

## Janney Gears Up In-House SMAs for Third-Party Distribution

By Danielle Verbrigghe March 1, 2018

**Janney Capital Management**, the asset management unit within regional brokerage **Janney Montgomery Scott**, is making plans to externally distribute some of its separately managed account (SMA) strategies for the first time.

Janney has geared up some of its SMA and model-delivery strategies on the **Vestmark** Manager Marketplace platform, aiming to connect with third-party registered investment advisors (RIAs) and broker-dealers using the platform. This is a first step for Janney as it aims to build distribution of its SMA strategies beyond the walls of its parent brokerage.

Historically Janney Capital Management's SMA strategies have only been available as proprietary offerings through Janney Montgomery Scott advisors. But over the past 12 months Janney has begun pursuing third-party distribution channels for the SMA strategies, says **Mark Luschini**, president of Janney Capital Management at Janney Montgomery Scott.

Janney Capital Management has about \$3.5 billion in assets under management currently, and is hoping to grow that through third-party distribution, Luschini says.

Janney is initially focusing on strategies it believes will most appeal to a broader financial advisor audience, including the firm's All Cap Core and Equity Income strategies.

Janney Montgomery Scott uses Vestmark as its back-office accounting system, so it was simple for the Capital Management division to put its strategies on Vestmark's Manager Marketplace platform, Luschini says.

Vestmark has been continuing to make updates to its Manager Marketplace hub, which the firm launched in 2016. The platform, which aims to connect advisory program sponsors with SMA and model managers through single-contract agreements, has now signed six sponsor firms, including Capital One and Wilshire Associates. Eighty-five managers and strategists are now distributing SMAs or models on the platform.

Aiming to attract more sponsors to the platform, Vestmark recently added a research portal, allowing sponsors to more easily comb through due diligence information provided by participating managers.

“The way we were interacting with our managers and sponsors was more manual than we would like it to be,” says **David Littleton**, managing director of Vestmark Advisory Solutions. So, to address that, “we took it upon ourselves to create this.”

If the platform can attract more sponsors, it could also provide more opportunity to managers on its roster.

Janney hasn't hired any additional distribution personnel to support its push into third-party distribution.

“We want to be deliberate in matching our growth with that kind of investment,” Luschini says. “We don't want to build a cost structure in advance of opportunities that may ultimately not be realized.”

But gaining assets through external distribution can be a tough endeavor without dedicating resources to educating advisors, consultants say.

“Getting onto the platform is only the first hurdle,” says **Amanda Tepper**, CEO of **Chestnut Advisory Group**, a sales and marketing consultant to asset managers. “There's a major ongoing investment needed to pierce or penetrate the noise that's out there and educate each network [once] they get onto the platform.”

Some firms new to external distribution make the mistake of thinking stellar performance will be enough to win assets, Tepper says.

“But performance alone is like the sound of one hand clapping. If they're not supporting it with education and ongoing efforts to reach out to the financial advisors, not a lot will happen,” Tepper says.

“The assets don't flow automatically, because everybody now has lots of choices,” Tepper says.

Janney's Luschini acknowledges that there will be challenges to growing third-party distribution.

“It's a crowded space,” he says. “It's a very competitive marketplace and we know there are many managers that are pursuing many opportunities.”

But he believes there will be opportunities as more advisors seek to outsource to third-party managers.

More advisors today are looking to free up time by outsourcing to third party managers, Luschini says. “That leads us to believe that we have the product suite that will be a welcome fit in this third-party world.”

“We have an extensive, and I think distinguished track record, that should lead us to opportunities to feed the growth of Janney Capital Management,” Luschini says.