

Adaptability – meeting different needs

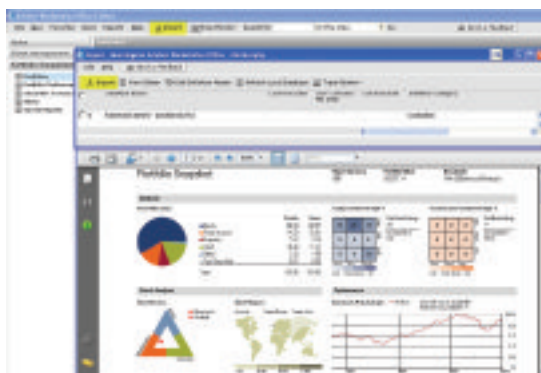
This week's look, by AT8's Mark Loosmore, at the technology used in the adviser market place, focuses on two firms associated with Raymond James; Yellowtail Financial Planning and Stockdale Asset Management.

KEY INSIGHTS

- Like clients, advisers have different needs, but they can be met by the same product
- Supplier values are important and if applied properly benefit both parties
- Adding functionality where it makes sense does not always mean substantial extra cost for the users
- Technology can simplify complexity, but be careful that technology doesn't create complexity

Raymond James Investment Services (RJIS) has 52 affiliated offices in the UK, which includes a number of experienced private client stockbrokers, investment managers and wealth managers. RJIS gives advisers the freedom to own and operate their own businesses whilst maintaining the support of a recognised leader in private client investment management. They provide advisers with a comprehensive selection of products and tools, in addition they can also provide compliance and supervision services where appropriate. They do not centrally manufacture or distribute proprietary products in the UK, but offer advisers access to a broad range of assets and tax wrappers. They have several business models that support IFAs in different ways, from offering full compliance support to providing an investment platform.

While both firms that we interviewed have many similarities, they play different roles in the Raymond James business stable. Yellowtail is a directly authorised firm using the Raymond James platform for services, but operating as an independently regulated entity. Stockdale Asset Management is part of the Raymond James 'Independent Contracting Service' which as well as using the investment platform, also take all the regulatory, operational and commercial support as well. The service provided by the firms differs also in that Yellowtail are focused on the holistic financial planning services, dedicated to being the best at identifying the range of financial needs and strategies for clients and recommending the best solutions, maintaining passive fund portfolios. Stockdale Asset Management has a more specialist investment focus acting as advisory or discretionary fund manager for clients of the financial planning company Stockdale & Co. Stockdale Asset Management actively manage the client portfolio to maximise the investment returns of the client. Both firms use some of the same core technology – Raymond James for Wrap services and Morn-



ingstar Adviser Workstation for fund and portfolio analysis – and our interview with them was fascinating in showing the different uses and emphasis of the tools put before them.

We have followed Yellowtail for some time now. The Founder, Dennis Hall is one of the best users of web 2.0 technology in the market. They have a good web presence, are active on a number of Forums and actively use twitter. They do so with a clear sense of purpose and with a clear brand identity that seems to work well.

Focus on understanding

Yellowtail has focused on the high net worth market and has established a sweet spot with clients who have around £0.5m of funds to be managed or influenced. Their focus is getting clients to understand their financial needs and aspirations, and then guiding them towards the solutions that can address those needs.

Their client engagement process involves an initial discovery meeting, where a factfind is performed and the client's current position and goals are identified. Following this, the numbers are analysed and a reality check is given to the clients. The analysis is done using PlanLab®, which is seen as a cost effective route to drawing a picture of the client's finances. Dennis doesn't use the raw plans from the software though, instead, he combines this with additional information and presentation material to help illustrate the client's financial position as clearly as possible. From this presentation of the current financial position,

Yellowtail agree the state of the client's finances then carry out an attitude-to-risk (ATR) assessment using Finametrica and finally create a suitable plan.

