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## WEALTH MANAGEMENT

### **BlackRock gets rolling with Citi**

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BlackRock Australia scored a coup when they signed up Citigroup to their separately managed accounts (SMA) product, a deal that will make their SMA available to a market of over 100 dealer groups or around 120,000 client accounts at a stroke.

It's like the managed accounts sector has reached a tipping point with BlackRock and other SMA providers signing up white-label contracts with financial planning groups and platforms left, right and centre in the past 12 months.

In the past 15 months, BlackRock has signed up 25 dealer groups, including Professional Investment Services (PIS), Count Financial, AFS and now Citigroup. Spokesman Cormac Hefernan said they have 12 more in the pipeline which they hope to finalise by the end of this year.

Jim Carideo, head of Citigroup Wealth Advisors, which manages \$18 billion in client assets under management, said it took them more than eight months of research and negotiations before finally choosing BlackRock's SMA, which is underpinned by Praemium's technology.

Citigroup's US business already has an SMA product but Carideo said they are using the BlackRock version locally because Australia's tax treatment on share investments is different.

"We're utilising BlackRock and Praemium because of the differences in tax reporting and Praemium is without question the leader in that area," he said.

The Citigroup-badged SMA will now be available to over 100 dealer groups that are existing clients as well as those who use Citigroup's own financial advisory network.

"It's probably a big selling point for them because we know that the clients they are dealing with already deal with SMAs. They're more tax efficient," said Carideo.

There will be nine portfolios initially available, four of which are Citigroup products, although Carideo said they will be adding more soon, including "international equities" type portfolios.

Praemium's national sales and market manager Warren Gibson said they now have the facility to trade "international equities" via an SMA, one of the challenges when they first collaborated with BlackRock (then Merrill Lynch Investment Management) more than a year ago.

Adding to that, while SMAs are best known as tax-savvy vehicles, many financial planners argue that they don't provide enough options to cater for their broad clientele and that SMAs are not available on wraps or platforms.

But the industry players are listening with ShareInvest now available as a wrap product and BlackRock SMA, which started with only five model portfolios, now expanded to 44 investment options plus a margin lending facility.

One gripe is the fee. At present, clients don't pay a fixed fee but multiple fees including the model portfolio fee, the admin fee and if using a planner, the planner fee. The question becomes, will the after-tax returns more than justify the rubbery structure where fees could be anything from less than 0.5 per cent to more than two per cent of the client's money?

BlackRock's Hefernan said, "This has always been the issue where a client asks, well, 'how much better is it than a managed fund' and the answer is 'it depends'. But the benefits are overwhelmingly positive from an after-tax basis and because you can get an SMA at the same price of a managed fund."

The minimum investment for the Citigroup-badged SMA is \$50,000. "I would say our target is higher than that but we want to make it available to the average investor because we feel that it's the more efficient way for them to invest," said Carideo.

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