



## SMA Due Diligence Pros Retool to Win RIA Biz

By Tom Stabile

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An established due diligence firm that guides the selection of separately managed accounts and other products for big banks and brokerages is making a push to add large independent advisor and multi-family office shops as clients. Denver-based **Prima Capital**, aiming for a market dominated to date by turnkey asset management program providers and custodian platforms, has signed on nine new clients over the past year, including **Weaver Wealth Management**, a Dallas-based advisor with \$400 million in client assets.

In addition to bringing Weaver aboard earlier this year, Prima recently signed on **Persimmon Capital Management** of Blue Bell, Pa., another independent registered investment advisor (RIA) with \$255 million in client assets, and **Access Capital Management**, an RIA in Vienna, Va., that is an affiliate of a bank. It also has several new clients it declines to name for the new “Prima Guide Plus” platform, including a family office, a team of advisors breaking away from a brokerage, and a “roll-up” network of RIAs, says **David Eral**, the firm’s director of business development.

“The trend we’re trying to capitalize on is advisors with larger amounts of assets under advisement looking for [deeper] manager research, asset allocation and proposal generation [tools],” he adds.

In the new effort, the firm is going up against broad-based turnkey platform providers such as **Investnet**, **Genworth Financial** and **FolioDynamix**, as well as RIA custodians such as **Charles Schwab**, **Fidelity Investments**, **TD Ameritrade** and **BNY Mellon’s Pershing** unit. However, Prima isn’t offering a key set of services that all of those providers try to offer – systems that handle back office account management operations that connect advisors’ end clients to the SMA managers.

Prima’s foray into the individual advisory firm market spins off of its longtime presence as a consultant backing up the manager research teams at banks and brokerages, often in the background, though it also sometimes plays the role of an outsourced due diligence office. Its client roster for such consulting services includes organizations such as **Bank of Hawaii**, **JPMorgan Chase Investment Services**, **Key Bank**, **PNC Bank** and **U.S. Bank**.

In most cases, Prima’s work for those clients is a customized consulting relationship in which it coordinates with them to select the managers it will vet and monitor. It tracks more than 750 SMA strategies at some level for these clients, and has a deeper level of “full coverage” for 120 of them.

“Now, we’re taking that intellectual property and packaging it so that an RIA can navigate across the firms that we cover,” Eral says. That means the RIAs will have access to detailed research on those 120 strategies, as well as a select list of 35 recommended SMAs across various asset classes and styles, with quarterly updates from Prima analysts reviewing each product. “We call it our ‘high-conviction’ list,” he adds.

The new offering also vets and recommends mutual funds and hedge funds of funds, depending on the level of service the advisor enlists. And Prima offers additional desktop technology modules that allow advisors to create asset allocation models and generate proposals for clients.

Eral says a core feature of its product reviews is a detailed qualitative analysis of how managers are using staff and systems within their investment processes to exploit market inefficiencies in order to consistently generate returns.

That lineup of services stops short, however of the technology features that underpin the turnkey platforms many RIAs use to access SMAs. And it probably means Prima's model, in its current form, will have limited traction among RIAs, says **Tim Welsh**, president of **Nexus Strategy**, a strategic consultant. "The easier you make it for advisors to work with you, the higher likelihood you will win them as clients," he says. "If you stop at the 10-yard line, even if you're the best at everything else, the advisor will still have to execute the trades and report on the client accounts. If you leave them with a pile of paperwork to deal with, they'll be forced to build a connection themselves."

Welsh says the biggest issue for most advisors is the cost and labor of setting up the back office connections that allow client portfolios to follow SMA manager strategies, including the transactions that populate and update their accounts. "Many advisors will choose the path of least resistance," he says. "Platforms always win."

Still, Welsh says Prima may not be going for the mass market RIA, but instead the higher-end shop that can afford to set up its own back office arrangements.

Prima's Eral says that, to some extent, the firm is indeed seeking larger advisory outfits that prefer its subscription fee pricing based on the number of advisors using its service, as opposed to assets under management. "As their practice grows, their corresponding fees do not continue to increase based on asset flows," he says. "These RIAs are seeking best-of-breed components whereby they will utilize the other components necessary, such as back office, to complete their offering."

However, Eral says Prima is also looking at partnerships that will help it offer a "full turnkey" solution by connecting with a technology firm that has the back office account management systems advisors would need. He says that may come online "in the next few months."

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