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NEWS RELEASE

NEW SMA ENTRANT OUTSOURCES TO MARKET STREET

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Market Street Advisors will provide middle- and back-office operations for a large-cap growth specialist with a rapidly expanding presence in the separately managed account space. Boca Raton, Fla.-based Polen Capital Management recently signed on with a major wirehouse and expects to rely on Market Street's scale as account volumes grow.

The pick-up for Market Street comes mid-way through what has been an unexpectedly slow year for SMA outsourcing – at least on the surface. The majority of providers told *FundFire* in April that more deals would be on the way, and Market Street says it has forged 12 outsourcing relationships, including institutional managers, in the last 15 months.

Polen, with \$400 million in assets, may have had trouble meeting the minimum asset or account requirements of large SMA outsourcing providers like SEI, Citi Global Transaction Services and JPMorganChase. The firm has had limited SMA distribution, catering mostly to private clients and institutional investors over the last 20 years. Polen is not immediately planning to convert any of its existing accounts from its internal operations platform – often a major source of revenue for outsourcing providers.

Most providers had “more constraints on dealing with a smaller organization,” says COO Stan Moss.

But Polen's growth potential makes the firm an attractive partner for Market Street. Polen has distribution relationships with Smith Barney, Advanced Equities and Investnet Asset Management, according to an ADV available on Smith Barney's Web site. The firm has also seen positive year-to-date performance at a time when the Russell 1000 Growth is down by more than 10%.

With the numbers they have, these guys are going to be distributed,” says Market Street CEO Bevin Crodian. “Obviously they're more interested in acquiring and managing assets, as opposed to managing the operational component.”

Whether a start-up firm chooses to outsource often depends on its financial backing, says **Tyler Resh**, a principal with investment banking and consulting firm **Echelon Partners**. But a large portion of deals do involve start-ups. “There are also a lot of deals done with existing firms that have assets and accounts in the institutional area but that are migrating to retail,” says Resh.

Polen will continue to handle operations internally on its existing accounts, but the firm plans to evaluate the conversion of more accounts to Market Street “over the long term,” says Moss.

The infrastructure is ready if Polen expands the relationship, says Crodian. “Clients can support their private wealth, their institutional book and their wrap book all on one platform,” he says. “That is something we’re currently doing now for other clients, and that is something that our clients are often interested in.”

It’s not unusual to see managers take distinct approaches to their institutional and SMA business lines in the back-office. Several large investment shops have even split their operations between two different outsourcing providers. Most recently, Lazard outsourced its institutional accounts to State Street but left its SMA business with Citi, as reported in *FundFire*. TCW Group has outsourced its institutional investment operations to BNY Mellon for several years and outsources its SMA operations to SEI.

Moss says he considered building a larger internal team to handle the high account volumes of the SMA space. “I have experience with doing it that way,” he says. “But the recruiting base for operationally skilled people in the separately managed account business in South Florida is less than that of the New York metro area, to say the least.”

Moss says he considered all of the major providers in the business. But he was drawn to Market Street’s size and entrepreneurial culture. “Market Street is an independent boutique firm whose roots are similar to Polen Capital’s – entrepreneurial by founding and by nature,” says Moss. “Much of their personnel came from larger organizations and brought expertise with them to create what they feel is the best solution in the marketplace.”

Market Street is a relatively small player in terms of outsourcing, with roughly \$5 billion in assets under administration across both institutional and SMA managers. In contrast, SEI has 13 deals with SMA managers with \$21 billion in assets and 80,000 accounts.

Crodian says his firm is able to work with small asset managers because of its exclusive focus on outsourcing.

“We are in this business alone,” Crodian says. “This is our sole business. There is a tremendous interest in shops of all sizes in outsourcing to us, and what they like is current technology delivered over the Web and serviced by people who come from this space.”

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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