

Præmium Advertisement Feature

We are putting the power

John Martin, managing director of Præmium, talks about how his firm puts the adviser in the driving seat when it comes to developing the scope of the mandate in what he calls a next generation of platforms

CV

John Martin

John began a career in financial services 24 years ago. He progressed from sales to management and has held senior positions in national IFAs. He has established two IFA businesses including a city based IFA, where he remains a director. It was an interest in product design and the role technology would play in providing greater control for advisers which led John to Præmium in 2005. Already a successful technology business, Præmium floated on the Australian Stock Exchange in 2006 to launch the new UK business and shortly after John joined the team, taking over as Managing Director and then overseeing the first product launch in November 2008.



While the number of platforms in the UK has grown exponentially over recent years, many have questioned the value of the growing number of “me too” propositions, offering similar services to those that already exist. Not so for Præmium, which offers a model that differs markedly from other platforms, providing its clients with the opportunity to access an online discretionary management service.

And while Præmium UK is relatively new to the market, having opened a London office in 2006, its parent company has been an influential player in the Australian platform market since 2001 and now administers more than \$40bn. For managing director John Martin, this history has allowed the team to create a service that encapsulates all the original benefits of using a platform, with the added bonus of offering something that is distinctively different.

He says: “When the first platforms were developed in Australia, people were looking for greater efficiency, a way of dealing with admin, the ability to demonstrate control on assets under management, as well as wanting the power to drive harder bargains with the asset management companies.

“They chose Master Trusts, similar to fund supermarkets to begin with and then moved on to wraps, before more sophisticated offerings began to come out.

“We are the next generation of platforms. We are focused on putting the power in the hands of the IFA, giving them control on the pricing, branding and service proposition. It puts them in a strong position in the value chain.”

The process begins with the adviser firm choosing an investment strategy, rather than the usual route of opting for an individual selection of investment funds. Præmium then helps the adviser engage the services of an asset manager who will work alongside them to refine their strategy before creating a model that fully reflects that strategy.

“Traditionally advisers have looked at attitudes to risk and then picked funds

for the client accordingly. However, the ongoing management of that, particularly when you consider looking from client to client, means it isn’t really scalable,” Mr Martin explains. “With the RDR prompting advisers to make sure they are managing that process efficiently, advisers are looking for ways to outsource the ongoing rebalancing of portfolios. If advisers use our platform, they are not individually running the portfolios but rather are engaging one or more asset managers to design and run strategies.”

The discretionary managers in question include big names such as Russell Investments, Vestra and Quilter, as well as smaller boutiques such as SCM Private. Moreover, the strategies are completely unfettered, providing access to the usual range of equity and bond funds, but also targeting individual equities, world markets, ETFs and investment trusts.

“The IFA really is in the driving seat when it comes to developing the scope of the mandate,” Mr Martin says.

Once the models have been designed, the IFA can then choose which strategy or blend of strategies they want to invest the end clients in, perhaps using a risk profiling tool to identify an individual’s needs. After that, the models can be rebalanced every day, or as required, with the system automatically identifying the trades that need to be made to bring the assets in line with the discretionary manager’s model allocation.

Importantly, the cost of making the trades is spread across all clients in all strategies, allowing greater efficiency and making the process more economical. In addition, the efficiency of netting trades allows the manager to update the model whenever they feel it is necessary.

“If you imagine, for example, an IFA has a client who is retiring,” Mr Martin says. “After discussing their needs that adviser may identify that the client wants to move from a UK growth to a UK fixed income model. If you look at the underlying assets in the portfolio,

in the hands of the IFA

since there is beneficial ownership of those assets the system need only identify which assets need to be changed rather than a wholesale switch.

“The manager can do the job as if he or she were running a collective. It is a much cleaner solution.”

The key difference between the Præmium proposition and those of its rivals is the idea of “in-sourcing” expertise, rather than outsourcing the client relationship and the money. The skill of the asset managers is being applied to the clients’ money that is retained in custody via the platform, putting the power back in the hands of the advisers. They can have a number of different managers looking after different portions of clients’ portfolios and can make changes when they see fit.

“If a manager isn’t performing, the adviser doesn’t have to pull out. The money stays in a custody account and the adviser can then in-source other expertise,” Mr Martin explains. “It saves the work involved with moving money to a different platform or taking the assets out of action.”

“The asset manager can’t hide. The advisers can see performance between any dates they like and against any benchmark. It is a very transparent view.”

As for the issue of rebates – a hot topic with the FSA at the moment – the Præmium system means that nothing is hidden. Any rebates are put straight back into the clients’ cash portion of their portfolio.

As for the broader demands being made in the run up to the RDR in 2013, the flexibility and efficiency of the system means advisers can keep a step ahead.

“The benefit with this way of doing things is it doesn’t tie anybody to anything,” Mr Martin states. “IFAs can use whoever they like as a tax wrapper provider or asset manager and include whatever investment strategies suit their client base.” Additional facilities, such as reporting being available direct to clients, also make it more transparent. From an RDR point of view, the

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rebalancing that is going on in the portfolio is being done by the asset manager. Changes will happen for all clients in that strategy, lending itself well to the concept of treating customers fairly.”

The “virtual wrap” around the models also means it is easy for advisers and their clients keep on top of their tax liabilities. The tax reporting on income tax and capital gains tax can be applied to the money that is put on the platform, as well as, say, individual shares the client may have that are separate from the bulk of their capital.

“Everything can be brought into the tax reporting, consolidating with other assets and providing a holistic view,” Mr Martin says.

Præmium is also keen to help existing discretionary managers run their own models more effectively using its platform. They will be provided with the option of customising each individual client’s portfolio, as well as being able to run a series of mandates for a particular firm or, alternatively, make them available to all advisers. It allows them wider distribution than they would normally have access to.

What is more, Præmium can also act as a half-way house for adviser firms that are looking to move into discretionary management. The firm can use its systems while waiting to secure regulatory approval to run their clients’ portfolios.

As for the future for Præmium, according to Mr Martin the team is looking forward to building on the core proposition that they have now established. With their expertise in building platforms they are looking to create solutions for individual purposes, as well as for firms. Most importantly, though, they want to put advisers in control by providing them with a platform that is different from the norm.

Contact

enquiries@praemium.com
0207 562 2450
www.praemium.co.uk