The investment side of this plan is then managed on the Raymond James Platform where they build passive portfolios. Raymond James was chosen for a number of reasons, but at the top of the list is price and transparency. Much is written in the industry about the need for unbundled pricing from platforms and Raymond James claim to have led the way in this field.

Another key criterion for using Raymond James has been the values that the company hold and their attitude to business. Dennis was at pains to point out that they partner with IFAs and listen to their needs rather than just sell to them. One clear example of this was the need Dennis felt to provide direct links with another strategic tool Yellowtail use – Morningstar's Adviser Workstation. Raymond James considered the request and broader need for this integration, and then responded by providing the integration (the development being financed through a small maintenance charge).

Adviser Workstation is a key part of the Yellowtail infrastructure. They enter existing portfolios on to the system and use it to build a graphical view of the portfolio structure. Having also entered their own model portfolios on the Adviser Workstation, it becomes easy to compare and contrast the two positions.

Morningstar is then used to provide investment reports

which have a professionalism to them that helps Yellowtail provide the image and sophistication of a much larger organisation while maintaining the personal service and nimbleness of a smaller firm.

Keith & Sharon Stockdale run a high net worth advice brand based in the Southwest of England. Set up in 1995, Stockdale & Co. grew steadily and organically, and then in 2002 they launched an asset management capability run by Keith and Alan Duff who took part in our interview. Alan uses his investment process to create a number of model portfolios designed to reflect clients' risk tolerances which are determined using the Raymond James' Investment Strategy Assessment Tool.

Alan's background is in Economics having obtained his Degree from UCL. This has had a strong influence on his investment process which follows three key stages. First, he uses their global macroeconomic view to identify asset classes within geographic regions and currencies that are capable of delivering the highest investment returns. Next, he ranks sectors against six factors. The factors are designed to identify sectors which will outperform the market over the long term. Finally, he uses a combination of Standard & Poor's Fund Management Ratings, Morningstar's Adviser Workstation and his own qualitative analysis to identify the fund managers to invest with.

Communication tool

Like Yellowtail, the Adviser Workstation is at the heart of Stockdale's infrastructure and they use it in several ways. They use the 'Snapshot Report' as a major communication tool with clients – they show the asset allocation of the portfolios, track historic performance and provide a regional breakdown. The results stimulate discussion and help to explain risk and return so that they are able to manage clients' expectations and reactions to stock market events.

Stockdale are also big users of the fund factsheets in Morningstar. Previously they had staff logging on to each fund man-

ager's website once a month to download the latest factsheets – a frustrating and time consuming exercise. Now, all fund factsheets are easily accessed within Morningstar's Adviser Workstation.

Alan loads each model portfolio onto Morningstar, which enables him to track their performance and build graphical representations to act as an advice aid at client meetings.

Stockdale Asset Management is a member of the Raymond James Independent Contracting Service and they also use the Raymond James Wrap Platform that now has the links in place with Morningstar and they say these are paying substantial dividends. A good example of this is that Alan is a big user of the alerts function in Morningstar. Stockdale Asset Management has over 800 accounts with more than 5,000 lines of stocks, so it could be a tough job to keep on top of all the stock movements. However, using Morningstar, Alan logs alerts against all stock held so he can track a number of important events, such as a change in the Morningstar Stewardship Grade or the departure of a fund manager. With the link to the Wrap Platform in place, Morningstar is automatically updated with the exact portfolios held each week, ensuring all the stock is monitored regularly and carefully. The combination of Morningstar and Raymond James services ensures they stay on top of the market and keep clients informed of all relevant market movements.

Same technology usage

It was fascinating to discuss and profile how two businesses use the same technology. Both had different emphasis on the use of technology, but in both cases their use came down to where they were adding real value to their processes and service, be it the advice process or the discretionary management process. Both businesses felt that Morningstar and Raymond James have looked after them well – listening to their needs and being responsive – in so doing, they have developed strong advocates, which is a great asset.