

Citywire, 28 February 2011

Why we use: Principal Investment Management

When Carl Lamb decided his firm, Almary Green, needed a DFM service, he secured a unique triplicate agreement which involved the platform provider

Number of adviser clients using the service: 265

Average portfolio size of adviser clients: £58,413

Minimum investment limit for clients using the service: No limit

By David Sandham

Carl Lamb, managing director of Almary Green, the Norwich-based IFA with about £250 million funds under management, decided to outsource because 'we are not fund managers; we are good at managing client relationships.'

For Green, outsourcing was a way to 'assert communality across the business' and its 13 advisers.

He begun outsourcing in mid-2007, when he said the firm was already using a 'full-fat' discretionary fund manager (DFM) service with Principal Investment Management, Quilter and Vestra Wealth. The average client portfolio service with the 'full-fat' option was £400,000 to £500,000 but the aim was to offer a service for smaller amounts using model portfolios.

Technology tie-up

From the outset, Lamb wanted the DFM selection to go hand-in-hand with picking a technology platform. He said some advisers tended to select a DFM having already picked their platform, but Lamb felt it was important that the two should work well together.

When the model portfolios were rebalanced, to adjust to the original asset allocation, which at Almary Green's DFM service happens every four months, the rebalancing needs to happen 'at the touch of a button' he said.

Almary Green interviewed six DFMs. 'Performance and price were crucial', said Lamb. 'In the end it got down to Principal and Quilter. Principal was cheaper,' he said. 'When we picked Principal, Quilter offered to reduce its price further but we had already chosen Principal.' Principal's total expense ratios are 1.6% to 1.82% annually.

Since March 2008 Principal has been part of Sanlam, which also offers a DFM service on slightly different terms.

Three-way deal

Almary Green selected Skandia for the platform technology but at that point Principal had not worked with the Skandia platform before. The companies structured a unique three-way agreement, which 'clearly defines who is responsible for what,' said Lamb.

Almary Green's new DFM service for smaller portfolios launched in March 2010 and already has £21 million under management, Lamb predicted this would rise to £25 million by the end of the year.

Lamb is also in talks with Vestra about a similar DFM service, with a portfolio size of £50,000 and six model portfolios. This would not replace the Principal service, but would be 'to add flexibility and diversification'.

The advisers view

FOR

Positive thinking

Principal was keen to get the proposition running. There were no barriers. There was a meeting of minds.

Flexible approach

Its management style is similar to ours. It is flexible and can adapt to a changing world, not rigid like some companies.

Previous working relationship

We had already used principal in our 'full-fat' DFM service.

AGAINST

Non-exclusive

It would be nice to have exclusivity. By reducing the average portfolio size from £500,000 to £40,000 Principal has opened up a large market for itself.

Some clients may need a different solution

Model Portfolios are not right for everybody.

Portfolios rebalanced only once a quarter

Clients' portfolios are rebalanced only on a quarterly basis, though they have permissions to go to cash in certain market circumstances.