

# Præmium: giving advisers more control of the distribution chain

After receiving its FSA permissions in April, Præmium is hoping its distinctive platform offering will make it stand out in an already crowded wrap market.



**John Martin**

Managing Director  
Præmium

Præmium Managing Director John Martin says the firm is hoping to ride the current wave of IFAs taking greater control of assets under advice to launch a UK version of a service that has already proved successful in Australia.

Martin says the Præmium concept is unique as it enables advisers to take control of the assets under advice by launching their own branded fund whilst also benefiting from an online investment administration platform; a fund and a platform all within the one service.

In addition, the unique underlying technology (which is also used to run the internationally

successful Separately Managed Accounts) creates efficiencies which cut adviser and client costs.

## Launch your own Vs off-the-shelf

The firm has two different main offerings to market to UK advisers – the ability for advisers to create their own branded fund; or to use the off-the-shelf SO SMARTfund.

If a firm opts to create their own service they get to brand, price and own the platform. Martin says: "The stickiness that would normally be given to product providers goes to the adviser, giving them more power and adding value to their business."

They can also outsource investment management to professional managers of their choosing, invest directly into equities or use a funds of funds approach and develop risk-based model portfolios by blending investment strategies from a number of funds.

For smaller advisers Præmium offers its off-the-shelf SO SMARTfund, which is likely to initially contain a range of risk-based investment portfolios.

The SMARTfund is well established in Australia providing the technology to help BlackRock run over 70 investment models.

Using the same model ethos Præmium will link to a recognised risk profiling tool which will feed into an asset allocation model and a fund selection service.

This potentially creates five or six models in the middle to suit an investor's appetite to risk, with the investor then deciding on an active or passive fund selection. Asset allocations and fund choices will be selected by a recognised professional investment and research house,



with each risk-based model investing in units of funds in a fund of funds style.

If a fund manager leaves it will automatically rebalance the portfolio to retain the desired risk profile. There are no tax events in the unit trust and the IFA does not need discretionary management experience.

## Pricing

Martin believes Præmium will be able to offer the adviser and client better value than the competition through efficiency savings.

In terms of pricing, Præmium provides the base portion of the wrap comprising of the unit trust service, the technology platform and a mechanism to add the intellectual property of fund managers for a fixed basis point fee. The adviser firm then adds on the costs of the investment management and their own costs to create the AMC of each model.

Martin says: "The more popular the service becomes the better the deal with the investment manager will become so there is scope to increase margins over time."

**In Australia, Præmium's V-Wrap administers in excess of AUD28bn for over 34,000 accounts for 430 financial services organisations.**

"What investors are getting is not just a unit trust where they see one line of unit holdings but rather, when they are looking in it, they see the individual components inside. It is a much richer investment view."

The technology provided by Præmium includes an online administration platform to assess the performance of individual assets, give a single view of a client's position and a reporting system to efficiently manage assets under the new CGT regime.

Martin says savings are made because a traditional unit structure is not being created. Trades with underlying managers can be completed more efficiently and the platform and fund is squeezed into the one vehicle so they get the view of a wrap without the extra layers of custody.

He says the estimated savings of this approach can be around 30 to 40 basis points.

## A fund and platform in one

Martin says another selling point of the fund over competitors is the access to the Præmium platform so the client gets to see all the underlying assets and performance reporting on individual components.

"The ability to look inside each of the investment models allows a richer performance discussion with clients.

The adviser can now tell the client that the income driver in their portfolio is, for example, this Artemis fund. It is a much richer experience than just buying a fund of funds," says Martin.

Martin says Præmium's virtual wrap (V-Wrap) also allows all the clients assets to be brought together alongside the SMARTfund. This includes comprehensive CGT analysis tools to help analyse the CGT impact of moving assets into SMARTfund.

## Creating more efficient models

Rather than using the fund of fund approach, an even more efficient model is created when investment managers feed their intellectual property directly into the system, allowing the fund to purchase the underlying equities rather than units in existing funds.

This creates even more savings because the service is able to internally net trades between managers so, for example, if one manager is selling British Gas shares and another is buying them the system would net trade the shares and not incur dealing costs.

Martin says: "The performance drag caused by trading charges begins to approach zero. Under the bonnet it is more efficient because there are not the same costs. Plus they are squeezing platform and fund into one vehicle so they get the view of a wrap but they are not adding on layers of custody."

Martin admits that Præmium's vision for models using the intellectual property of investment funds requires the investment houses to "play ball".

But he says initially it can just take up units in the fund if they cannot access a feed to the intellectual property.

He says: "Some of the big investment houses say they will provide models but some are worried about giving away margins.

"Some will say why should we bother if the fund is very popular. But if I was a fund manager launching a new fund what easier way to do it? I just need to publish a model.

"Besides, ultimately it is advisers that control the flow of assets so they will drive demand for investment houses to participate."

Advisers can also commission their own funds and Martin believes new funds will be designed with the SMA market in mind.

"You could choose to design a service where the UK equity portion might be managed by a wealth manager in the UK, an ETF could be used for America, active management in emerging markets is achieved through an existing fund and then add property investment trust," adds Martin.

Martin says there is a chicken and egg situation taking place at the moment in terms of investment houses and distributors waiting for the other to make a move.

But he believes in a world where the power of the distributor is becoming greater than ever before. Præmium is well placed to harness that power and give advisers greater control of the chain.

## About Præmium

For more information please contact Henry Kingsbury on +44 (0) 207 562 2461 or visit us at [www.praemium.co.uk](http://www.praemium.co.uk)