommodating than most vendor partners," he adds.

GlobalBridge's Coughlin says the deal is offering new technology to the firm's clients, particularly desktop proposal tools it had not offered before. It also is relying on FolioDynamix's overlay management technology to upgrade the tax managing capabilities that bank advisors can deliver to their wealthy clients.

The transition should be simple for GlobalBridge's bank clients, in part because both platforms have interfaces with nearly all of the major custodians and bank trust accounting systems on the market. The manager research changeover should be finished around March, and the overlay management implementation would finish in the spring. Coughlin says his clients will have similar pricing options, and he will pay FolioDynamix fees based on the assets serviced.

The GlobalBridge clients will gain access to a wider array of managers. The firm's current lineup mostly consists of model portfolio-based strategies from institutional-sector money managers, who essentially provide their investment strategies and let GlobalBridge handle the account transactions and trading. The FolioDynamix platforms are broader and include both model-based and traditional SMA platforms where the managers oversee trading.

With the deal, Mrak says FolioDynamix should have about 80 to 85 model-based SMAs – pushing 100 by year's end – and 96 SMAs on its traditional platform. FolioDynamix had \$12.2 billion in SMA assets at the end of the third quarter in Cerulli Associates data, while GlobalBridge had more than \$750 million in assets.

## 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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